

NOVO BANCO^l

1Q2016 Results Presentation

27 May 2016

Unaudited financial information

Agenda

1. Highlights

2. Funding and Liquidity

3. Asset Quality

4. Capital

5. Results

6. Side Bank

7. Summary

Appendix: Balance Sheet and Income Statement

Highlights

Results ⁽¹⁾

- Net Operating Income was positive Eur 78.9mn (more 152.1% compared to the quarterly average of 2015) demonstrating the recovery capacity of **NOVO BANCO** Group's activity.
- Commercial Banking Income of Eur 210.9mn with Net Interest Income posting growth of 24.9% comparing with the quarterly average of 2015, that confirms its rising contribution to the improvement of revenues.
- Operating Costs of Eur 155.2mn showing a sharp reduction of 17.8% vs quarterly average of 2015 driven by the cost-cutting effort undertaken by the Group.
- Provisions totalled Eur 348.2mn, including Eur 109.6mn for the costs of the ongoing restructuring process.
- Net Income in 1Q16 was negative in Eur 249.4mn influenced (i) on the negative side, by the referred provision for restructuring costs and the recognition of the full annual value 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 140.1mn.

Income Statement *(Eur mn)*

	1Q15	Avg Q15	1Q16	Change, %*
Net Interest Income	107.8	112.7	140.8	24.9%
+ Fees and Commissions	103.7	88.9	70.1	(21.1%)
= Commercial Banking Income	211.5	201.6	210.9	4.6%
+ Capital Markets	94.8	29.5	27.3	(7.5%)
+ Other Results	(13.3)	(11.1)	(4.1)	(63.1%)
= Banking Income	293.0	220.0	234.1	6.4%
- Operating Costs	198.1	188.7	155.2	(17.8%)
= Net Operating Income	95.0	31.3	78.9	152.1%
- Net Provisions	175.1	264.5	348.2	31.6%
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%
= Income Before Taxes	(80.1)	(233.2)	(269.3)	-
- Corporate Income Tax	5.6	7.7	(49.9)	-
- Special Tax on Banks	31.4	7.9	36.9	367.1%
= Income After Taxes	(117.2)	(248.8)	(256.3)	-
- Non-controlling interest	0.6	(3.7)	(7.0)	-
= Net Income	(117.8)	(245.1)	(249.4)	-

* compared to the quarterly average of 2015 (Avg Q15)

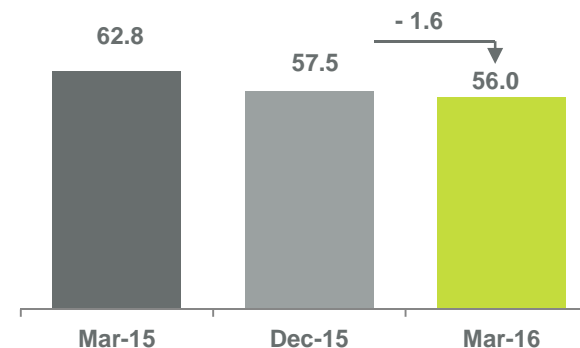
Highlights

Activity and Capital

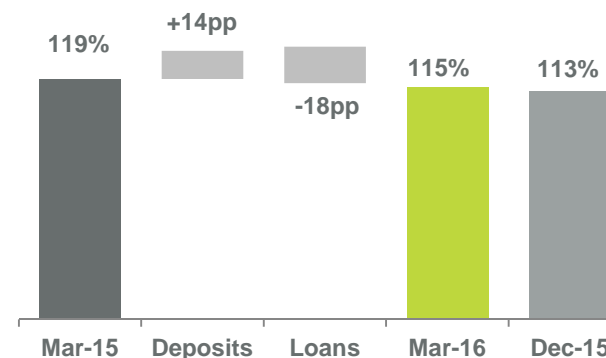
- Assets decreased by Eur 1.6bn (-2.7%) vs December 2015, reaching Eur 56.0bn, in line with the ongoing balance sheet deleveraging process.
- Customer loans contracted by Eur 2.2bn in 1Q though not impacting the support provided to the exposting SME's. A considerable part of this reduction (Eur 1.4bn) resulted from the transfer of BES Vénétie and NB Asia to assets being discontinued.
- Retail Customer Deposits continued to increase in 1Q16 (+Eur 44mn), a sign of the increase of the confidence in the Group, reaching the highest figure since the creation of **NOVO BANCO** (Eur 18.1bn).
- Total Customer Deposits decreased by Eur 2.2bn (-8.1%) in 1Q16 (BES Vénétie and NB Asia accounted for - Eur 0.4bn) mainly due to large depositors driven by the policy of reduction of price and by the downgrades of the ratings of **NOVO BANCO** by Moody's and DBRS.
- The loan to deposit ratio decreased to 115% in Mar-16 (119% in Mar-15).
- Provisions / Gross Loans ratio increased to 16.7% (Dec-15: 15.6%). Coverage of Credit at Risk increased to 72.6% (Dec-15: 68.2%).
- Estimated CET1 phased-in ratio of 12.4% in Mar-16 (13.5% in Dec-15).



Assets (Eur bn)



Loan to Deposit Ratio



Agenda

1. **Highlights**

2. **Funding and Liquidity**

3. **Asset Quality**

4. **Capital**

5. **Results**

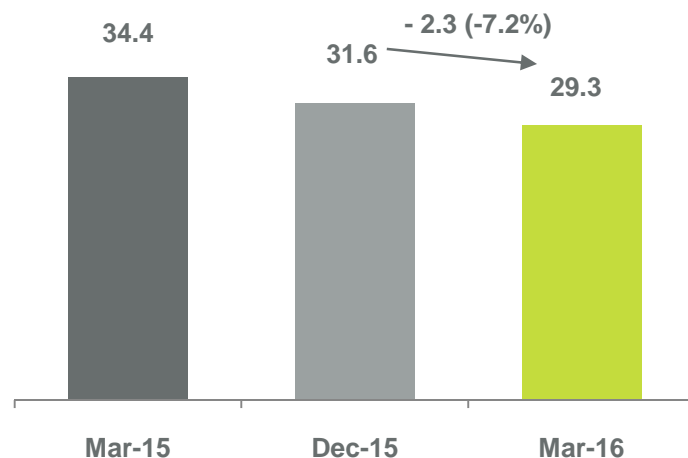
6. **Side Bank**

7. **Summary**

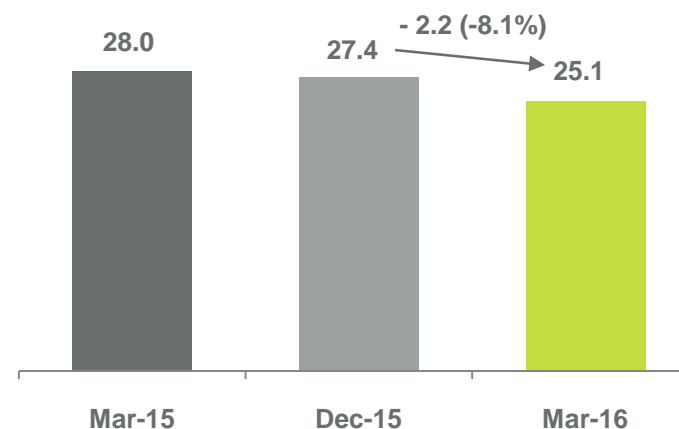
Appendix: Balance Sheet and Income Statement

Evolution of Customer Loans and Deposits

Net Loans (Eur bn)



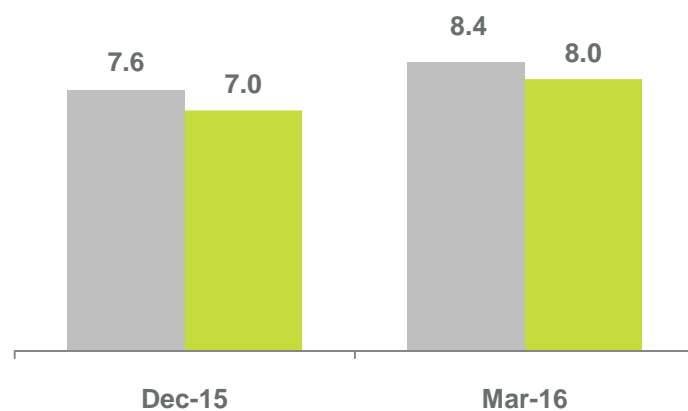
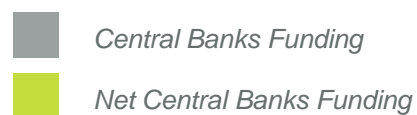
Deposits (Eur bn)



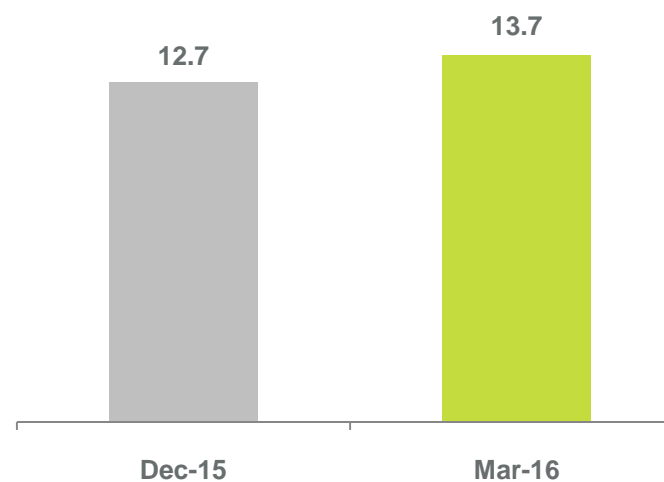
- Deleverage of Customer loans (gross) by Eur 2.2bn, of which Eur 1.4bn resulted from the transfer of BES Vénétie and NB Asia to assets being discontinued, though not impacting the support provided to the SMEs with good risk profile, innovative characteristics and a focus on exports. **NOVO BANCO** earned in January 2016 the award for “Best Trade Finance Bank in Portugal”.
- Retail Customer Deposits continued to increase in 1Q16 (+Eur 44mn), a sign of the reinforcement of the confidence in the Group, reaching the highest figure since the creation of **NOVO BANCO** (Eur 18.1bn).
- In 1Q16 the reduction in Customer Deposits by Eur 2.2bn (-8.1%) reflects the transfer of BES Vénétie and NB Asia to assets being discontinued (Eur 0.4bn) and the decrease in large corporate and institutional clients’ deposits influenced by the price reduction and by the downgrades of the ratings of **NOVO BANCO** by Moody’s and DBRS.

Eligible Assets increased

ESCB Funding (Eur bn)



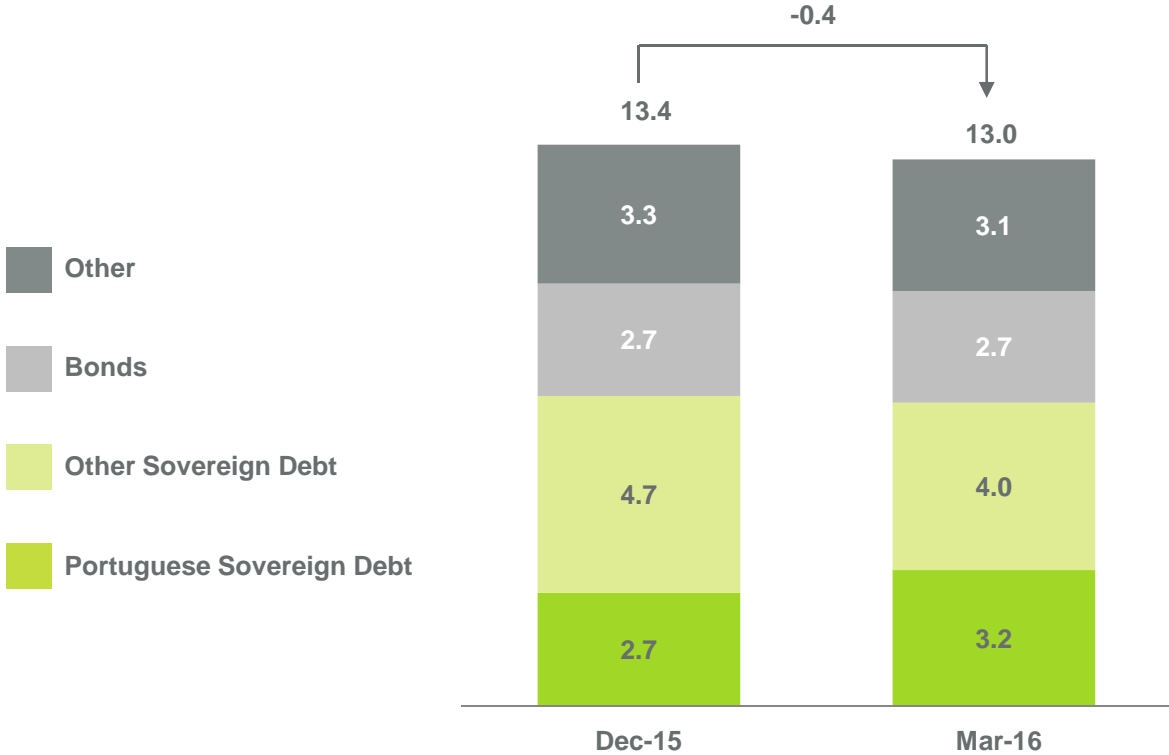
Eligible Assets (ECB and Other) (Eur bn)



The resources from ESCB (net) totalled Eur 8.0bn as at 31 March 2016, and eligible assets posted a significant increase.

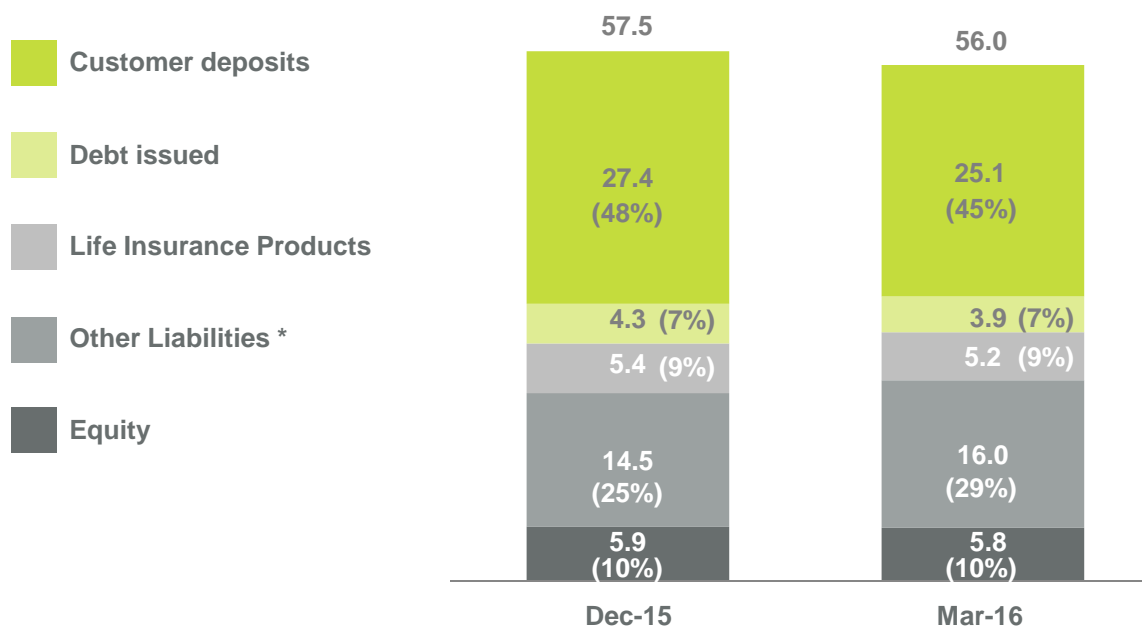
Securities portfolio focused in Euro Zone Sovereign Debt

Evolution of Securities Portfolio (Eur bn)



Funding mix

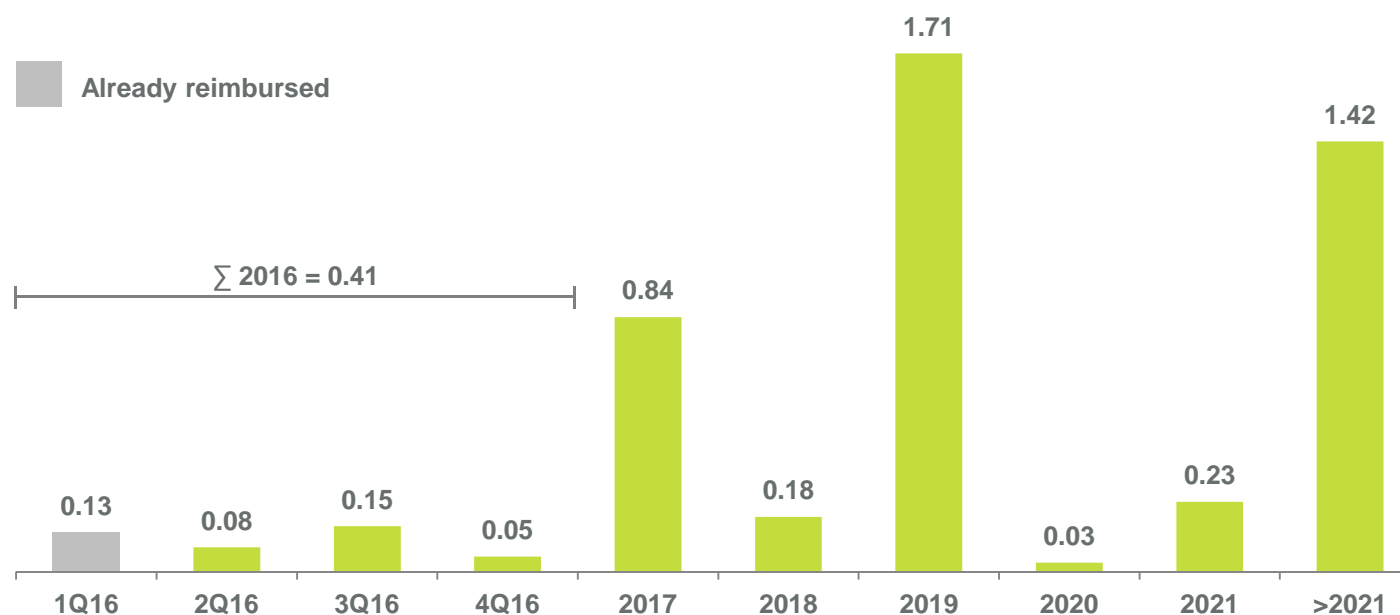
Evolution of the funding structure (Eur bn, as a % of Total Assets)



Comparing with Dec-15, debt issued continued to decrease and Customer Deposits continued to be the main funding source of the Balance Sheet.

Until the end of 2016 wholesale MLT debt reimbursements amount to only Eur 0.28bn (In 2015 Eur 2.9bn of wholesale MLT debt was reimbursed)

Wholesale MLT Funding (Eur bn)



- During the 1Q2016 the Group repaid MLT debt, Eur 130mn placed with institutional clients and Eur 170mn placed with retail clients. The projected reimbursements until the end of 2016 amount to ca. Eur 280mn.
- 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 influences positively the liquidity.

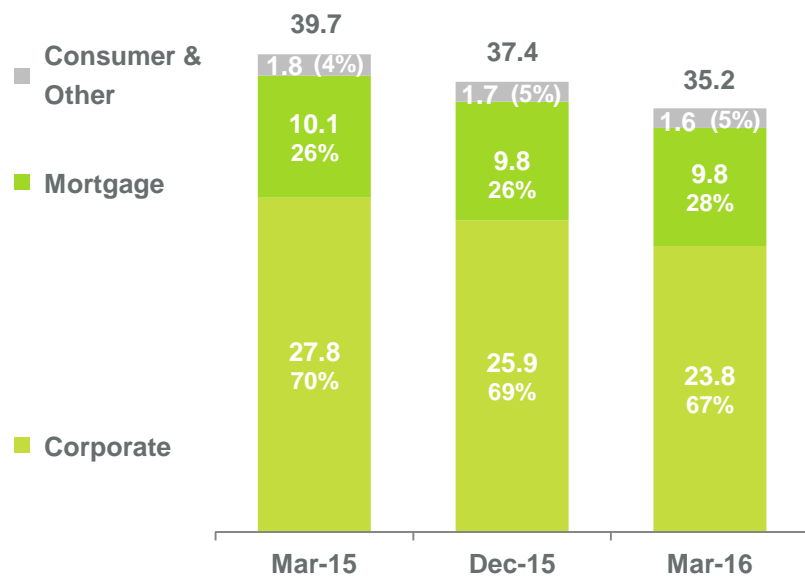
Agenda

1. Highlights
2. Funding and Liquidity
3. Asset Quality
4. Capital
5. Results
6. Side Bank
7. Summary

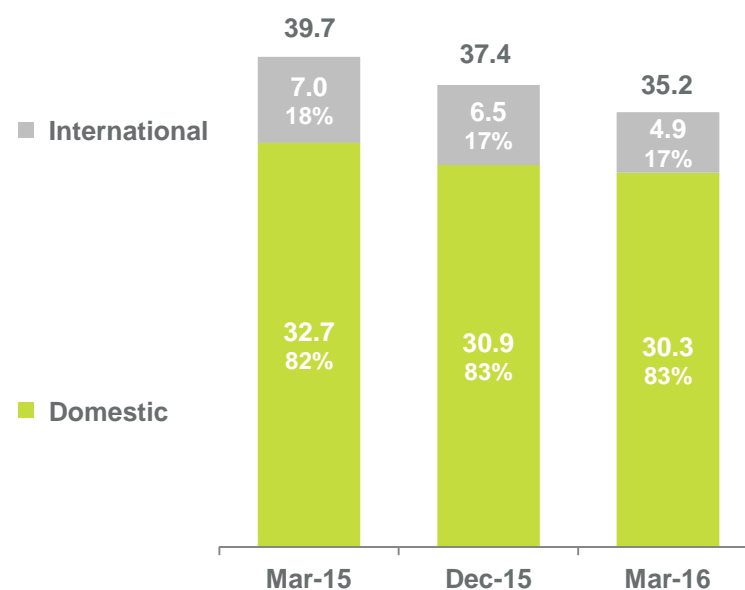
Appendix: Balance Sheet and Income Statement

Evolution of the customer loans portfolio in the 1Q16 in line with the deleverage of the Balance Sheet

Gross Loans per Segment (Eur bn)



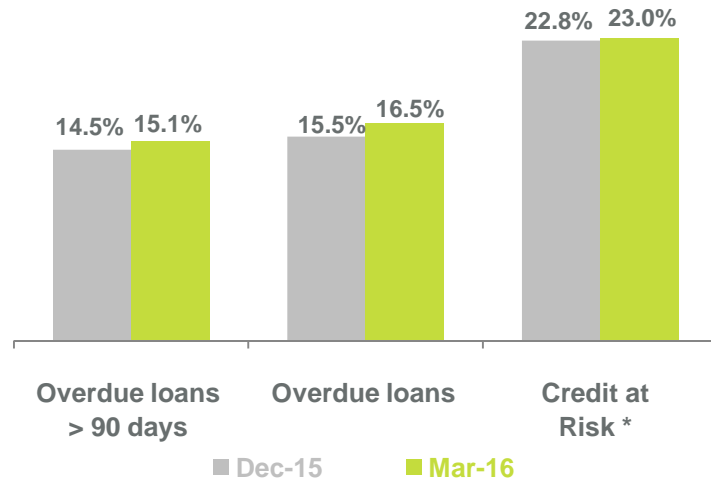
Gross Loans per Geography (Eur bn)



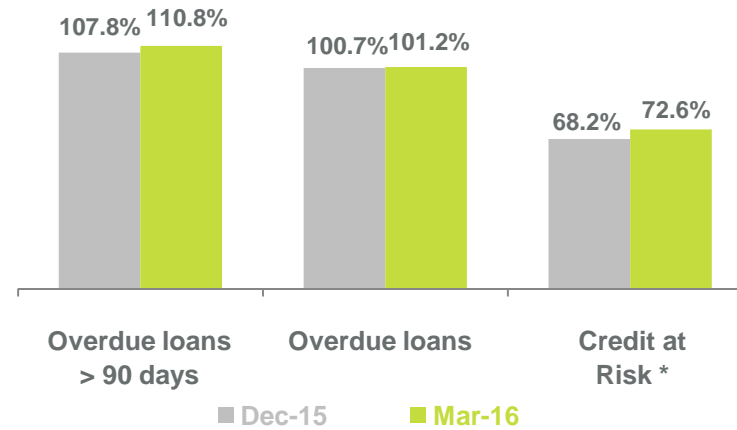
- **NOVO BANCO** conducted a very strict and selective lending strategy, without ceasing to support the small and medium-sized enterprises, in particular the exporting companies.
- Customer loans contracted by Eur 2.2bn in the quarter, of which Eur 1.4bn reflects the transfer of BES Vénétie and NB Asia to assets being discontinued.
- Residential mortgage loans and other loans to individuals, though decreasing, have been registering rising production levels.

Credit Risk Indicators

Overdue and Credit Risk Ratios



Coverage Ratios



Balance Sheet provisions of **NOVO BANCO** in Mar-16 amounted to Eur 5.9bn, representing 16.7% of Gross Loans and covered 110.8% of Overdue Loans > 90 days.

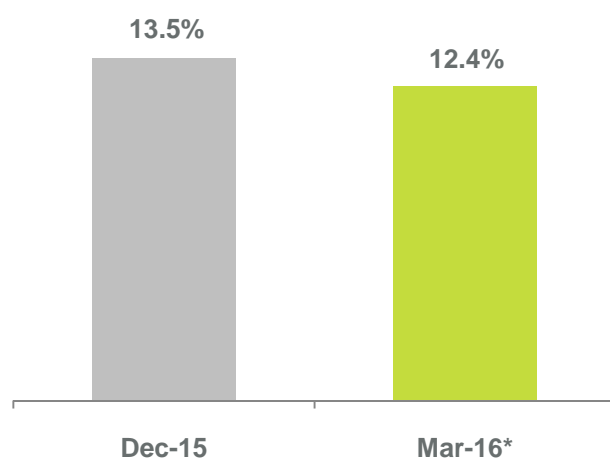
Agenda

1. Highlights
2. Funding and Liquidity
3. Asset Quality
4. Capital
5. Results
6. Side Bank
7. Summary

Appendix: Balance Sheet and Income Statement

Estimated CET1 phased-in ratio of 12.4%

CET1 phased-in ratio evolution



Capital Ratios (phased-in)

BIS III (CRD IV / CRR)

Eur mn	Dec-15	Mar-16*
Risk Weighted Assets (A)	38,168	36,283
Own Funds		
CET 1 (B)	5,142	4,483
Tier 1 (C)	5,142	4,483
Total (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%

- The estimated Common Equity Tier 1 phased-in ratio was 12.4% on 31 March 2016 (Dec-15: 13.5%) 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.
- Estimated CET1 fully implemented ratio of 10.7% in Mar-16 (11.3% in Dec-15).

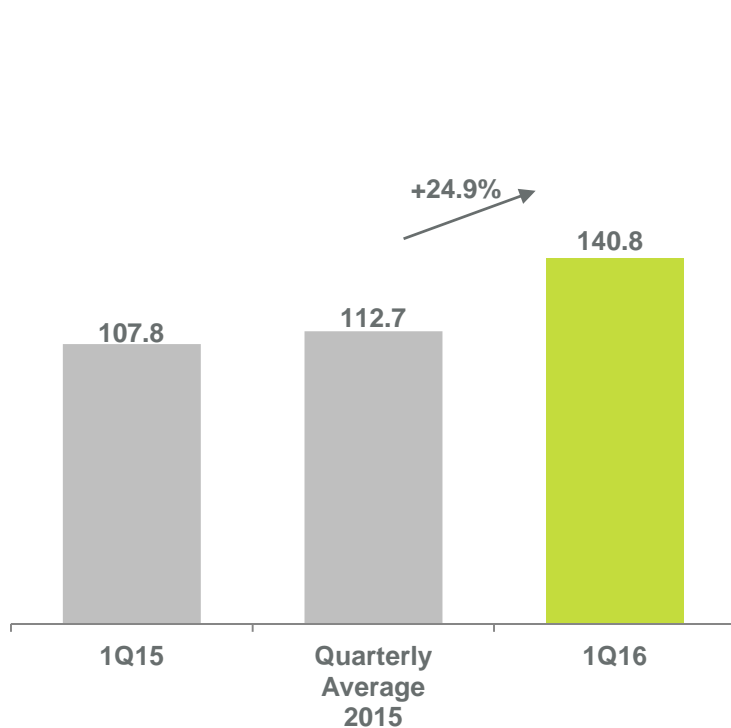
Agenda

1. Highlights
2. Funding and Liquidity
3. Asset Quality
4. Capital
5. Results
6. Side Bank
7. Summary

Appendix: Balance Sheet and Income Statement

Net Interest Income improving in 1Q16

Net Interest Income (Eur mn)



- Net Interest Income continued to be influenced:

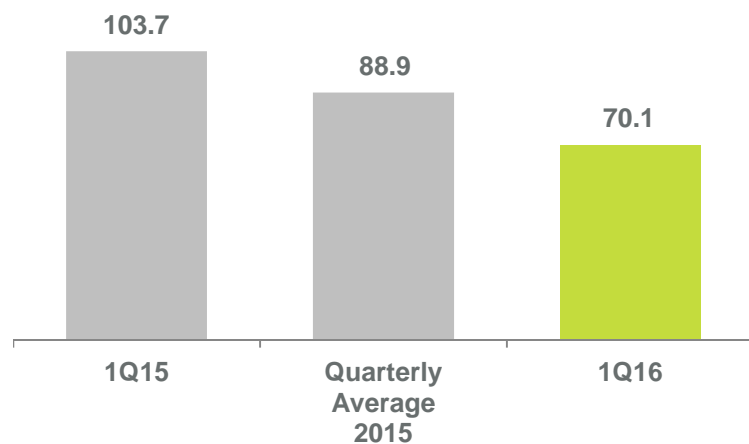
- sustained decline in benchmark interest rates, which are mostly in negative ground;
- need to stabilise the funding of the activity through customer funds.

- Net Interest Income increased by 24.9% compared to the quarterly average of 2015. This improvement benefited from the lower level of annulment of accrued overdue interest and from 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 decrease in the interest rate on assets.

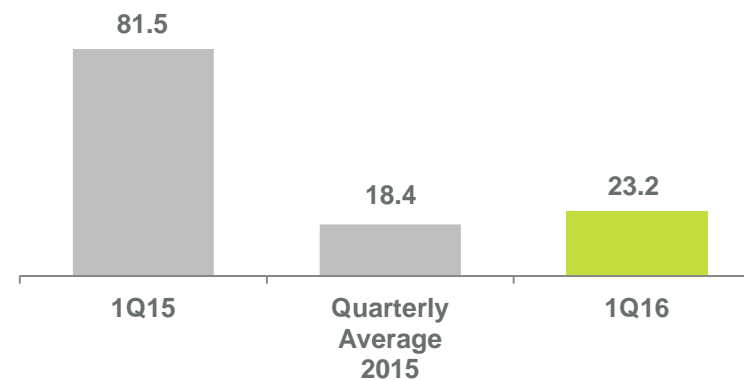
- Net Interest Margin of 1.19%, given average rates of 2.72% on financial assets and of 1.52% on financial liabilities.

Fees and Commissions and Capital Markets and Other Results

Fees and Commissions (Eur mn)



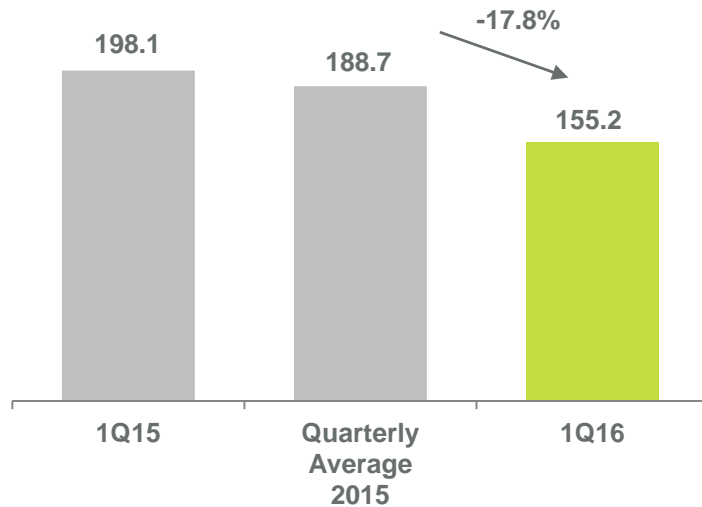
Capital Markets and Other Results (Eur mn)



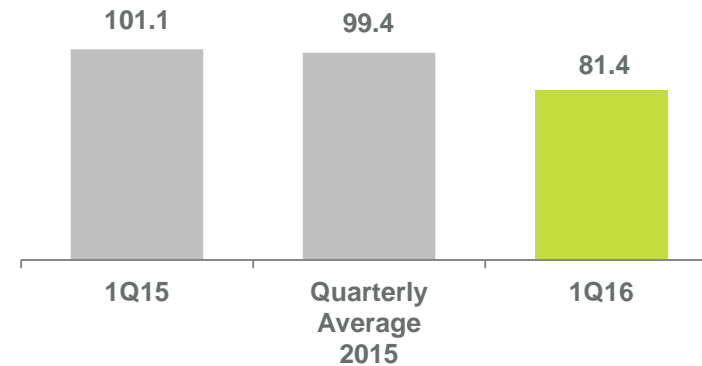
- Fees and Commissions included Eur 8.6mn of costs for commissions paid by **NOVO BANCO** in the scope of debt issues guaranteed by the Portuguese Government.
- Capital Markets Results amounted to Eur 27.3mn reflecting the defensive investment policy and impacted by the less positive performance in the sovereign debt market in 1Q16. Other Results were negative Eur 4.1mn.

Operating Costs decreased by 17.8% in 1Q16 vs 2015 quarterly average

Operating Costs (Eur mn)



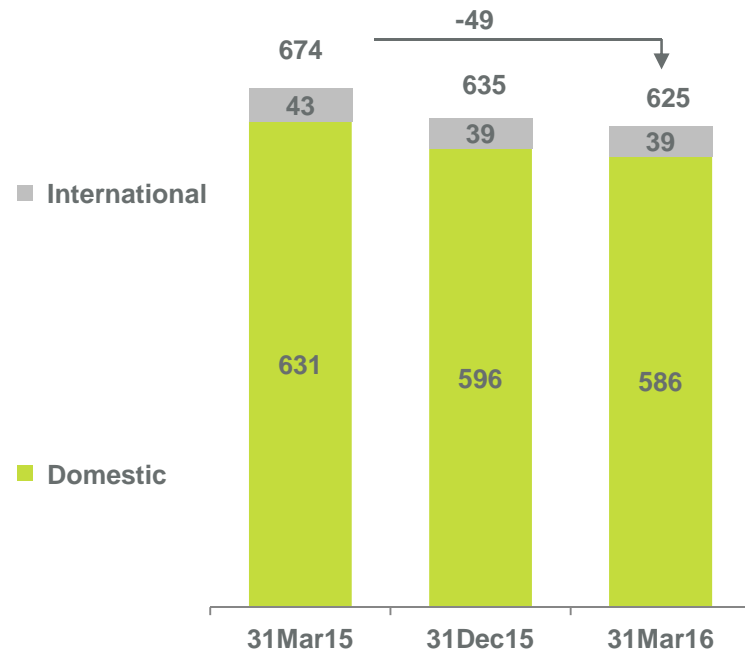
Staff Costs (Eur mn)



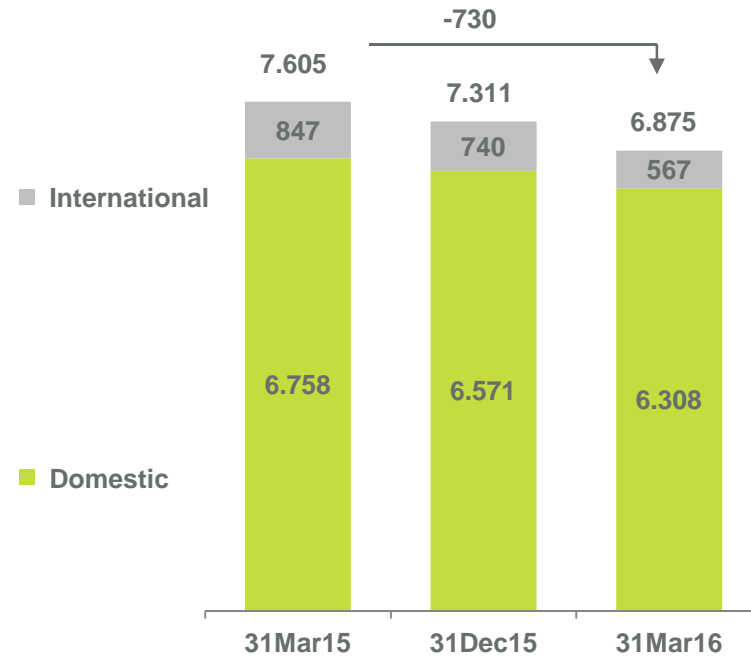
- The Board of Directors of **NOVO BANCO** has prepared a Restructuring Plan that was submitted to the European Commission at the end of 2015. This Plan comprises a set of measures, including the reduction in 2016 of Eur 150mn in recurring operating costs (excluding the restructuring costs), a staff cut of 1,000 employees and the downsizing of the branch network to 550 branches.
- The decrease in Operating Costs was the result of the optimization and rationalization measures implemented. In this context several relevant steps were taken to simplify/reduce the organizational structure and processes.
- Staff Costs totalled Eur 81.4mn (-18.1% compared with the quarterly average of 2015), which reflected the reduction in the number of employees.

Downsizing of the Branch Network and Reduction of the Number of Employees

Branch Network



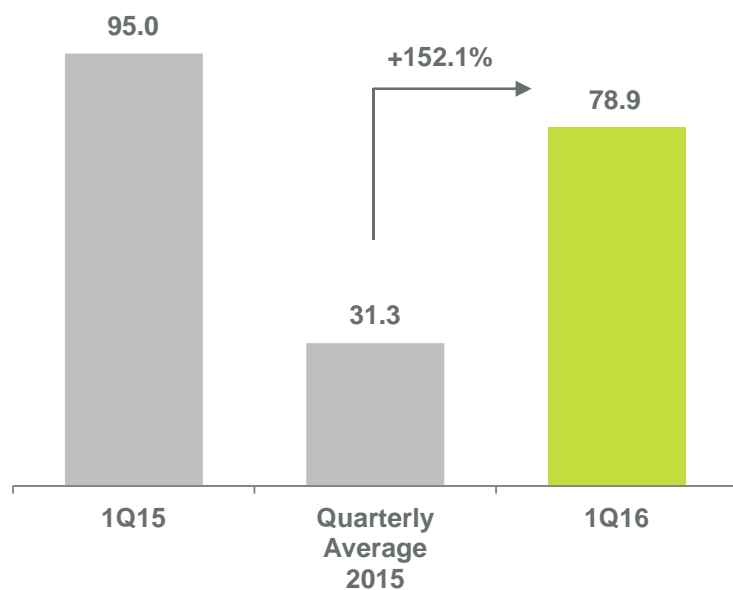
Employees



Comparing with 4 August 2014 the reduction in the number of employees totalled 1814 (of which 802 considering the sale of BESI and 224 related to the activities being discontinued).

Net Operating Income reflecting the recovery in activity

Net Operating Income (Eur mn)



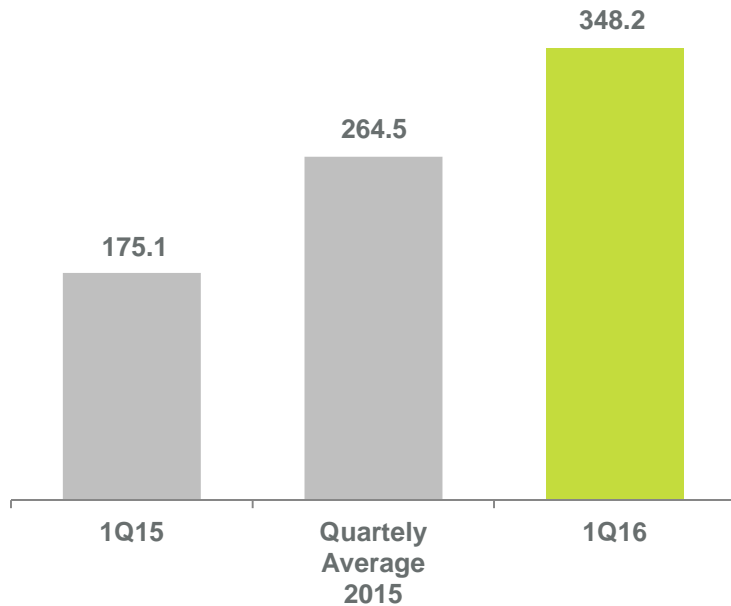
- Net Operating Income (before provisions) was positive in Eur 78.9mn, more 152.1% compared to the quarterly average of 2015.

- Changes vs the quarterly average of 2015 due to:

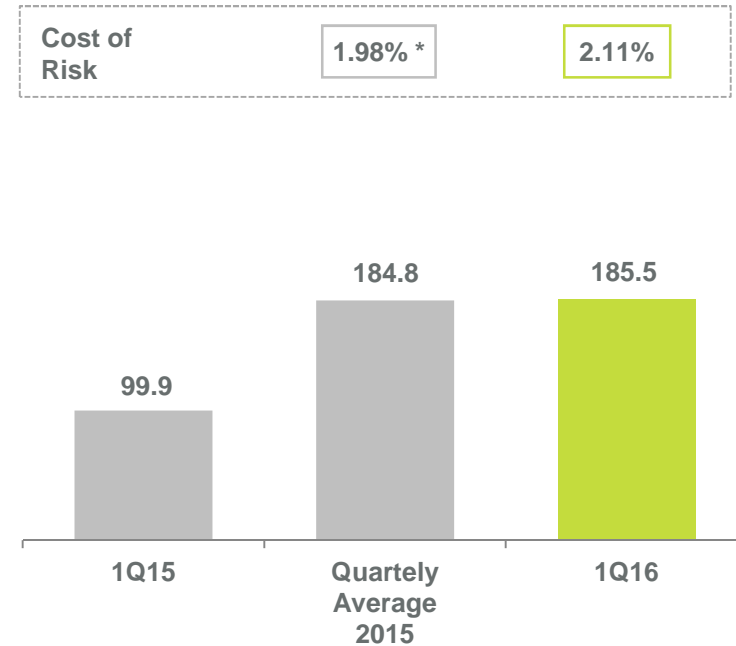
- Commercial Banking Income of Eur 210.9mn, 4.6% above the quarterly average of 2015;
- Decrease by 17.8% of the Operating Costs.

Provisions include a provision for the costs of the restructuring process of Eur 109.6M

Total Provisions (Eur mn)



Credit Provisions (Eur mn)



- Credit Provisions enabled the reinforcement of the level of coverage of credit by provisions, which increased from 15.6% in 2015 to 16.7% in 1Q16.
- Provisions totalled Eur 348.2M including a Eur 109.6M provision for the costs of the ongoing restructuring process.

Agenda

1. Highlights
2. Funding and Liquidity
3. Asset Quality
4. Capital
5. Results

6. Side Bank

7. Summary

Appendix: Balance Sheet and Income Statement

Proactive down-sizing of Side Bank

Side Bank concept: Non-core assets include all assets that are not part of Commercial Franchise, which is being positioned as a viable bank primarily focused on the Portuguese market. This includes **non-core assets, such as non-core equity stakes, out of strategy loans, real estate, restructuring funds and all international activity** that is not linked to domestic clients.



Agenda

1. **Highlights**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**
5. **Results**
6. **Side Bank**

7. Summary

Appendix: Balance Sheet and Income Statement

NOVO BANCO is a reference Bank in Portugal

NOVO BANCO's Profile

Strong Business Model

- **NOVO BANCO** is a reference institution in the Portuguese financial sector, with net assets of **Eur 56.0bn** (3rd largest bank in Portugal).
- **Reference Bank in Corporate segment**, 85% of Large Corporate and 78% of SMEs are clients of **NOVO BANCO**.
- One of the **leading banks in Retail and Private Banking in Portugal**, backed by a segmented commercial approach and by a multi-channel strategy.

Indicators

- Net loans of **Eur 29.3bn** in 1Q16.
- Deposits of **Eur 25.1bn** in 1Q16.
- Loan to Deposit ratio of **115%** in Mar-16.
- Estimated CET1 phased-in ratio of **12.4%** and CET 1 fully implemented of **10.7%** in Mar-16.

Awards in Several Areas

Best financial app
Apple Store
 and *Google Play*

App	Apple Store	Google Play
NOVO BANCO	4.7	4.3
Banco B	3.5	4.3
Banco C	3.6	4.2
Banco D	3.5	4.2
Banco E	3.6	4.1

Best Trade Finance Bank
 Global Finance



Payment Execution Prize
 JP Morgan



Best Securities Services Provider
 Global Finance



Best Performance Distributor, Portugal
 Structured Retail Products
 (Euromoney Group)

Agenda

1. **Highlights**
2. **Funding and Liquidity**
3. **Asset Quality**
4. **Capital**
5. **Results**
6. **Side Bank**
7. **Summary**

Appendix: Balance Sheet and Income Statement

Consolidated Balance Sheet

(Eur mn)	31 Dec.15	31 Mar. 16
Cash & deposits at central banks	776	638
Deposits with banks	340	264
Financial assets held for trading	775	787
Financial assets at fair value through profit & loss	1,526	1,417
Available for sale financial assets	11,811	11,575
Loans and advances to banks	1,691	1,618
Loans and advances to customers	31,584	29,314
Hedging derivatives	319	363
Non current assets held for sale	3,182	3,022
Assets from discontinued operations	40	1,450
Investment properties	55	55
Property and Equipment	312	294
Intangible assets	221	211
Investments in associate companies	405	405
Current tax assets	39	35
Deferred tax assets	2,535	2,572
Technical reserves of reinsurance ceded	8	6
Other assets	1,910	1,928
Total Assets	57,529	55,952

(Eur mn)	31 Dec.15	31 Mar. 16
Deposits from central banks	7,633	8,444
Financial liabilities held for trading	744	783
Deposits from banks	4,157	3,876
Due to customers	27,582	25,431
Debt securities	4,225	3,871
Hedging derivatives	78	93
Investment Contracts	4,043	3,810
Non current liabilities held for sale	163	156
Liabilities from discontinued operations	93	736
Provisions	465	549
Technical reserves	1,344	1,385
Current tax liabilities	39	35
Deferred tax liabilities	12	14
Other Subordinated debt	56	47
Other liabilities	948	982
Total Liabilities	51,582	50,212
Share capital	4,900	4,900
Fair value reserve, retained earnings and other comprehensive income	1,971	1,031
Net income for the period	(981)	(249)
Non-controlling interest	57	58
Total Equity	5,948	5,740
Total Liabilities + Equity	57,529	55,952

Consolidated Income Statement

<i>(Eur mn)</i>	1Q15	1Q16
Net Interest Income	107.8	140.8
Dividend income	3.3	17.7
Fee and Commission income	130.3	92.9
Fee and Commission expense	(31.6)	(27.9)
Net gains/ (losses) from financial assets at fair value through profit or loss	5.6	11.2
Net gains/ (losses) from available-for-sale financial assets	75.3	15.9
Net gains/ (losses) from foreign exchange revaluation	19.0	(9.7)
Net gains/ (losses) from sale of other assets	10.8	2.9
Insurance earned premiums. net of reinsurance	9.4	11.1
Claims incurred. net of reinsurance	(105.9)	(63.4)
Change on the technical provision. net of reinsurance	69.7	48.7
Other operating income and expense	(33.9)	(43.0)
Operating Income	259.9	197.2
Staff costs	(101.1)	(81.4)
General and administrative expenses	(74.8)	(58.7)
Depreciation and amortisation	(22.1)	(15.1)
Provisions and impairments	(175.0)	(348.2)
Associate income and joint ventures (equity method)	1.7	(0.0)
Income before income tax and non-controlling interests	(111.5)	(306.2)
Income tax		
Current tax	(4.3)	0.4
Deferred tax	(1.3)	49.5
Income after taxes and before non-controlling interests	(117.2)	(256.3)
<i>o.w. : Income after taxes from discontinued operations</i>	8.7	(1.4)
<i>Income after taxes from activities being discontinued</i>	15.6	0.5
Non-controlling interests	(0.6)	7.0
Net Income / (Loss) for the period	(117.8)	(249.4)

Disclaimer

This document may include certain statements relating to the NOVO BANCO Group that are neither reported financial results nor other historical information. The statements, which may include targets, forecasts, projections, descriptions of anticipated cost savings, statements regarding the possible development or possible assumed future results of operations and any statement preceded by, followed by or that includes the words “believes”, “expects”, “aims”, “intends”, “may” or similar expressions or negatives thereof are or may constitute forward-looking statements.

By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. These factors include, but are not limited to, changes in economic conditions in individual countries in which the NOVO BANCO Group conducts its business, fiscal or other policies adopted by various governments and regulatory authorities of Portugal and other jurisdictions, levels of competition from other banks and financial services companies as well as future exchange rates and interest rates.

NOVO BANCO does not undertake any obligation to release publicly any revision to the forward-looking information included in this document to reflect events, circumstances or unanticipated events occurring after the date hereof and accepts no liability for any of such statements.



Investor Relations

website: www.novobanco.pt

phone: + 351 21 359 7390

email: investor.relations@novobanco.pt