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1H2019 Results

Unaudited financial information

2 August 2019

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Highlights

Portuguese Economy

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Results and activity in 1H2019

Summary

Appendix: Balance Sheet and Income Statement

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1H2019 Highlights:

- ✓ **Growth of recurrent loan volumes (+3.1%; +€713 million), building on the positive trend achieved in the first quarter of 2019 (+0.7%; +€168 million), with increases in both retail and corporate portfolios, reflex of normalization of the activity**
 - ✓ Corporate +3.1%; Residential Mortgage +3.1%; Consumer and other +2.9%
 - ✓ **Progress to sustainable profitability**
 - ✓ Recurrent net income €113.4mn (Jun.18: €28.6mn); Recurrent net interest income €236.0 million (Jun.18: €188.5mn)
 - ✓ **Continued focus on costs control while investing in our network and digitally enabled Bank**
 - ✓ Recurrent operating costs €235.9mn (Jun.18: €231.6mn)
 - ✓ **Ongoing progress in reducing non-performing exposures**
 - ✓ Reduced non-performing loans in €471mn (-7.0%) and real estate assets in €478mn (-23.5%)
-

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Note prepared in July 2019

MAIN ECONOMIC THEMES

- Economic activity accelerated in Q1 2019. GDP grew 0.5% QoQ and 1.8% YoY, after 0.4% QoQ and 1.7% YoY in Q4 2018, with resilient domestic demand.
- The unemployment rate stood at 6.6% in May 2019 (average 7% in 2018). Tourism activity still strong, but decelerating. House price growth still solid (9.2% YoY in Q1 2019).
- S&P upgraded Portugal's rating from BBB- to BBB in March 2019. DBRS revised the outlook for its BBB rating from "stable" to "positive". Fitch kept its BBB rating, but also improved the outlook to "positive". Baa3 rating by Moody's.
- 10Y PGB yield at 0.43%, with spread vs. Bund around 80 bps.

OUTLOOK

- The expansion of economic activity is expected to proceed in 2019, although at a lower pace. We see annual GDP around 1.6% in 2019. Domestic demand should remain the main contributor to GDP growth.
- Activity should be supported by improving financing conditions, resilient exports' growth, gradual stabilisation of the banking sector, strong growth in tourism and stronger public and private investment.
- The economy remains vulnerable to negative external shocks. Growth remains constrained by high indebtedness levels and by ongoing adjustments in the banking sector.

PUBLIC AND EXTERNAL ACCOUNTS

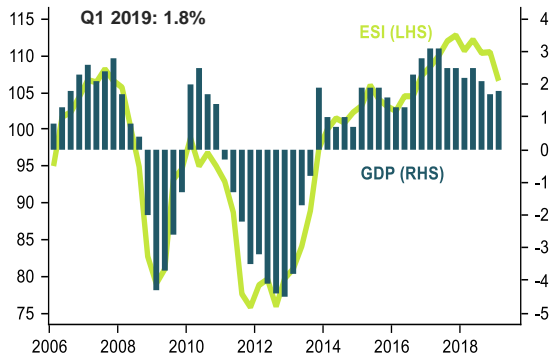
- After 3% of GDP in 2017 (0.9% excluding one-offs, e.g. public recapitalisation of CGD), the budget deficit fell to 0.5% in 2018 and is expected to fall further to 0.2% in 2019.
- The primary balance is estimated at around 3% of GDP (surplus) in 2018-19. Public debt expected to fall from 121.5% to close to 119% of GDP in 2019.
- Stronger domestic demand is translating into a higher trade deficit in goods (still compensated by a surplus in services).
- The external balance surplus fell from 1.1% to 0.2% of GDP in 2018. Net external debt at 89% of GDP in Q4 2018, down from 91.7% of GDP in 2017.

MAIN RISKS

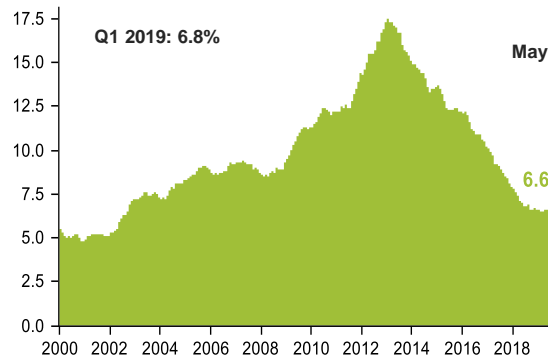
- Deterioration of investor sentiment associated with financial market instability. Market correction, with negative confidence effects. Political shocks: hard Brexit, trade wars (US-China, US-EU), rising support for populist and nationalist political parties in Europe.
- Euro Area growth disappoints. Difficulties in achieving further structural fiscal consolidation, preventing further improvements in sovereign ratings.
- Stronger than expected growth could come from a benign growth scenario in Europe, with favourable outcomes from political risks and expansionary fiscal policies.

Portuguese Economy – Highlights

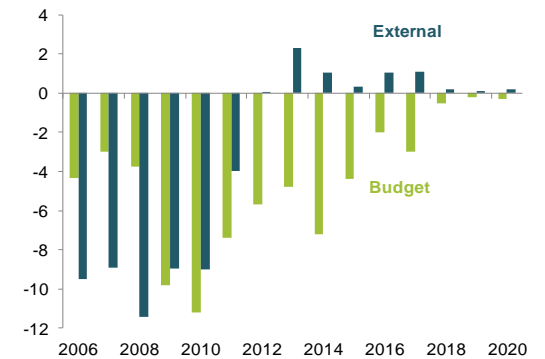
Economic Sentiment Indicator vs. GDP growth (% YoY).



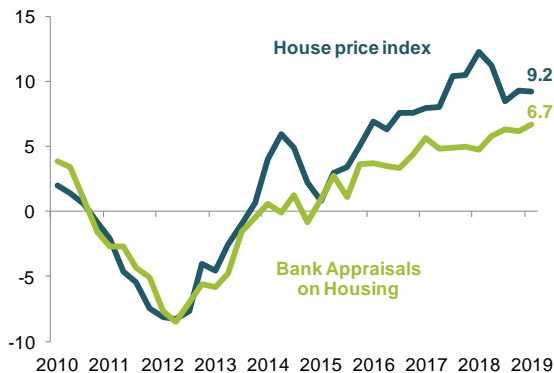
Unemployment rate (% of labour force).



Budget and external balances (% GDP).



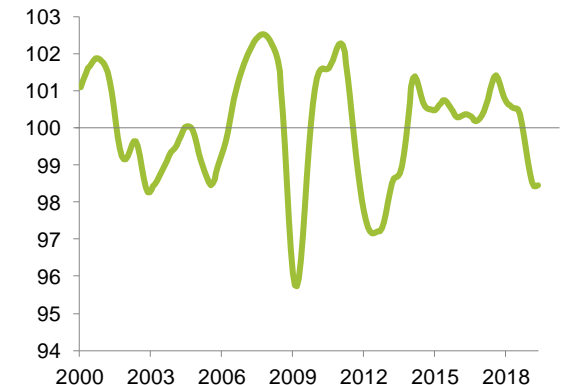
House Price Index (% YoY).



PGB 5Y and 10Y yields (%).



OECD leading indicator ⁽¹⁾ (long term = 100)



(1) Based on domestic and export order books, industrial production, share prices and unfilled job vacancies. **Sources:** INE, European Commission, Bank of Portugal, Bloomberg, OECD, NB Economic Research.

Portuguese Economy – Main economic indicators 2013-2020

Annual growth rates (%), except where indicated	2013	2014	2015	2016	2017	2018	2019 ^F	2020 ^F
GDP	-1.1	0.9	1.8	1.9	2.8	2.1	1.6	1.3
Private Consumption	-1.2	2.3	2.3	2.4	2.3	2.5	1.8	1.3
Public Consumption	-2.0	-0.5	1.3	0.8	0.2	0.8	0.5	0.4
Investment	-5.1	5.1	6.4	1.8	9.2	5.6	6.3	3.9
Exports	7.0	4.3	6.1	4.4	7.8	3.7	3.5	2.9
Imports	4.7	7.8	8.5	4.7	8.1	4.9	4.3	3.4
Inflation (%)	0.3	-0.3	0.5	0.6	1.4	1.0	1.0	1.3
Budget Balance (% GDP)	-4.8	-7.2*	-4.4	-2.0**	-3.0***	-0.5	-0.2	-0.3
Public Debt (% GDP)	129.0	130.6	128.8	129.2	124.8	121.5	119.0	115.2
Unemployment (% Labour Force)	16.2	13.9	12.4	11.1	8.9	7.0	6.5	6.3
Current & Capital Account Balance (% GDP)	2.3	1.0	0.3	0.5	1.1	0.2	0.1	0.2

* Excluding one-off operations (e.g. Recapitalisation of Novo Banco (EUR 4.9 bn), SOE financing, BPN Crédito write-offs, tax credits to investment , severance payments to public sector workers), the deficit in 2014 stood at 3.6% of GDP. ** Excluding one-offs (e.g. recapitalisation of Banif), the deficit reached 3% of GDP. *** Includes one-off measures, mainly related to CGD recapitalisation. Without these measures, the deficit would be 0.9%.

F: Forecast.

Sources: INE, Bank of Portugal, Ministry of Finance, NB Economic Research.

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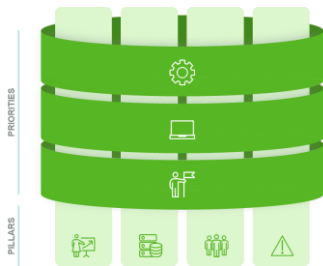
Summary

Appendix: Balance Sheet and Income Statement

Glossary

NOVO BANCO – Strategic Objectives

NOVO BANCO's present strategy is intended to build the capabilities and create the necessary conditions for the bank to transition from turnaround to growth.



The strategy develops around three strategic priorities and four pillars.

Strategic priorities:

- **Optimise** the Bank's core activity, while meeting all regulatory requirements, in particular commitments with DG Comp.
- Evolve the Bank's **digital** footprint based on the latest technological advancements.
- Develop **differentiation** factors that distinguish NOVO BANCO from its competitors.

Strategic Pillars

- Evolve the **distribution model** to reflect customer trends and preferences.
- **Process, systems and data** modernization by adopting best in class technology, while evolving the Bank's "ways of working".
- Invest in **talent and merit** initiatives that enable staff to fulfil potential.
- Advance **risk management** to support the Bank's ambition and revised risk appetite.

NOVO BANCO – Strategic Objectives



The digital transformation program enables various strategic priorities and pillars.

Digital transformation objectives

- *Improve customer experience*
- *Innovate in the digital channels*
- *Amplify digital talent and capabilities*
- *Renew ways of working*

1H2019 Digital Victories

|| DIGITAL ACCOUNT OPENING WITH “MOBILE DIGITAL KEY” ONLINE

|| ONLINE PERSONAL LOANS

(online loans to accounts with more than one account holder and easy online usage)

|| REQUEST FOR BANK GUARANTEES VIA DIGITAL CHANNELS

(domestic and international guarantees and in different currencies)

|| REVISED DIGITAL AUTHENTICATION

- ***Simplified confirmation*** for low risk transactions and certified beneficiaries.
- ***Biometric (or PIN) + SMS OTP*** for high risk transactions.

|| NEW SET OF NB SMART APP FEATURES

- ATM withdrawals without a card
- Mobile transfers between customers

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NOVO BANCO “Recurrent”

Net Income amounts to €113.4mn

- **Positive Net Income of +€113.4mn** (€28.6mn in the 1H2018), reflecting the continuing focus on the core domestic and Iberian banking business.
- **Commercial Banking Income amounts to €386.7mn, +12.1%** than in 1H2018.
 - **Net Interest Income grows to €236.0mn** driven by the optimisation measures implemented, in 2018;
 - **Fees and Commissions contributed with €150.7mn.**
- **Capital Markets Results were positive in €47.9mn** reflecting the gains on the sale and revaluation of securities, in particular sovereign debt securities.
- **Operating Costs totalling €235.9mn** reflecting continued cost control even as the Bank invests in its network and in creating a digitally enabled Bank.
- **Core Operating Income increased €37.5mn YoY to €150.8mn** at the end of 1H2019.

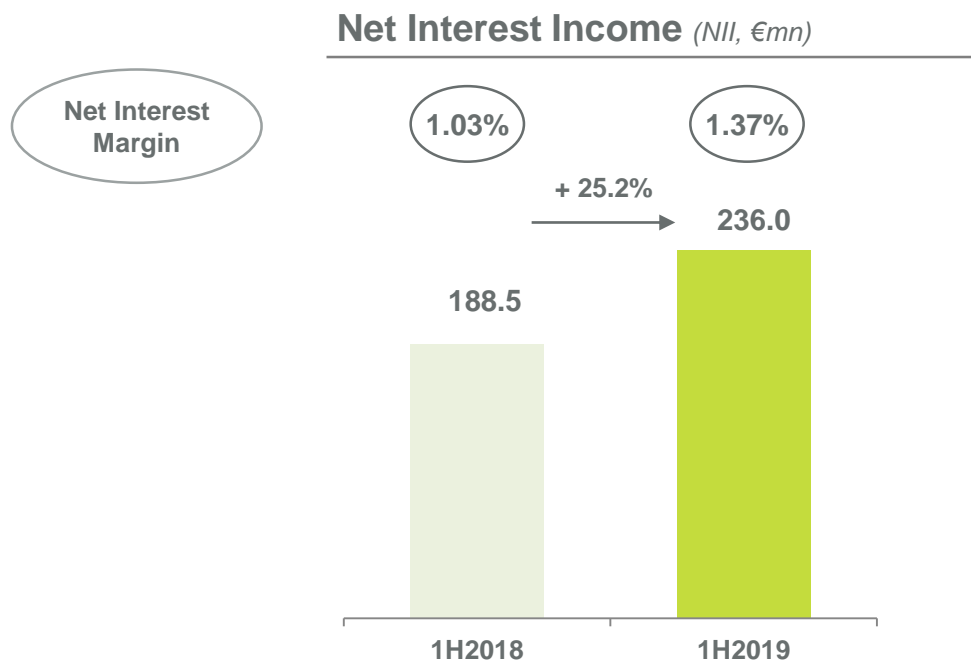
Income Statement (€mn)	1H2018*	1H2019	Change %
+ Net Interest Income	188.5	236.0	25.2%
+ Fees and Commissions	156.4	150.7	(3.7%)
= Commercial Banking Income	344.9	386.7	12.1%
+ Capital Markets Results	4.9	47.9	-
+ Other Operating Results	(4.4)	(20.8)	-
= Banking Income	345.4	413.9	19.8%
- Operating Costs	231.6	235.9	1.9%
= Net Operating Income	113.8	178.0	56.4%
<i>Core Operating Income**</i>	<i>113.3</i>	<i>150.8</i>	<i>33.1%</i>
- Net Impairments and Provisions	0.8	68.2	-
= Income before Taxes	113.1	109.7	(2.9%)
- Tax and Bank Levy	84.2	(5.5)	-
- Non-controlling interest	0.2	1.9	-
= Net Income for the Period	28.6	113.4	-

* Data 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 25.2% YoY



- In 1H2019, NIM increased to 1.37% (+34bps YoY), reflecting the liability management measures implemented in 2018 that led to a reduction in the cost of funding from 0.88% to 0.50%. The interest rate on assets decreased 8bps (from 1.98% to 1.90%), with the interest rate on customer loans standing at 2.30% (2.57% in the 1H2018) reflecting the competitive market in retail and corporate

NOVO BANCO “Recurrent”

Assets increased by 4.2% in 1H2019

	Jun-18*	Dec-18	Jun-19	mn€	
				YtD Change	
				absolute	relative
Customer loans	22 010	22 465	23 086	621	2.8%
Real estate	281	374	325	- 49	-13.1%
Other assets	16 818	14 777	15 793	1 016	6.9%
Total Net Assets	39 109	37 616	39 204	1 588	4.2%
Total Liabilities and Equity	39 109	37 616	39 204	1 588	4.2%

* Data as at 30 June 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

- **NOVO BANCO Recurrent** assets increased by 1,588M€ (+4.2%) with gross customer loans growing by 3.1%.

NOVO BANCO “Recurrent”

Customer loans increased by 3.1% in 1H2019



mn€

CUSTOMER LOANS	Jun-18*	Dec-18	Jun-19	YtD Change
Customer Loans (gross)	22 732	23 077	23 790	3.1%
Corporate	12 267	12 447	12 836	3.1%
Residential Mortgage	9 212	9 329	9 616	3.1%
Consumer finance and other	1 253	1 301	1 338	2.9%
Non-Performing Loans (NPL)**	1 385	1 309	1 383	5.6%
Impairment	721	612	704	15.0%
NPL Ratio**	5.5%	5.4%	5.6%	0.2 p.p.
NPL coverage**	52.0%	46.8%	50.9%	4.2 p.p.
Cost of Risk (bps)	31	17	56	39

- **Growth of recurrent loan volumes +3.1%:**

Corporate +3.1%; Residential Mortgage +3.1%; Consumer and other +2.9%

- reflex of the normalisation of the activity,
- and in a **competitive retail and corporate market**,
- while **maintaining focus on pricing discipline.**

NB “Legacy”

Income Statement reflects the process of deleveraging non-strategic assets

- **Net loss by €513.5mn**, influenced by losses related to the sale of assets in an amount of €340mn (projects Sertorius, Albatroz and GNB Vida).

Income Statement (€mn)	1H2018*	1H2019
+ Net Interest Income	32.5	26.5
+ Fees and Commissions	2.6	1.6
= Commercial Banking Income	35.2	28.1
+ Capital Markets Results	(11.2)	(37.7)
+ Other Operating Results	(4.5)	(82.5)
= Banking Income	19.5	(92.1)
- Operating Costs	12.6	7.2
= Net Operating Income	6.8	(99.3)
- Net Impairments and Provisions	247.6	446.7
= Income before Taxes	(240.8)	(546.0)
- Taxes and Bank Levy	0.0	(16.6)
- Non-controlling interest	0.0	(15.9)
= Net Income for the Period	(240.8)	(513.5)

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

NB “Legacy”

Legacy assets reduced by 6.6% in 1H2019

	Jun-18*	Dec-18	Jun-19	mn€	
				YtD Change	
				absolute	relative
Customer loans	3 159	2 289	2 089	- 200	-8.7%
Real estate	2 080	1 661	1 232	- 429	-25.8%
Other assets	7 147	6 708	6 634	- 74	-1.1%
Total Net Assets	12 386	10 658	9 955	- 703	-6.6%
Total Liabilities and Equity	12 386	10 658	9 955	- 703	-6.6%

* Data as at 30 June 2018 restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017

- NB Legacy assets reduced by 6.6% compared with December 2018, underpinned by reductions in the net loan book of -€200mn (-8.7%) and in real estate assets of -€429mn (-25.8%).

NOVO BANCO combined 1H2019 Consolidated Results

- **Net loss of €400.1mn that reflects the combined €113.4 million gain in recurrent activity with a €513.5 million loss in legacy activity resulting from the successful deleveraging of non-performing assets (negative impact of €340 million related to projects Sertorius, Albatroz in Spain, and the sale process of GNB Vida)**
- **Core Operating Income** increased by 26.4%:**
 - **Commercial Banking Income reached €414.8mn (+9.1% YoY), supported by the increase in the net interest income (+18.8%) and a net interest margin in 1H2019 of 1.30% (0.96% in 1H2018).**
 - **Operating Costs decreased by 0.4% YoY underpinned by improvements made in terms of simplifying processes and streamlining the structure.**

Income Statement (€mn)	1H2018*	1H2019	Change %
+ Net Interest Income	221.0	262.5	18.8%
+ Fees and Commissions	159.0	152.3	(4.2%)
Commercial Banking Income	380.1	414.8	9.1%
+ Capital Markets Results	(6.3)	10.2	-
+ Other Op. Results	(8.9)	(103.3)	-
= Banking Income	364.9	321.8	(11.8%)
- Operating Costs	244.2	243.1	(0.4%)
= Net Operating Income	120.7	78.7	(34.8%)
Core Operating Income **	135.9	171.7	26.4%
- Net Impairments and Provisions	248.4	514.9	-
= Income before Taxes	(127.7)	(436.3)	-
- Tax and Bank Levy	84.3	(22.2)	-
- Non-controlling interest	0.2	(14.0)	-
= Net Income	(212.2)	(400.1)	(88.5%)

Note: NOVO BANCO consolidated data.

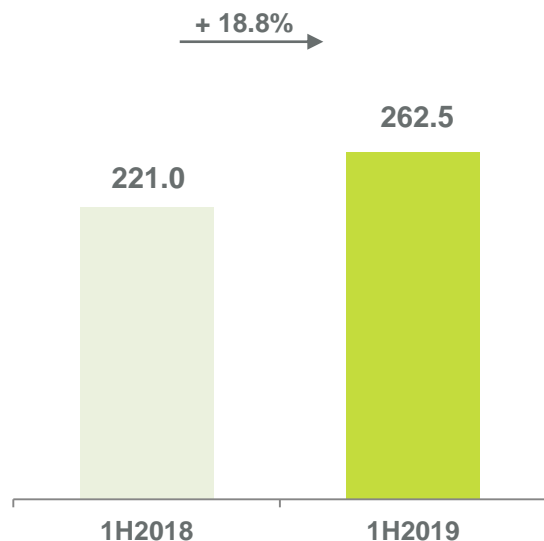
* Restated to reflect the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

** Commercial Banking Income minus Operating Costs.

NOVO BANCO combined

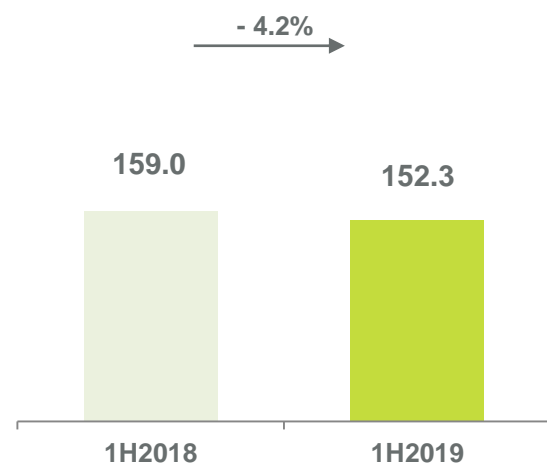
Net interest Income increases 18.8% YoY

Net Interest Income (NII, €mn)



- 1H2019 NII increased by 18.8% 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 €152.3 million to the results (down by 4.2% from 1H2018).

NOVO BANCO combined

Net Interest Margin* improving reflecting the positive contribution of the optimisation measures implemented in 2018

€mn

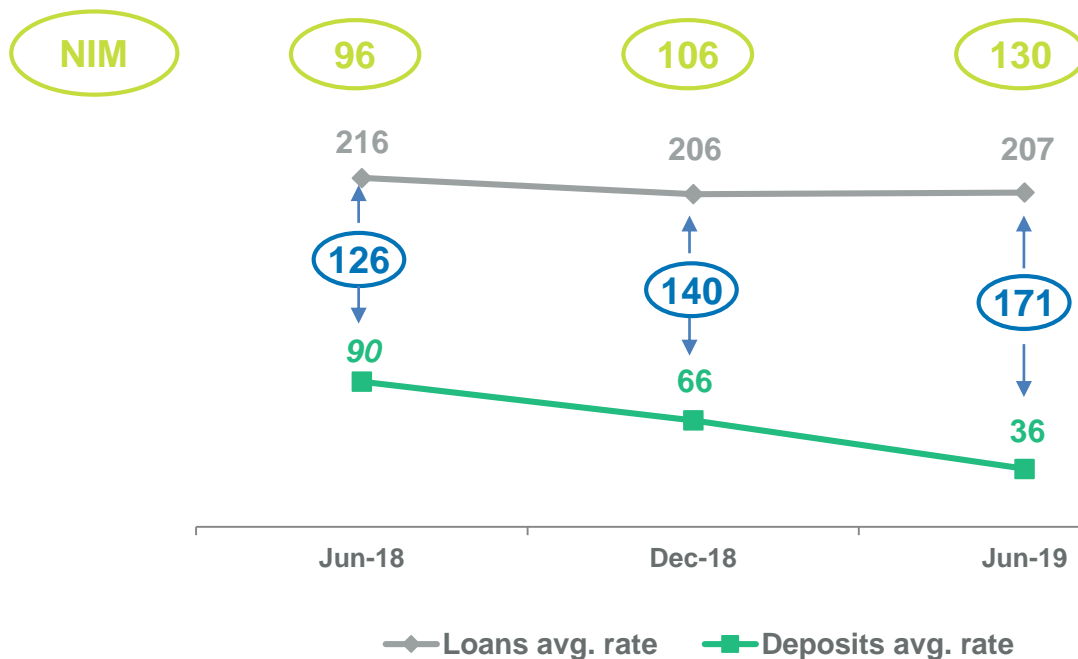
NET INTEREST INCOME AND NET INTEREST MARGIN	1H2018			2018			1H2019		
	Average Balance	NII	Avg Rate	Average Balance	NII	Avg Rate	Average Balance	NII	Avg Rate
INTEREST EARNING ASSETS	42,276	385	1.84%	42,285	752	1.75%	40,049	367	1.82%
Loans to Customers	31,089	333	2.16%	30,722	643	2.06%	28,776	299	2.07%
Money Market Placements	2,658	12	0.95%	2,610	22	0.83%	1,367	9	1.36%
Securities and Other Assets	8,529	39	0.93%	8,952	87	0.95%	9,906	59	1.18%
INTEREST EARNING ASSETS & OTHER	42,276	385	1.84%	42,285	752	1.75%	40,049	367	1.82%
INTEREST BEARING LIABILITIES	38,248	171	0.90%	38,404	284	0.73%	37,727	100	0.53%
Customer Deposits	28,844	128	0.90%	28,836	194	0.66%	27,931	50	0.36%
Debt Issued and Others	1,082	27	5.05%	1,098	64	5.73%	1,073	36	6.72%
Money Market Funding and derivatives	8,322	16	0.38%	8,470	26	0.30%	8,724	13	0.30%
Other non-interest bearing liabilities	4,027	-	-	3,881	-	-	2,322	-	-
INTEREST BEARING LIABILITIES & OTHER	42,276	171	0.82%	42,285	284	0.66%	40,049	100	0.50%
NII / NIM (before Stage 3 impairment)		214	1.02%		468	1.09%		267	1.33%
Stage 3 impairment		-12	-		-14	-		-5	-
NII / NIM		202	0.96%		454	1.06%		262	1.30%

NIM: Net Interest Margin; NII: Net Interest Income

NOVO BANCO combined

Net Interest Margin* improving reflecting the performance in the main financial assets: decrease of the average deposits interest rate and the change in the loan average interest rate

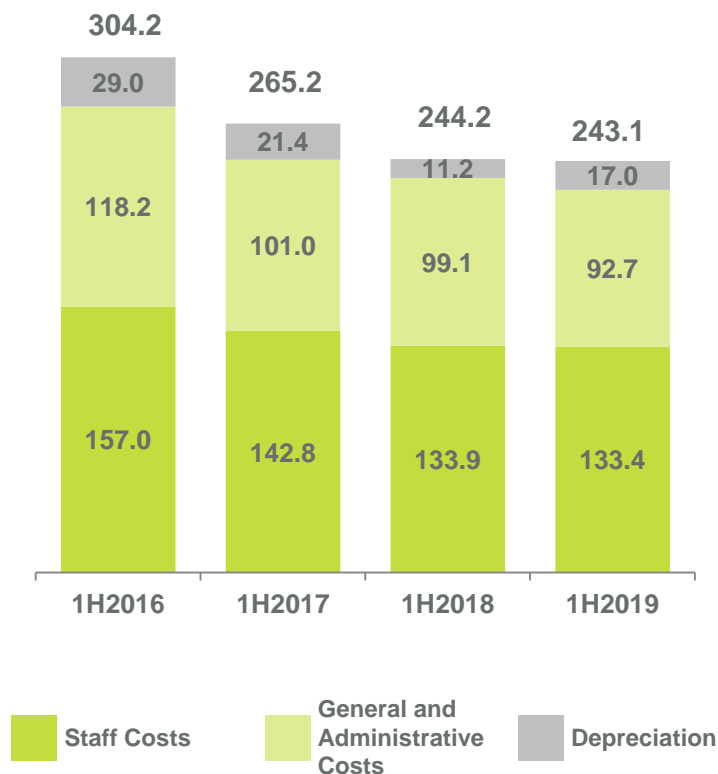
Average Rates and Net Interest Margin (bps)



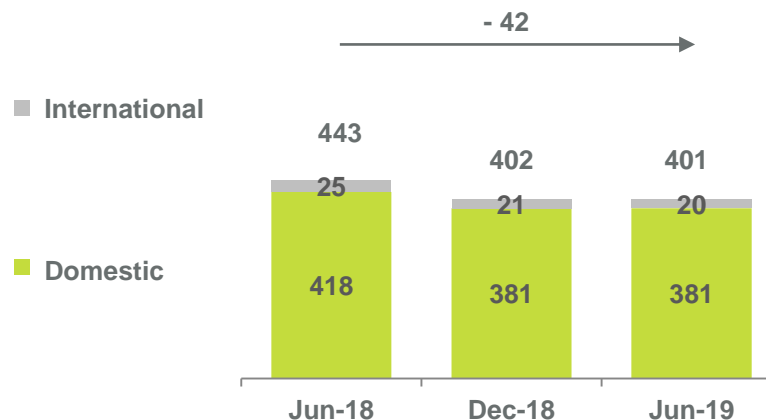
* NOVO BANCO consolidated data: considers NOVO BANCO "Recurrent" activity and NB "Legacy". NIM after stage 3 impairment. NIM before stage 3 impairment of 102bps in 1H2018, 109bps in 2018 and 133bps in 1H2019.

NOVO BANCO combined Operating Costs continue to decrease in the 1H19 reflecting the restructuring implemented

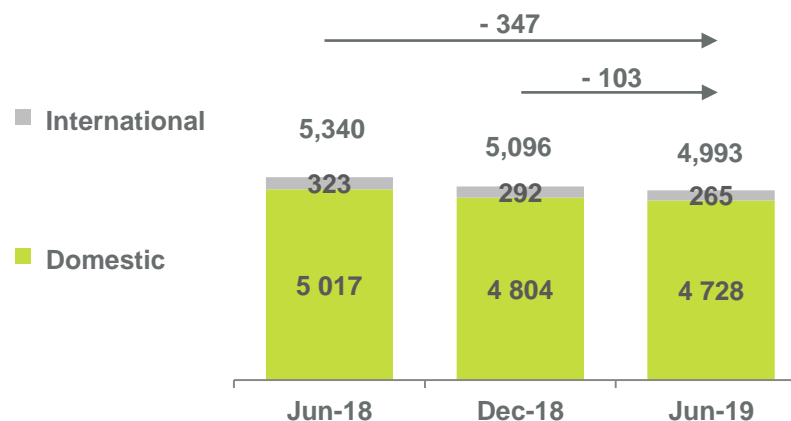
Operating Costs (€mn)



Branch Network



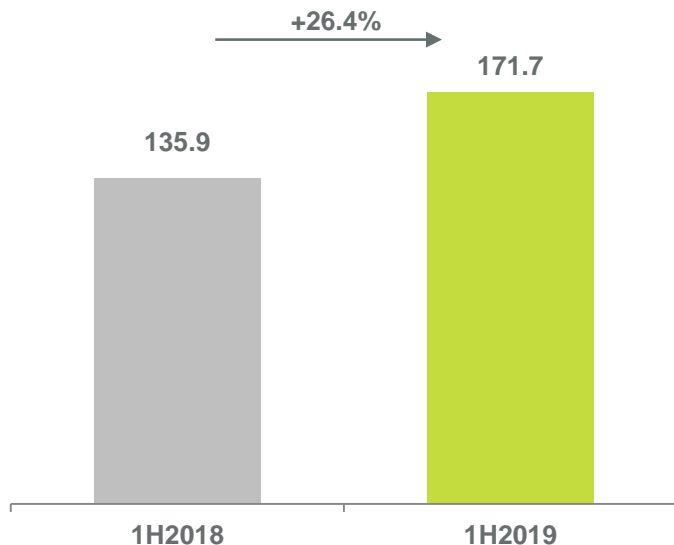
Employees



NOVO BANCO combined Core Operating Income grew by 26.4% YoY

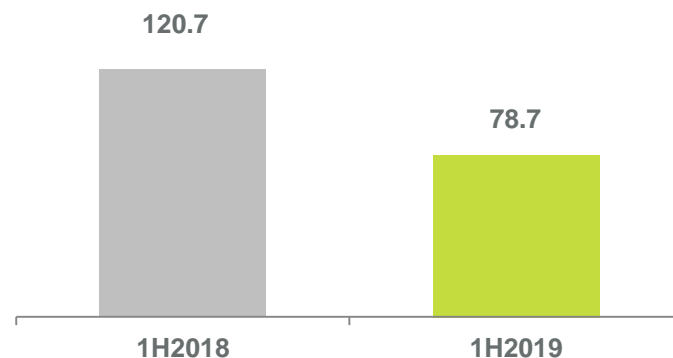
Core Operating Income

(Commercial Banking Income – Operating Costs, € million)



Net Operating Income

(Banking Income – Operating Costs, € million)



- Core operating income increasing YoY by 26.4% driven by the Commercial Banking Income increase of 9.1% and decreasing operating costs (-0.4%).
- Positive Net Operating Income (before provisions and taxes) of €78.7mn, but reflecting the negative impact of the restructuring and deleveraging of non-productive assets.

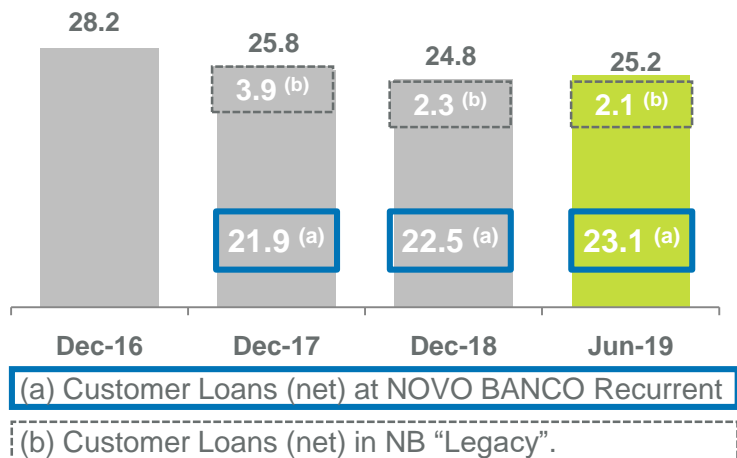
NOVO BANCO combined Consolidated Balance Sheet

Assets (€mn)	Dec-18	Jun-19	YtD Change		Liabilities and Equity (€mn)	Dec-18	Jun-19	YtD Change	
			absolute	relative				absolute	relative
Loans and advances to banks	1 401	1 407	6	0.5%	Due to central banks and banks	8 356	8 705	350	4.2%
Customer loans	24 754	25 175	421	1.7%	Customer deposits	28 350	27 821	- 529	-1.9%
Securities	10 875	12 505	1 631	15.0%	Debt securities	1 104	1 114	10	0.9%
Non-current assets held for sale (incl. discontinued operations)	4 092	4 239	147	3.6%	Non-current assets held for sale (incl. discontinued operations)	4 438	4 626	188	4.2%
Current and deferred tax assets	1 203	990	- 213	-17.7%	Other liabilities	2 104	2 683	579	27.5%
Other assets	5 949	4 843	-1 106	-18.6%	Total Liabilities	44 352	44 949	597	1.3%
Total Assets	48 274	49 159	885	1.8%	Equity	3 922	4 210	288	7.3%
					Total Liabilities and Equity	48 274	49 159	885	1.8%

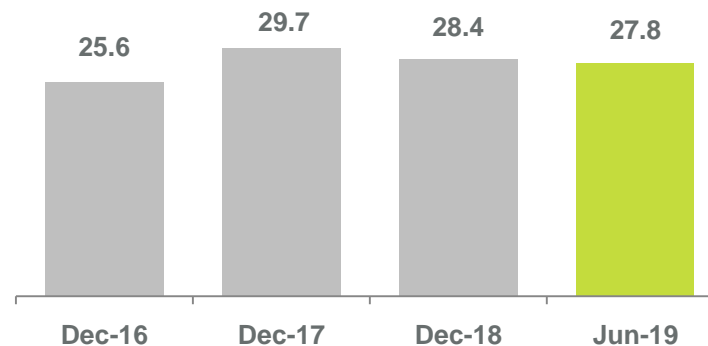
- Customer loans growth by 1.7% YtD notwithstanding the NPL decrease of €471mn
- Deposits (56.5% of Total Funding) decrease slightly by 1.9% reflecting the reduction in pricing and offer of Off Balance Sheet products that grew 9.9% YtD:
- Ratings upgraded by Moody's Investor Service, notably the Long-Term Deposits rating to B2 (from Caa1), and by DBRS Rating GmbH to BB (low) (from B (high)), assigning a positive outlook to all long-term ratings.

NOVO BANCO combined Comfortable liquidity position

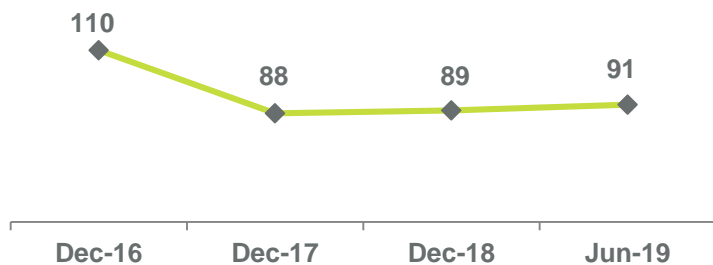
Net Loans (€ billion)



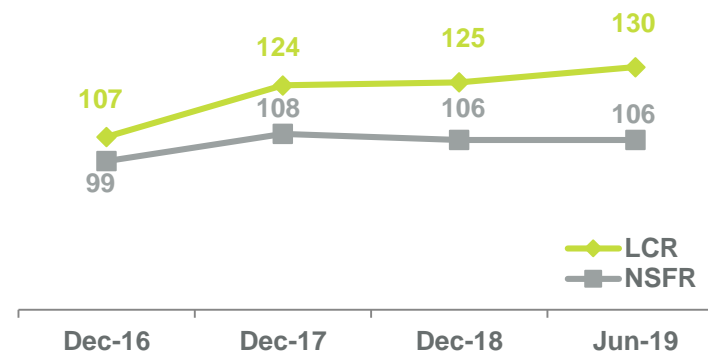
Customer Deposits (€ billion)



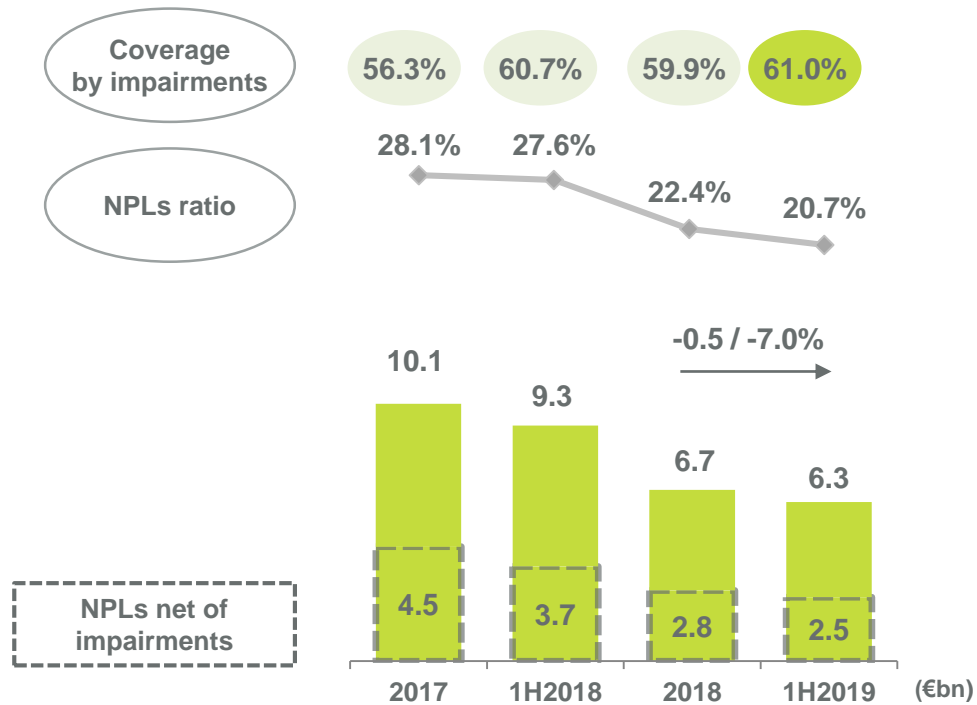
Loan to Deposit Ratio (%)



Liquidity Ratios ⁽¹⁾ (%)

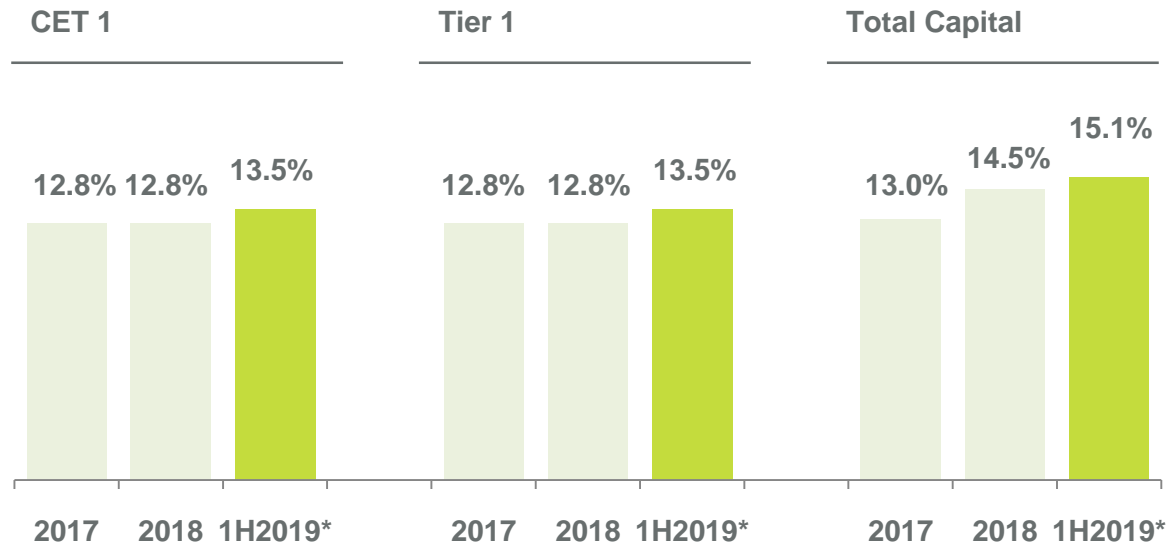


NOVO BANCO combined Asset quality reflecting the deleveraging strategy



- *Non-Performing Loans (NPLs)* decreased €0.5bn comparing to Dec-2018 to €6.3bn in the 1H2019, and with a coverage of NPLs by impairments of 61.0%.
- NPLs ratio improved 6.9pp from 1H2018 to 20.7%.

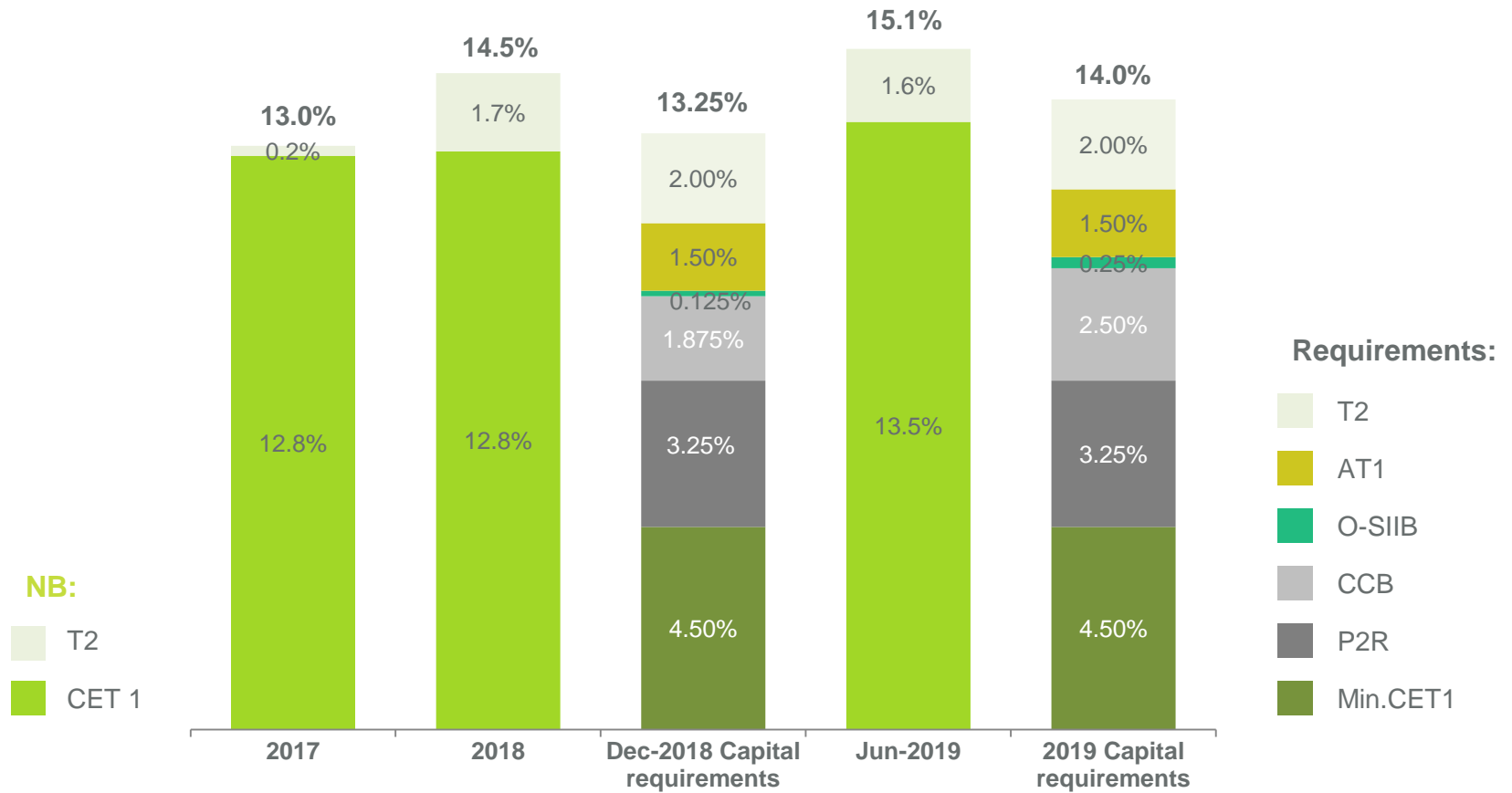
NOVO BANCO combined Capital Ratios evolution



- As at 30 June 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).

NOVO BANCO combined Capital Position

Consolidated Total Capital position vs Requirements



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Appendix: Balance Sheet and Income Statement

Glossary

1H2019 Summary:

- ✓ **Growth of recurrent loan volumes (+3.1%) with increases in both in retail and corporate portfolios, reflex of the normalization of the activity;**
 - ✓ **Sustainable profitability: Net income +€113.4mn ⁽¹⁾ (Jun.18: +€28.6mn); Net interest income €236.0mn (Jun.18: €188.5mn). Net interest margin of 1.37% ⁽¹⁾ (1.03% in 1H2018);**
 - ✓ **Continued focus on costs control while investing in our network and digitally enabled Bank;**
 - ✓ **Ongoing progress in reducing non-performing exposures: NPLs decreased by €471mn⁽²⁾ and real estate assets by €478mn⁽²⁾;**
 - ✓ **Total Capital Ratio ⁽²⁾ of 15.1% compared to 14.5% in Dec-2018;**
-

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Appendix: Balance Sheet and Income Statement

Glossary

Awards and Market Recognition

*Best
Trade Finance Bank
Award*



*Best
Sub-Custodian Bank
Award*



- #1 Best Overall Forecaster – Eurozone
- #2 Best Overall Forecaster – Portugal
- #1 GDP Forecaster – Portugal
- #1 Interest Rate Forecaster – Portugal
- #1 Fiscal Balance Forecaster – Portugal



*2019 Best Domestic
Euro Bond Fund
GNB GA
NB Obrigações Europa
FIMAO*



- Melhor Outro Fundo de Obrigações
NB Euro Bond
- Melhor Fundo PPR com Risco 3
NB PPR
- Melhor Fundo de Pensões Aberto com Risco 2
Multireforma Capital Garantido
- Melhor Fundo de Pensões Aberto com Risco 3
Multireforma

Consolidated Balance Sheet

<i>(mn€)</i>	30 Jun.19	31 Dec.18	30 Jun.19	31 Dec.18	
Cash and deposits with central banks	720	702	Deposits from central banks	6,537	6,410
Deposits with other banks	287	276	Financial liabilities held for trading	597	493
Securities held for trading	501	257	Deposits from other banks	2,169	1,945
Derivatives held for trading	442	516	Due to customers	28,285	28,695
Loans and advances to banks	401	423	Debt securities issued	682	689
Loans and advances to customers	25,175	24,754	Financial liabilities related to transferred assets	44	44
Securities portfolio	12,004	10,617	Derivatives held for risk management purposes	66	36
Derivatives held for risk management purposes	81	71	Liabilities of discontinued operations	4,626	4,438
Non current assets held for sale	2	2	Provisions	402	426
Assets of discontinued operations	4,239	4,092	Current tax liabilities	15	12
Investment properties	872	1,098	Deferred tax liabilities	7	6
Other tangible assets	200	142	Subordinated debt	432	415
Intangible assets	10	5	Other liabilities	1,088	741
Investments in associated companies	94	119	Total Liabilities	44,949	44,352
Current tax assets	3	7	Share capital	5,900	5,900
Deferred tax assets	987	1,197	Reserves and retained earnings	(1,326)	(600)
Other assets	3,143	3,996	Net income for the period	(400)	(1,413)
Total Assets	49,159	48,274	Non-controlling interests	36	35
			Total Equity	4,210	3,922
			Total Liabilities and Equity	49,159	48,274

Consolidated Income Statement

<i>(mn€)</i>	30 Jun.2019	30 Jun.2018*
Net Interest Income	262.5	221.0
Dividend income	6.1	8.0
Fee and Commission income	174.2	184.3
Fee and Commission expense	(27.4)	(30.7)
Net gains / (losses) from financial assets at fair value through profit or loss	(69.3)	(55.0)
Net gains / (losses) from assets at fair value through profit or loss mandatory	(16.0)	24.8
Net gains / (losses) from financial assets at fair value through other comprehensive income	67.3	31.1
Net gains / (losses) from foreign exchange revaluation	22.5	22.5
Net gains / (losses) from sale of other assets	5.0	4.2
Other operating income and expense	(132.3)	(77.9)
Operating Income	292.3	332.3
Staff costs	(133.4)	(133.9)
General and administrative costs	(92.7)	(99.1)
Depreciation and amortisation	(17.0)	(11.2)
Provisions and impairments	(430.9)	(271.8)
Sale of subsidiaries and associates	0.0	1.0
Results from associated companies consolidated by equity method	1.0	3.5
Income before taxes	(464.7)	(155.8)
Corporate income tax		
Current tax	(11.1)	(6.4)
Deferred tax	60.5	(50.5)
Income from continuing activities	(415.4)	(212.9)
Income from discontinued operations	1.3	0.8
Net income for the period	(414.1)	(212.0)
Non-controlling interests	14.0	(0.2)
Net income attributable to the shareholders of the Bank	(400.1)	(212.2)

Glossary (1/3)

GLOSSARY

Income Statement

Fees and Commissions	Fee and commission income less fee and commission expense.
Commercial Banking Income	Net interest income and fees and commissions.
Capital Markets Results	Dividend income, net gains / (losses) from financial assets and liabilities at fair value through profit or loss, net gains / (losses) from available-for-sale financial assets, net gains / (losses) from foreign exchange revaluation, and net gains / (losses) on the revaluation of liabilities.
Other Operating Results	Other operating income and expenses, disposal of subsidiaries and associated companies, and results from associated companies consolidated by the equity method.
Banking Income	Net interest income, fees and commissions, capital markets results and other results.
Operating Costs	Staff costs, general and administrative expenses and depreciation and amortisation.
Net Operating Income	Banking Income - operating costs.
Net Provisions	Provisions net of reversals, impairment losses on loans net of reversals, impairment losses on other financial assets net of reversals and impairment losses on other assets net of reversals.

Balance Sheet / Liquidity

Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as nontradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
Due to customers Banco de Portugal Instruction n. 16/2004	Amounts booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
Total Customer Funds	Deposits, other customer funds, debt securities placed with clients and off-balance sheet customer funds.
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.

Glossary (2/3)

Asset Quality and Coverage Ratios

Overdue Loans ratio	Ratio of overdue loans to total credit.
Overdue Loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue Loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue Loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of Risk	Ratio of credit risk impairment charges accounted in the period to gross customer loans.
Non-performing loans	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.
Non-performing loans ratio	Ratio of non-performing loans to the sum of total credit and cash and deposits with banks and Loans and advances to banks
Non-performing loans coverage ratio	Ratio of impairment on customer loans (on balance sheet) to non-performing loans.

GLOSSARY

Efficiency and Profitability Ratios

Efficiency (Staff Costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Efficiency (Operating Costs / Banking Income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.

Glossary (3/3)

Designations and abbreviations

NB	NOVO BANCO
NBG	NOVO BANCO Group
YTD	Year-to-date
YoY	Year-on-Year
ECB	European Central Bank
QE	Quantitative Easing
NIM	Net Interest Margin
€ , EUR	euro
€mn	millions of euro
€bn	billions of euro
bps	basis points
p.p.	percentage points

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.

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



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