

**NOVO BANCO GROUP ACTIVITY AND RESULTS****1st quarter 2016**

(Unaudited financial information)

**HIGHLIGHTS****Results**

- Net operating income of EUR 78.9 million (more 152.1% compared to the quarterly average of 2015), corresponding to 63% of the 2015 full year net operating income (EUR 125.0 million), demonstrates the recovery capacity of NOVO BANCO Group's activity.
- Commercial banking income of EUR 210.9 million, underpinned by net interest income growth of 24.9% comparing with quarterly average of 2015, that confirms its increasing contribution to the improvement of revenues.
- Capital markets results reached EUR 27.3 million.
- Operating Costs registered a sharp reduction of -17.8% compared to the quarterly average of 2015, to EUR 155.2 million, driven by the cost-cutting effort undertaken by the Group, namely through the simplification and improvement of processes and the optimisation of the operational and commercial structures.
- Provisions totalled EUR 348.2 million, including a EUR 109.6 million provision for the costs of the ongoing restructuring process.
- The 1Q16 net consolidated results were a loss of EUR -249.4 million, influenced (i) on the negative side, by the referred provision for restructuring costs and the recognition of the full annual amount of the Special Tax on Banks and (ii) on the positive side by the non recognition on a monthly basis of the cost of the contribution to the Portuguese Resolution Fund. Excluding these effects the quarter's results would be a loss of EUR -140.1 million.

**Activity**

- NOVO BANCO is the third largest bank in Portugal by assets and a benchmark in financing the Portuguese corporate. At the end of 1Q16 total assets were ca. EUR 56.0 billion, a reduction of EUR 1.6 billion (-2.7%) relative to December 2015 that is in line with the ongoing balance sheet deleveraging process. Customer loans contracted by EUR 2.2 billion in the quarter, though not

impacting the support provided to the small and medium-sized exporting companies. A considerable part of this reduction (EUR 1.4 billion) resulted from the transfer of BES Vénétie and NB Asia to assets from discontinued operations. In retail banking the 1Q16 average monthly production of consumer loans grew by 36% compared to the average monthly production in 2015 and in residential mortgage the average monthly production increased by 53%.

- ✦ Retail banking deposits continued to increase in the 1Q16 (+EUR 44 million), reflecting the recovery of retail clients' confidence in the Group (and despite the slide of household savings to historically low levels), reaching its highest level since the incorporation of NOVO BANCO (EUR 18.1 billion).
- ✦ Customer deposits were down by EUR 2.2 billion (-8.1%) in 1Q16 (BES Vénétie and NB Asia explain 0.4 billion of this reduction), driven by the decrease in large corporate and institutional clients' deposits influenced by the pricing reduction that made the offer in this segment less competitive and by the repercussions of the re-transfer of five senior bond issues to BES's perimeter. Following this transfer, in early January 2016 Moody's and DBRS rating agencies downgraded the long-term deposit ratings of NOVO BANCO, leading some large institutional and corporate clients to reduce their deposits with NOVO BANCO.

### **Liquidity and Capital Management**

- ✦ The loan to deposit ratio decreased to 115% (119% on 31 March 2015), while funding from the European System of Central Banks (ESCB) totalled EUR 8.0 billion on 31 March 2016, up by EUR 0.9 billion on the end of 2015.
- ✦ The estimated phased-in Common Equity Tier 1 ratio was 12.4% on 31 March 2016 (10.7% under the full implementation regime applicable as from 1 January 2018). The change relative to 31 December 2015 reflects on the risk-weighted assets the continuation of the deleveraging effort, and on the own funds, the negative results reported and the effect of the change of year in the transitional regime.

### **Asset Quality**

- ✦ The Overdue Loans > 90 days / Gross Loans ratio was 15.1%, with the corresponding provision coverage standing at 110.8%. The Provisions for Credit / Gross Loans ratio was 16.7%.
- ✦ Credit at risk accounted for 23.0% of the loan book and the respective provision coverage increased to 72.6%.
- ✦ Provisions for non-current assets held for sale represent 28.0% of these assets' gross value (27% on December 2015).

## **RESTRUCTURING PLAN**

The Board of Directors of NOVO BANCO has prepared a Restructuring Plan that was submitted to the European Commission at the end of 2015.

This Restructuring Plan, currently in implementation, was drawn up in close cooperation with Banco de Portugal. It comprises a set of measures, notably viewing concentration in banking, and retail and corporate activities in Portugal and Spain, divestment from non-strategic assets and a EUR 150 million reduction in recurring operating costs (excluding the restructuring costs) during 2016 through staff cuts of 1,000 employees and the downsizing of the distribution network to 550 branches.

## ***SIDE BANK***

As an integral part of the restructuring plan and as agreed between the Portuguese Government and the Directorate-General for Competition (DGCOM), a virtual division has been established between the strategic assets, defined as Core assets, and the non-strategic assets, which were included in a so-called Side Bank and are intended for gradual and orderly divestment, aiming organisational simplification and the preservation of NOVO BANCO Group's capital.

This exercise has determined that the value of non-strategic assets on 31 March 2016 was EUR 10.4 billion net of provisions (EUR 10.8 billion in December 2015). This includes international banking operations (EUR 1.8 billion), selected equity holdings (EUR 0.9 billion), real estate assets (EUR 2.5 billion), out of strategy loans (EUR 3.6 billion), participations in restructuring funds (EUR 1.2 billion) and other assets (EUR 0.4 billion).

Concerning these assets and the concept of a Side Bank it was established and agreed that (i) as a rule the exposure to such assets cannot increase, save in the case of a marginal increase to support preserving sale value, (ii) they should be sold, discontinued or liquidated but taking into account the maximisation of their value, viewing an estimated reduction in 2016 to an amount of or below EUR 9.0 billion.

## RESULTS

In 2016 NOVO BANCO Group is focused on consolidating its position in commercial banking, maintaining adequate liquidity and solvency levels, promoting the improvement of profitability and efficiency levels, simplifying processes and streamlining its organisational and functional structure.

Despite the constraints resulting from the sale process of NOVO BANCO, the Banco de Portugal's decision to re-transfer five senior bond issues to BES, with repercussions on customer funds, the still sluggish performance of the domestic economic activity and very low or even negative interest rates, NOVO BANCO Group reported positive net operating income of EUR 78.9 million at the end of the first quarter of 2016 (more 152.1% compared to the quarterly average of 2015).

Considering the bridge bank nature, still in stabilization, the results of 2015 showed a very high intra-annual volatility. For this reason, we chose to disclose also a comparative variation with the quarterly average of 2015, which evidences more adequately the dynamics of the activity of the bank.

INCOME STATEMENT	Eur million			
	1Q2015	Quarterly Average 2015	1Q2016	Change *
Net Interest Income	107.8	112.7	140.8	24.9%
+ Fees and Commissions	103.7	88.9	70.1	-21.1%
<b>= Commercial Banking Income</b>	<b>211.5</b>	<b>201.6</b>	<b>210.9</b>	<b>4.6%</b>
+ Capital Markets	94.8	29.5	27.3	-7.5%
+ Other Results	- 13.3	- 11.1	- 4.1	-63.1%
<b>= Banking Income</b>	<b>293.0</b>	<b>220.0</b>	<b>234.1</b>	<b>6.4%</b>
- Operating Costs	198.1	188.7	155.2	-17.8%
<b>= Net Operating Income</b>	<b>95.0</b>	<b>31.3</b>	<b>78.9</b>	<b>152.1%</b>
<b>- Net Provisions</b>	<b>175.1</b>	<b>264.5</b>	<b>348.2</b>	<b>31.6%</b>
Credit	99.9	184.8	185.5	0.5%
Securities	47.1	59.0	24.8	-58.0%
Other Assets and Contingencies	28.1	20.7	137.9	566.2%
<b>= Income before Taxes</b>	<b>- 80.1</b>	<b>- 233.2</b>	<b>- 269.3</b>	....
- Income Tax	5.6	7.7	- 49.9	....
- Special Tax on Banks	31.4	7.9	36.9	367.1%
<b>= Income after Taxes</b>	<b>- 117.2</b>	<b>- 248.8</b>	<b>- 256.3</b>	....
- Non-controlling Interests	0.6	- 3.7	- 7.0	....
<b>= Net Income</b>	<b>- 117.8</b>	<b>- 245.1</b>	<b>- 249.4</b>	....

\* compared to the quarterly average of 2015

The 1st quarter 2015 results were adjusted for the effects resulting from the application of IFRIC 21 to the Special Tax on Banks and the Contribution to the Portuguese Resolution Fund (full recognition of cost at the time of payment). Moreover, it should be noted that since the first quarter of 2015, the subsidiaries BICV (Cape Verde), BES Vénétie (France) and NB Asia (Macau) have been allocated to discontinued operations and the branches in New York, Nassau and Cape Verde were closed.

The Bank posted a net loss of EUR -249.4 million in the 1st quarter of 2016, influenced (i) on the negative side, by the provision for restructuring and the recognition of the full amount of the Special Tax on Banks and (ii) on the positive side, by the non recognition on a monthly basis of the cost of the contribution to the Portuguese Resolution Fund. Excluding these effects the quarter's results would be a loss of EUR -140.1 million.

Main points of the activity developed in the first quarter of 2016:

- banking income totalled EUR 234.1 million, with a 60% contribution from net interest income; capital markets results reached EUR 27.3 million; and other results were negative at EUR -4.1 million;
- operating costs decreased by -17.8% compared to the quarterly average of 2015, to EUR 155.2 million, underpinned by the improvements made in terms of simplifying processes and streamlining the structure;
- net operating income (before provision and impairment) was positive, at EUR 78.9 million;
- total provision charges of EUR 348.2 million include EUR 185.5 million for credit, EUR 109.6 million for restructuring costs and EUR 47.8 million for real estate.

## **Net Interest Income**

The performance of net interest income continued to be impacted by the decline in benchmark interest rates, which are mostly in negative ground, and the need to stabilise funding through customer funds. However, this objective was thwarted by the re-transfer of five senior bonds to BES in December 2015, which had as a consequence the downgrade of NOVO BANCO's long-term deposit ratings and in turn led to a reduction in the deposits of some large institutional and corporate clients.

Net interest income grew by 24.9% compared to the quarterly average of 2015, to EUR 140.8 million. This improvement not only reflects a lower level of accounting annulment of accrued overdue interest but also the positive impact of a higher reduction in the cost of liabilities of -41 bps (from 1.93% in Dec.15 to 1.52%) than the -13 bps in the interest rate on assets.

The net interest margin was 1.19%, underpinned by an average interest rate on financial assets of 2.72% and an average rate on liabilities of 1.52%, influenced by the decrease in the cost of deposits to 1.00% from 1.27% in December 2015, which compares with an annual average 3-month Euribor of -0.19%.

NET INTEREST INCOME AND NET INTEREST MARGIN	Eur million								
	1Q2015			2015			1Q2016		
	Average Balance	Avg Rate (%)	NII	Average Balance	Avg Rate (%)	NII	Average Balance	Avg Rate (%)	NII
INTEREST EARNING ASSETS	49 383	3.18%	387	48 694	2.85%	1 389	47 318	2.72%	320
Customer Loans	39 754	3.02%	296	38 829	2.80%	1 088	36 010	2.84%	255
Money Market Placements	3 101	1.07%	8	2 782	1.39%	38	2 683	2.30%	15
Securities and Other Assets	6 528	5.14%	83	7 083	3.71%	263	8 625	2.32%	50
OTHER NON-INTEREST EARNING ASSETS	650	-	-	-	-	-	-	-	-
<b>INTEREST EARNING ASSETS &amp; OTHER</b>	<b>50 033</b>	<b>3.13%</b>	<b>387</b>	<b>48 694</b>	<b>2.85%</b>	<b>1 389</b>	<b>47 318</b>	<b>2.72%</b>	<b>320</b>
INTEREST BEARING LIABILITIES	50 033	2.26%	279	47 455	1.98%	939	45 837	1.57%	180
Due to Customers	27 658	1.48%	101	27 773	1.27%	362	25 734	1.00%	65
Money Market Funding	10 015	0.53%	13	9 864	0.81%	80	12 212	0.38%	12
Other Liabilities	12 359	5.42%	165	9 818	5.15%	507	7 891	5.26%	103
OTHER NON-INTEREST BEARING LIABILITIES	-	-	-	1 239	-	-	1 481	-	-
<b>INTEREST BEARING LIABILITIES &amp; OTHER</b>	<b>50 033</b>	<b>2.26%</b>	<b>279</b>	<b>48 694</b>	<b>1.93%</b>	<b>939</b>	<b>47 318</b>	<b>1.52%</b>	<b>180</b>
<b>NIM/NII</b>		<b>0.85%</b>	<b>108</b>		<b>0.93%</b>	<b>451</b>		<b>1.19%</b>	<b>141</b>

The average rate on customer loans, the main component of financial assets (76.1%), was 2.84%. As to customer funds, the average balance of deposits was EUR 25.7 billion presenting an average interest rate of 1.00%.

The fact that benchmark interest rates remain close to zero or are even negative continues to pose an unprecedented challenge to the asset and liability management and to profitability.

## Fees and Commissions

Fees and commissions on banking services gave a positive contribution to results, amounting to EUR 70.1 million, which compares with the quarterly average of 2015 of EUR 88.9 million.

FEES AND COMMISSIONS	1Q2015	Quarterly Average 2015	1Q2016	Weight	
				Q.Av.2015	1Q2016
Payments and Account Management	24.2	23.7	22.6	24.3%	28.7%
Commissions on Loans, Guarantees and Similar	38.2	34.3	23.9	35.2%	30.4%
Asset Management and Bancassurance	22.5	19.9	16.9	20.4%	21.5%
Advising, Servicing and Other	27.5	19.7	15.3	20.1%	19.4%
<b>SUBTOTAL</b>	<b>112.4</b>	<b>97.6</b>	<b>78.7</b>	<b>100.0%</b>	<b>100.0%</b>
Costs with State Guarantees	-8.7	-8.7	-8.6		
<b>TOTAL</b>	<b>103.7</b>	<b>88.9</b>	<b>70.1</b>		

The reduction in fees and commissions, reflects the difficulties saddling the recovery of the Portuguese economy, namely due to the deleveraging of the private sector (families and businesses), and also NOVO BANCO's need to reduce the volume of its activity in certain sectors and regions.

In the activity of NOVO BANCO Group we stress the importance of the following:

- ✦ Support services to companies – including guarantees provided, documentary credits, and services related to loan management and other (approximately 30.4% of the total);
- ✦ Commissions on payment services (28.7% of the total) – cards and payment processing, namely cheques, transfers, payment orders, POS and ATMs, and also account management fees; and
- ✦ Bancassurance and asset management products, which accounted for approximately 21.5% of total fees and commissions.

Fees and commissions include the negative effect of the EUR 8.6 million fee paid by NOVO BANCO in connection to issuing of debt securities guaranteed by the Republic of Portugal.

At the beginning of January NOVO BANCO was considered the 'best trade finance bank' in Portugal by the *Global Finance* international magazine. Among the main criteria for this award were transaction volume, scope of global coverage, customer service, competitive pricing and innovative technologies made available to customers.

## Capital Markets and Other Results

Capital market results of EUR 27.3 million, which reflect a conservative investment policy, and were conditioned by the lacklustre performance on the sovereign bond market in the first quarter of 2016. The other operating results were negative on EUR -4.1 million.

## Operating Costs

Operating costs showed a reduction of 17.8% compared to the quarterly average of 2015, reflecting the ongoing implementation of optimisation and rationalisation measures, under which significant steps were made towards the simplification / downsizing of the organisational structure and processes.

Eur million				
OPERATING COSTS	1Q2015	Quarterly Average 2015	1Q2016	Change *
Staff Costs	101.1	99.4	81.4	-18.1%
General and Administrative Costs	74.8	71.3	58.7	-17.8%
Depreciation	22.1	17.9	15.1	-15.5%
<b>TOTAL</b>	<b>198.1</b>	<b>188.7</b>	<b>155.2</b>	<b>-17.8%</b>

\* 1Q2016 compared to the quarterly average of 2015

Staff costs decreased by -18.1%, to EUR 81.4 million, underpinned by reductions of 433 employees in NOVO BANCO and 1649 at the Group level compared to 31 December 2014 (of which 802 resulting from the sale of BES I and 224 from discontinued activities). The headcount reduction since 4 August 2014 was 1814 employees.

General administrative expenses dropped by 17.8% compared to the quarterly average of 2015, to EUR 58.7 million. This reduction, which occurred across all type of cost, reflects the rationalisation and streamlining policy under way.

The reduction in amortisation and depreciation is explained, among others, by the optimisation of IT investment, the rationalisation of equipment and works in leased buildings.

The contraction in operating costs also reflects the downsizing of the distribution network in line with the new business reality. In March 2016 NOVO BANCO had 625 branches, which is 50 units less than on December 2014.



## Provisions

In the first quarter of 2016 the NOVO BANCO Group reinforced provisions by EUR 348.2 million, the bulk of which was allocated to credit provisions.

	Eur million			
PROVISIONS	1Q2015	Quarterly Average 2015	1Q2016	Change *
Credit	99.9	184.8	185.5	0.5%
Securities	47.1	59.0	24.8	-58.0%
Other Assets and Contingencies	28.1	20.7	137.9	566.2%
<b>TOTAL</b>	<b>175.1</b>	<b>264.5</b>	<b>348.2</b>	<b>31.6%</b>

\* 1Q2016 compared to the quarterly average of 2015

The credit provision charge totalled EUR 185.5 million, improving the credit coverage ratio to 16.7%, from 13.3% in March 2015. Provisions for other assets and contingencies include EUR 109.6 million for restructuring costs and EUR 47.8 million for the devaluation of real estate assets.

## ACTIVITY EVOLUTION

### Funding

During 2015 the resumption of normal operating conditions and the consolidation of the relationship with the clients positively influenced the recovery of funding based on retail customer funds, resulting in a more balanced and stable funding structure.

Deposits totalled EUR 25.1 billion in the first quarter of 2016, having dropped by EUR 2.2 billion (-8.1%) relative to December 2015 for the reasons already pointed out. It is worth noting that since this reduction was sharper in the large depositors, with retail deposits remaining relatively stable, in terms of liquidity the quality of the deposit base increased. In addition EUR -0.4 billion relates to the transfer of BES Vénétie and NB Ásia to assets being discontinued.

TOTAL CUSTOMER FUNDS	31-Mar-15	31-Dec-15	31-Mar-16	Eur million	
				YTD Change	
				absolute	relative
Deposits	27 959	27 364	25 145	-2 219	-8.1%
Other Customer Funds <sup>(1)</sup>	832	218	286	68	30.7%
Debt Securities placed with Clients	1 824	1 331	1 095	- 236	-17.8%
Life Insurance Products	5 526	5 388	5 196	- 192	-3.6%
Off-Balance Sheet Funds	7 289	5 642	5 628	- 14	-0.2%
<b>Total Customer Funds</b>	<b>43 430</b>	<b>39 943</b>	<b>37 350</b>	<b>-2 593</b>	<b>-6.5%</b>

(1) Includes cheques and pending payment instructions, REPOS and other funds

## Customer Loans

NOVO BANCO conducted a very strict and selective lending strategy, without ceasing to support the small and medium-sized enterprises, in particular the exporting companies.

CUSTOMER LOANS	31-Mar-15	31-Dec-15	31-Mar-16	Eur million	
				YTD Change	
				absolute	relative
<b>Corporate Lending</b>	<b>27 787</b>	<b>25 908</b>	<b>23 780</b>	<b>-2 128</b>	<b>-8.2%</b>
<b>Loans to Individuals</b>	<b>11 903</b>	<b>11 509</b>	<b>11 427</b>	<b>- 82</b>	<b>-0.7%</b>
Residential Mortgage	10 125	9 842	9 795	- 47	-0.5%
Other Loans	1 778	1 667	1 632	- 35	-2.0%
<b>Customer Loans (Gross)</b>	<b>39 690</b>	<b>37 417</b>	<b>35 207</b>	<b>-2 210</b>	<b>-5.9%</b>
<b>Provisions</b>	<b>5 287</b>	<b>5 833</b>	<b>5 894</b>	<b>61</b>	<b>1.0%</b>
<b>Customer Loans (Net)</b>	<b>34 403</b>	<b>31 584</b>	<b>29 314</b>	<b>-2 270</b>	<b>-7.2%</b>

Customer loans contracted by EUR 2.2 billion in the quarter. Of this reduction, EUR 1.4 billion reflects the transfer of BES Vénétie and NB Asia to discontinued assets.

Residential mortgage loans and other loans to individuals, despite decreasing, have been registering rising production levels.

## Securities Portfolio

The securities portfolio, the main source of eligible assets for funding operations with the ECB, totalled EUR 13.0 billion on 31 March 2016 and represented 23.2% of assets.

The breakdown of the securities portfolio reflects a conservative portfolio management approach, based on securities with lower risk and higher liquidity, namely sovereign debt.

SECURITIES PORTFOLIO	Net of impairments		Eur million	
	31-Dec-15	31-Mar-16	YTD Change	
			absolute	relative
<b>Portuguese Sovereign Debt</b>	2 685	3 231	546	20.3%
<b>Other Sovereign Debt</b>	4 689	3 983	- 706	-15.1%
<b>Bonds</b>	2 671	2 656	- 15	-0.6%
<b>Other</b>	3 307	3 127	- 180	-5.4%
<b>Total</b>	<b>13 352</b>	<b>12 997</b>	<b>- 355</b>	<b>-2.7%</b>

The securities portfolio has an associated fair value reserve of EUR 140 million (an increase of EUR 36 million from December 2015).

## LIQUIDITY AND CAPITAL MANAGEMENT

### Liquidity

NOVO BANCO Group's liquidity position during the first quarter of 2016 was influenced by the decrease in customer funds, essentially in the corporate segment in so far as retail customer funds actually showed a slight positive trend during the period. Banco de Portugal's decision to re-transfer five senior bond issues to the scope of BES's liabilities had an adverse impact on the perception of the Bank's risk, leading Moody's and DBRS to downgrade the risk ratings at the beginning of the year. However, by March the situation was already stabilising, namely with retail customer funds continuing to show an improving trend relative to the end of 2015.

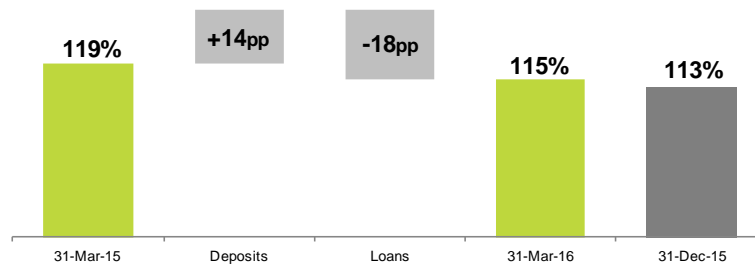
During the first quarter the Group repaid medium long-term debt of approximately EUR 130 million placed with institutional investors and EUR 170 million placed with clients. The projected reimbursements until the end of 2016 amount to ca. EUR 280 million and are distributed linearly throughout the next quarters (ca. EUR 80 million in the second, EUR 150 million in the third and EUR 50 million in the fourth). Considering that these reimbursements do not imply material amounts, the non-renewal of the corresponding financings will not have a relevant impact on the Group's liquidity

position taking into account that the maintenance of the deleverage process of non-core assets of the loan and securities portfolios influences positively the liquidity.

In this context net funding from the European Central Bank increased during the first quarter of 2016, reaching EUR 8 billion on 31 March 2016. On the other hand, the Group significantly increased its portfolio of securities eligible for rediscount with the ECB, which reached EUR 13.7 billion at the end of the first quarter (up by EUR 1 billion on the end of 2015). Excluding GNB Vida's exposure, this figure includes EUR 2 billion exposure to Portuguese sovereign debt, of which EUR 376 million in treasury bills and EUR 1.6 billion maturing within more than one year. The sovereign debt portfolio (also excluding GNB Vida's exposure), which increased by ca. EUR 70 million to EUR 5.2 billion, was primarily concentrated in European countries, including the referred amount of Portuguese sovereign debt, EUR 2 billion of Italian sovereign debt, and EUR 1.2 billion of Spanish sovereign debt.

Though deteriorating by 2 pps relative to December 2015, the loan to deposit ratio improved by 4 pps, to 115% compared to March 2015, reflecting a sharper reduction in customer loans than in customer deposits.

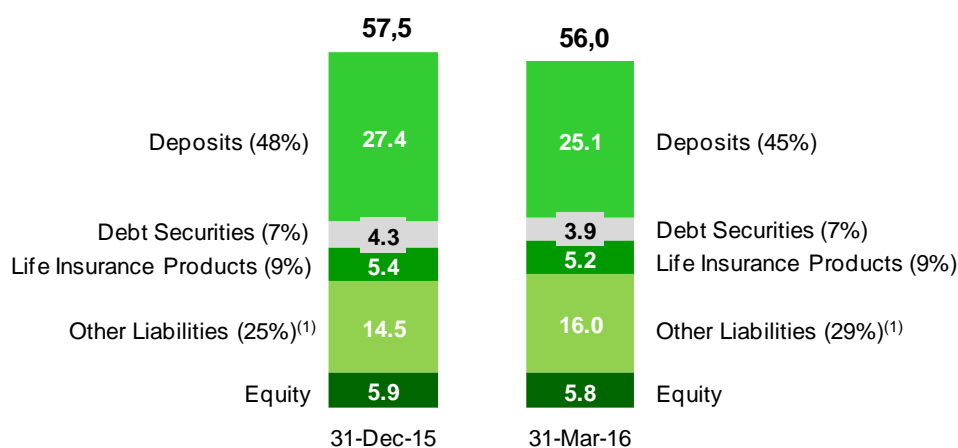
#### LOAN TO DEPOSIT RATIO



Compared to December 2015 customer deposits, though remaining the main source of funding, decreased their weight in the total asset financing sources to 45%, while debt securities remained flat at 7%.

## FUNDING STRUCTURE

(figures in Eur billion)



<sup>(1)</sup> Includes ECB Funding

## Capital Management

NOVO BANCO Group's solvency ratios are calculated based on the rules stipulated in Directive 2013/36/EU and Regulation (EU) no. 575/2013, which define the criteria for access to the activity of credit institutions and investment firms and determine the prudential requirements for these institutions, and also in Banco de Portugal's Notice 6/2013, which regulates the phased-in arrangements for own funds, under said Regulation. The NOVO BANCO Group is authorised to use the Internal Ratings Based (IRB) approach to calculate credit risk weighted assets and the Standardised Approach to calculate both market risk and operational risk weighted assets.

Under the terms of said rules, the solvency ratios of NOVO BANCO Group, as at 31 March 2016 and 31 December 2015, were as follows:

<b>CAPITAL RATIOS - BIS III (CRD IV/CRR)</b>		<b>31-Dec-15</b>	<b>31-Mar-16 <sup>(1)</sup></b>
Risk Weighted Assets	(A)	38 168	36 283
Own Funds			
Common Equity Tier 1	(B)	5 142	4 483
Tier 1	(C)	5 142	4 483
Total Capital	(D)	5 142	4 483
Common Equity Tier 1	(B/A)	13.5%	12.4%
Tier 1	(C/A)	13.5%	12.4%
Solvency Ratio	(D/A)	13.5%	12.4%

<sup>(1)</sup> Estimated data

The estimated phased-in Common Equity Tier 1 (CET1) ratio for 31 March 2016 was 12.4% (10.7% under the full implementation regime applicable as from 1 January 2018). The change relative to 31 December 2015 reflects, on the risk-weighted assets, the continuation of the deleveraging effort, and on the own funds, the negative results reported and the effect of the change of year in the transitional regime.

### Special Regime for Deferred Tax Assets

Under the terms of Law no. 61/2014, of 26 August, NOVO BANCO adhered to the special regime applicable to deferred tax assets (DTAs) resulting from impairment losses in loans and employee benefits, which came into force on 1 January 2015. Under this regime, DTAs are converted into tax credits when a taxable entity reports net losses or enters into liquidation proceedings through voluntary winding up, insolvency decreed by court ruling, or, where applicable, when its license is revoked by the competent supervision authority.

In this context, NOVO BANCO's individual loss for 2015, after approval by NOVO BANCO's corporate bodies, will imply the following in 2016:

- the conversion of eligible deferred tax assets into tax credits;
- the simultaneous creation of a special reserve and conversion rights into shares attributable to the State.

The conversion of eligible deferred tax assets into tax credits as a result of the net loss determined in the 2015 accounts will be made in the same proportion as that between the amount of this loss and the total equity at individual level. The special reserve will be set up for the same amount of the tax credit determined plus 10%, and will be included in the share capital. The conversion rights are

securities that entitle the State to demand from NOVO BANCO the corresponding capital increase through the incorporation of the amount of the special reserve and consequent issuance and allotment free of charge of ordinary shares. The Resolution Fund, as the sole shareholder of NOVO BANCO, has the potestative right to acquire the conversion rights from the State.

The amount of the deferred tax assets converted into tax credits, the creation of the special reserve and the issuance and allocation to the State of the conversion rights must be certified by a chartered accountant.

It is estimated that the deferred tax assets to be converted into tax credits would amount approximately to EUR 161 million, that the special reserve would amount to EUR 177 million and that the conversion rights to be issued and allocated to the State would give it a stake of up to 2.7% in NOVO BANCO's share capital.

## ASSET QUALITY

CREDIT RISK	31-Dec-15	31-Mar-16	YTD Change	
			absolute	relative
			Eur million	
Gross Loans	37 417	35 207	-2 210	-5.9%
Overdue Loans	5 791	5 824	33	0.6%
Overdue Loans > 90 days	5 412	5 321	- 91	-1.7%
Credit at Risk <sup>(1)</sup>	8 547	8 114	- 433	-5.1%
Restructured Credit <sup>(2)</sup>	6 634	6 760	126	1.9%
Restructured Credit not included in Credit at Risk <sup>(2)</sup>	3 927	4 086	159	4.0%
Provisions for Credit	5 833	5 894	61	1.0%

<sup>(1)</sup> According to Banco de Portugal Instruction n.23/2011

<sup>(2)</sup> According to Banco de Portugal Instruction n.32/2013

Credit Risk indicators increased compared to 31 December 2015 due to the contraction of the customer loans book. At the end of the first quarter of 2016 the overdue loans / gross loans and credit at risk / gross loans ratios were 16.5% and 23.0%, respectively.

Coverage levels increased across the board, particularly the Credit at Risk Coverage ratio, which increased from 68.2% in December 2015 to 72.6% in March 2016 and the Coverage ratio of Overdue Loans > 90 days, which rose to 110.8%.

ASSET QUALITY AND COVERAGE RATIOS	31-Dec-15	31-Mar-16	Change (p.p.)
Overdue Loans / Gross Loans	15.5%	16.5%	1.1
Overdue Loans > 90 days / Gross Loans	14.5%	15.1%	0.6
Credit at Risk <sup>(1)</sup> / Gross Loans	22.8%	23.0%	0.2
Restructured Credit <sup>(2)</sup> / Gross Loans	17.7%	19.2%	1.5
Restructured Credit not included in Credit at Risk <sup>(2)</sup> / Gross Loans	10.5%	11.6%	1.1
Provisions for Credit / Gross Loans	15.6%	16.7%	1.2
Coverage of Credit at Risk <sup>(1)</sup>	68.2%	72.6%	4.4
Coverage of Overdue Loans > 90 days	107.8%	110.8%	3.0
Coverage of Overdue Loans	100.7%	101.2%	0.5

<sup>(1)</sup> According to Banco de Portugal Instruction n.23/2011

<sup>(2)</sup> According to Banco de Portugal Instruction n.32/2013

Provisions for Credit amounted to EUR 5.9 billion, representing 16.7% of the total loan book (Dec.15: 15.6%; Mar.15: 13.3%).

## COMMERCIAL ACTIVITY

### Retail and Private Banking

The retail and private banking activity in Portugal was marked in the first quarter of 2016 by the consolidation of the trend for the recovery of retail clients' confidence and deposits. This is shown by the net increase of 4.1% (in annualised terms) in retail clients' deposits relative to the end of 2015, which the Bank achieved while lowering its cost of funding through the consistent reduction of deposits' rates. The rate on new deposits of up to 1 year was reduced by 25 bps. The average monthly production of structured deposits registered a marked increase of 136% in the quarter relative to 2015.

New consumer loans production in the retail segment also maintained a brisk pace, giving a positive contribution to the profitability of the operation. The average monthly production of consumer loans grew by 36% in the quarter compared to the average monthly production in 2015. In residential mortgage, the average monthly production increased by 53% relative to 2015, while the price of new loans remained significantly higher than the average price of the overall residential mortgage loan book.

The first quarter of 2016 also saw a steady increase in the retail customer base and in cross-selling, with a positive impact on customer loyalty. New client acquisitions grew by ca. 12% YoY in the period.

The average monthly production of life and non-life insurance unconnected to loans was up by roughly 19% on a year earlier.



Finally, the commercial activity with the small and micro companies included in retail banking also expanded in the period.

Under the *PME Crescimento* credit line the Bank maintained the lead in the production of new loans to micro and small companies, with a market share of around 20%.

NOVO BANCO's digital strategy has been endorsed by its clients, as shown by Marktest's latest data (March 2016), according to which NOVO BANCO has a penetration rate of Internet Banking of 49.5%, holding the leading position amongst the five largest Portuguese banks. In mobile banking the *NB smart app* reinforced its leading position in user opinion of the main domestic banks' apps, as well as in Apple's and Google's app stores. The total number of active digital clients in the retail and private banking segment (NBnet, Mobile, Tablet) reached 392 thousand in the first quarter of 2016, which is revealing of the key role played by the multichannel relationship between the clients and the Bank. NBnet and Mobile active clients reached 362 thousand and 111 thousand, respectively. Digital corporate clients using the NBnetwork grew to more than 68 thousand. Coming after the great success and acceptance of the *NB smart app* for individual clients, the launch of the *NB smart app* for corporate addresses the day-to-day needs of this segment. NOVO BANCO's website, besides being a gateway to the Internet Banking services, also serves as a point of commercial contact and servicing, having registered more than 17 million logins in the first quarter of the year.

## **Corporate Banking**

The corporate loan book contracted by EUR 2.1 billion in the first quarter of 2016, in line with the trend in the Portuguese market. NOVO BANCO maintained its role of supporting the development of the economic activity in Portugal, focusing its activity on the small and medium-sized enterprises with a good risk profile, innovative characteristics and a focus on exports.

To this end we stress the activities related to support the investment by the corporate segment and reinforce their permanent capital, namely within the *PME Crescimento 2015* and NB FEI credit lines (the latter agreed with the European Investment Fund), under which the Group approved EUR 150 million of new loans between January and March. In January a new EUR 300 million credit line agreed with the European Investment Bank was launched. In the context of the implementation of the *Portugal 2020 programme*, these financing instruments will assist to carry forward important investment projects and back-up increased needs for working capital.

Offering a range of competitive and innovative solutions, namely factoring, suppliers payment management and the NB Express Bill, aimed to supporting the corporate clients cash management - a key aspect in the sustainability of their commercial activity -, NOVO BANCO maintained its dynamic contribution to strengthen the national economic activity. Factoring production in particular should be highlighted, having increased by 55% YoY in the 1st quarter of 2016.

NOVO BANCO also kept an active role in supporting the exporting and internationalisation of the Portuguese companies, which in January 2016 earned it the award for 'Best Trade Finance Bank in Portugal' from the Global Finance Magazine, and maintains a significant 22.5% market share in trade finance - exports and imports.

### **NOVO BANCO dos Açores**

NB Açores continued to deploy its strategy to attract new clients, for which it developed several actions addressed to companies and government services and governmental organisations, aiming to increase its market share. At the end of the quarter NB Açores had total assets of EUR 699.6 million, while customer funds had increased by 5.2% YoY and gross customer loans had contracted by 3%. NB Açores posted a net loss for the quarter of EUR 765 thousand, reflecting the impacts of booking the full amount of the Special Tax on Banks and the reinforcing the provision charges for contingencies.

### **Banco Best**

BEST has pursued the strategy which makes it the leader in the innovation of the offer of financial products and services in Portugal. Accordingly, it has now launched the first banking app for Apple Watch in Portugal – BEST *Watch*, through which clients can easily access securities, funds and index prices and their investment portfolio, or at any time to view their account balances and movements, to check the detail of credit card movements, among others. Customer loans contracted by 11.4% YoY while customer funds increased by 22.5%. Banco Best posted a net profit for the period of EUR 300 thousand.

### **GNB Asset Management**

At the end of the first quarter of 2016 the global volume of assets under management reached EUR 13.5 billion, which represents a reduction of 4.5% relative to the end of 2015. The contraction in volumes occurred in the various segments but was particularly sharp in mutual funds (-9.4%) and real estate funds (-4.6%). Pension fund volumes remained relatively stable (1.8%), particularly in open-end funds, while the wealth management segment registered a 4.1% drop in volume under management. International volumes under management totalled around EUR 2.5 billion (down by -8% on the end of 2015) of which ca. EUR 1.2 billion in Spain and EUR 493 million in funds in Luxembourg.

## **GNB Life Insurance**

GNB Seguros Vida's life insurance production in Portugal totalled EUR 45.9 million in the first quarter of 2016, a YoY contraction of 51.1%. This reduction was particularly sharp in unit-linked insurance products. Claims volume decreased by 46.5%, to EUR 264.5 million, due to a reduction in redemption volumes in all types of products. Due to the activity slowdown, mathematical provisions dropped by 4.3% relative to the end of 2015, amounting to just over EUR 5 billion at the end of the period. In terms of operating costs, it is worth noting that a 14.2% YoY reduction has been achieved as a result of the streamlining and rationalisation efforts carried out. The quarter's net profit of EUR 13.7 million (-48.9% YoY) was penalised by the negative performance of the financial area, which registered a lower volume of income and capital gains, and also an increase in the volume of impairments.

## **International Commercial Banking**

NOVO BANCO Group's international activity in the first quarter of 2016 was marked by the continued implementation of the restructuring plan for its international units. This plan entails the reorganisation of the international portfolio, involving the sale and discontinuation of some international units (the New York and Nassau branches and the Cape Verde offshore branch were closed in 2015) as well as the optimisation of the operations of the branches in Spain, London and Luxembourg. The process of selling some international units, including the subsidiaries in France (BES Vénétie) and Macau (NB Asia), is proceeding according to the plan and should be completed before the end of 2016.

The performance of the unit in **Spain** during the first quarter of 2016 was shaped by the continued implementation of a restructuring plan focused on the following points: (i) business model focused on the Iberian business and corporate banking; (ii) redefinition of the commercial model through the restructuring of the branch network and the reorganisation of the commercial network; and (iii) reorganisation of the central services. The implementation of this plan will have a significant impact on the structure of the Group's units in Spain, namely as it will involve the layoff of 125 employees until the end of the year, that was already been negotiated and agreed with the workers' legal representatives during the first quarter. Deposit and credit volumes have decreased, namely as a result of the commercial restructuring implemented in 2015. Gross customer loans amounted to approximately EUR 2.4 billion at the end of the quarter. NOVO BANCO's activity in Spain generated operating results of EUR 4.5 million.

Aligned with other international units, the activity in the **United Kingdom** reflected the ongoing implementation of the branch restructuring plan, placing particular emphasis on the reduction of costs, which contracted by around 31% compared to the last quarter of 2015. This restructuring

involved the departure of 9 employees in the quarter. Total assets decreased by 5.1%, to EUR 3.9 billion at the end of the quarter, of which the loan portfolio represents 46%. The 1Q2016 operating results were approximately EUR 0.5 million.

In **Luxembourg** the branch also carried out a restructuring, making a strategic shift towards the local business, with a focus on the private banking segment. Customer deposits grew by 2% in the quarter, to EUR 485 million. The branch's restructuring, which involved staff cuts of 4 employees during the first quarter of the year, resulted in a 38% reduction in operating costs relative to the last quarter of 2015.

## MAIN EVENTS IN 2016

- On 4 January 2016, following the announcement by Banco de Portugal on 29 December 2015, the Rating Agency Moody's took a rating action on NOVO BANCO and its supported entities. On this date Moody's decided to confirm NOVO BANCO's Baseline Credit Assessment (BCA) at caa2 and to downgrade its senior debt and long-term deposit ratings to Caa1 from B2 and its counterparty risk assessment (CRA) to B2(cr) from B1(cr). The rating agency affirmed NOVO BANCO's short-term deposit and senior debt ratings at Not-Prime and the short-term CRA at Not-Prime(cr). The outlook on NOVO BANCO's deposit and senior debt ratings is now *Developing*. The Ba1 rating of NOVO BANCO's senior bonds guaranteed by the Republic of Portugal was unaffected by this rating decision.
- On 7 January 2016, following the announcement by Banco de Portugal on 29 December 2015, the Rating Agency DBRS took a rating action on NOVO BANCO. DBRS decided to downgrade NOVO BANCO's senior long-term debt and deposits rating to CCC (high) from B and its short-term debt & deposits rating to R-5 from R-4. The outlook on the long-term ratings is *Negative* and on the short-term ratings is *Stable*. The agency confirmed the rating on NOVO BANCO's senior bonds guaranteed by the Republic of Portugal at BBB (low) with *Stable* outlook.
- On 15 January 2016 Banco de Portugal announced the re-launch of the sale process of the Resolution Fund's holding in NOVO BANCO.
- On 30 March 2016, the Rating Agency Dagong Europe took a rating action on NOVO BANCO. Dagong Europe decided to downgrade NOVO BANCO's long-term credit rating to CCC+ from B- and its short-term credit rating to C from B. The *watch Evolving* was removed and a *Stable* outlook was assigned for all the ratings. On the same date Dagong Europe decided to withdraw the rating of the following entities: Espírito Santo, plc (Ireland), Banco Espírito Santo North

American Cap. LLC and Novo Banco S.A. New York Branch. NOVO BANCO informed on that date that there were no debt securities issued by Espírito Santo, plc (Ireland) and that the entities Banco Espírito Santo North American Cap. LLC and Novo Banco S.A., New York Branch had been closed.

- ✦ On 31 March 2016 Banco de Portugal issued a press release where it disclosed the terms of the new procedure to sell the stake held by the Resolution Fund in NOVO BANCO, following the re-launch of the sale process announced on 15 January 2016.
- ✦ At the end of January 2016 NOVO BANCO took notice of two lawsuits submitted to the Venezuela Supreme Court (“Supremo Tribunal de Justiça da Venezuela”) by Banco de Desarrollo Económico y Social de Venezuela and Fondo de Desarrollo Nacional against Banco Espírito Santo, S.A. (BES) and NOVO BANCO, regarding the sale of debt securities issued by entities that belonged to Grupo Espírito Santo, in the amount of USD 37 million and USD 335 million, respectively, and requesting the repayment of the amounts invested, plus interests, compensation due to inflation and related expenses. Under the terms of the resolution applied to BES by Banco de Portugal these liabilities were not transferred to NOVO BANCO. Nevertheless a precautionary measure of seizure of assets of BES and NOVO BANCO was enacted, pending the execution of the measure and a decision by the Court to the objection submitted by NOVO BANCO.
- ✦ On 28 April 2016 NOVO BANCO was notified, as counter interested party (“*contra-interessado*”), that it was provisionally granted a provisory injunction (“*decretamento provisório de uma providência cautelar*”) filed by a third party, which determined provisionally the retransfer of certain non-subordinated bonds from Banco Espírito Santo, S.A. to NOVO BANCO and the Banco de Portugal’s notification to carry out all the necessary actions to give effect to said measure. On 23 May 2016 the Court decided to lift the injunction provisionally granted and the injunction process continues according with the terms and time limits provided by Law.

## ECONOMIC ENVIRONMENT

The first quarter of 2016 was marked by high volatility in financial markets. An increase in risk aversion was noticeable at the start of the year, arising from (i) the devaluation of the renminbi and an increase in capital outflows from China; (ii) the fall in oil prices, with Brent hitting an annual low of USD 26/barrel in the second half of January (vs. USD 36/barrel at the start of the year); (iii) fears about an increase in corporate defaults in the energy sector, with potential contagion effects spilling over to the financial sector, and (iv) a set of lacklustre indicators for the US economy, feeding uncertainty about the course of the US Federal Reserve's monetary policy. However, the end of the first quarter brought greater stability to financial markets as well as higher propensity to risk, mainly as the renminbi stabilised at around USD/CNY 6,48 (after falling by 3.3% up to mid-March) and the price of oil picked up (the price of Brent closed the quarter rising by 8.3%, to USD 38.7/barrel). Even so, the main stock market indices registered negative changes in the period (the Nasdaq fell by 2.8%, the DAX by 7.2%, the IBEX by 8.6%, the Nikkei by 2.9% and the Shanghai Composite by 15.1%). The S&P 500 and Dow Jones were the exception, registering quarterly gains of 0.8% and 1.5%, respectively.

In the US GDP grew by 0.5% in the quarter (in annualised terms), disappointing expectations. Despite the rebound of the labour market and in the absence of inflationary pressures, the Fed maintained the fed funds' target rate unchanged at 0.25%-0.5% and toned down expectations for interest rate hikes in 2016. The yield on the 10-year Treasuries retreated from 2.27% to 1.77%. In the Eurozone GDP grew by 0.6% in the quarter (close to 2.4% annualised), above expectations. In this context the euro advanced in the quarter by 4.7% against the dollar, to EUR/USD 1.138. This movement was observed despite the decline in market interest rates in the Eurozone (-11 bps in the 3-month Euribor, to -0,244%, and -48 bps in the 10-year Bund yield, to 0.153%), which took place after the ECB announced a reinforcement of monetary stimuli through the expansion of its asset purchase programme.

In Portugal the start of the year was marked by some deterioration in the external perception of the country's risk, initially reflecting a context of political and budgetary uncertainty and also the effects of the resolution measures applied in December in the financial sector. This mood abated towards the end of the quarter, as a result of political stabilisation, the approval in Parliament of the 2016 General Government Budget and the ECB's announcement of new monetary stimuli. After reaching a year-to-date high of 4.1% in mid-February, the yield on the 10-year Portuguese Government Bonds (PGBs) retreated to 2.9% at the end of the quarter, which even so represents a rise of 42 bps since the start of the year. Economic activity is estimated to have expanded by close to 0.4% YoY between January and March, a slight acceleration over the previous quarter that benefited from a recovery of domestic demand. The PSI-20 followed the European trend, retreating by 5.5%.

**FINANCIAL HIGHLIGHTS**
**31-Dec-14 31-Dec-15 31-Mar-16**
**ACTIVITY (Eur mn)**

Net Assets	65 417	57 529	55 952
Gross Loans	40 060	37 417	35 207
Customer Deposits	26 626	27 364	25 145
Total Equity	5 410	5 947	5 740

**SOLVENCY <sup>(1) (2)</sup>**

Common Equity Tier 1/ RWA'S	9.5%	13.5%	12.4%
Tier 1/ RWA's	9.5%	13.5%	12.4%
Total Own Funds/ RWA's	9.5%	13.5%	12.4%

**LIQUIDITY (Eur mn)**

ECB funds (net) <sup>(3)</sup>	7 812	7 040	7 955
Eligible Assets for repo operations (ECB and other)	14 171	12 740	13 744
(Total Credit - Credit Provisions)/ Customer Deposits <sup>(2)</sup>	126%	113%	115%
Liquidity Coverage Ratio (LCR)	53%	77%	83%
Net Stable Funding Ratio (NSFR)	83%	87%	89%

**ASSET QUALITY**

Overdue loans > 90 days / Gross loans	8.7%	14.5%	15.1%
Overdue and Doubtful Loans / Gross Loans <sup>(2)</sup>	9.9%	15.8%	16.6%
Overdue and Doubtful Loans net of Impairments / Total Net Loans <sup>(2)</sup>	-3.4%	0.2%	-0.11%
Credit at Risk / Gross Loans <sup>(2)</sup>	16.5%	22.8%	23.0%
Credit at Risk (net) / Net Loans <sup>(2)</sup>	4.2%	8.6%	7.7%
Credit Provisions / Overdue loans > 90 days	147.9%	107.8%	110.8%
Credit Provisions/ Gross Loans	12.8%	15.6%	16.7%
Cost of Risk	2.27%	1.98%	2.11%

**PROFITABILITY**

Net Income (Eur mn)	-497.6	-980.6	-249.4
Income before Taxes and Non-controlling Interests / Average Net Assets <sup>(2)</sup>	-1.0%	-1.6%	-1.9%
Banking Income / Average Net Assets <sup>(2)</sup>	2.8%	1.4%	1.7%
Income Before Taxes and Non-controlling Interests / Average Equity <sup>(2)</sup>	-11.3%	-17.4%	-17.4%

**EFFICIENCY**

General Admin Costs + Depreciation / Banking Income <sup>(2)</sup>	45.4%	85.8%	66.3%
Staff Costs / Banking Income <sup>(2)</sup>	22.7%	45.2%	34.8%

**EMPLOYEES**

Total	7 722	7 311	6 875
- Domestic	6 832	6 571	6 308
- International	890	740	567

**BRANCH NETWORK**

Total	675	635	625
- Domestic	631	596	586
- International	44	39	39

(1) Estimated data for 31-March-16

(2) According to Bank of Portugal instruction no 16/2004, in its version in force.

(3) Includes funds from and placements with the ESCB; positive = net borrowing; negative = net lending

**NOVO BANCO, S.A.**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 AND AS AT 31 MARCH 2016**

	Eur thousand	
	<b>31.12.2015</b>	<b>31.03.2016</b>
<b>ASSETS</b>		
Cash and deposits with Central Banks	775 608	638 125
Deposits with banks	340 209	263 779
Financial assets held for trading	775 039	786 683
Other financial assets at fair value through profit or loss	1 526 193	1 416 790
Available-for-sale financial assets	11 810 712	11 574 958
Loans and advances to banks	1 690 628	1 618 156
Loans and advances to customers	31 583 759	29 313 573
Assets with Repurchase Agreement	-	-
Financial Assets held to maturity	-	-
Derivatives held for risk management purposes	318 596	363 194
Non-current assets held for sale	3 182 479	3 021 693
Assets from discontinued operations	40 327	1 449 644
Investment properties	54 625	54 739
Other tangible assets	312 437	294 175
Intangible assets	221 168	210 736
Investments in associated companies	405 486	405 498
Current tax assets	38 848	34 874
Deferred tax assets	2 535 423	2 571 596
Technical reserves of reinsurance ceded	7 696	6 234
Other assets	1 910 126	1 927 575
Debtors for direct and indirect insurance	3 019	6 473
Other assets	1 907 107	1 921 102
<b>TOTAL ASSETS</b>	<b>57 529 359</b>	<b>55 952 022</b>
<b>LIABILITIES</b>		
Deposits from central banks	7 632 794	8 443 973
Financial liabilities held for trading	743 860	782 651
Other financial liabilities at fair value through profit or loss	-	-
Deposits from banks	4 157 132	3 875 948
Due to customers	27 582 142	25 430 809
Debt securities issued	4 224 658	3 871 220
Financial liabilities related to transferred assets	-	-
Derivatives held for risk management purposes	77 846	93 423
Investment contracts	4 043 488	3 810 174
Non-current liabilities held for sale	162 709	155 656
Liabilities from discontinued operations	92 893	735 684
Provisions	465 114	549 436
Technical reserves	1 344 216	1 385 396
Current tax liabilities	38 643	35 046
Deferred tax liabilities	12 336	14 071
Equity Instruments	-	-
Subordinated debt	56 260	46 754
Other liabilities	947 625	981 912
Creditors for direct and indirect insurance	17 301	10 011
Other liabilities	930 324	971 901
<b>TOTAL LIABILITIES</b>	<b>51 581 716</b>	<b>50 212 153</b>
<b>EQUITY</b>		
Share Capital	4 900 000	4 900 000
Share premium	-	-
Other equity instruments	-	-
Treasury stock	-	-
Revaluation Reserves	( 249 748)	( 224 433)
Other Reserves and Retained Earnings	2 221 368	1 255 781
Profit / (loss) for the period	( 980 558)	( 249 369)
Interim Dividends	-	-
Non-controlling Interest	56 581	57 890
<b>TOTAL EQUITY</b>	<b>5 947 643</b>	<b>5 739 869</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>57 529 359</b>	<b>55 952 022</b>



NOVO BANCO, S.A.

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2016 AND 31 MARCH 2015

	Eur thousand	
	31.03.2015	31.03.2016
Interest and similar income	403 902	326 555
Interest expense and similar charges	296 110	185 781
<b>Net Interest Income</b>	<b>107 792</b>	<b>140 774</b>
Dividend income	3 295	17 739
Fee and Commission income	130 299	92 922
Fee and Commission expense	31 635	27 864
Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	5 612	11 206
Net gains / (losses) from available-for-sale financial assets	75 308	15 887
Net gains / (losses) from foreign exchange revaluation	18 998	( 9 710)
Net gains/ (losses) from the sale of other assets	10 849	2 885
Insurance earned premiums, net of reinsurance	9 374	11 066
Claims incurred, net of reinsurance	105 891	63 432
Change in technical reserves, net of reinsurance	69 743	48 746
Other operating income and expenses	( 33 866)	( 43 026)
<b>Operating Income</b>	<b>259 878</b>	<b>197 193</b>
Staff costs	101 139	81 412
General and administrative expenses	74 836	58 653
Depreciation and amortisation	22 085	15 104
Provisions, net of reversals	2 830	106 350
Impairment losses on loans, net of reversals and recoveries	99 870	185 483
Impairment losses on other financial assets, net of reversals and recoveries	46 288	24 831
Impairment losses on other assets, net of reversals and recoveries	26 058	31 528
Negative consolidation differences	-	-
Results from associated companies consolidated by the equity method	1 682	( 33)
<b>Profit / (loss) before income tax and non-controlling interests</b>	<b>( 111 546)</b>	<b>( 306 201)</b>
Income tax		
Current tax	4 332	( 378)
Deferred tax	1 308	( 49 483)
<b>Profit / (loss) after income tax and before non-controlling interests</b>	<b>( 117 186)</b>	<b>( 256 340)</b>
o.w. : Income after taxes from discontinued operations	8 685	( 1 429)
Income after taxes from activities being discontinued	15 574	493
Non-controlling interest	604	( 6 971)
<b>Net consolidated profit / (loss) for the period</b>	<b>( 117 790)</b>	<b>( 249 369)</b>