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1Q2019 Results Presentation

Unaudited financial information

17 May 2019

Highlights – NOVO BANCO “Recurrent”

Positive income before taxes of €85.4 million, which highlights a recovery achieved from the figure reported for the whole of 2018 (€2.2 million), as a result of the continued focus in the domestic and Iberian business and in new commercial initiatives.

Commercial Banking Income increased by 14.1% backed by the evolution of net interest income, which increased by 33.4%, due to the optimisation measures concluded in 2018, namely those related with the reduction of cost of funding.

Highlights – NOVO BANCO “Recurrent”

The commercial dynamism was reflected in the **0.6% increase in net customer loans** in NOVO BANCO Recurrent.

Increase in off-balance sheet funds, which **grew by 7.6%** comparing to December 2018, leading to the diversification of the funding structure.

The larger involvement of the Bank with the convenience and simplification, as exemplified by the **new model for account opening through the digital mobile key**, an innovation in Portugal.

Highlights – NOVO BANCO “Legacy”

Maintenance of the divestment strategy, with **non-performing loans* decreasing by €308 million** comparing with the end of 2018.

Three operations of sale of non-performing assets are underway, namely project **NATA II** (sale of NPLs), project **Sertorius** (real estate) and project **Albatroz in Spain** (NPLs and real estate).

Income before taxes of NOVO BANCO Legacy, impacted by the provisions for restructuring, and for the project of sale of non-performing assets in Spain (project Albatroz), was negative in €142.0 million.

NOVO BANCO Legacy total assets reduced by 0.3% as a consequence of the divestment of assets with higher risk (loans to customers, securities and real estate), while GNB Vida remained classified as assets for sale.

Highlights – NOVO BANCO Combined*

Liquidity at comfortable levels, with loan to deposit ratio of 90% and capital markets access re-established.

DBRS Rating considered that there was an **improvement in NOVO BANCO's risk profile**, and in 2019, it **upgraded the long term ratings of the Bank**, from which it should be highlighted the upgrade of the long term deposits rating to BB (low) from B at the end of 2018. DBRS maintains a **positive trend for all the long term ratings and for the subordinated debt** of NOVO BANCO.

In combined terms, NOVO BANCO posted a **loss of €93.1 million in the 1Q2019, in line with the Strategic Plan and the commitments made to the European Authorities.**

NOVO BANCO “Recurrent”

Income before Taxes amounts to €85.4mn

- **Positive Income before Taxes of +€85.4mn**, which highlights the recovery achieved from the income of €2.2mn for the whole of 2018.
- **Commercial Banking Income amounts to €187.8mn, +14.1% than in 1Q2018.**
 - **Net Interest Income grows +33.4%** driven by the optimisation measures implemented, namely those related to the reduction in the cost of funding;
 - **Fees and Commissions contributed with €71.4mn**, down 7.7% from 1Q2018.
- **Capital Markets Results were positive in €31.3mn** reflecting the gains on the sale and revaluation of securities, in particular sovereign debt securities.
- **Operating Costs show a year-on-year (YoY) change of +0.8% (+€1.0mn).**
- **Net Operating Income increased 0.8%.**
- **Net impairments and provisions reduced 8.0%** with credit provision charge of €22.3mn (+€6.4mn YoY).

Income Statement (€mn)	1Q2018*	1Q2019	Change %
Net Interest Income	87.2	116.4	33.4%
+ Fees and Commissions	77.4	71.4	(7.7%)
= Commercial Banking Income	164.6	187.8	14.1%
+ Capital Markets Results	41.5	31.3	(24.5%)
+ Other Operating Results	15.0	3.9	(74.1%)
= Banking Income	221.1	223.0	0.8%
- Operating Costs	115.2	116.2	0.8%
= Net Operating Income	105.9	106.8	0.8%
<i>Core Operating Income**</i>	49.4	71.6	44.9%
- Net Impairments and Provisions	23.4	21.5	(8.0%)
= Income before Taxes	82.6	85.4	3.4%

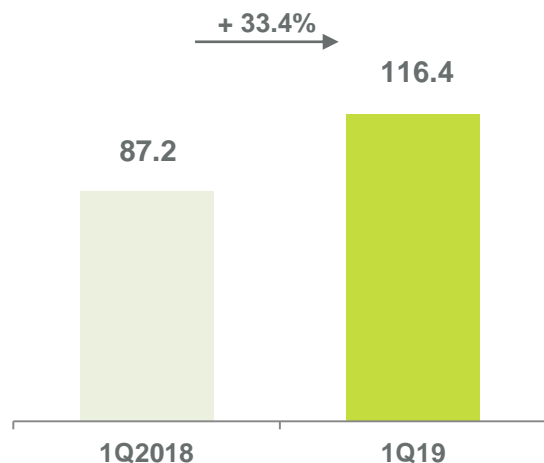
* Data as at 31 December 2017 was restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

** Commercial Banking Income minus Operating Costs.

NOVO BANCO “Recurrent”

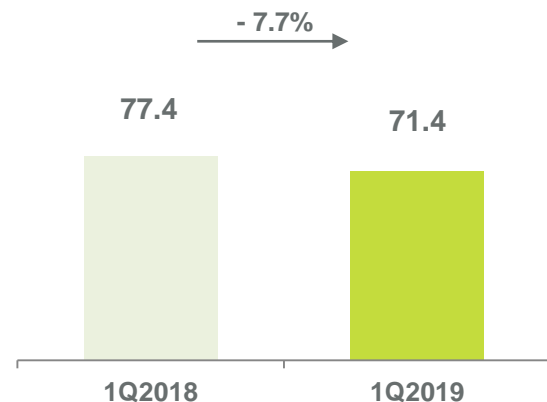
Net interest Income increases by 33.4% YoY

Net Interest Income (NII, €mn)



- In 1Q2019, NII increased by 33.4% reflecting the optimisation measures implemented in 2018, namely those related to the reduction in the cost of funding.

Fees and Commissions (€mn)



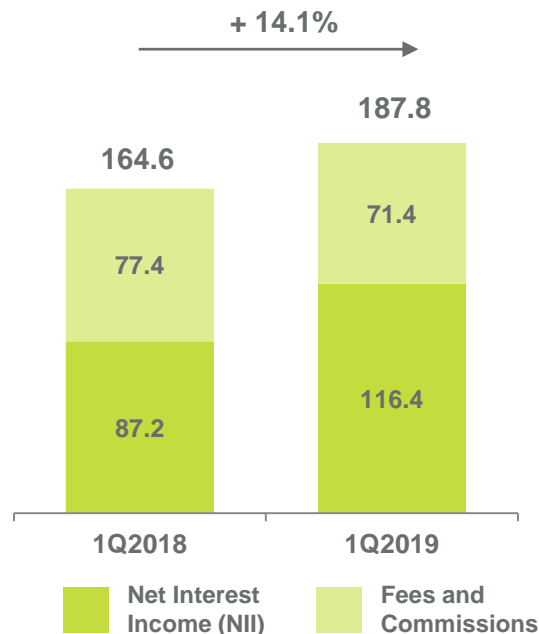
- Fees and Commissions on banking services contributed €71.4mn to the results (down by 7.7% from 1Q2018).

NOVO BANCO “Recurrent”

Commercial Banking Income increases 14.1%

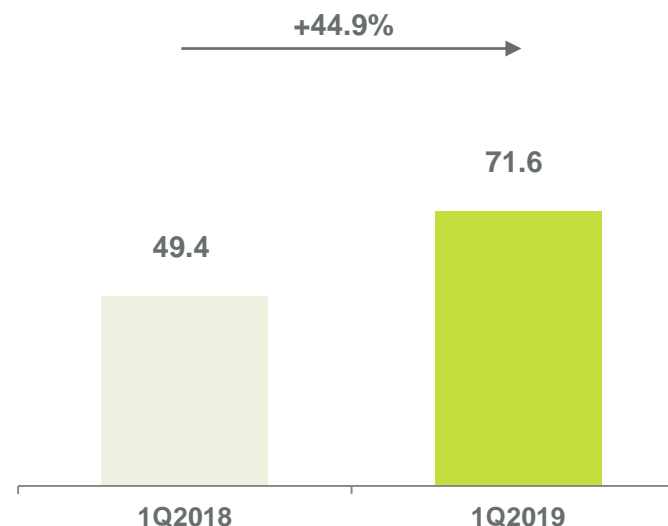
Core Operating Income* increases 44.9% comparing with 1Q2018

Commercial Banking Income (€mn)



- Commercial Banking Income increased 14.1% with NII increasing 33.4% reflecting the optimisation measures implemented in 2018, namely those related to the reduction in the cost of funding.

Core Operating Income* (€mn)

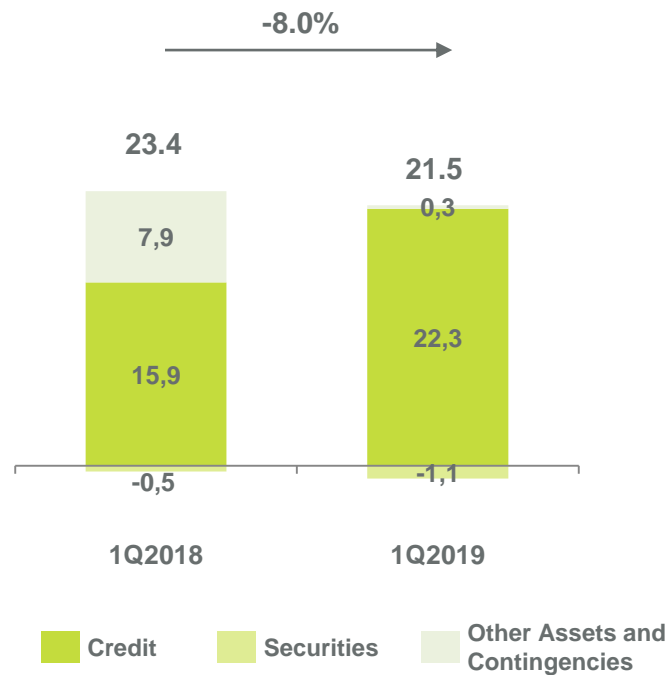


- Core operating income (Commercial banking income – Operating costs) increases by 44.9% (€22.2mn) compared to 1Q2018, with the Commercial Banking Income (+14.1% YoY) to contribute to this growth.

NOVO BANCO “Recurrent”

Provisions decreased 8.0% YoY

Provisions (€mn)



- Provision and impairments presented a reduction of 8.0%, with the credit provision charge of €22.3 million (+€6.4 million).

NOVO BANCO “Recurrent”

Customer loans increased by 0.6% in 1Q2019

Assets (€mn)	2018	1Q2019	Change %
Loans and advances to banks	1,102	672	(39.0%)
Customer loans	22,465	22,595	0.6%
Securities	9,380	9,481	1.1%
Real estate	374	403	7.8%
Discontinued operations	-	-	-
Other assets	4,295	4,855	13.0%
Total	37,616	38,006	1.0%



- Assets increased by €390mn (+1.0%). Net customer loans grew by 0.6%.
- The non-performing loans ratio* was 5.6% and the respective coverage ratio was 48.7%.

NB “Legacy”

Income Statement reflects the process of deleveraging non-strategic assets

- The Income before Taxes was negative by €140.2mn, influenced by:
 - reinforcement of impairments for legacy customers (+€55.4mn);
 - provision for the restructuring (+€36.2mn);
 - impairments for the project of sale of non-performing assets in Spain (project Albatroz: +€35.2mn).
- Income before taxes reflects a reduction of €161.3mn compared to the income registered in the 1st quarter 2018 (+€19.3mn). A major factor to this development was the increase of impairments and provisions in 1st quarter 2019 and the positive impact in 2018 of the discontinuing activities (GNB Vida: +€51.2mn).

Income Statement (€mn)	1Q2018	1Q2019	Change %
Net Interest Income	19.7	8.4	(57.4%)
+ Fees and Commissions	1.3	0.8	(36.5%)
= Commercial Banking Income	21.0	9.2	(56.1%)
+ Capital Markets Results	(2.3)	(3.4)	(47.7%)
+ Other Operating Results	21.8	(13.4)	-
= Banking Income	40.5	(7.6)	-
- Operating Costs	6.8	4.1	(38.7%)
= Net Operating Income	33.7	(11.8)	-
- Net Impairments and Provisions	14.4	130.3	-
= Income before Taxes	19.3	(142.0)	-

NB “Legacy”

Legacy assets reduced by 0.3% in 1Q2019

Assets (€mn)	2018	1Q2019	Change %
Loans and advances to banks	299	305	2.0%
Customer loans	2,289	2,164	(5.5%)
Securities	1,613	1,590	(1.4%)
Real estate	1,661	1,590	(4.3%)
Discontinued operations	4,090	4,277	4.6%
Other assets	706	702	(0.6%)
Total	10,658	10,628	(0.3%)

- **NB Legacy assets reduced by 0.3% compared with December 2018**, and it is worth mentioning the reduction in the net Customer loans portfolio and in real estate by circa €125mn (-5.5%) and €71mn (-4.3%), respectively.
- **The non-performing loans ratio* was 89.9%**, with the respective **coverage ratio by impairments standing at 63.1%**.

NOVO BANCO combined 1Q2019 Consolidated Results

- **Net loss of €93.1mn**, in line with the forecast:
 - The 1Q2019 net income does not compare adequately with the 1Q2018 net income, given that the later included a positive effect due to classification of GNB Vida as discontinued activity (+€51.2mn).
- **Core Operating Income** increased by 20.5%:**
 - **Commercial Banking Income reached €197.0mn** (+6.1% YoY), supported by the **increase in the net interest income** (+16.7%) and a **net interest margin in 1Q2019 of 1.26%** (0.92% in 1Q2018).
 - **Operating Costs decreased by 1.3% YoY** underpinned by improvements made in terms of simplifying processes and streamlining the structure.

Income Statement (€mn)

	1Q2018*	1Q2019	Change %
Commercial Banking Income	185.5	197.0	6.1%
+ Capital Markets Results and Other Op. Results	76.1	18.5	-
= Banking Income	261.6	215.4	(17.7%)
- Operating Costs	121.9	120.3	(1.3%)
= Net Operating Income	139.7	95.1	(31.9%)
<i>Core Operating Income **</i>	63.6	76.7	20.5%
- Net Impairments and Provisions	37.8	151.8	-
= Income before Taxes	101.9	(56.6)	-
- Corporate Income Tax	3.9	8.1	-
- Special Tax on Banks and Non-Controlling Interests	27.7	28.5	-
= Net Income	70.4	(93.1)	-

Note: NOVO BANCO consolidated data.

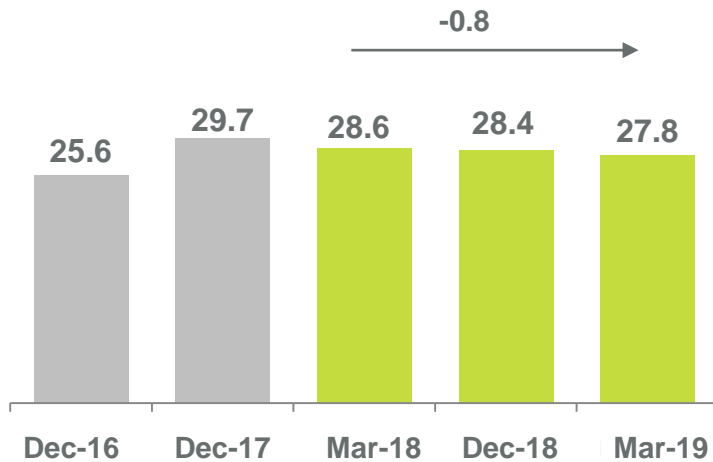
* Restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

** Commercial Banking Income minus Operating Costs.

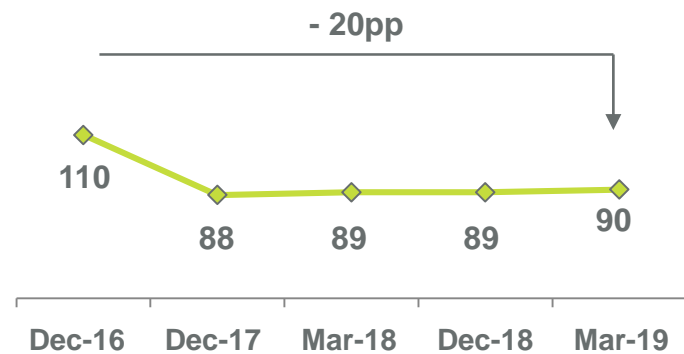
NOVO BANCO combined

Deposits reflect the strategic decisions

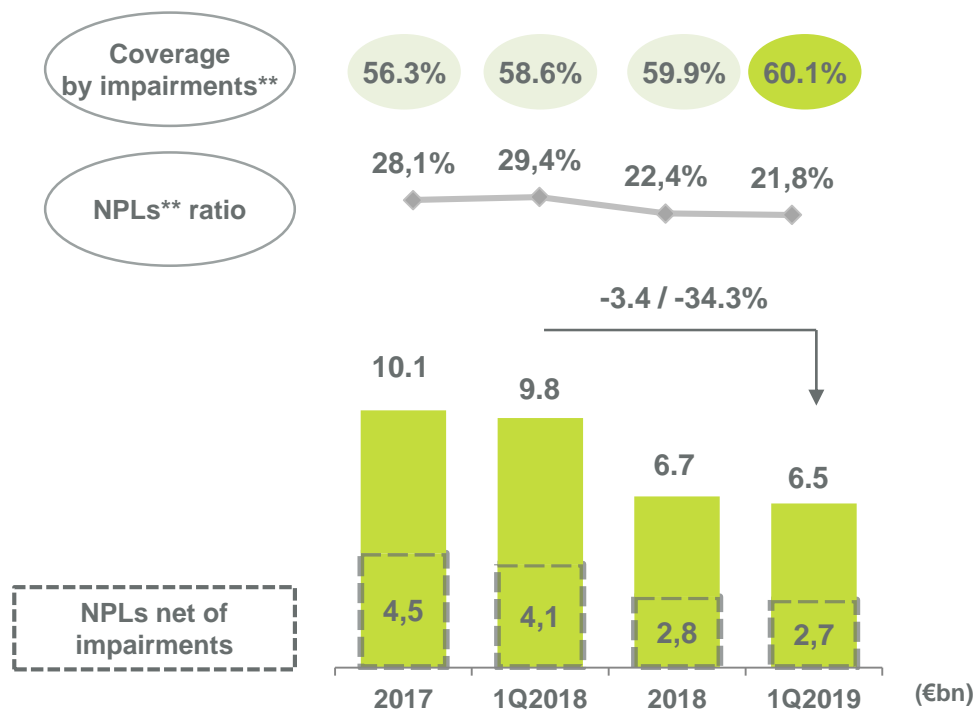
Deposits¹ (€bn)



Loan to deposit ratio¹ (%)



NOVO BANCO combined Non-Performing Loans *



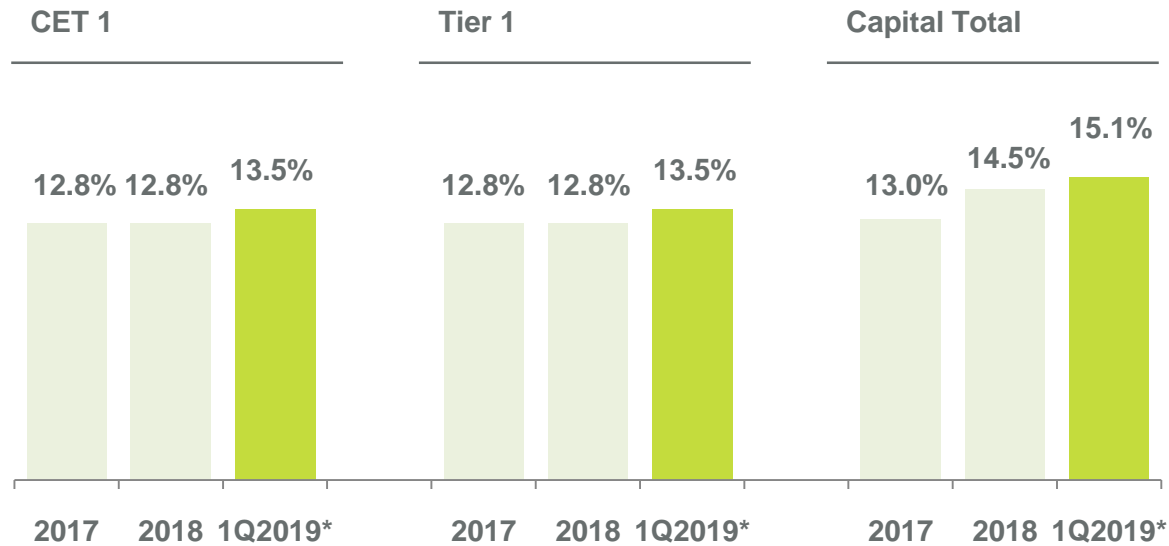
- €3.4bn reduction in *Non-Performing Loans* (NPLs*) from €9.8bn in 1Q2018 to €6.5bn in 1Q2019, and with a coverage of NPLs * by impairments of 60.1% (+1.5pp than in 1Q2018).
- NPLs* ratio improved 7.6pp from 1Q2018 to 21.8%.

Note: NOVO BANCO consolidated data

* including cash and deposits with banks and loans and advances to banks. *NPLs as Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.*

** *Coverage by impairments: coverage of the NPLs (gross) by impairments. NPLs Ratio: NPLs (gross) / Customer Loans (gross) + Cash and deposits with banks and loans and advances to banks (gross)*

NOVO BANCO combined Capital Ratios evolution



- As at 31 March 2019, **NOVO BANCO** complied with all capital ratios required by the European Central Bank (ECB) under the Supervisory Review and Evaluation Process (SREP).
- **NOVO BANCO**'s Common Equity Tier 1 (CET1) and Tier 1 ratios are protected up to the amount of losses already recorded on the assets included in the Contingent Capital Agreement (CCA).

1Q2019 Main Highlights:

- ✓ **Commercial Banking Income** ⁽¹⁾ increases by **14.1%** to €187.8mn;
 - ✓ **Core Operating Income** ⁽¹⁾ increases by **44,9%** to €71.6mn;
 - ✓ **Income before taxes** ⁽¹⁾ of **€85.4mn** comparing with **€2.2mn** registered in FY2018;
 - ✓ **0.6%** increase in net **Customer loans** ⁽¹⁾;
 - ✓ **Off-Balance sheet funds** ⁽¹⁾ grew **7.6%** comparing to Dec-2018;
 - ✓ **NPLs** ⁽²⁾⁽³⁾ ratio decreases to **21,8%** (29,4% in Mar-2018). **Three operations of sale of non-performing assets are underway: project NATA II (sale of NPLs), project Sertorius (real estate) and project Albatroz in Spain (NPLs and real estate);**
 - ✓ **Total Capital Ratio** ⁽²⁾ of **15.1%** compared to 14.5% in Dec-2018;
 - ✓ **401 branches** at the end of **1Q2019** (-72 than in 1Q2018);
 - ✓ **5,070 employees** at the end of **1Q2019** (-379 than in 1Q2018).
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Disclaimer

This document may include some statements related to the NOVO BANCO Group that do not constitute a statement of financial results or other historical information. These statements, which may include forward-looking statements, targets, objectives, forecasts, estimates, projections, expected cost savings, statements regarding possible future developments or results of operations, and any forward-looking statement that includes statements such as "believes", "expects", "aims or intends", "may" or similar expressions, constitute or may constitute forward-looking statements.

By their nature, forward-looking statements are inherently predictive, speculative, and involve risk and uncertainty. There are many factors that can lead to results and developments that differ materially from those expressed or implied in forward-looking statements. These factors include, but are not limited to, changes in economic conditions in countries where the NOVO BANCO Group has operations, tax or other policies adopted by various governments or regulatory entities in Portugal and in other jurisdictions, levels of competition from other banks or financial entities, and future exchange rates and interest rate levels.

NOVO BANCO expressly disclaims any obligation or commitment to make any forward-looking review included in this document to reflect any event or change in future circumstances occurring after the date hereof

This document contains unaudited information for 2018 and 1st Quarter 2019.

Additional note: The following definitions are applied in this document:

€mn: million of euro; €bn: billion of euro; pp: percentage points; bps: basis points; YoY: year-on-year.



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