



**Results for the period from 4 August to
31 December 2014**

9 March 2015

Unaudited financial information

Agenda

- 1. Main Highlights**

- 2. Funding and Liquidity**

- 3. Capital**

- 4. Asset Quality**

- 5. Sale of BESI**

- 6. Results**

- 7. Summary**

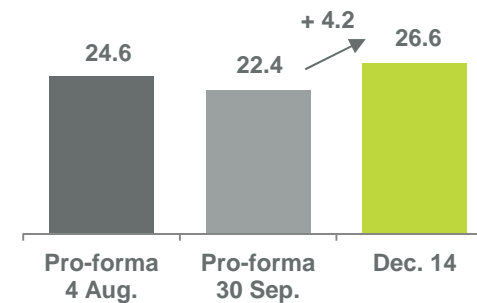
Appendix I: Detailed Balance Sheet and Income Statement

The strong deleverage carried out in the 5 month period was mainly backed by the reduction of the loan book and of the securities portfolio

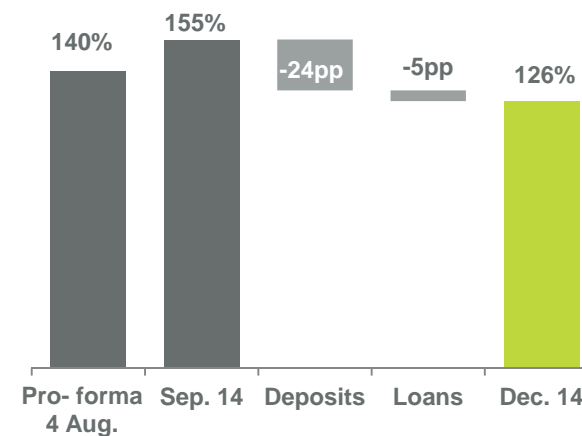
Main Highlights of the Balance Sheet

- Deposits recovered by Eur 4.2bn in 4Q, underlining the customer's confidence in **NOVO BANCO** and a return to normality.
- Assets decreased by Eur 6.9bn in 5 months, with the loan book contracting by Eur 1.8bn (-4.9%) and the securities portfolio by Eur 1.7bn (-12.7%).
- Marked improvement in liquidity: the loans to deposits ratio decreased to 126% (155% in 30 Sep.) while funding from the ESCB was reduced from Eur 13.6bn (4 August 2014) to Eur 8.5bn. **NOVO BANCO** fully reimbursed the loan obtained under the ELA facility.
- Adequate provisioning levels: the Coverage Ratio for Overdue Loans (> 90 days) reached 147.9% while the Coverage Ratios for Credit at Risk was 77.8% and for Gross Loans was 12.8%. Moreover, provisions for non current assets held for sale represent 31% of their gross value.
- The CET 1 ratio was 9.6% on 31 December 2014, or 9.8% if considering the Special Regime for Deferred Tax Assets introduced by Law no. 61/2014 of 26 August.

Deposits (Eur bn)



Loans to Deposits Ratio



High cost of provision charges for impairments (Eur 699.1mn) lead to a net loss for the period of Eur 467.9mn

Main Highlights of the Income Statement

- Net Interest Income totalled Eur 266.3mn in the period while Fees and Commissions amounted to Eur 178.2mn in the same period. Therefore Commercial Banking Income reached Eur 444.5mn in the five month period.
- Operating costs for the 5 months totalled Eur 368.6mn. Recurrent operating costs decreased by 5.8% QoQ in 4Q, on a comparable basis.
- Net operating income totalled Eur 419.9mn.
- Provisions reached the amount of Eur 699.1mn, which jointly with the impact accounted in taxes related with the change of the income tax rate, have pressured the results of NOVO BANCO.
- Net loss for the period of Eur 467.9mn, excluding non-recurrent items, the net loss would be Eur 229.7mn.

Income Statement (Eur mn)

	From 4 Aug. to 31 Dec. 14
Net Interest Income	266.3
+ Fees and Commissions	178.2
= Commercial Banking Income	444.5
+ Capital Markets and Other Results	344.0
= Banking Income	788.5
- Operating Costs	368.6
= Net Operating Income	419.9
Gross Commercial Income	75.9
- Net Provisions	699.1
Credit	378.1
Securities	199.7
Other	121.2
= Income before Taxes and Minorities	-279.2
- Income Tax	177.0
- Special Tax on Banks	13.0
= Income Before Minorities	-469.9
- Minority Interests	-2.0
= Net Income	-467.9

Non-Recurrent Items had a significantly negative contribution in the period. Excluding Non-Recurrent Items, the net loss was Eur 229.7mn

Non-Recurrent Items (Eur mn)

	From 4 Aug. to 31 Dec. 14
Reported Net Income	-467.9
Income Tax Change ⁽¹⁾	140.0
Impairment on Portugal Telecom / Oi	108.4
Loans Impairment	48.7
Losses from entities held for sale	101.3
Liabilities revaluation	-210.6
Provisions for other assets and contingencies	29.9
Operating costs (incl. early retirements)	20.5
Recurrent Net Income	-229.7

(1) adjustments in the corporate income tax (IRC) from 23% to 21% and in the deferred tax income to 29% related to temporary differences

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2. **Funding and Liquidity**

3. **Capital**

4. **Asset Quality**

5. **Sale of BESI**

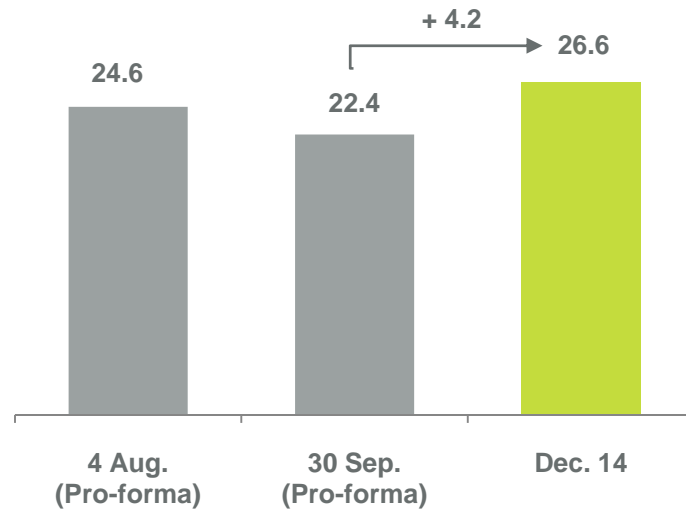
6. **Results**

7. **Summary**

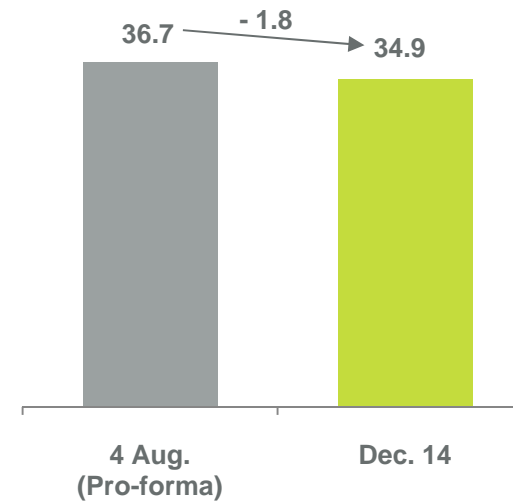
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Deposits recovered by Eur 4.2bn in the 4Q14, while Net Loans posted a decrease of Eur 1.8bn since 4 Aug.

Deposits (Eur bn)



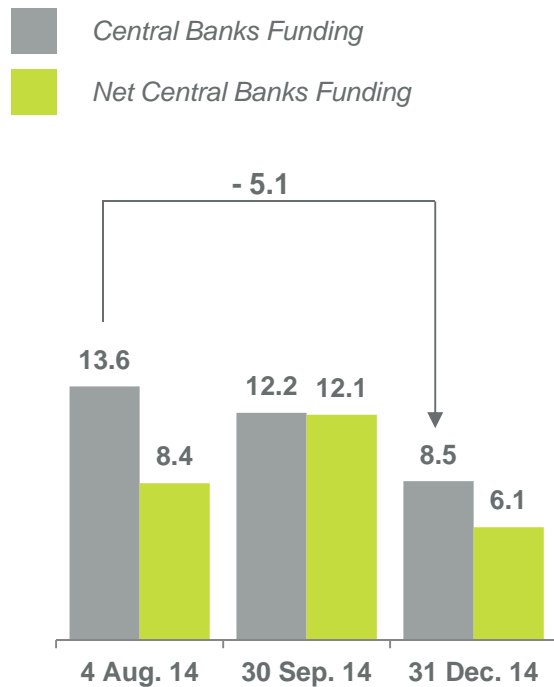
Net Loans (Eur bn)



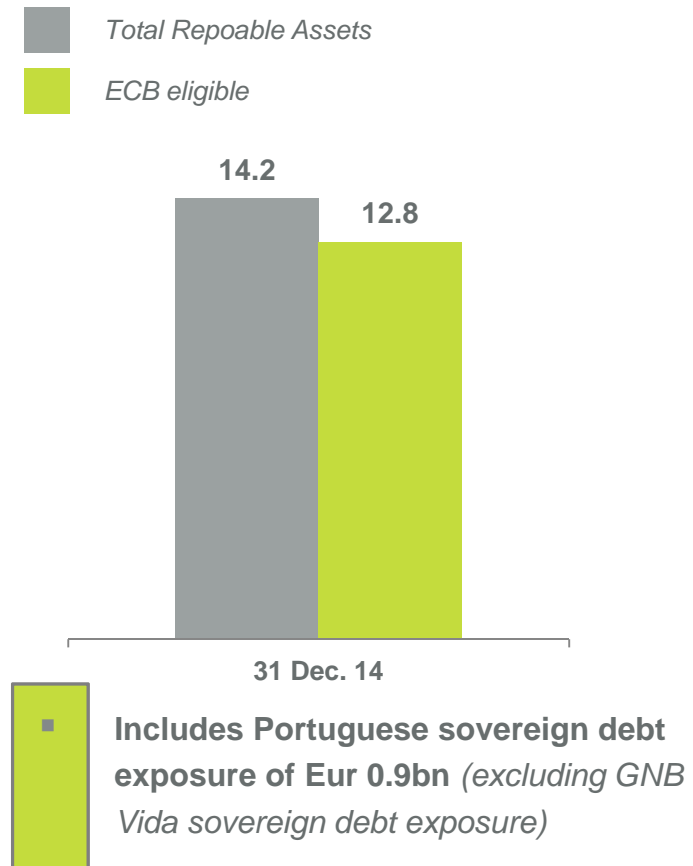
- Deposits recovery demonstrates the customers' confidence in NOVO BANCO and a return to normality

Funding from ESCB has decreased by Eur 5.1bn to Eur 8.5bn in Dec. 14. The nominal value of Repoable Assets amounted to Eur 14.2bn, o.w. Eur 12.8bn are ECB eligible

Net Central Bank Funding (Eur bn)

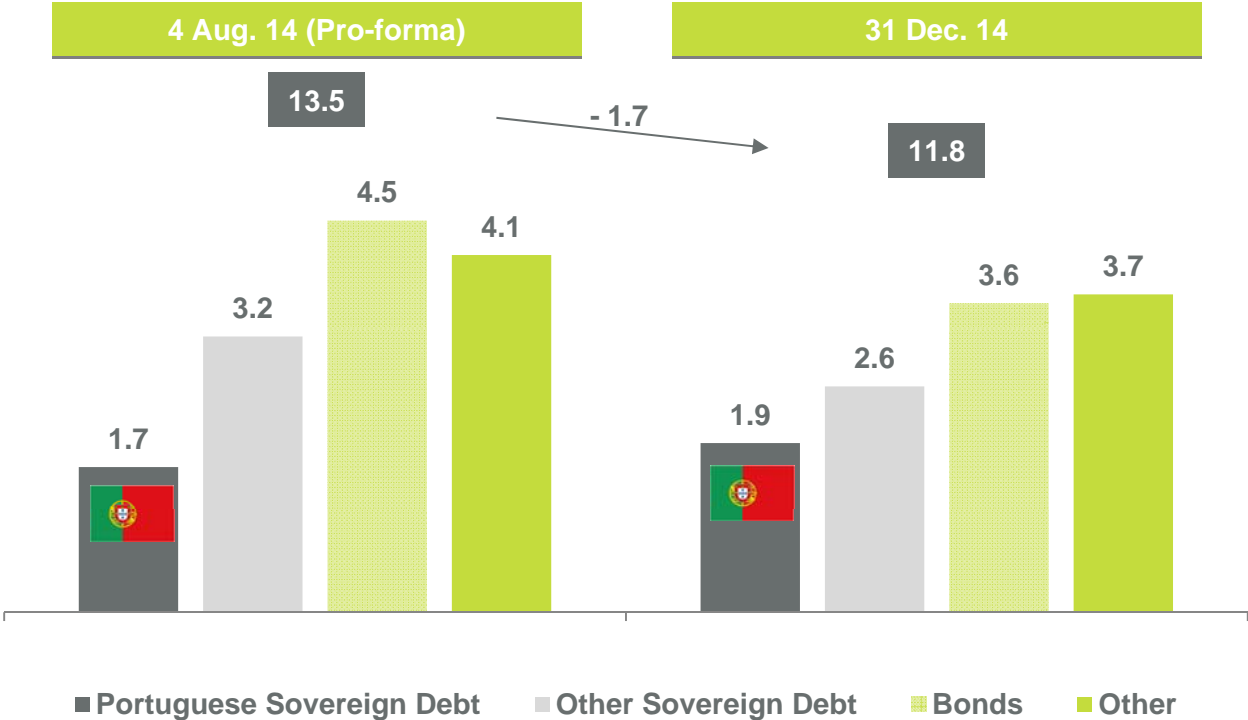


Repoable assets¹ (Eur bn)



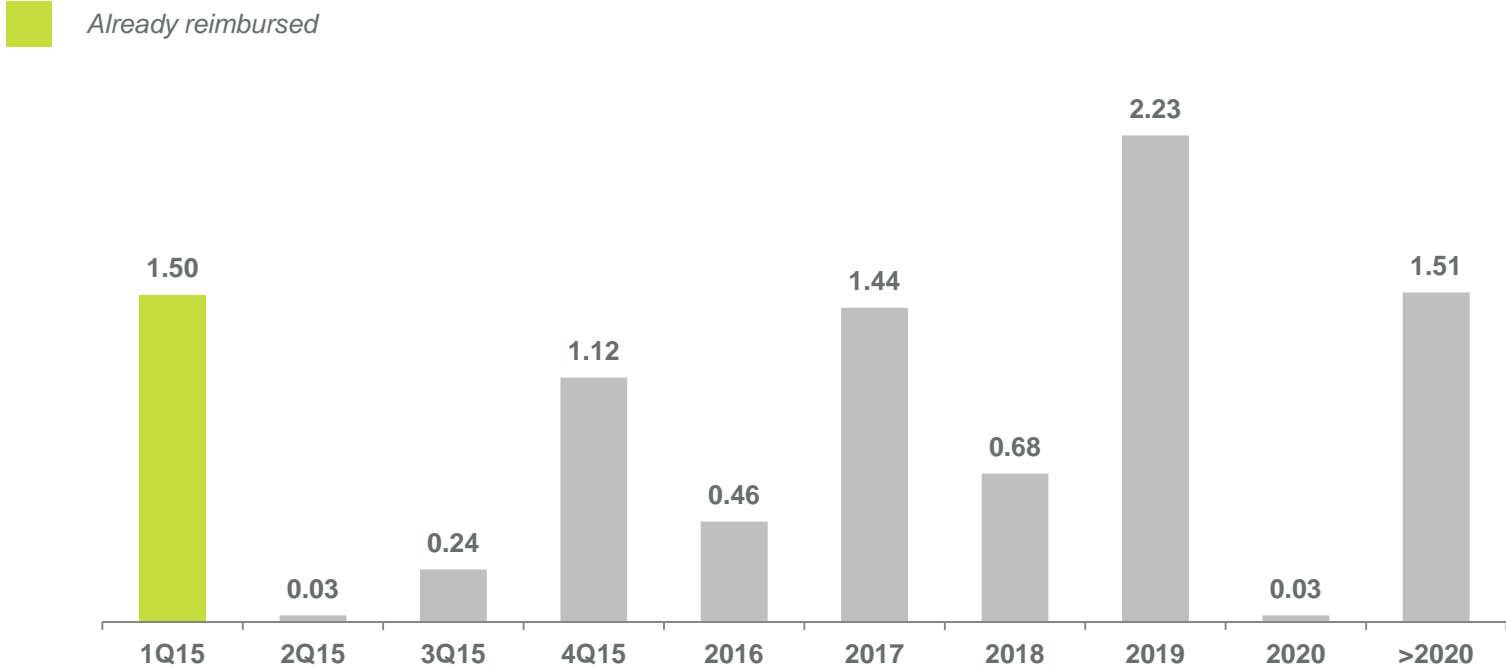
Securities Portfolio decreased by Eur 1.7bn in the period mainly due to a Eur 0.9bn reduction in the Bond portfolio

Evolution of Securities Portfolio (Eur bn)



For 2015 NOVO BANCO has wholesale MLT debt redemption totalling Eur 2.9bn, o.w. Eur 1.5bn was already repaid (more than 50%)

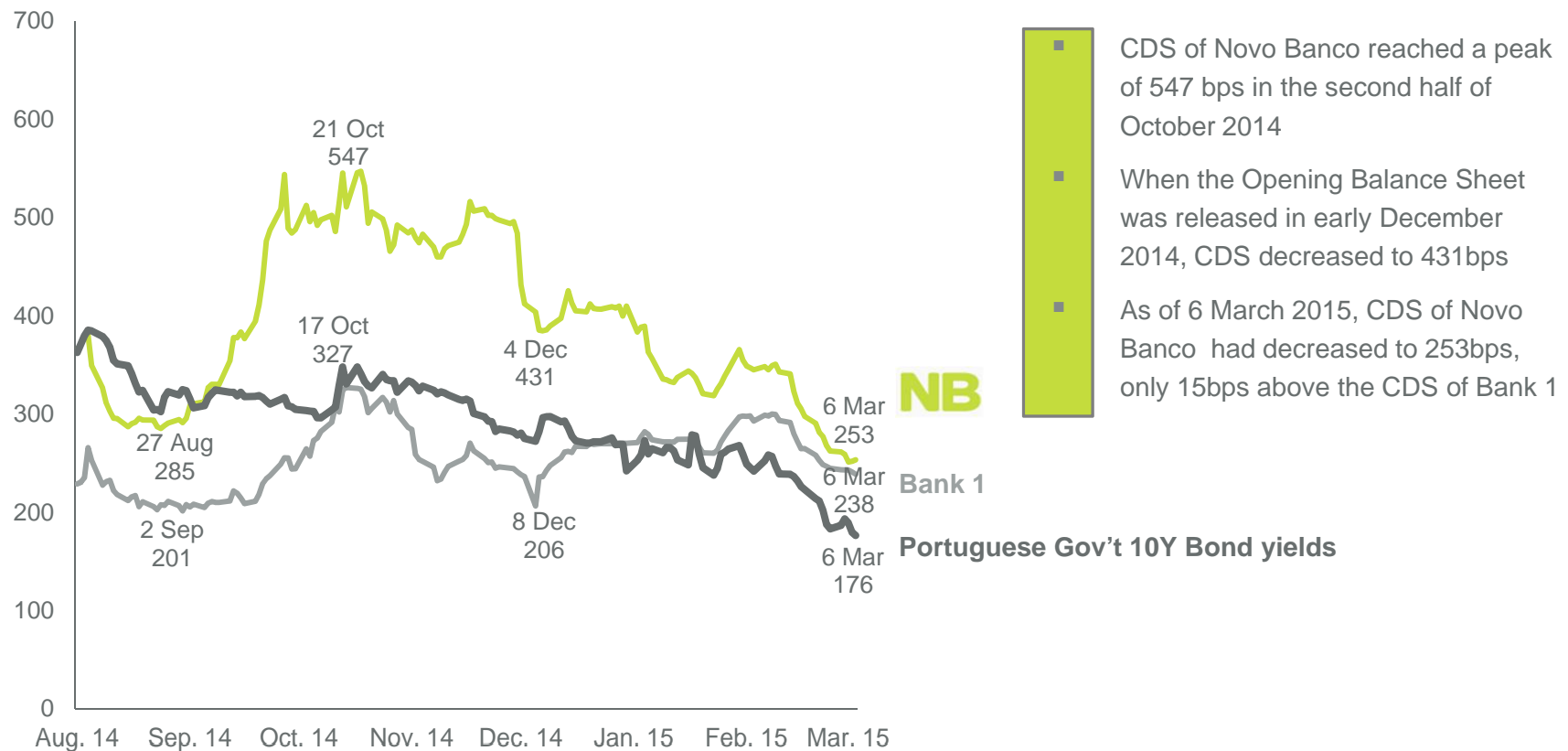
MLT Funding (Eur bn)



Credit Default Swaps of Novo Banco have decreased by almost 300bps since the peak reached in October 2014

Credit Default Swaps of Novo Banco and Bank 1 and Portuguese Gov't 10Y Bond yields since 4 Aug. 14

(CDS: Eur Senior 5yr)



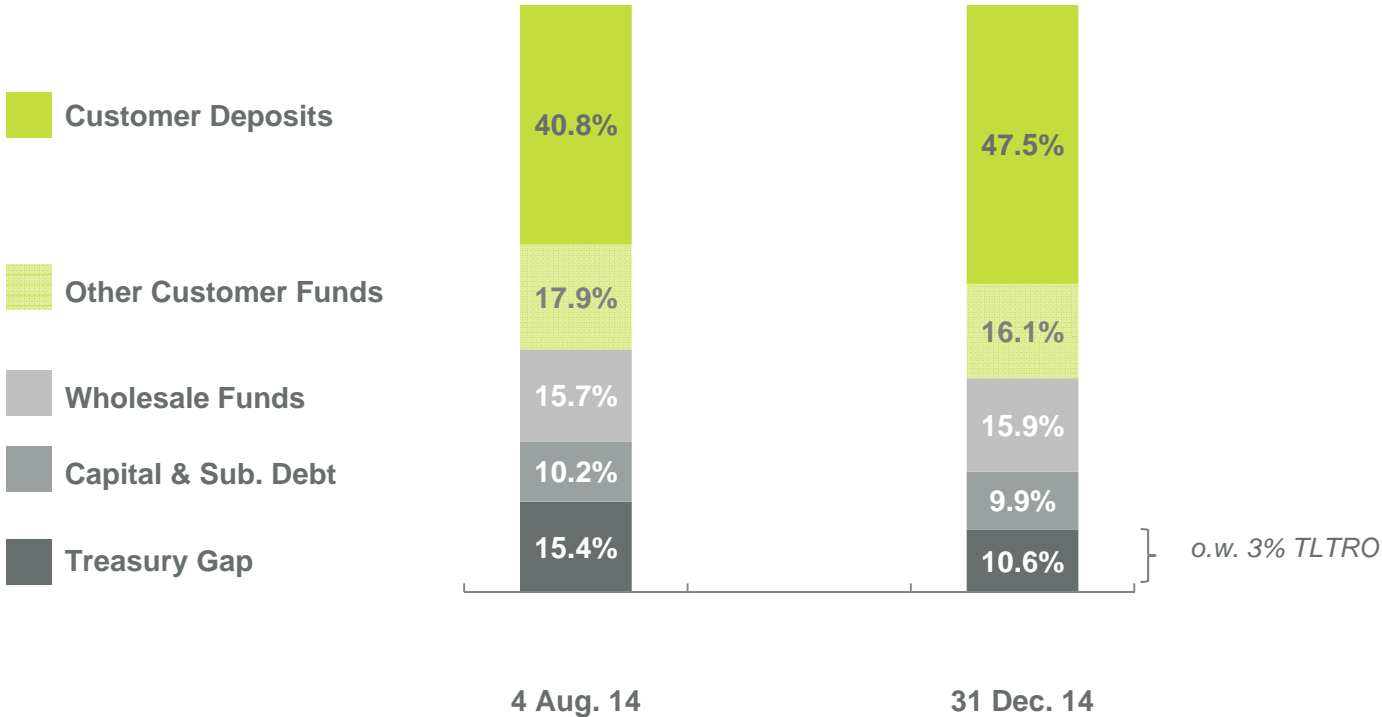
- CDS of Novo Banco reached a peak of 547 bps in the second half of October 2014
- When the Opening Balance Sheet was released in early December 2014, CDS decreased to 431bps
- As of 6 March 2015, CDS of Novo Banco had decreased to 253bps, only 15bps above the CDS of Bank 1

Source: Bloomberg, data from 4-Aug-14 to 6-Mar-15
 Note: Bank1 is one of the most relevant Banks in Portugal



Funding structure improved, with Customer Deposits increasing their weight in the funding mix to 47.5% in Dec. 14 (vs. 40.8% on 4 Aug. 14)

Evolution of the Funding Structure



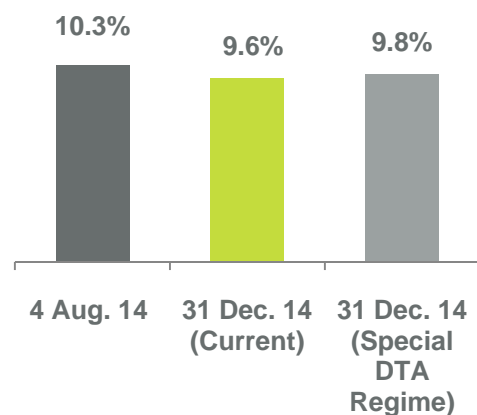
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Common Equity Tier I reached 9.6% in 2014, in spite of the actuarial deviation of Eur 270mn and of the net loss of Eur 467.9mn

Common Equity Tier I Ratio (CET I)



Eligible own funds decreased by Eur 676mn in the period mainly due to:

- Reduction from 3.5% to 2.5% of the discount rate used to estimate retirement pension liabilities, which together with the unfavourable performance of the fund's assets, led to an actuarial deviation of Eur 270mn
- Net loss of Eur 467.9mn in the period

Risk Weighted Assets, Eligible Capital and Capital Ratios (BIS III - CRD IV / CRR)

Eur bn	4 Aug. 14	31 Dec. 14	
		Current ⁽¹⁾	Special DTA Regime
Risk Weighted Assets (A)	50.4	47.1	47.8
Regulatory Capital			
Common Equity Tier I (B)	5.2	4.5	4.7
Tier I (C)	5.2	4.5	4.7
Tier II	0	0	0
Total (D)	5.2	4.5	4.7
Common Equity Tier I (B/A)	10.3%	9.6%	9.8%
Tier I (C/A)	10.3%	9.6%	9.8%
Solvency Ratio (D/A)	10.3%	9.6%	9.8%

- For prudential effects, BESI (assets from discontinued operations) is still being accounted in the RWA's

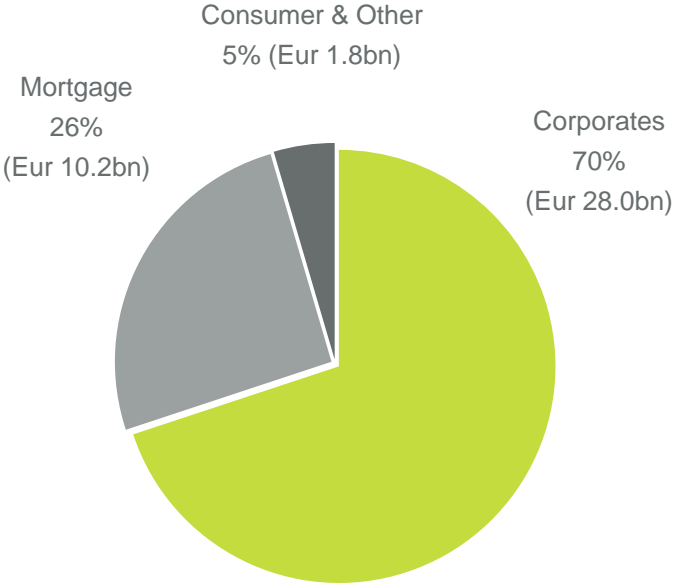
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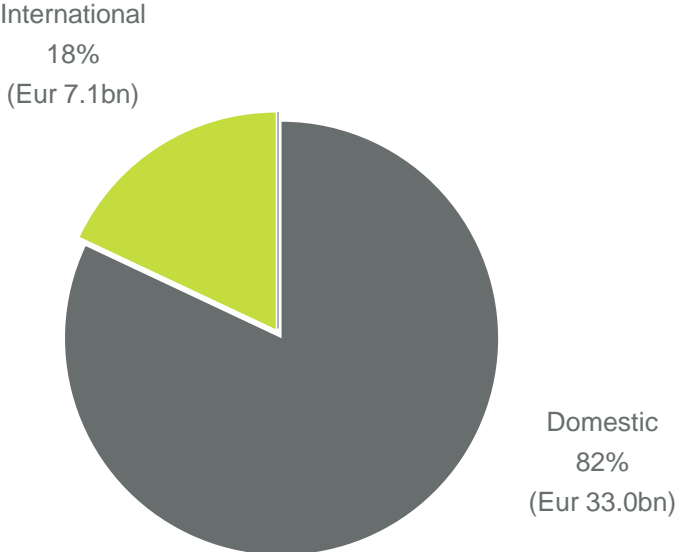
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NOVO BANCO maintains its support to the corporate sector, as corporate loans (Eur 28.0bn) represent 70% of the Credit Portfolio (Eur 40.0bn)

Sector Breakdown (31 Dec. 14)*



Geographic Breakdown (31 Dec. 14)*

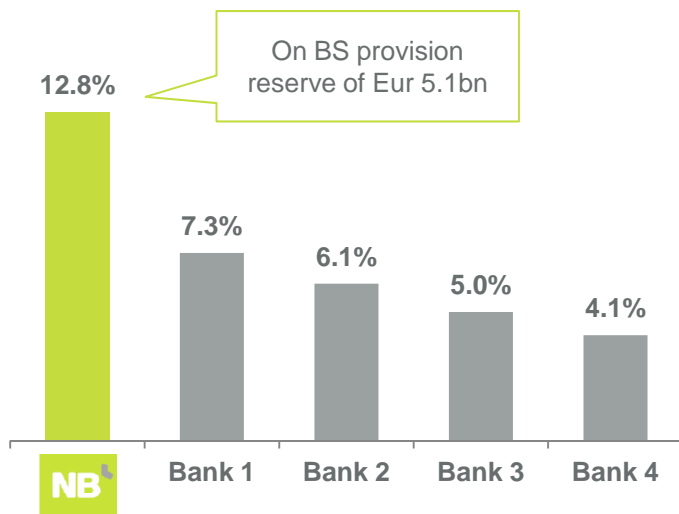


- Despite NOVO BANCO’s strict and selective lending policy, the Bank did not cease to support the SME’s in general, and the exporting sector in particular

* Breakdown based in Gross Loans

On B/S provision reserve at 12.8% of Gross Loans, the highest among Portuguese competitors. Credit at Risk at 16.5%, with coverage of 78% (excluding collaterals)

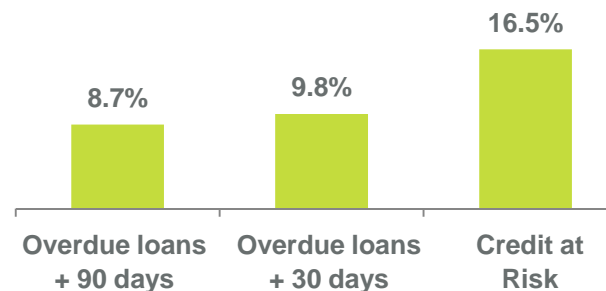
On BS Provision Reserve / Gross Loans



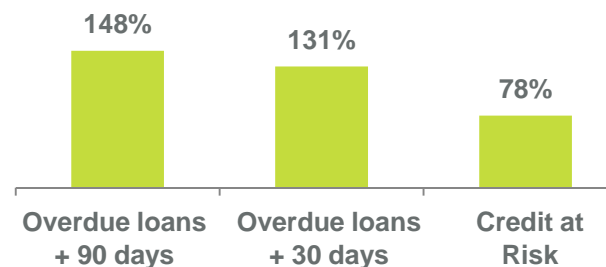
■ **NOVO BANCO's provisions on Balance Sheet amounts to Eur 5,131mn, or 12.8% of Gross Loans**

Overdue, C@R and Coverage ratios

Overdue and Credit at Risk Ratios



Coverage Ratios

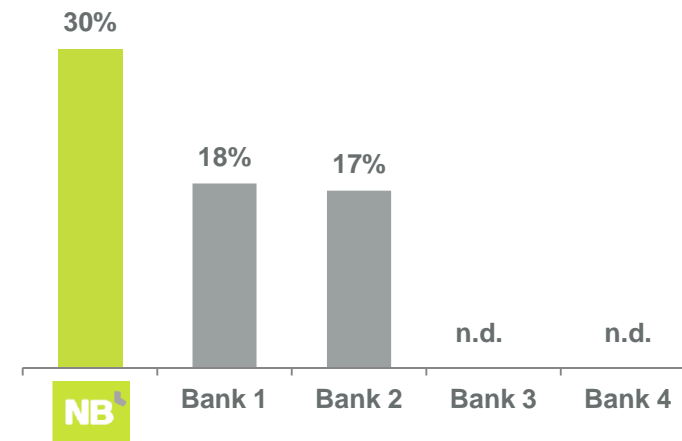


Total non current assets held for sale of Eur 2.7bn, of which foreclosed assets of Eur 1.9bn. Coverage for foreclosed properties at 30%

Foreclosed Properties (Eur bn)

	2014
Book Value (gross)	2,768
<i>Provisions</i>	824
Book Value (net)	1,943
Coverage	30%

Coverage of Foreclosed Properties



Other non-current assets held for sale (Eur bn)

	2014
Other non-current assets held for sale	1,209
<i>Provisions</i>	405
Book Value (net)	804
Coverage	34%

■ **NOVO BANCO presents the highest ratio of coverage for foreclosed properties with 30%.**

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On 8 December 2014, NOVO BANCO and Haitong signed a SPA in respect of the share capital of BESI for Eur 379m

Main details on the sale of BESI

Value of the Sale

- On 8 December 2014, NOVO BANCO and Haitong International Holdings Ltd signed a SPA (Sale and Purchase Agreement) in connection to a sale of investment bank BESI for Eur 379m (1.0x estimated December 2014 Net Asset Value)

Accounting and Prudential Impacts

- BESI is still reflected in the Balance Sheet of NOVO BANCO, with Eur 4.2bn of assets and Eur 3.1bn of liabilities as of 31 December 2014
- For prudential effects, BESI (assets from discontinued operations) is still being accounted in the RWA's

Approvals

- The parties have initiated coordinated efforts to complete all precedent conditions, namely regulatory approvals, in the shortest period. Bank of Portugal approved the sale of BESI on 5 February 2015

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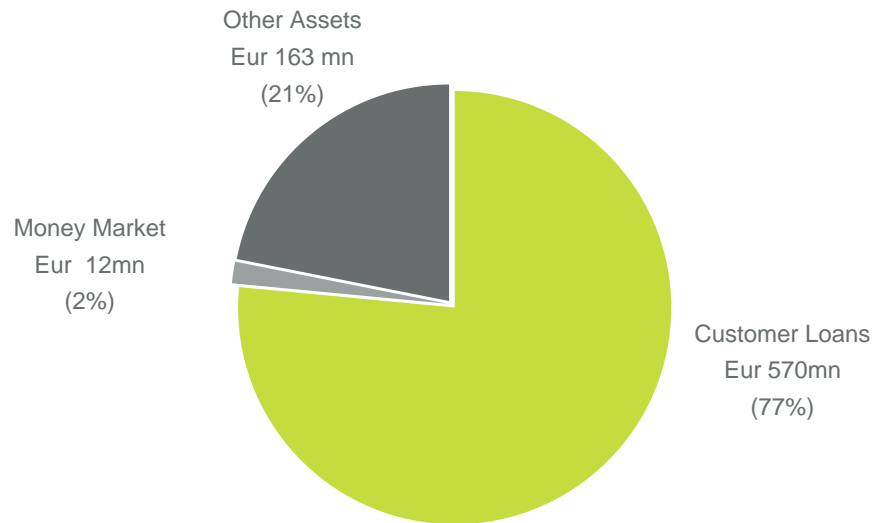
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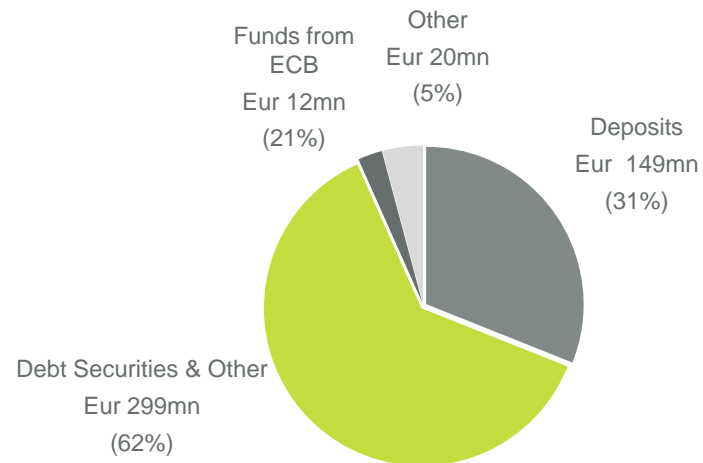
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NII reached Eur 266mn in the period, with Interest Earned at Eur 745mn and Interest Paid at Eur 479mn. Annualised NIM was 1.21% vs. Euribor 3M average of 0.09%

Interest Earned: Eur 745 mn



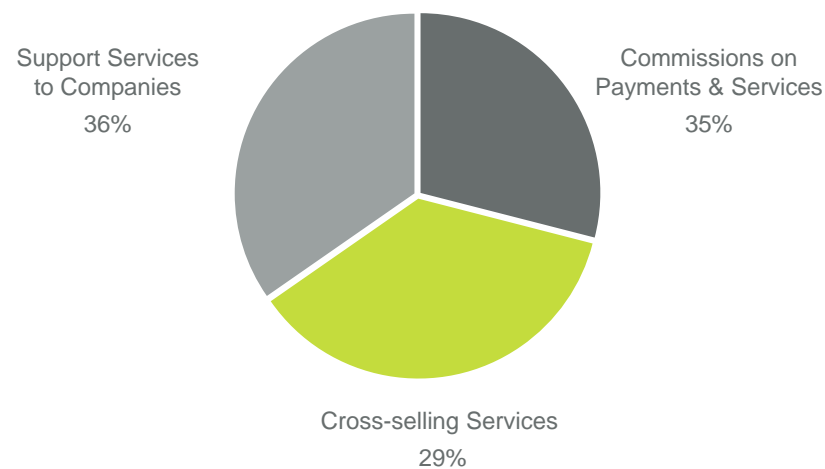
Interest Paid: Eur 479 mn



- NII performance in the period was impacted by historical low interest rates and the need to stabilize customer funding
- The average annualised rate on Loans (76.6% of IEAs) was 3.38% vs. 1.47% annualised rate on Deposits

Fees and Commissions reached Eur 178.2mn in the period, and represented 40% of Commercial Banking Income

Fees and Commissions



The ca. 1/3 contribution of Cross-selling Services (bancassurance and asset management) to Fees & Commissions results demonstrate the positive impact of the gradual consolidation of customer confidence in NOVO BANCO

Breakdown of Fees and Commissions

Eur mn	From 4 Aug. to 31 Dec. 2014
Collections	3.0
Securities	9.9
Guarantees	22.2
Account Management	28.0
Comm. on loans & other ⁽¹⁾	28.3
Documentary credit	14.3
Asset Management ⁽²⁾	29.9
Cards	10.0
Bancassurance	21.8
Other Services ⁽³⁾	10.9
Total	178.2

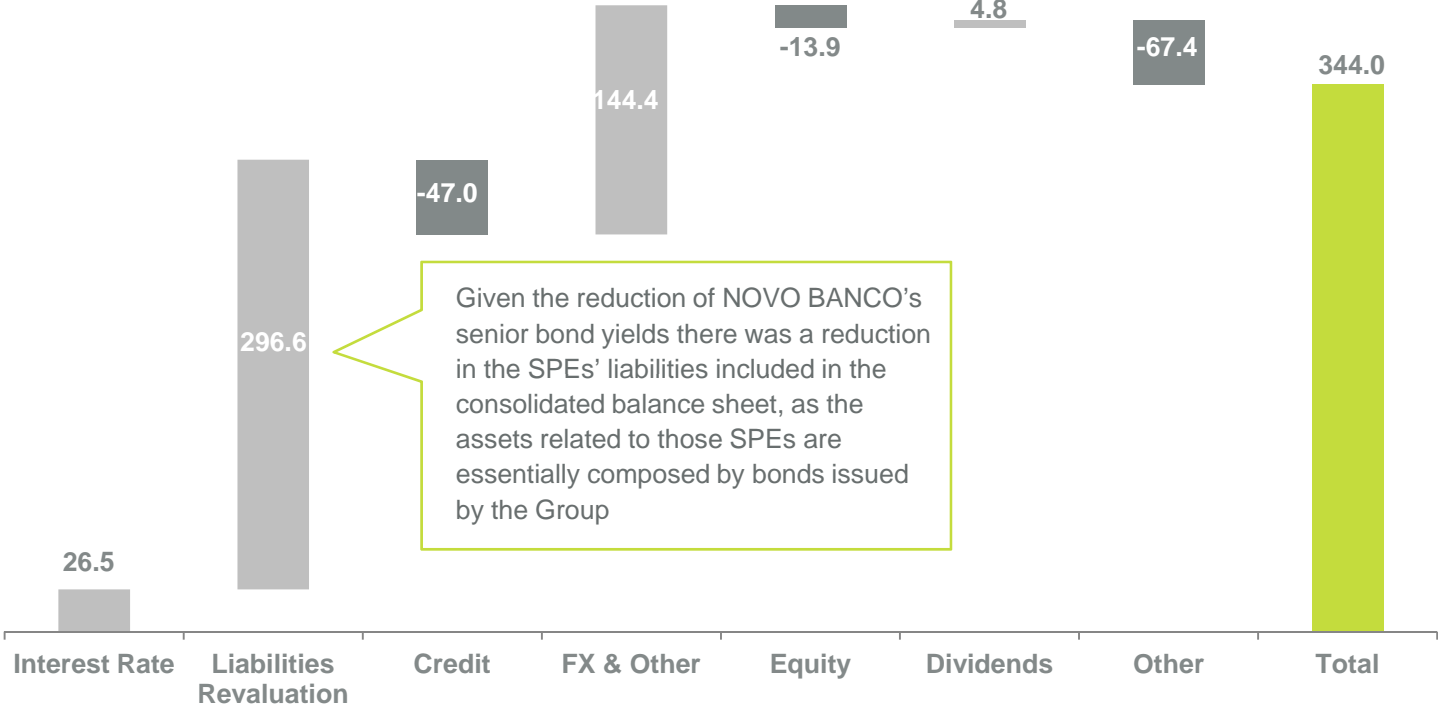
(1) Includes commissions on loans, project finance, export financing and factoring

(2) Includes investment funds and discretionary management

(3) Includes costs with State Guarantees

Capital Markets and Other Results totaled Eur 344mn in the period

Capital Markets and Other Results (Eur mn)



Operating Costs reached Eur 368.6mn in the period, but excluding non recurrent costs⁽¹⁾ the figure was Eur 342.7mn

Breakdown of Operating Costs

Eur mn	From 4 Aug. to 31 Dec. 14
Staff Costs	191.2
General and Administrative Costs	139.5
Depreciation	37.9
Total	368.6
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Total excluding non recurrent costs ⁽¹⁾	342.7

- Operating costs reached Eur 368.6mn in the five month period, posting a 5.8% decrease in 4Q on a comparable basis
- Staff costs include Eur 22mn in early retirement costs (53 employees). Excluding non recurrent items, staff costs amounted to Eur 169.9mn
- Since 4 Aug. NOVO BANCO GROUP reduced the number of staff by 165 employees. On an individual basis the reduction of headcount in NOVO BANCO was 121 employees

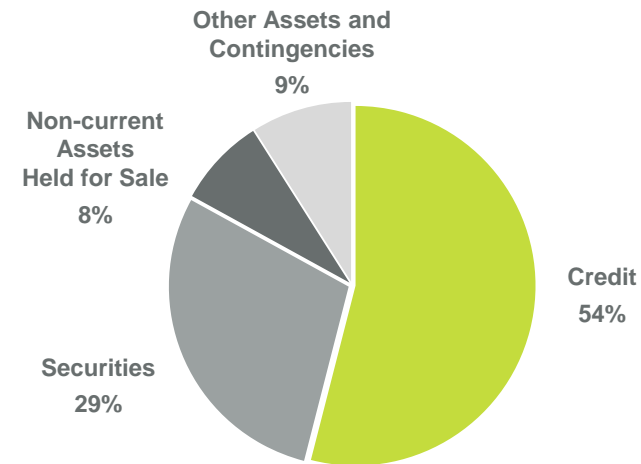
(1) Namely costs with pre-retirements, costs with AQR and consulting

Provisions booked in the period reached Eur 699.1mn, reflecting the slow economic recovery not only in Portugal but also in the EU

Breakdown of Provisions

Eur mn	From 4 Aug. to 31 Dec. 2014
Credit	378.1
Securities	199.7
Non-current Assets Held for Sale	57.7
Other Assets and Contingencies	63.3
Total	699.1

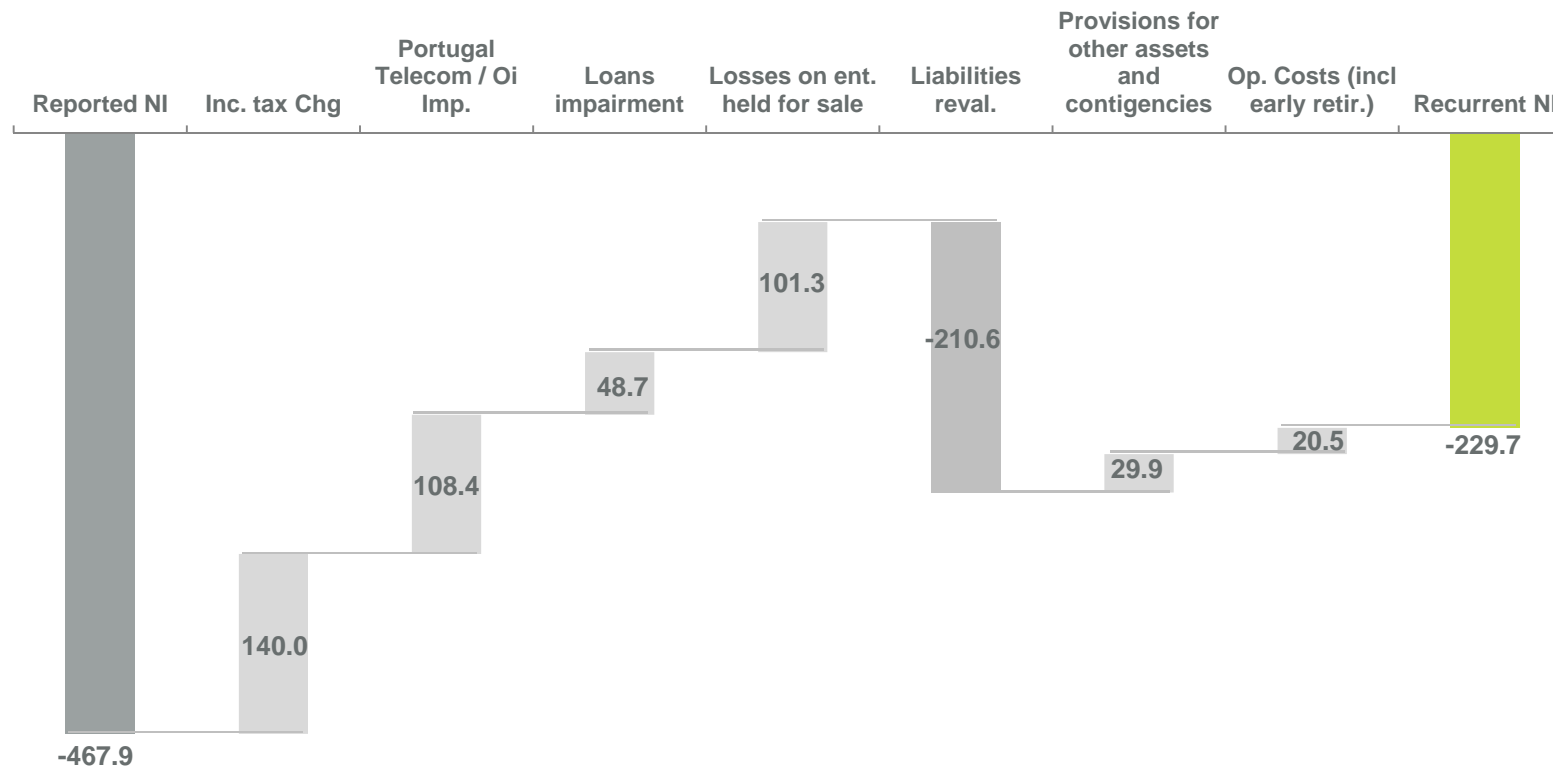
Weight of Provision Items



- Credit provisions were impacted by the devaluation of financial collaterals, following the sharp fall in share prices
- Securities provisions were mainly impacted by the devaluation of the stakes held in PT and Oi

Results were impacted by a significant set of non-recurrent events. Excluding those items, NOVO BANCO would have posted a Net loss of Eur 229.7mn

Breakdown of Non-Recurrent Results (Eur mn)



Notes: 1) adjustments in the corporate income tax (IRC) from 23% to 21% and in the deferred tax income to 29% related to temporary differences.

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Summary

NOVO BANCO is a reference institution in Portugal, with a strong domestic franchise in Retail and Private Banking and a leadership position in Corporate and SME's segment

NOVO BANCO's profile

Strong Business Model

- **NOVO BANCO** is a reference institution in the Portuguese financial system, with **net assets of Eur 65.5bn** (3rd largest financial institution in Portugal), **18% market share** and over 2 million Clients
- **Leadership position in the Corporate and SME segment.** Loans to Corporates account for 70% of total loan book
- **Strong domestic franchise** in Retail and Private Banking, backed by a focused commercial approach and by a full network across Portugal complemented by a leading multi-channel distribution strategy
- **Domestic franchise complemented by an International footprint,** focused on markets with traditional business relations with Portugal

Balance Sheet as of Dec.14

- **CET 1 Ratio of 9.6%**
- Deposits of Eur 26.6bn posted a strong recovery in 4Q14 (+Eur 4.2bn). **Loans to Deposits Ratio at 126%**
- **On Balance Sheet provisions amounts to Eur 5.1bn, or 12.8% of Gross Loans** (*the highest ratio among Portuguese main competitors*)

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Detailed Balance Sheet as of 31 December 2014

(Eur mn)	4 Aug.14 publ. on 3 Dec. 14	4 Aug.14 pro-forma*	31 Dec.14	(Eur mn)	4 Aug.14 publ. on 3 Dec.14	4 Aug.14 pro-forma*	31 Dec.14
Cash & deposits at central banks	5,401	5,398	2,747	Amounts owed to central banks	13,824	13,718	8,612
Deposits with banks	673	646	491	Financial liabilities held for trading	1,404	1,040	1,046
Financial assets held for trading	2,259	1,035	1,063	Deposits from banks	4,180	3,416	2,624
Financial assets at FV	2,567	2,567	2,230	Due to customers	27,281	26,155	27,938
Financial assets AFS	11,498	10,746	9,478	Debt securities	11,154	9,843	9,033
Loans and advances to banks	1,101	978	1,044	Hedging derivatives	121	83	104
Loans and advances to customers	38,569	36,718	34,929	Investment Contracts	4,889	4,889	4,379
Hedging derivatives	392	329	405	Non current liabilities held for sale	215	209	331
Non current assets held for sale	2,399	2,228	2,747	Liabilities from discontinued operations	-	3,455	3,073
Assets from discontinued operations	-	4,977	4,210	Provisions	567	533	410
Investment property	305	305	297	Technical provisions	1,706	1,706	1,461
Other tangible assets	427	409	397	Current income tax liabilities	83	52	34
Intangible assets	336	260	254	Deferred income tax liabilities	81	81	50
Investments in assoc. companies	428	394	402	Other subordinated loans	75	54	55
Current income tax assets	30	17	30	Other liabilities	1,307	1,030	860
Deferred income tax assets	2,865	2,766	2,551	Total Liabilities	66,888	66,265	60,009
Technical reserves of reinsurance ceded	9	9	8				
Other assets	3,204	2,607	2,204	Share capital	4,900	4,900	4,900
Total Assets	72,465	72,390	65,487	Fair value reserve, retained earnings and other comprehensive income	543	1,092	448
				Non-controlling interest	134	134	129
				Total Equity	5,577	6,216	5,478
				Total Liabilities & Equity	72,465	72,390	65,487

Detailed Income Statement from 4 Aug. to 31 Dec. 2014

	Eur thousand
	from 4-Aug-14 to 31-Dec-2014
Interest and similar income	781 667
Interest expense and similar charges	515 366
Net Interest Income	266 301
Dividend income	4 774
Fee and Commission income	225 331
Fee and Commission expense	56 423
Net gains from financial assets at fair value through profit or loss	(21 207)
Net gains from available-for-sale financial assets	34 213
Net gains from foreign exchange differences	75 119
Net gains/ (losses) from sale of other assets	15 500
Insurance earned premiums net of reinsurance	17 799
Claims incurred net of reinsurance	273 706
Change on the technical provision net of reinsurance	239 264
Other operating income and expense	243 228
Operating Income	770 193
Staff costs	191 226
General and administrative expenses	139 496
Depreciation and amortisation	37 850
Provisions impairment net of reversals	(35 163)
Loans impairment net of reversals	378 120
Impairment on other financial assets net of reversals	262 500
Impairment on other assets net of reversals	93 594
Negative consolidated differences	-
Associate Income and joint ventures (equity method)	5 221
Net Income before income tax and minorities	(292 209)
Income tax	
Current tax	28 885
Deferred tax	148 809
Net Income after taxes and before minorities	(469 903)
o.w. : Income after taxes from discontinued operations	143
Income after taxes from operations being discontinued	(46 612)
Minority Interests	(2 003)
Net Income / (Loss) for the period	(467 900)

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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 and internationally, 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 and interest rates.

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