

NOVO BANCO GROUP ACTIVITY AND RESULTS**1st Half 2017**

(Unaudited financial information)

NOVO BANCO Group net income in the 1st half of 2017 was a loss of €290.3 million, a decrease of 19.9% comparing with the loss in the 1st half of 2016 (-€362.6 million), impacted by the still high provisioning level.

Positive net operating income (before provisions and taxes) of €171.5 million, up by 20.5% YoY, underlines NOVO BANCO Group's income-generating capacity.

Fees and commissions on banking services performed well, contributing with €156.3 million to the results.

Operating costs were reduced by €39.0 million (-12.8%) YoY, to €265.2 million, confirming the downward trend observed since the creation of NOVO BANCO.

The period's provision charge was €413.1 million, which is €163.6 million, or 28.4%, less than in the 1st half of 2016. In the 1st half of 2017 the Bank set up a provision for restructuring costs (€39.1 million) and for activities being discontinued (€40.0 million). Credit impairments amounted to €258.3 million, remained at a high level and similar to the same period in 2016 (June 2016: €282.4 million).

Customer loans totalled €32.2 billion, having decreased by €1.3 billion in the 2nd quarter, in line with the deleveraging process under way. Customer deposits increased by €0.2 billion relative to the 1st quarter 2017, to €25.4 billion, with the loan to deposit ratio improving to 106%, from 110% in March 2017.

The estimated regulatory capital ratio Common Equity Tier 1 (CET1) for 30 June 2017 was 10.8%.

FINANCIAL HIGHLIGHTS	30-Jun-16	31-Dec-16	30-Jun-17
ACTIVITY (€ million)			
Net Assets	55 291	52 333	50 085
Gross Loans	34 614	33 750	32 229
Customer Deposits	25 061	25 585	25 381
Total Equity	5 564	5 148	4 954
SOLVENCY ⁽¹⁾⁽²⁾			
Common Equity Tier I / RWAs	12.0%	12.0%	10.8%
Tier I / RWAs	12.0%	12.0%	10.8%
Total Own Funds / RWAs	12.0%	12.0%	11.0%
LIQUIDITY (€ million)			
ECB Funds (net) ⁽³⁾	5 548	5 123	5 741
Eligible Assets for repo operations (ECB and other), net of haircuts	11 881	11 587	11 679
(Total Credit - Credit Provisions) / Customer Deposits ⁽²⁾	113%	110%	106%
Liquidity Coverage Ratio (LCR)	92%	107%	103%
Net Stable Funding Ratio (NSFR) ⁽¹⁾	99%	99%	102%
ASSET QUALITY			
Overdue Loans > 90 days/Gross Loans	15.7%	17.0%	17.7%
Overdue and Doubtful Loans / Total Loans ⁽²⁾	17.4%	18.7%	19.5%
Overdue and Doubtful, net of impairments / Total Net Loans ⁽²⁾	1.3%	2.6%	3.6%
Credit at Risk/Total Loans ⁽²⁾	23.9%	25.6%	25.9%
Credit at Risk (net) / Total Net Loans ⁽²⁾	9.0%	10.9%	11.3%
Restructured Credit ⁽²⁾ / Gross Loans	19.2%	23.7%	23.4%
Restructured Credit not included in Credit at Risk ⁽²⁾ / Gross Loans	10.7%	11.9%	10.8%
Credit Provisions/Overdue Loans > 90 days	104.3%	97.2%	93.0%
Credit Provisions/Gross Loans	16.4%	16.5%	16.5%
Cost of Risk	1.63%	1.99%	1.60%
PROFITABILITY			
Net Income (€ million)	-362.6	-788.3	-290.3
Income before Taxes and Non-controlling Interests / Average Net Assets ⁽²⁾	-1.6%	-1.9%	-1.1%
Banking Income / Average Net Assets ⁽²⁾	1.6%	1.8%	1.7%
Income before Taxes and Non-controlling Interests / Average Net Assets ⁽²⁾	-14.3%	-17.0%	-10.4%
EFFICIENCY			
General Admin. Costs + Depreciation / Banking Income ⁽²⁾	68.1%	60.4%	60.7%
Staff Costs / Banking Income ⁽²⁾	35.2%	31.0%	32.7%
EMPLOYEES			
Total	6 325	6 096	5 706
- Domestic	5 885	5 687	5 321
- International	440	409	385
BRANCH NETWORK			
Total	606	537	475
- Domestic	576	507	449
- International	30	30	26

(1) Estimated data for 30 June 2017

(2) According to Banco de Portugal Instruction n. 16/2004, in its version in force

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

RESULTS

NOVO BANCO Group reported a net loss of €290.3 million in the 1st half of 2017, which is an improvement compared to both the 1st half and the 2nd half of 2016 (net losses of -€362.6 million and -€425.7 million, respectively).

€ million			
INCOME STATEMENT	1H16	1H17	% Change
Net Interest Income	262.0	210.6	-19.6%
+ Fees and Commissions	141.5	156.3	10.5%
= Commercial Banking Income	403.5	367.0	-9.1%
+ Capital Markets	60.6	65.3	7.8%
+ Other Results	- 17.6	4.3
= Banking Income	446.5	436.6	-2.2%
- Operating Costs	304.2	265.2	-12.8%
= Net Operating Income	142.3	171.5	20.5%
- Net Provisions	576.7	413.1	-28.4%
Credit	282.4	258.3	-8.5%
Securities	75.4	44.8	-40.6%
Other Assets and Contingencies	218.9	109.9	-49.8%
= Income before Taxes	- 434.4	- 241.6	44.4%
- Income Tax	- 100.7	18.3
- Special Tax on Banks	36.9	30.9	-16.4%
= Income after Taxes	- 370.6	- 290.8	21.5%
- Non-controlling Interests	- 8.0	- 0.4	94.5%
= Net Income	- 362.6	- 290.3	19.9%

Main highlights of the activity developed in the 1st half 2017:

- Commercial banking income amounted to €367.0 million, down by 9.1% YoY, reflecting the reduction in net interest income (-19.6%), which fully absorbed the improvement in fees and commissions (+10.5%);
- Operating costs decreased by 12.8% YoY, to €265.2 million, underpinned by the improvements made in terms of simplifying processes and streamlining the structure, with the consequent reduction in the number of branches and employees;
- Positive net operating income (before provisions and taxes) of €171.5 million, up by 20.5% YoY, underlines NOVO BANCO Group's income-generating capacity;
- The period's total provision charge of €413.1 million includes €258.3 million for credit, €44.8 million for securities (of which, €30.2 million for restructuring funds) and €109.9 million for other assets and contingencies, of which, €40.0 million for discontinuing operations and €39.1 million of provisions for restructuring.

Net Interest Income

The performance of net interest income was impacted by the fact that benchmark interest rates remained on negative ground, by the high cost of debt securities and by the need to stabilise funding through customer funds.

Due to these constraints and also the ongoing deleveraging process, net interest income contracted by 19.6% YoY, to €210.6 million. It should be noted that the positive impact from a 17 bps reduction in the cost of liabilities (from 1.45% in June 16 to 1.28% in June 17) was not sufficient to offset the reduction in the interest rate on assets (32bps), causing the net interest margin to drop by 15 bps compared to June 2016.

The net interest margin was 0.95%, underpinned by an average interest rate on financial assets of 2.23% and an average interest rate on financial liabilities of 1.28%. The decrease in the cost of deposits, from 0.96% in June 2016 to 0.81% at the end of the 1st half of 2017, contributed to the reduction in the interest rate of liabilities.

NET INTEREST INCOME AND NET INTEREST MARGIN	1H2016			2016			1H2017		
	Average Balance	Avg Rate	NII	Average Balance	Avg Rate	NII	Average Balance	Avg Rate	NII
INTEREST EARNING ASSETS	47 890	2.55%	609	46 823	2.49%	1 166	44 886	2.23%	496
Customer Loans	35 294	2.72%	479	34 695	2.68%	932	33 050	2.40%	393
Money Market Placements	2 788	1.98%	28	2 480	2.31%	57	2 352	1.39%	16
Securities and Other Assets	9 808	2.09%	102	9 647	1.84%	177	9 484	1.82%	86
OTHER NON-INTEREST EARNING ASSETS	-	-	-	-	-	-	-	-	-
INTEREST EARNING ASSETS & OTHER	47 890	2.55%	609	46 823	2.49%	1 166	44 886	2.23%	496
INTEREST BEARING LIABILITIES	45 271	1.54%	347	43 978	1.48%	652	41 669	1.38%	285
Due to Customers	25 356	0.96%	122	25 123	0.91%	229	25 327	0.81%	101
Money Market Funding	12 204	0.37%	23	11 442	0.36%	41	9 466	0.34%	16
Other Liabilities	7 711	5.27%	202	7 413	5.15%	382	6 875	4.92%	168
OTHER NON-INTEREST BEARING LIABILITIES	2 619	-	-	2 845	-	-	3 217	-	-
INTEREST BEARING LIABILITIES & OTHER	47 890	1.45%	347	46 823	1.39%	652	44 886	1.28%	285
NIM / NII		1.10%	262		1.10%	514		0.95%	211

The average rate on customer loans, the main component of financial assets (73.6%), was 2.40%. As to liabilities, the average balance of deposits was €25.3 billion, with an average interest rate of 0.81%.

Fees and Commissions

Fees and commissions on banking services contributed with €156.3 million to the results, up by 10.5% from €141.5 million in the 1st half of 2016. This improvement reflects the reduction in the cost of bond issues guaranteed by the Republic of Portugal, as otherwise fees and commissions would have remained flat year-on-year, notwithstanding the deleveraging process under way.

FEES AND COMMISSIONS	1H2016	1H2017	% Change	€ million	
				Weight	
				30-Jun-16	30-Jun-17
Payments and Account Management	46.5	53.4	14.9%	29.3%	33.7%
Commissions on Loans, Guarantees and Similar	65.9	60.6	-8.1%	41.6%	38.3%
Asset Management and Bancassurance	31.5	31.5	0.0%	19.8%	19.9%
Advising, Servicing and Other	14.7	12.9	-12.5%	9.3%	8.1%
SUBTOTAL	158.6	158.3	-0.2%	100.0%	100.0%
Costs with State Guarantees	-17.1	-2.0	-88.4%		
TOTAL	141.5	156.3	10.5%		

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

- Support services to companies – including guarantees provided, documentary credits, and services related to loan management and other (38.3% of the total);
- Commissions on payment services (33.7% of the total) – cards and payment processing, namely cheques, transfers, payment orders, POS and ATMs, and also account management fees; and
- Commissions on asset management and bancassurance products, which accounted for 19.9% of the total.

NOVO BANCO was again named the best provider of securities and custody services in Portugal by the Global Finance international magazine.

Capital Markets and Other Operating Results

The first half of 2017 was marked by the intervention of the European Central Bank, namely by maintaining its policy of quantitative easing. The asset repurchase policies and the fact that the interest rate on the main refinancing operations remained unchanged strongly contributed to the improvement of the main economic indicators and to the positive stabilisation of investor confidence in general.

Taking into account the economic environment in the 1st half of 2017, the Portuguese yield curve registered a good performance, with yields declining for all maturities in the yield curve and the euro sharply appreciating, in particular in the 2nd quarter. This context enabled NOVO BANCO Group to obtain gains in FX and sovereign debt instruments.

In the 1st half of 2017 NOVO BANCO sold a 75% stake in its subsidiary NB Ásia, obtaining a capital gain of €103.1 million. On the other hand, we note the negative impacts from the sale of international credits (-€30.9 million) and also by the cost of the contributions to the Single Resolution Fund (-€19.7 million) and Portuguese Resolution Fund (-€7.8 million).

Operating Costs

Operating costs show a YoY reduction of 12.8%, reflecting the ongoing implementation of the restructuring measures that involved the downsizing of the distribution network and the simplification and scaling down of the organisational structure and processes, with the consequent reduction of the workforce.

€ million			
OPERATING COSTS	1H2016	1H2017	% Change
Staff Costs	157.0	142.8	-9.1%
General and Administrative Costs	118.2	101.0	-14.6%
Depreciation	29.0	21.4	-26.0%
TOTAL	304.2	265.2	-12.8%

Staff costs decreased by 9.1% YoY, to €142.8 million, underpinned by a headcount reduction of 619 employees since June 2016. At 30 June 2017 NOVO BANCO Group had 5,706 employees (June 16: 6,325).

General administrative expenses dropped by 14.6% YoY, to €101.0 million. This reduction, which occurred across most cost categories, reflects the rationalisation and streamlining policy under way.

Depreciation decreased by 26% relative to 1st half 2016, the result of greater selectivity in IT investment, the rationalisation of equipment and the closure of facilities.

The contraction in operating costs also reflects the downsizing of the distribution network in line with the new business reality. In June 2017 NOVO BANCO had 475 branches, which is 131 fewer units than a year earlier (of these, 62 were closed in the 1st half of 2017).

In this regard, it should be noted that the objectives set out in the Restructuring Plan have been met. Hence, compared to November 2015, the base date for the commitments assumed with the DGCOT for the Restructuring Plan, there was an effective reduction of 1,702 employees (including the activities being discontinued), comparing with the target of reducing the headcount by 1,500 employees by 30 June 2017. The distribution network was downsized to 475 branches (target: 475 on 30 June 2017), corresponding to the discontinuation of 178 units. The operating costs contraction, considering June 2017 annualised, exceeded the target of -€230 million.

Impairments and Provisions

In the 1st half of 2017 the NOVO BANCO Group reinforced provisions by €413.1 million (-€163.6 million over June 2016), the bulk of which was allocated to credit (€258.3 million). The period's provision charge also includes €44.8 million for securities (of which €302 million for restructuring funds, vs. €6.0 million in June 2016), €39.1 million for restructuring provisions (€109.6 million in June 2016) and €40.0 million for operations being discontinued, allocated to other assets and contingencies.

€ million			
PROVISIONS	1H2016	1H2017	% Change
Credit and Securities	357.8	303.1	-15.3%
Real Estate and Equipment	123.5	23.4	-81.0%
Other Assets and Contingencies	95.4	86.5	-9.4%
TOTAL	576.7	413.1	-28.4%

The credit provision charge totalled €258.3 million, leading to a loan coverage ratio of 16.5%.

ACTIVITY EVOLUTION

Funding

On 30 June 2017 customer deposits totalled €25.4 billion, up by €0.2 billion from €25.2 billion in March 2017. This reduction had no impact on the consolidation of the relationship with the clients achieved alongside the resumption of normal operating conditions and the recovery of funding.

CUSTOMER FUNDS	30-Jun-16	31-Dec-16	31-Mar-17	30-Jun-17	YoY Change		Absolute change in 2Q2017
					absolute	relative	
					€ million		
Deposits	25 061	25 585	25 169	25 381	320	1.3%	212
Other Customer Funds ⁽¹⁾	335	404	408	513	178	53.0%	105
Debt Securities placed with Clients	1 004	996	943	882	- 122	-12.2%	- 61
Life Insurance Products	5 138	4 730	4 516	4 440	- 698	-13.6%	- 76
Off-Balance Sheet Funds	5 111	5 069	4 952	4 876	- 235	-4.6%	- 76
Total Customer Funds	36 649	36 784	35 988	36 090	- 559	-1.5%	102

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

Customer Loans

NOVO BANCO's strategy of support to the domestic business community was underlined by its strict and selective lending policy. This support has been provided across all industry sectors and all companies, placing a particular focus on the exporting small and medium-sized companies and those that incorporate innovation in their products, services or production systems. Corporate loans account for a 64.9% share of the total loan book.

CUSTOMER LOANS	30-Jun-16	31-Dec-16	31-Mar-17	30-Jun-17	YoY Change		€ million
					absolute	relative	Absolute change in 2Q2017
					Corporate Lending	23 264	22 451
Loans to Individuals	11 350	11 300	11 283	11 300	- 50	-0.4%	17
Residential Mortgage	9 767	9 726	9 707	9 715	- 52	-0.5%	8
Other Loans	1 583	1 574	1 576	1 585	2	0.1%	9
Customer Loans (Gross)	34 614	33 750	33 483	32 229	-2 385	-6.9%	-1 254
Provisions	5 673	5 566	5 601	5 308	- 365	-6.4%	- 293
Customer Loans (Net)	28 941	28 184	27 882	26 921	-2 020	-7.0%	- 961

Customer loans were down by €1.3 billion relative to March 2017, which is in line with the deleveraging process under way. Loans to individual clients remained flat at €11.3 billion.

Securities Portfolio

The securities portfolio, the main source of eligible assets for funding operations with the European Central Bank (ECB), totalled €11.9 billion on 30 June 2017 and represented 23.7% of assets.

SECURITIES PORTFOLIO	30-Jun-16	31-Dec-16	30-Jun-17	YoY Change		€ million
				absolute	relative	Absolute change in 1H2017
				Portuguese Sovereign Debt	3 242	3 538
Other Sovereign Debt	3 438	2 971	2 239	-1 199	-34.9%	- 732
Bonds	2 573	2 775	2 809	236	9.2%	34
Other	2 874	2 478	2 443	- 431	-15.0%	- 35
Total	12 127	11 762	11 877	- 250	-2.1%	115

The breakdown of the securities portfolio reflects a portfolio management approach based on securities with lower risk and higher liquidity, namely sovereign debt of Eurozone countries, which account for 55.7% of the

total available securities. The overall amount of the portfolio increased by €115 million in the first half of the year, mainly through the increase in Portuguese sovereign debt. The securities portfolio had a positive fair value reserve of €275.4 million (Dec. 2016: €151.4million)

LIQUIDITY AND CAPITAL MANAGEMENT

Liquidity

After the announcement on 31 March 2017 of the agreement for the sale of 75% of NOVO BANCO to Lone Star, there was a perceptible improvement in customer funds during the 2nd quarter, in particular of retail customer funds, which increased by more than €300 million relative to the 1st quarter.

During the 2nd quarter, the Bank reimbursed approximately €800 million of medium and long-term funds, which, added to the 1st quarter reimbursements, makes up a total of €940 million in the first half of the year, reaching 94% of the total reimbursements planned for 2017, of around €1.0 billion.

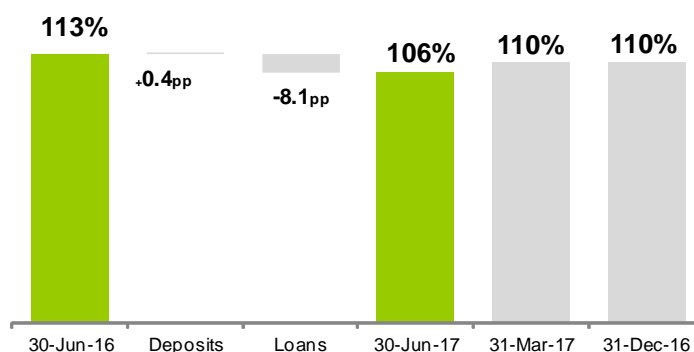
However, and despite the strong constraints on access to the financial markets, net funding from the European Central Bank decreased in the quarter by nearly €280 million.

The overall amount in the portfolio of assets eligible for rediscount with the European Central Bank has remained stable at around €11.7 billion, after haircuts. Within these assets, the sovereign debt portfolio (excluding the exposure of GNB Vida to sovereign debt) increased by around €43 million in the quarter, to €4.9 billion. This portfolio was essentially concentrated in European countries, with the exposure to Portuguese sovereign debt amounting to €3 billion, of which €1.2 billion in treasury bills and €1.8 billion in treasury bonds. The exposure to other European peripheral countries sovereign debt decreased to €1.7 billion, of which €1.3 billion was Spanish sovereign debt and €359 million was Italian sovereign debt.

The Liquidity Coverage Ratio (LCR) increased to 103% in June 2017, from 98% in March 2017.

The loan to deposit ratio (106%) improved compared with both the 1st half of 2016 (113%) and with March 2017 (110%).

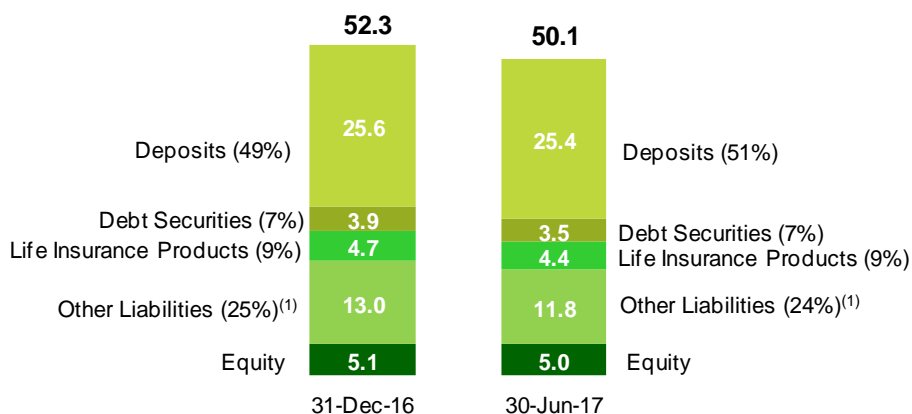
Loan to Deposit Ratio



Customer deposits remained the main source of funding, representing 51% of total assets.

Funding Structure

(figures in € billion)



⁽¹⁾ 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 Regulation (EU) no.2016/445, which determines the transitional (phased-in) arrangements for own funds set forth in Regulation (EU) no.575/2013. 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 30 June 2017, were as follows:

		€ million
CAPITAL RATIOS - BIS III (CRD IV/CRR)		30-Jun-17⁽¹⁾
Risk Weighted Assets	(A)	32 111
Own Funds		
Common Equity Tier 1	(B)	3 477
Tier 1	(C)	3 477
Total Capital	(D)	3 538
Common Equity Tier 1 Ratio (Phased-in)	(B/A)	10.8%
Tier 1 Ratio	(C/A)	10.8%
Solvency Ratio	(D/A)	11.0%
Common Equity Tier 1 Ratio (full implementation)		9.6%

⁽¹⁾ Estimated Data

The estimated phased-in Common Equity Tier 1 (CET1) ratio for 30 June 2017 was 10.8% (estimated ratio of 9.6% under the full implementation regime applicable as from 1 January 2018).

ASSET QUALITY

In absolute terms, credit risk indicators decreased compared to December 2016.

CREDIT QUALITY				€ million	
	30-Jun-16	31-Dec-16	30-Jun-17	Change in 1H2017	
				absolute	relative
Gross Loans	34 614	33 750	32 229	-1 521	-4.5%
Overdue Loans	5 878	5 936	5 881	- 55	-0.9%
Overdue Loans > 90 days	5 437	5 728	5 708	- 20	-0.4%
Credit at Risk ⁽¹⁾	8 283	8 636	8 338	- 298	-3.5%
Restructured Credit ⁽²⁾	6 657	8 007	7 534	- 473	-5.9%
Restructured Credit not included in Credit at Risk ⁽²⁾	3 721	4 008	3 490	- 518	-12.9%
Provisions for Credit	5 673	5 566	5 308	- 258	-4.6%

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

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

The overdue loans and credit at risk ratios were 18.2% and 25.9%, respectively, at the end of June 2017, having deteriorated compared to both the 1st half of 2016 and December 2016 as a result of the decrease of the loan book. The Coverage of Credit at Risk was 63.7%.

The coverage ratios decreased compared to the end of 2016. The credit at risk ratio increased by 30 bps and the Overdue Loans > 90 days ratio was 70 bps higher than in December 2016.

Provisions for Credit amounted to €5.3 billion, representing 16.5% of the total loan book (Dec.16: 16.5%)

ASSET QUALITY AND COVERAGE RATIOS	30-Jun-16	31-Dec-16	30-Jun-17	Change in 1H2017 (pp)
Overdue Loans / Gross Loans	17.0%	17.6%	18.2%	0.7
Overdue Loans > 90 days / Gross Loans	15.7%	17.0%	17.7%	0.7
Credit at Risk ⁽¹⁾ / Gross Loans	23.9%	25.6%	25.9%	0.3
Restructured Credit ⁽²⁾ / Gross Loans	19.2%	23.7%	23.4%	-0.3
Restructured Credit not included in Credit at Risk ⁽²⁾ / Gross Loans	10.7%	11.9%	10.8%	-1.0
Provisions for Credit / Gross Loans	16.4%	16.5%	16.5%	0.0
Coverage of Credit at Risk ⁽¹⁾	68.5%	64.5%	63.7%	-0.8
Coverage of Overdue Loans > 90 days	104.3%	97.2%	93.0%	-4.2
Coverage of Overdue Loans	96.5%	93.8%	90.3%	-3.5

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

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

The Non Performing Loans stock reduced materially by €0.9 billion to €10.4 billion in June 2017 (€11.3 billion in December 2016), with a coverage ratio of 50% (December 2016: 48%). The Non Performing Loans ratio decreased 130 bps in the first half of 2017 to 32.1%.

COMMERCIAL ACTIVITY

Retail Banking

During the 1st half of 2017 NOVO BANCO reinforced its investment in the digital channels, focusing in particular on expanding the range of products and services available for subscription through the NB Smart App (Mobile channel), as well as on the continuous improvement of the NBnet functionalities (Homebanking channel). These developments addressed the individual clients' expectations concerning their interaction with the Bank, while at the same time leveraging the opportunities offered by digital technology advancements. In particular, the following new functionalities were made available in the area of the digital channels: (i) fingerprint access to the NB smart app, available for *IOS (iPhone)* and *Android* smartphones: *Mobile Banking* users no longer have to enter their PIN code for authentication, all they have to do is touch

the smartphone's sensor with the tip of their finger; (ii) possibility to simulate and apply for consumer and mortgage loans through the NB smart app, quickly and intuitively; (iii) the DP NB *smart app*, a term deposit exclusively for the mobile channel where you receive its remuneration on the following day after the deposit is made; (iv) online subscription to the 'salary credit' facility, through NBnet, which allows individual clients to use an overdraft to meet unforeseen expenses until the date when they receive their salary; and (v) certification of top ups for mobile phone, internet and other services through the NB smart app and NBnet, which permits to carry out these transactions in a fast, easy and safe manner as no matrix or SMS code is required. The recognition and satisfaction of individual clients with NOVO BANCO's digital solutions is clearly shown by the level of subscriptions to these channels, with the number of frequent users of the digital platforms reaching 497 thousand at the end of the first half of the year, corresponding to a YoY increase of 6%. Moreover, we also stress that the number of frequent users of the NB Smart App has recently surpassed the 200,000 mark, an increase of 19% since the start of the year.

As to the main indicators of the retail commercial activity, loan granting to individual clients sharply accelerated during the 1st half of the year. Residential mortgage credit production grew by 35% until June compared to the average monthly production in 2016, and the respective average spread was higher than the overall residential mortgage loan book's average spread. This performance was leveraged by the service model established by NOVO BANCO, which ensures that all applications for credit are addressed within a maximum of 24 hours. Another important factor was the expansion of partnerships with real estate agents networks, which saw a YoY increase of more than 100%. Consumer loans production grew by an expressive rate of 60% relative to the production in 2016. This acceleration was driven by the communication campaign "O Crédito que o Conhece" ("The Loan that Knows You") that ran through the 2nd quarter, advertising a competitive and comprehensive offer, and also the existing proximity between NOVO BANCO and its clients.

In the Small Business segment, we note the contribution of the 'Capitalizar' credit line (*'Linha Capitalizar'*), under which a total of 885 operations were concluded until the end of June 2017. The active support provided to the clients in the preparation and submission of credit applications gave NOVO BANCO the 2nd place in the ranking of the sub-line for small and micro companies.

Customer funds, bolstered by the recovering trend of customer confidence, grew by 6.4% YoY and by 1.4% since the start of the year. This increase was underpinned by the regular launch of new solutions, including the Indexed Dual Deposits (*'Depósitos Duais Indexados'*), whose production surpassed €200 million in the 1st half of the year.

The stock of Life and Non Life insurance policies (excluding life insurance on mortgage loans granted by NOVO BANCO) increased by 5.9%, with health and life risk insurance showing the sharpest rises (+11.3% and +7.7%, respectively).

The Private banking segment has been deepening its service strategy based on an open architecture rationale, expanding its offer of international investment funds from leading worldwide fund managers. This strategy met the expectations of high networth clients regarding the diversification of their assets by asset classes, currencies and income distribution, away from the more traditional investment solutions. Reflecting the clients' recognition for the Bank's expertise in this area, assets under management placed by Private banking clients in third-party funds increased by 43.5% since the start of the year.

Corporate Banking

In the Corporate Banking segment (medium-sized and large companies), the volume of deposits increased by €353.3 million (+9.5%) in the 1st half of 2017 (in average balances terms). Within this segment, production of medium and long-term loans reached €704.4 million, upholding NOVO BANCO's reference role in supporting the development of companies and economic activity in Portugal. Moreover, production also increased under the 'PME Crescimento 2015', 'IFD 2016-2020', 'NB FEI Inovação III' (under a partnership with the European Investment Fund) and 'NB Empresas Prime' Lines, with new loan disbursements reaching €328.5 million between January and June 2017. In January, NOVO BANCO joined the new 'Capitalizar' Credit Line ("*Linha de Crédito Capitalizar*"), in partnership with the Portuguese Government and the Mutual Guarantee System, under which disbursements reached €10 million in this period. This set of instruments has proven an important pillar of support to SMEs, namely in terms of investment and reinforcement of permanent capital, where we note the projects approved under the Portugal 2020 programme.

As regards the Bank's support to short-term treasury needs, the *factoring* and *confirming* portfolio grew by 18.2% (+€81 million) YoY.

The trade finance area, an important business area of NOVO BANCO, provides a wide range of products and specialised advice designed to support international trade. The Bank's know-how in this segment is evidenced by its market share, which stood at 22% in the 1st half of the year.

During this period NOVO BANCO also developed initiatives addressed to small and medium-sized companies and promoted the visibility of economic sectors, regions and outstanding companies, namely through the following: (i) Agriculture - "New Crops and Trends in the Agricultural Sector" conference (Évora, 22 February); (ii) Agroindustry - presence at the International Trade Fair for Portuguese Food and Beverages - SISAB (Lisbon, 2 March); (iii) Tourism - exclusive sponsor of the Publituris Awards, for the last 10 years - "Publituris Portugal Trade Awards", an annual event that distinguishes excellence in tourism (Lisbon, 15 March, within the scope of the BTL); (iv) Leader SME - conference on the theme "Innovation and Internationalisation as cross-cutting factors of competitiveness" for "Leading SMEs", which coincided with the launch of the 9th edition of the *PME Líder* magazine, resulting from a partnership between NOVO BANCO and the *Exame* magazine; and (v) "The Setúbal Region - A Pillar of the Domestic Economy" conference (Setúbal, 17 May).

NOVO BANCO dos Açores

The 1st half of 2017 was characterised by the efforts made, on the one hand, to attract new clients through various actions targeting companies, services and public entities with the objective of increasing the market share, and on the other to bolster the activity in terms of funding and lending. During the period customer funds and gross customer loans contracted by 0.4% and 0.8%, respectively. We note in particular the reduction achieved in operating costs (-4.4%), and the increase in the period's net profit, to €1.5 million (from €1.1 million in June 2016).

Banco Electrónico de Serviço Total

During the first half of 2017, Banco Best maintained its strategy as innovation leader in the offer of financial products and services in Portugal while at the same time promoting financial literacy among investors in general. In particular, the bank started offering the Allianz Global Artificial Intelligence Fund, Europe's first artificial intelligence fund, sold in Portugal by Banco Best, and held a conference in Lisbon and Oporto on the possibilities and alternatives of investment in Robotics, Disruptive Technologies and Cyber Security, in partnership with Pictet Asset Management, a Swiss entity with more than €150 billion in assets under management. Banco Best remained the diversity leader in the offer of investment funds in Portugal, with more than 3,000 funds from over 50 domestic and international management companies. Total volume under management of non institutional clients increased considerably in the 1st half of the year, exceeding by 130% the objectives set for the year. In the 1st half of the year, Banco Best added the international asset managers entities Oyster and RAM to its already large offer. Gross customer loans grew by 10.0% in the 1st half of 2017, relative to December 2016, with customer funds increasing by 1.2%. Banco BEST posted a profit of €1.9 million in the period.

Asset Management

GNB - Gestão de Ativos, which mainly operates in Portugal, Luxembourg and Spain, closed the 1st half of 2017 with a total of €10.8 billion in assets under management, which represents a 9% reduction relative to the end of 2016. This reduction was mainly driven by decreases in mutual funds (in Luxembourg) and in the area of wealth management, but on the positive side, pension funds registered an increase of around 1% in 2017. Operating costs were reduced by 19.8% YoY as a result of the reorganisation and cost restructuring plan. GNB - Gestão de Ativos posted a result for the period of €5.2 million.

International Commercial Banking

In line with its strategy of divesting from non-strategic assets, NOVO BANCO entered into a promissory contract with BANCAMIGA, Banco Microfinanciero, C.A., of Venezuela, to sell to this bank the assets and liabilities of its Branch in this country. The completion of this transaction is dependent on certain conditions being met as well as on the necessary approvals being obtained.

The Branch in **Spain** registered a 3.4% decrease in business volume in the 1st half of 2017, with a reduction in customer loans, deposits and the number of clients. Assets under management increased by 4.4%, underpinned by the good performance of private banking, which grew by 9.2%. Operating costs maintained the downward trend seen in 2016, falling by 20% YoY, mainly on the back of lower staff costs and depreciation. Pre-tax results in the 1st half of 2017, a loss of €4.7 million, were nevertheless €22.3 million better than in the same period of 2016.

Having concluded its restructuring plan in 2016, the London Branch (**United Kingdom**) focused its activity in the 1st half of 2017 on the management of its current portfolio, with assets decreasing by around 11%, mainly through the sale of loans. Total assets amounted to €3.4 billion at the end of the period, with the loan book accounting for 36% of the total. The branch posted a net operating profit of €2.1 million.

The Branch in **Luxembourg** also wrapped up its restructuring and strategic reorientation process at the end of 2016, closing the 1st half of 2017 with total assets of €1.7 billion. The Luxembourg Branch posted a net operating profit for the period of €2.6 million.

MAIN EVENTS

- On 25 July the market was informed of the tender offer launched on several senior debt securities issued directly and indirectly by NOVO BANCO, with the objective of strengthening its equity and concluding the sale process to Lone Star announced on 31 March. The offer foresees the purchase of all bonds referring to 36 issues of NOVO BANCO, against a cash consideration, and it will provide the bondholders with a price that is in line with the market; the offer is combined with a consent solicitation for early reimbursement (*the consent solicitation*). The option for the cash consideration makes this a simpler and more perceptible solution as well being better adjusted to institutional and retail investors. Bank clients who opt for selling or who are reimbursed will be offered term deposits with specific conditions. The transaction considers market prices, slightly above the average value in the last year. The offer will run from 25 July to 2 October 2017, with expected settlement scheduled for 4 October 2017. To ensure the success of the operation, NOVO BANCO must secure the participation of bondholders such as that it will permit to reinforce its own funds by at least €500 million, either through savings on interest expenses or through capital gains. The operation concerns 36 bond series, maturing between 2019 and 2052, whose nominal global value of €8.3 billion corresponds to around €3 billion in book value. We remind that in 2016, the Group's debt regarding senior bonds represented less than 10% of NOVO BANCO's liabilities, but accounted for around 40% of its financial liabilities' interest and costs. The operation is one of the conditions precedent for the completion of the sale to Lone Star, which, under the terms of the purchase and sale agreement, will inject a total of €1 billion into NOVO BANCO (of which €750 million at the time of conclusion of the operation and another €250 million up to three years). Lone Star will acquire 75% of NOVO BANCO's share capital, with the Resolution Fund maintaining the remaining 25%.
- On 24 May NOVO BANCO informed the market it had completed the sale of 75% of the share capital of NOVO BANCO Ásia to a group of investors led by WELL LINK GROUP HOLDINGS LIMITED, a company incorporated in Hong Kong, for €145.8 million. The sale agreement provides for a set of put and call options, under conditions already agreed, for the remaining 25%. These options can be exercised within a period of up to 5 years, making up a total price for the 100% holding of €183 million. Maintaining an equity holding in NOVO BANCO Asia during the next five years will enable NOVO BANCO to develop its strategic pillar to support the export and internationalisation of Portuguese companies in such an important geographical area, in particular concerning the trade finance activity.

- On 1 May NOVO BANCO, S.A. announced it had entered into a sale and purchase promissory contract with BANCAMIGA, Banco Microfinanciero, C.A., in Venezuela, in respect of the assets and liabilities of its branch in Venezuela. The completion of this promissory contract is conditioned to the fulfilment of certain conditions and to the required authorisations from the relevant authorities being obtained, including from Banco de Portugal and the Venezuelan financial sector regulatory authority. With the completion of the transaction under the agreed terms and conditions NOVO BANCO's banking activities in Venezuela will terminate.
- On 20 April the Rating Agency Dagong Europe took a rating action on NOVO BANCO. Dagong Europe affirmed the Long-Term Credit Rating at 'CCC+' and the Short-Term Credit Rating at 'C' of NOVO BANCO and its subsidiaries/ branches, removed the stable outlook and assigned a watch 'Evolving' to all ratings. The rating action followed the release of NOVO BANCO's unaudited results for the financial year 2016 and the announcement on 31 March 2017 of the terms of the sale agreement of NOVO BANCO, which includes a liability management exercise (LME) involving unsubordinated bondholders. The watch 'Evolving' will be resolved dependent on additional information related to the closing of the sale process and the conditions of the LME that will be disclosed.
- On 13 April the Rating Agency DBRS took a rating action on NOVO BANCO. DBRS decided to place the senior ratings of Novo Banco 'under review with negative implications' (URN). These include the Issuer, Senior Long-Term Debt and Deposits rating of CCC (high), and the Short-Term & Deposit rating of R-5. DBRS confirmed the Critical Obligations Ratings (COR) at BB (low) / R-4, with Stable Trend. The rating action followed the announcement on 31 March 2017 of a liability management exercise involving senior bondholders as part of the agreement to sell NOVO BANCO. Separately, DBRS withdrew the BBB (low) rating on the Senior and Unsubordinated Notes guaranteed by the Republic of Portugal as this debt had been repaid/cancelled.
- On 9 April NOVO BANCO informed the market about the new management and executive committee structure. The new management structure consists of a Board of Directors, including a Chairman, Mr. Rui Cartaxo, and an Executive Committee, led by Mr. António Ramalho. The seven members of NOVO BANCO's new Executive Committee were appointed by the Resolution Fund on 21 December 2016, and all the names have been approved by the European Central Bank. On 8 May the Bank was informed that the European Central Bank had approved another member of the Board of Directors, the seventh member of the Executive Committee.
- On 8 April NOVO BANCO, SA informed the market that, upon a resolution of its sole shareholder, the Resolution Fund, it had amended articles 1, 3, 6, 7, 8 to 14, 16, and 17 to 23 of its By-laws and added Articles 7-A, 7-B, 14-A, 16-A and 24 thereto. The press release further states that, in line with best governance practices, the management and supervision structure is now composed of a Board of Directors (including an Audit Committee) and a Statutory Auditor.
- On 5 April NOVO BANCO informed that the Rating Agency Moody's had taken a rating action on NOVO BANCO. The rating action followed the announcement by Banco de Portugal on 31 March 2017 that as part of NOVO BANCO's sale process, a liability management exercise on senior bonds would be undertaken with the aim of recapitalising the Bank. Moody's placed on review for downgrade NOVO

BANCO's Caa1 long-term deposit ratings, downgraded the long-term senior unsecured debt rating to Caa2 from Caa1, and placed it on review for further downgrade. At the same time, Moody's downgraded the Bank's: (i) standalone Baseline Credit Assessment (BCA) to ca from caa2; and (ii) Counterparty Risk Assessment (CRA) to B3(cr) from B2(cr), and placed it on review for further downgrade. The outlook on the long-term deposit and debt ratings was changed to 'Ratings under Review' from 'Developing'. The Not-Prime short-term deposit and senior debt ratings and Not-Prime(cr) short-term CRA were unaffected by this rating action.

- On 31 March Banco de Portugal informed the market it had selected LONE STAR to complete the sale of NOVO BANCO and that the Resolution Fund had signed the operation's contract documents. The signature of the contract allowed the deadline for the sale agreed in the commitments assumed by the State before the European Commission to be met. Upon completion of the operation, the transition institutions regime will cease to apply to NOVO BANCO. Under the terms of the agreement, LONE STAR will make capital injections in NOVO BANCO for a total amount of €1,000 million, of which €750 million upon conclusion of the transaction and €250 million within three years. Through the capital injection, LONE STAR will hold 75% of the share capital of NOVO BANCO and the Resolution Fund will maintain the remaining 25%. The conditions agreed also include the setting up of a contingent capitalisation mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in the event of certain cumulative conditions being met, related to: i) the performance of a defined set of assets of NOVO BANCO and ii) the evolution of the Bank's capitalisation levels. Any capital injections to be carried out pursuant to this contingent mechanism benefit from a capital buffer resulting from the injection to be made under the terms of the transaction and are subject to an absolute ceiling. The agreed conditions also provide for the existence of mechanisms to safeguard the interests of the Resolution Fund and to align incentives, as well as supervision mechanisms, notwithstanding the limitations arising from the application of State aid rules. The completion of the sale is subject to the usual regulatory authorisations (including by the European Central Bank and the European Commission) being obtained, as well as to a liability management exercise, subject to the acceptance of the bondholders, which will cover the unsubordinated bonds of NOVO BANCO.
- On 17 February, on the maturity of the €1.5 billion issue, NOVO BANCO ceased to have any kind of debt instrument guaranteed by the Portuguese Republic.

ECONOMIC ENVIRONMENT

The first half of 2017 was marked by the continuing expansion of the activity growth cycle in the main economic areas, with positive signs in terms of investment and international trade. This period was also marked by the subdued performance of inflation, contained by the fall in the price of oil, from USD 55.4 to USD 48.2/barrel (Brent), and by low wage growth. After rising until February, year-on-year inflation retreated from 2.7% to 1.6% in the US and from 2% to 1.3% in the Euro Zone. In the US, the yield on the 10-year Treasuries slid from 2.6% to 2.3% between March and June, a movement that was also supported by lower expectations concerning the approval of new fiscal stimuli by the Congress. In the Euro Zone, the yield on the 10-year *Bunds* closed the first half of the year at 0.466%, 26 bps higher than at the start of the year but down by 2 bps from March 2017. The US Federal Reserve raised the Fed Funds' target rate in March and June to the range of 1% -1.25%, while signalling the need for the gradual normalisation of monetary policy. In the Euro Zone the ECB maintained the monetary policy unchanged during the 1st half of the year, formally abandoning its easing bias but advocating the need to maintain an expansionist stance in order to meet the inflation targets. In this context, the 3-month Euribor fell from -0.319% to -0.331%.

Stronger economic activity, the persistence of low interest rates and better earnings translated into gains in the main stock market indices, in a context of sharply declining volatility. In the US, the Dow Jones, S&P500 and Nasdaq indices gained 8%, 8.2% and 14.1%, respectively. In India and China, the Sensex and Shanghai Composite (China) indices were up by 16.1% and 2.9%, respectively. In Europe, the DAX and CAC40 rose by 7.4% and 5.3%. The IBEX and PSI-20 advanced by 11.7% and 10.1%. Investors' sentiment also benefited from the benign resolution - from the markets' perspective - of various political risks, particularly those related to a full electoral calendar in Europe. In this context, during the 1st half of the year the euro gained 8.2% against the dollar, to EUR/USD 1.1413, and 2.87% against the pound, to EUR/GBP 0.879.

In **Portugal**, GDP grew by 1% QoQ and 2.8% YoY in the first quarter of 2017, and is estimated to have slightly accelerated in the second quarter. The expansion of economic activity stemmed from the buoyancy of exports, investment and private consumption, supporting a reduction in the rate of unemployment (from 10.1% to 9.4% of the labour force, between January and May) as well as a dynamic real estate market (housing prices rose by 7.9% YoY in the 1st quarter). Together with this improved outlook, the reduction of the public deficit and Portugal's exit from the Excessive Deficit Procedure contributed to the narrowing by 100 bps of the 10-year Treasury Bonds' spread against the German *Bunds*, to 256 basis points. In the first half of 2017 the yield on the 10-year Treasury Bonds shrank from 3.764% to 3.027%.

NOVO BANCO, S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 AND AS AT 30 JUNE 2017

	€ thousand	
	30.06.2017	31.12.2016
ASSETS		
Cash and deposits with Central Banks	812 636	1 469 259
Deposits with banks	321 554	370 918
Financial assets held for trading	633 745	656 722
Other financial assets at fair value through profit or loss	1 131 968	1 203 807
Available-for-sale financial assets	10 744 740	10 557 972
Loans and advances to banks	816 223	724 167
Loans and advances to customers	26 921 373	28 184 426
Financial Assets held to maturity	-	-
Assets with Repurchase Agreement	-	-
Derivatives held for risk management purposes	206 006	222 769
Non-current assets held for sale	8 946	7 764
Non-current assets held for sale - Discontinued operations	1 074 940	1 217 371
Investment properties	1 309 374	1 206 355
Other tangible assets	182 125	206 459
Intangible assets	38 962	44 663
Investments in associated companies	155 951	158 650
Current tax assets	25 008	30 620
Deferred tax assets	2 434 598	2 603 979
Technical reserves of reinsurance ceded	7 812	6 355
Other assets	3 258 596	3 460 416
Debtors for direct and indirect insurance	871	1 086
Other assets	3 257 725	3 459 330
TOTAL ASSETS	50 084 557	52 332 672
LIABILITIES		
Deposits from Central Banks	6 410 134	6 410 033
Financial liabilities held for trading	566 942	632 831
Other financial liabilities at fair value through profit or loss	-	-
Deposits from banks	2 224 534	3 577 914
Due to customers	25 893 276	25 989 719
Debt securities issued	3 463 718	3 817 801
Financial liabilities related to transferred assets	-	-
Derivatives held for risk management purposes	113 218	108 265
Investment contracts	3 186 962	3 396 425
Non-current liabilities held for sale	3 277	1 821
Non-current liabilities held for sale - Discontinued operations	759 460	748 807
Provisions	338 375	364 615
Technical reserves	1 252 807	1 333 567
Current tax liabilities	19 652	16 972
Deferred tax liabilities	17 244	19 301
Equity Instruments	-	-
Subordinated debt	49 028	48 100
Other liabilities	831 712	718 548
Creditors for direct and indirect insurance	10 724	10 945
Other liabilities	820 988	707 603
TOTAL LIABILITIES	45 130 339	47 184 719
EQUITY		
Share Capital	4 900 000	4 900 000
Share premium	-	-
Other equity instruments	-	-
Treasury stock	-	-
Revaluation Reserves	(168 988)	(289 082)
Other Reserves and Retained Earnings	433 163	1 244 028
Profit / (loss) for the period	(290 318)	(788 330)
Interim Dividends	-	-
Non-controlling Interests	80 361	81 337
TOTAL EQUITY	4 954 218	5 147 953
TOTAL LIABILITIES AND EQUITY	50 084 557	52 332 672

NOVO BANCO, S.A.

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2016 AND AS AT 30 JUNE 2017

€ thousand

	30.06.2017	30.06.2016
Interest and similar income	511 870	621 556
Interest expense and similar charges	301 257	359 512
Net Interest Income	210 613	262 044
Dividend income	10 094	31 766
Fee and Commission income	189 609	189 068
Fee and Commission expense	39 507	55 662
Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	15 070	(28 385)
Net gains / (losses) from available-for-sale financial assets	49 762	76 130
Net gains / (losses) from foreign exchange revaluation	(5 105)	(8 727)
Net gains/ (losses) from the sale of other assets	(33 504)	(4 489)
Insurance earned premiums, net of reinsurance	28 323	22 086
Claims incurred, net of reinsurance	126 050	95 812
Change in technical reserves, net of reinsurance	90 481	65 608
Other operating income and expenses	(60 930)	(37 605)
Operating Income	328 856	416 022
Staff costs	142 756	156 980
General and administrative expenses	100 955	118 216
Depreciation and amortisation	21 441	28 980
Provisions, net of reversals	38 599	59 262
Impairment losses on loans, net of reversals and recoveries	258 329	282 362
Impairment losses on other financial assets, net of reversals and recoveries	44 807	125 468
Impairment losses on other assets, net of reversals and recoveries	71 341	109 607
Operating Costs	678 228	880 875
Sale of subsidiaries and associates	764	3 648
Negative consolidation differences	-	-
Results from associated companies consolidated by the equity method	3 752	2 706
Profit / (loss) before income tax	(344 856)	(458 499)
Income tax		
Current tax	5 868	6 323
Deferred tax	12 432	(106 975)
	18 300	(100 652)
Income from continuing activities	(363 156)	(357 847)
Income from discontinued operations	72 398	(12 777)
Net Income for the period	(290 758)	(370 624)
Attributable to shareholders of the Bank	(290 318)	(362 620)
Attributable to Non-controlling interests	(440)	(8 004)
	(290 758)	(370 624)

GLOSSARY

Income Statement

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

Balance Sheet / Liquidity

Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as nontradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Securities portfolio	Securities (bonds, shares and other variable-income securities) booked in the portfolios of financial assets held for trading, other financial assets at fair value through profit or loss and available-for-sale financial assets.
Due to customers Banco de Portugal Instruction n. 16/2004	Sums booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100]
Net ECB funding	Difference between the amount of funding obtained from the ECB and the amount of loans and advances to the ECB
On-balance sheet customer funds	Deposits, other customer funds, debt securities placed with clients and life insurance products
Retail customer funds	On-balance sheet funds of retail clients
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Total Customer Funds	On- and off- balance sheet customer funds.
Loan to deposit ratio Banco de Portugal Instruction n. 16/2004	Ratio of [gross loans - (accumulated provisions / impairment for credit according with Instruction n. 22/2011 regarding the reporting of information on credit at risk)] to customer deposits

Asset Quality and Coverage

Overdue Loans ratio	Ratio of overdue loans to total credit
Overdue Loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit
Overdue and Doubtful Loans ratio Banco de Portugal Instruction n. 16/2004	Ratio of overdue and doubtful loans [overdue credit > 90 days and doubtful loans reclassified as overdue for provisioning reasons (according with Notice 3/95, nr. 4, nr. 1, a)] to total credit. Notice 3/05 was revoked.
Overdue and Doubtful Loans ratio, net Banco de Portugal Instruction n. 16/2004	Ratio of overdue and doubtful loans - [(provisions for credit overdue + provisions for doubtful loans) and/or accumulated credit impairments, pursuant to the definition given in Instruction no. 22/2011 on the reporting of information on credit at risk] and customer loans net of impairments.
Credit at risk ratio Banco de Portugal Instruction n. 16/2004	Ratio of credit at risk [credit with overdue instalments of principal or interest for a period of 90 days or more, restructured credit after being overdue for 90 days or more without adequate strengthening of collateral or full repayment of overdue interest and other charges, outstanding credit with overdue instalments of principal or interest for a period of less than 90 days, but for which there is evidence justifying its classification as credit at risk, namely bankruptcy or liquidation of the debtor] to gross customer loans.
Credit at risk ratio, net Banco de Portugal Instruction n. 16/2004	Ratio of credit at risk - [(provisions for credit overdue + provisions for doubtful loans) and/or accumulated credit impairments, according with the definition in Instruction no. 22/2011 on the reporting of information on credit at risk] and customer loans deducted of accumulated impairment.
Restructured credit ratio Banco de Portugal Instruction n. 32/2013	Ratio of restructured credit due to financial difficulties of the client to total credit
Restructured credit not included in credit at risk ratio Banco de Portugal Instruction n. 32/2013	Ratio of restructured credit not included in credit at risk to total credit
Overdue Loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue Loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days
Credit at risk coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to credit at risk.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross loans.
Cost of Risk	Ratio of credit impairment charges accounted in the period to gross customer loans

GLOSSARY

Efficiency and Profitability Ratios

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