Results Presentation 9M2017

Unaudited financial information

20 November 2017

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Note prepared in November 2017

MAIN ECONOMIC THEMES

- Improved forecasts for GDP growth, solid progress in reducing the budget deficit and the receded risk of a deterioration in external financing conditions led to a rise in the sovereign rating by S&P to investment grade (from BB+ to BBB-, stable outlook).
- The 10Y PGB yield fell below 2% in November (2017 high of 4.3%, in March). The spread vs. Bund fell to around 160 bps.
- GDP increased 0.5% QoQ and 2.5% YoY in Q3 2017 (0.3% QoQ and 3% YoY in Q2), with a stronger contribution from net external demand.
- Unemployment is falling (8.5% of the labour force in Q3, lowest since 2008). Tourism activity remains strong.

PUBLIC AND EXTERNAL ACCOUNTS

- The budget deficit is expected to fall from 2% of GDP in 2016 to around 1.4% of GDP in 2017. The 2018 Budget points to a deficit of 1% of GDP, with the Primary Balance at 2.6% of GDP.
- Public debt should decline from 130.1% to close to 126% of GDP in 2017, and is expected to reach around 123.5% of GDP in 2018. Net of central Government deposits, public debt should fall from 119.4% to 117.5% of GDP in 2018. By October, Portugal had covered 87% of its PGB financing needs for 2017.
- In June, Portugal left the EC's Excessive Deficit Procedure. Fitch and Moody's revised the outlook for their BB+ and Ba1 ratings from "stable" to "positive". The surplus in the external balance is expected to hold around 1% of GDP in 2017-2018.

OUTLOOK

- GDP should grow around 2.6% in 2017 (vs. 1.4% in 2016), supported by stronger domestic demand and exports (mitigated by stronger imports). Private consumption is expected to decelerate slightly. We expect GDP growth around 2% in 2018.
- Activity growth should be supported by improving financing conditions, better than expected growth in Europe, domestic political stability, a gradual stabilisation of the banking sector, strong growth in tourism and stronger public and private investment.
- The economy remains vulnerable to negative external shocks. Growth remains constrained by high indebtedness levels and by ongoing adjustments in the banking sector.

MAIN RISKS

- Deterioration of investor sentiment associated with global political and financial market uncertainty, e.g. tapering of Fed and ECB asset purchases; tensions between the US and North Korea, China, Russia and Iran; impact of Catalonia crisis.
- Economic and fiscal impacts of the ongoing adjustments in the banking sector.
- Difficulties in achieving further structural fiscal consolidation, preventing further improvements in sovereign ratings.
- Stronger than expected growth could come from the impact of the ECB's QE, stronger than expected growth in Europe and short term effects of an expansionary fiscal policy.

Portuguese Economy – Main economic indicators 2010-2018

Annual growth rates (%), except where indicated	2010	2011	2012	2013	2014	2015	2016	2017F	2018F
GDP	1.9	-1.8	-4.0	-1.1	0.9	1.8	1.5	2.6	2.0
Private Consumption	2.4	-3.6	-5.5	-1.2	2.3	2.3	2.1	2.2	1.9
Public Consumption	-1.3	-3.7	-3.3	-1.9	-0.5	1.3	0.6	0.5	0.7
Investment	3.4	-14.0	-18.1	-5.1	5.1	6.4	0.9	8.4	5.1
Exports	9.5	7.0	3.4	6.9	4.3	6.1	4.1	8.8	6.4
Imports	7.8	-5.8	-6.3	4.7	7.8	8.5	4.1	8.7	6.6
Inflation (%)	1.4	3.7	2.8	0.3	-0.3	0.5	0.6	1.4	1.4
Budget Balance (% GDP)	-11.2	-7.4	-5.7	-4.8	-7.2*	-4.4**	-2.0***	-1.4	-1.0
Public Debt (% GDP)	96.2	111.4	126.2	129.0	130.6	129.0	130.4	126.0	124.1
Unemployment (% Labour Force)[1]	10.8	12.7	15.6	16.2	13.9	12.4	11.1	9.1	8.2
Current & Capital Account Balance (% GDP)	-9.1	-4.0	0.0	2.3	1.0	0.3	1.0	1.2	1.0

* Excluding one-off operations (e.g. Recapitalisation of Novo Banco (EUR 4.9 bn), SOE financing, BPN Crédito write-offs, tax credits to investment , severance payments to public sector workers), the deficit in 2014 stood at 3.6% of GDP. ** Excluding one-offs (e.g. recapitalisation of Banif), the deficit reached 3.1% of GDP. *** Includes one-off measures.

F: Forecast.

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

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- **NOVO BANCO Group** reported a negative Income before tax of €355.6 million in the 9M2017, +34.7% comparing with 9M2016. However, the decision not to record additional deferred taxes led to a negative net income of €419.2 million in the first nine months of 2017, -8.9% than a year earlier.
- Positive Net operating income of €207.6 million, was slightly below the €217.7 million obtained in the same period in 2016. This result reflects, on the negative side, the decrease in net interest income due to the ongoing deleveraging (-26.9%), and on the positive side the increase in fees and commissions (+12%).
- Through its continuing restructuring process, the **Group** slashed operating costs by 12.4%.
- Provision charge of €563.2 million, roughly less circa €200 million than in the 9M2016. Impairments for NPLs were up by 3.8 pp, to 51.9%.

Income Statement *(€ million)*

	9M2016*	9M2017	Change %
Net Interest Income	391.1	285.9	(26.9%)
+ Fees and Commissions	206.4	231.1	12.0%
= Commercial Banking Income	**597.4**	**516.9**	**(13.5%)**
+ Capital Markets and Other Results	70.3	84.9	20.8%
= Banking Income	**667.7**	**601.9**	**(9.9%)**
- Operating Costs	449.9	394.2	(12.4%)
= Net Operating Income	**217.7**	**207.6**	**(4.6%)**
*(= Core Operating Income**)*	*147.5*	*122.7*	*(16.8%)*
- Net Provisions	762.6	563.2	(26.1%)
= Income Before Taxes	**(544.9)**	**(355.6)**	**34.7%**
- Taxes and Non-controlling interest	(139.2)	63.6	-
= Net Income	**(384.8)**	**(419.2)**	**(8.9%)**

** Restated figures*
*** Commercial Banking Income – Operating Costs*

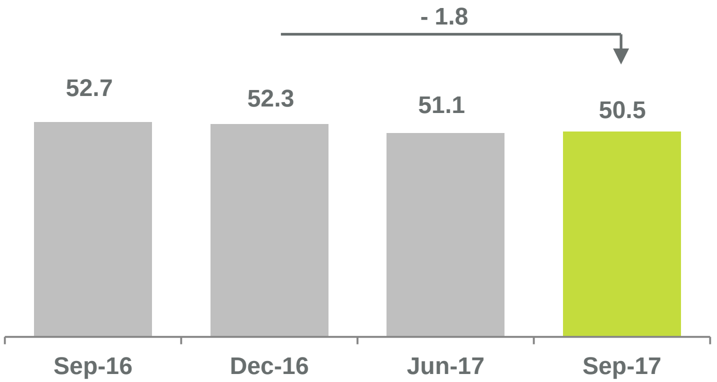
NOVO BANCO

Highlights

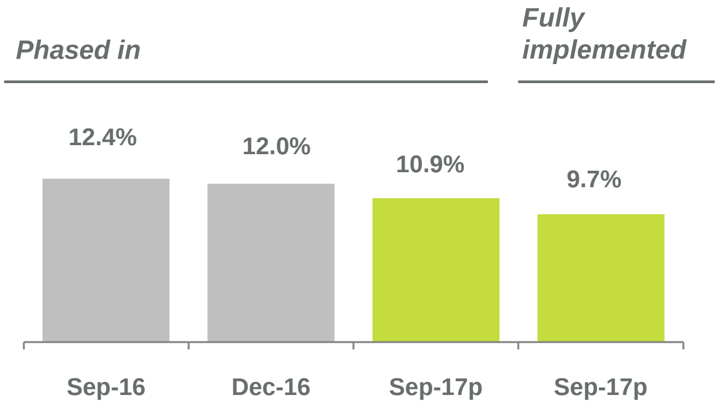
Activity and Capital

- Gross Customer Loans of €32.0 billion were down by €2.1 billion in the 9M2017, with a special focus on NPLs (Non-Performing Loans), which contracted by €1.6 billion.
- Customer deposits of €26.0 billion, increased 5.3%, + €1.3 billion YoY. Total customer funds of €36.6 billion, growing by 1.6% YoY.
- **NOVO BANCO Group** ended the third quarter (p) with a CET1 ratio of 10.9% and a solvency ratio of 11.1% (9.7% and 10.1%, respectively, if fully implemented).

Assets *(€ billion)*



CET1 Ratios



p: provisional figures

NOVO BANCO

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After balance sheet events

- The present accounts are the last reported by **NOVO BANCO** as a bridge bank. As of 18 October this status was withdrawn upon the successful completion of several capitalization transactions involving a major change in the shareholder structure.
- On 4 October, the Bank successfully undertook a Liability Management Exercise (LME) with no equity dilution, which permitted an estimated upfront capital increase of €217 million, and on 18 October made a €750 million capital increase subscribed by Nani Holdings (which will be reinforced by a further €250 million until the end of the year). These operations, whereby Nani Holdings currently holds 75% of the share capital and the Resolution Fund the remaining 25%, significantly strengthened the Bank's capital.
- Finally, following the General Meeting's approval on 18 October of an amendment to **NOVO BANCO**'s Articles of Association, the Bank now has a General and Supervisory Board and an Executive Board of Directors..

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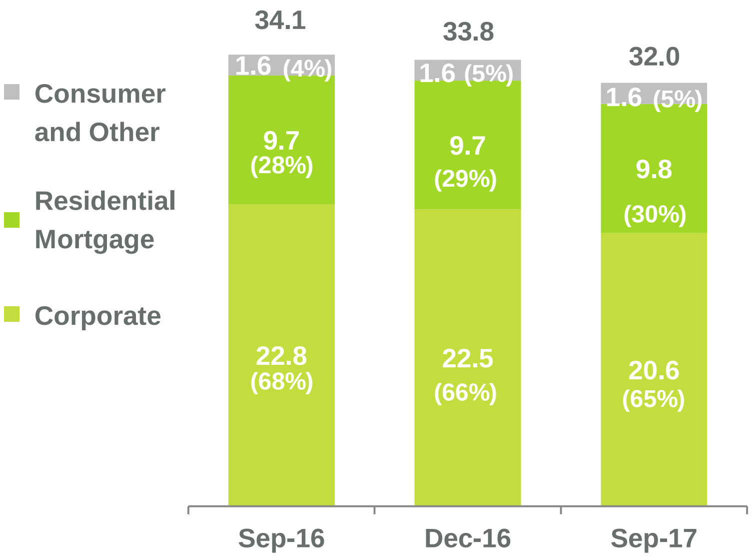
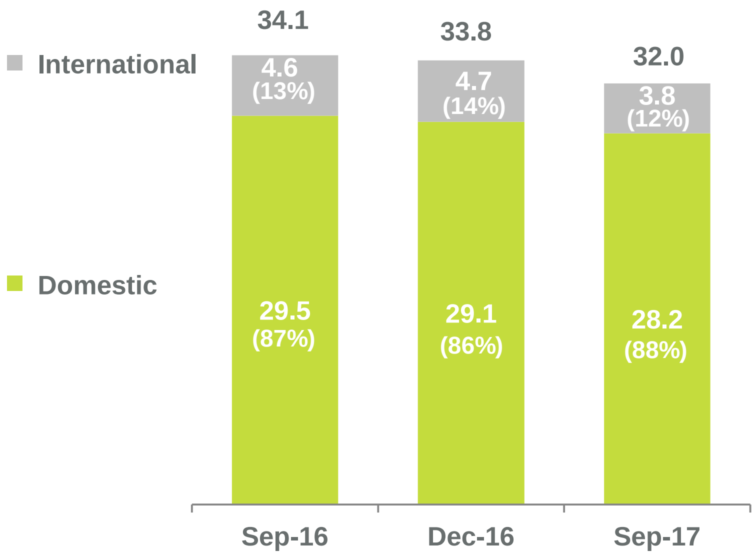
Decrease of Customer Loans in line with the balance sheet deleveraging process

Loans per Segment *(Gross, € billion)*



Loans per Geography *(Gross, € billion)*



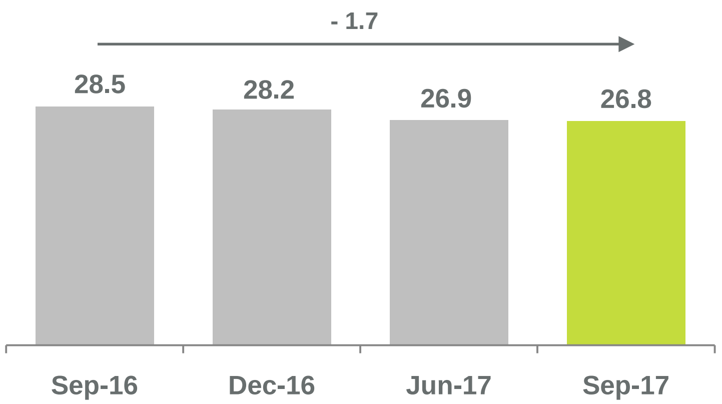
- Customer loans (gross) were down by €2.1 billion YoY in line with the deleveraging process still under way.
- Corporate loans represent 65% of total loan portfolio.

- Residential Mortgage Loans and Consumer Loans with strong growth in monthly average production (+78% up to Jul-17 and +71% up to Sep-17, compared with 2016 monthly average, respectively).

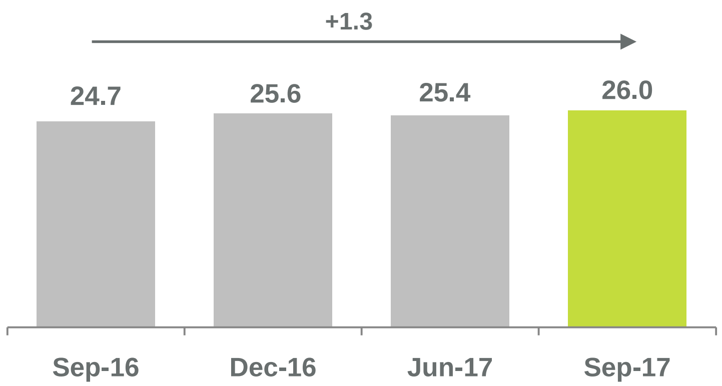
NOVO BANCO

Customer Deposits increase by €1.3 billion YoY and positive evolution of the loan to deposit ratio to 103%

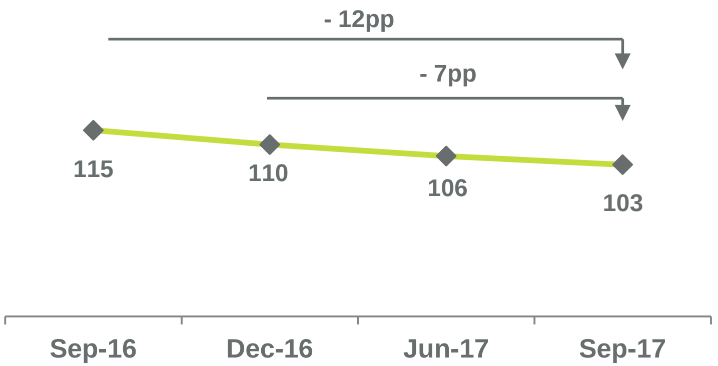
Net Loans *(€ billion)*



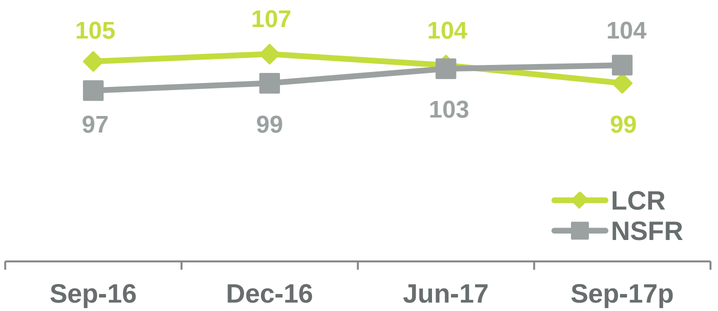
Customer Deposits *(€ billion)*



Loan to Deposit Ratio *(%)*



Liquidity Ratios *(%)*

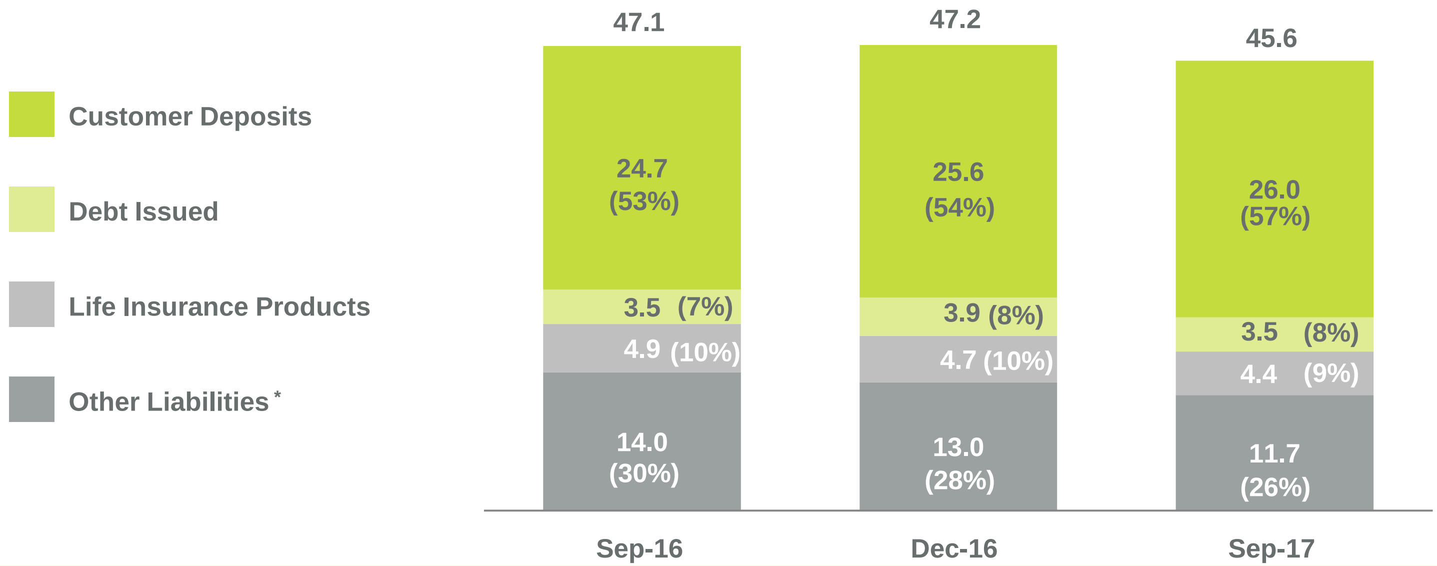


p: provisional figures

NOVO BANCO

Customer Deposits increase weight in funding structure
(excluding Shareholders Equity)

Evolution of the funding structure *(€ billion, as a % of Total Liabilities excluding Shareholders Equity)*

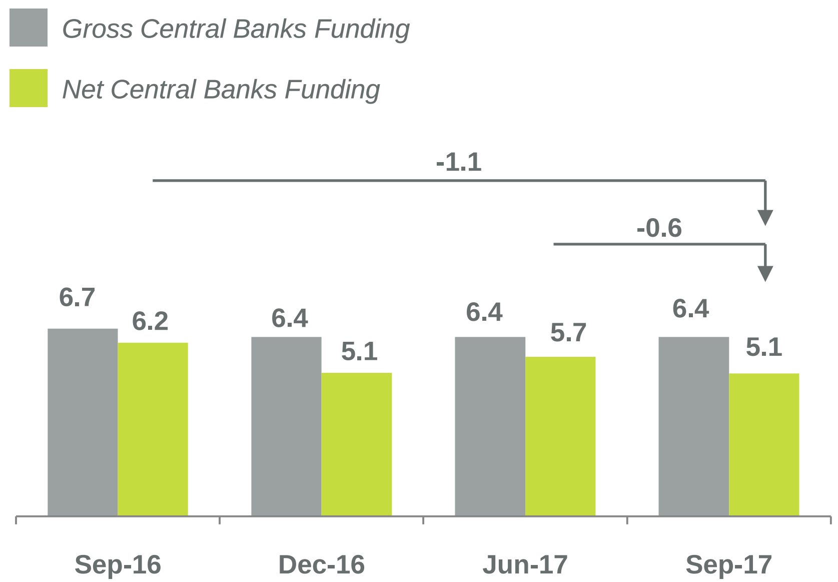


- Customer deposits increase its weight as the main funding source (57% vs 53% in Sep-2016).
- In Feb-2017 matured the last bond issuance guaranteed by the Portuguese Republic of €1,500 million (initial amount of the 3 debt issues: €3,500 million already cancelled and/or reimbursed).
- On 25 July **NOVO BANCO** launched a tender offer on 36 senior debt securities series with the objective of strengthening its equity and concluding the sale process to Lone Star. The tender offer concluded on 2 October** and will allow the fulfillment of the objectives in terms of capital increase (Core Tier 1) and gross equivalent gains including interest savings in excess of € 500 M.

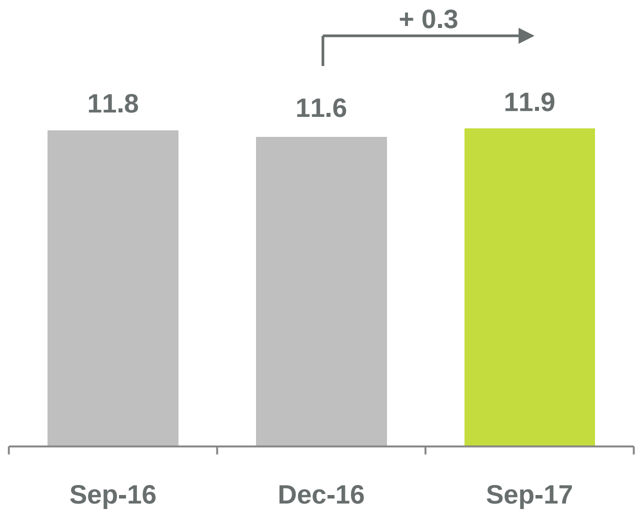
* Includes funding from ESCB, Money Market funds and units being discontinued.
** With settlement on 4-Oct.

Decrease of net ESCB* funding in €0.6 billion in the 3Q2017 and increase of the amount of eligible assets portfolio

ESCB Funding *(€ billion)*



Eligible Assets *(net of haircut, € billion)*



- Net Funding with the ECB decreased by €0.6 billion in the 3Q2017 to €5.1 billion, €1.1 billion below Sep-16 figures.

- Increase in the portfolio of assets available for rediscount with the ECB, net of haircut (+€0.3 billion in the first 9 months 2017).

NOVO BANCO

* ESCB – European System of Central Banks

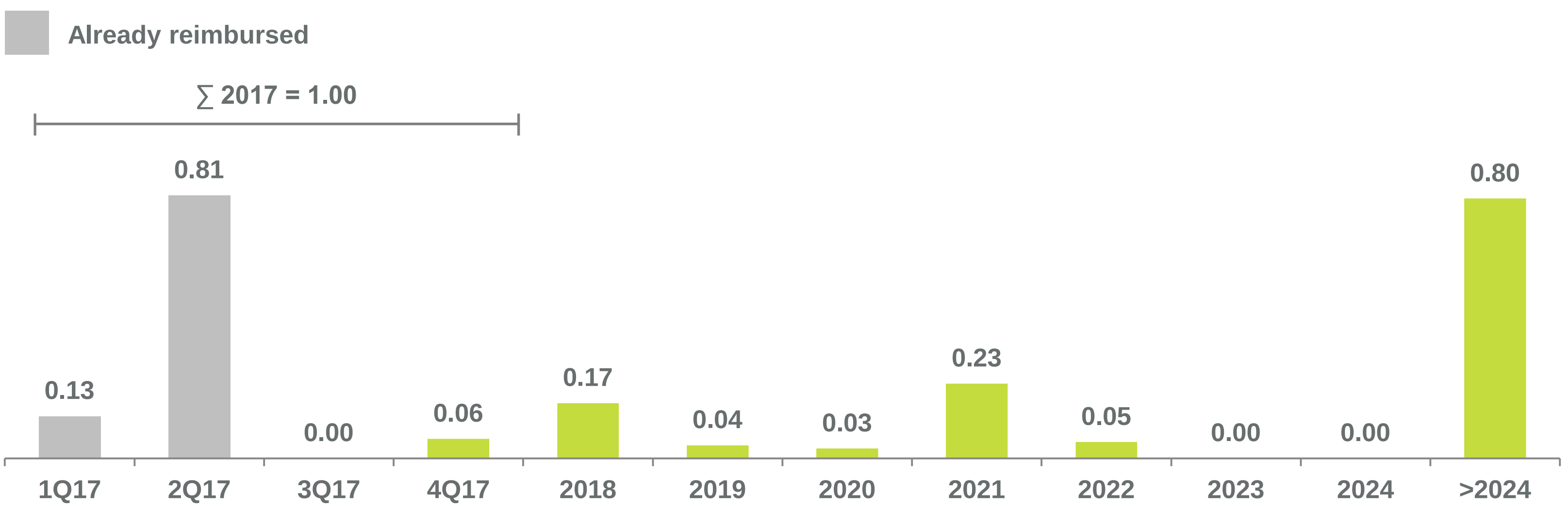
Securities portfolio based in securities with lower risk and higher liquidity

Evolution of Securities Portfolio *(€ billion)*

- Sovereign Bonds from Euro Zone countries account for 57% of total securities portfolio. Weight of Portuguese Sovereign Debt increased to 43% of total Securities Portfolio.
- Positive fair value reserve of €366 million (Dec-16: €151 million).

Planned wholesale MLT* funding reimbursements already considering the early repayments due to the LME.

Wholesale MLT* Funding *(€ billion)*



- €940 million of wholesale MLT funding were already reimbursed in the first 9 months of the year (i.e. 94% of the total reimbursements planned for the year of around €1.0 billion).
- All the debt guaranteed by the Portuguese Republic was cancelled (€1.7 billion in Nov. and Dec. 2016) or repaid (€1.8 billion in Jan. and Feb. 2017).
- NOVO BANCO carried out the purchase and early repayment of bonds in the aggregate nominal amount of €4,743 M, representing 57% of the nominal value of the bonds subject to the acquisition and early redemption of senior debt operation launched on 25-Jul and completed on 2-Oct**. The total amount disbursed amounted to €1,988 M.

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** MLT - Medium and long term.*
Estimated figures. Estimated reimbursements based on 30 September 2017 and subsequent LME repayments.
*** With settlement on 4-Oct.*

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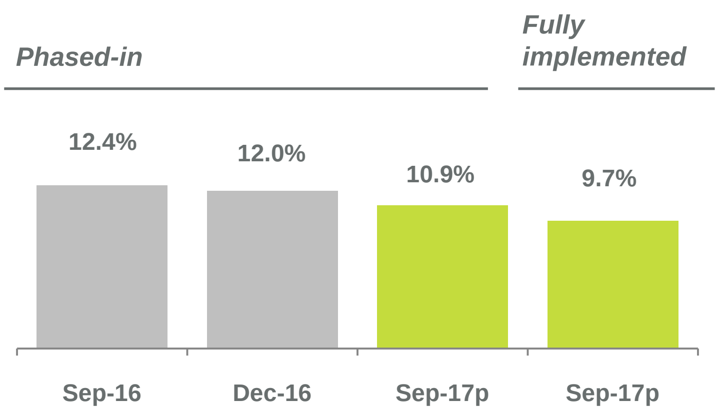
CET1 phased-in ratio of 10.9%(p) in Sep-2017

CET1 phased-in ratio evolution



Capital Ratios (phased-in)

BIS III (CRD IV / CRR)

€ million	Sep-16	Dec-16	Sep-17p
Risk Weighted Assets (A)	**35,464**	**33,627**	**31,316**
Own Funds			
CET1 (B)	4,413	4,051	3,422
Tier1 (C)	4,413	4,051	3,422
Total (D)	4,413	4,051	3,477
CET1 phased-in Ratio (B/A)	**12.4%**	**12.0%**	**10.9%**
Tier1 Ratio (C/A)	12.4%	12.0%	10.9%
Solvency Ratio (D/A)	12.4%	12.0%	11.1%
CET1 fully implemented Ratio	**10.8%**	**9.8%**	**9.7%**

- Estimated CET1 phased-in ratio of 10.9% in Sep-17.
- Estimated CET1 fully implemented ratio of 9.7% in Sep-17.

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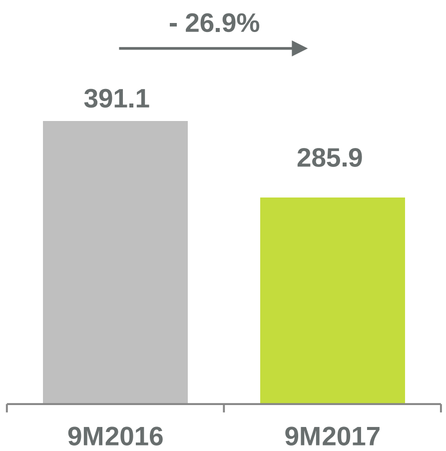
Net Interest Income with a 26.9% YoY decrease, reflecting the deleverage. Fees and Commissions, Cap. Markets and Other Results with positive evolution

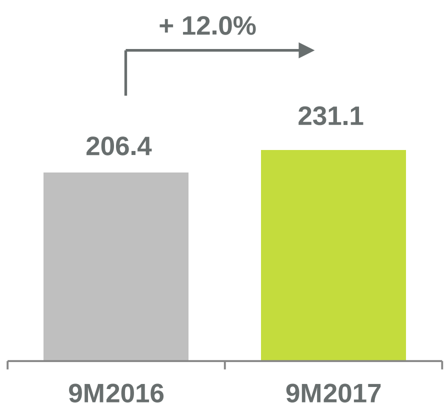
Net Interest Income
(NII, € million)



Net Interest Margin*	1.10%	0.86%

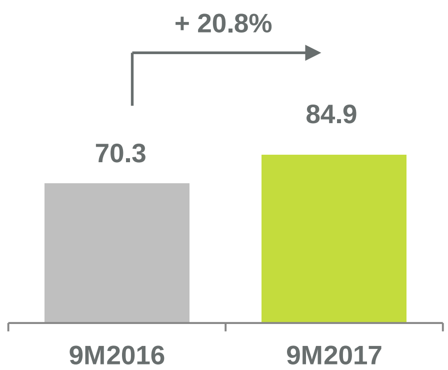
- NII contracted by 26.9% YoY, with the positive impact from a 13 bps reduction in the cost of liabilities (from 1.41% in Sep-16 to 1.28% in Sep-17) not sufficient to offset the reduction in the interest rate on assets (38bps).

Fees and Commissions
(€ million)



- Fees and commissions increased 12.0% YoY, reflecting the reduction in the cost of bond issues guaranteed by the Republic of Portugal (€2.0 million in the 9M2017 vs €25.8 million in the 9M2016).

Capital Markets and Other Results *(€ million)*



- Includes a capital gain of €103.1 million on the sale of a 75% stake in NB Ásia, sale of international loans (-€30.9 million) and contributions to the Single Resolution Fund and Portuguese Resolution Fund (-€27.5 million).

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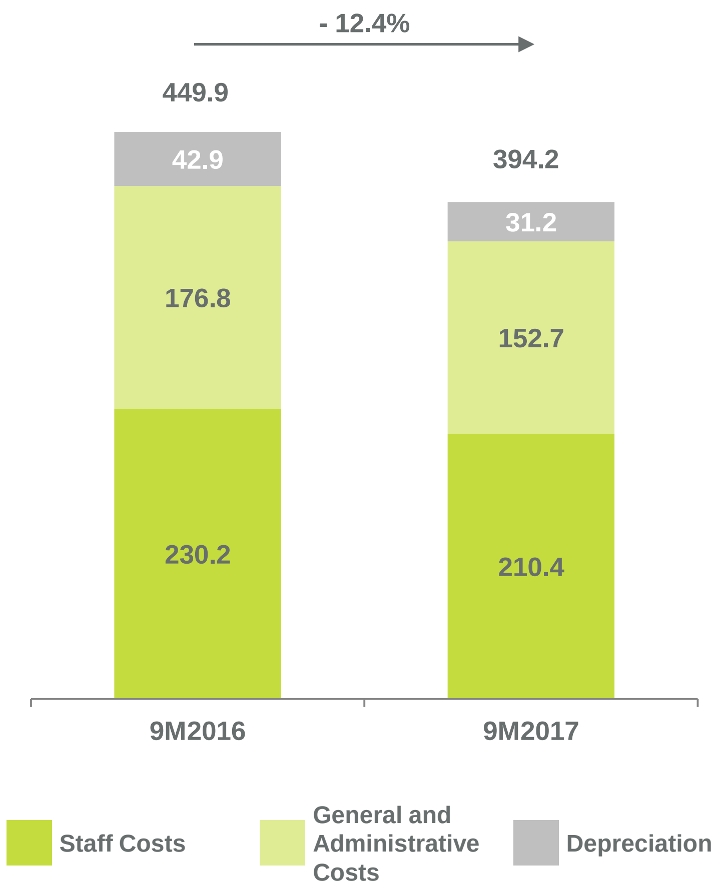
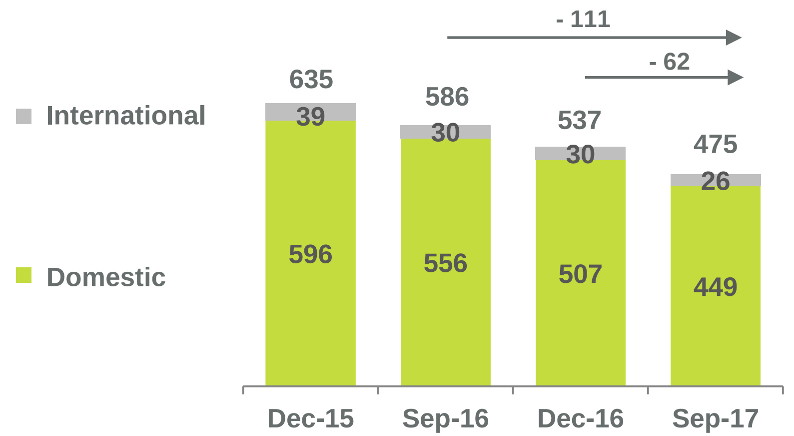
* *Dec-16 and annualized for 9M17*

Operating Costs decreased by 12.4% YoY in the 9M2017, reflecting the implementation of the restructuring measures

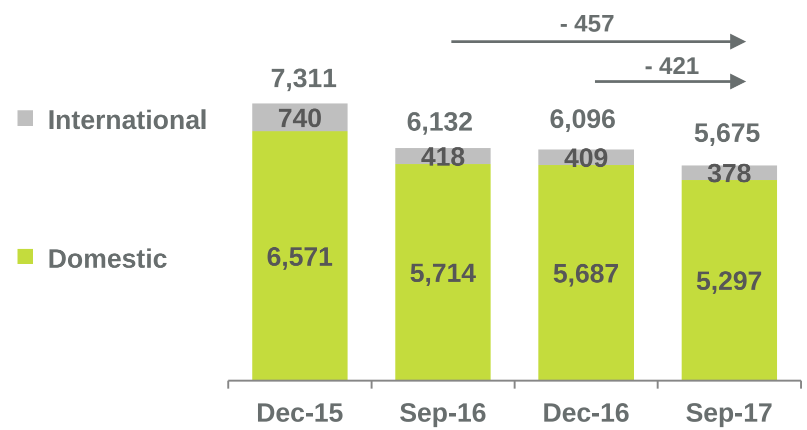
Operating Costs *(€ million)*



Branch Network

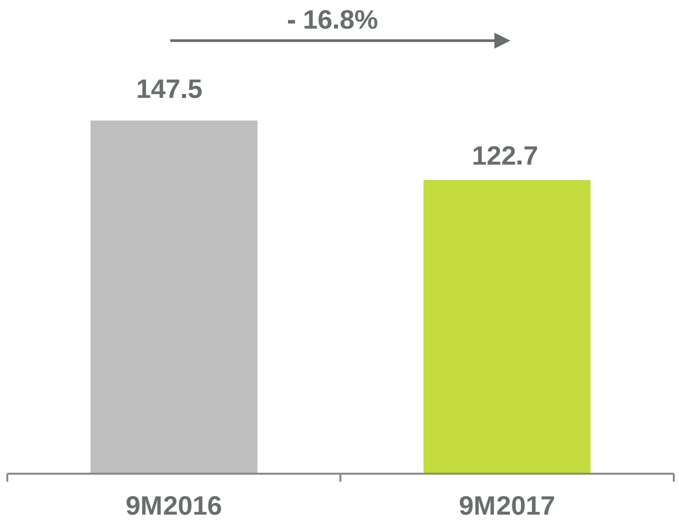


Employees

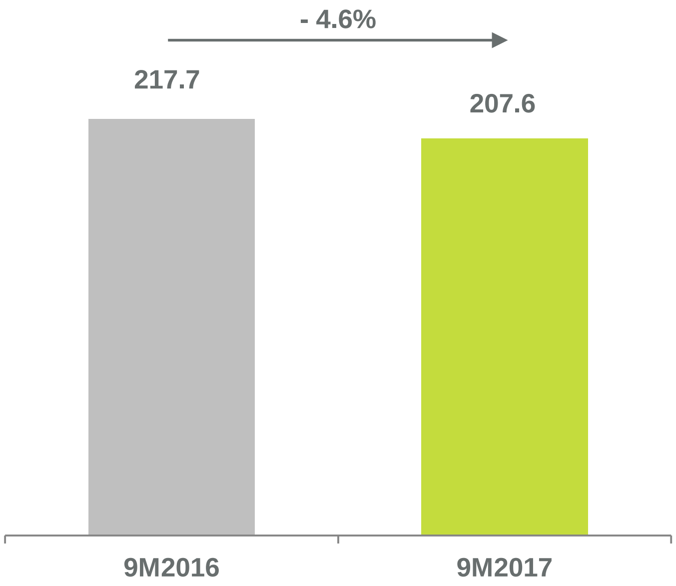


Positive Net Operating Income

Core Operating Income
(Commercial Banking Income – Operating Costs, € million)



Net Operating Income
(Banking Income – Operating Costs, € million)



- The evolution of the Net operating income in the 9M2017 comparing with the same period in 2016, reflects on the negative side, the decrease in net interest income due to the ongoing deleverage (-26.9%), and on the positive side the increase in fees and commissions (+12%).

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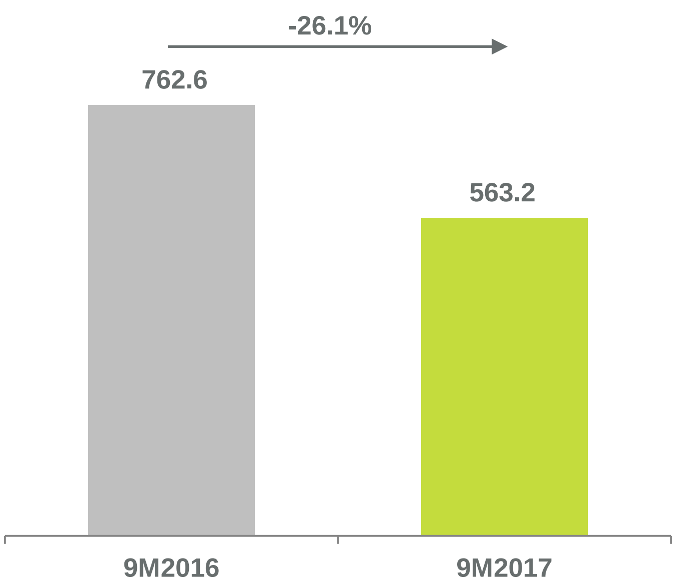
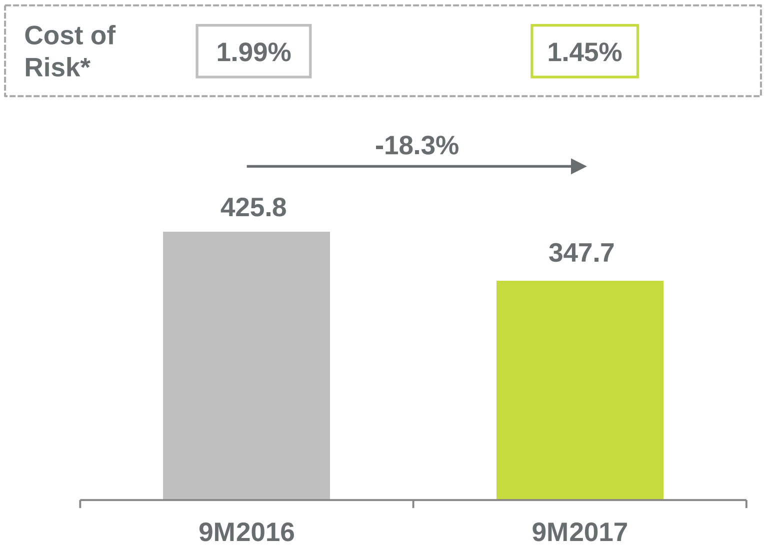
Provisions of €563.2 million in the 9M2017, €199.4 million lower than in the 9M2016 (-26.1% YoY)

Total Provisions *(€ million)*



- Provision charge of €563.2 million (-26.1%), including €85.9 million for securities, €42.5 million for activities being discontinued and €39.3 million (9M2016: €110.6 million) for restructuring.

Credit Provisions *(€ million)*



- Credit provision charge totaled €347.7 million (-18.3% YoY).
- Cost of risk of 145 bps (vs 166 bps in the 9M2016 and 199 bps in FY2016).

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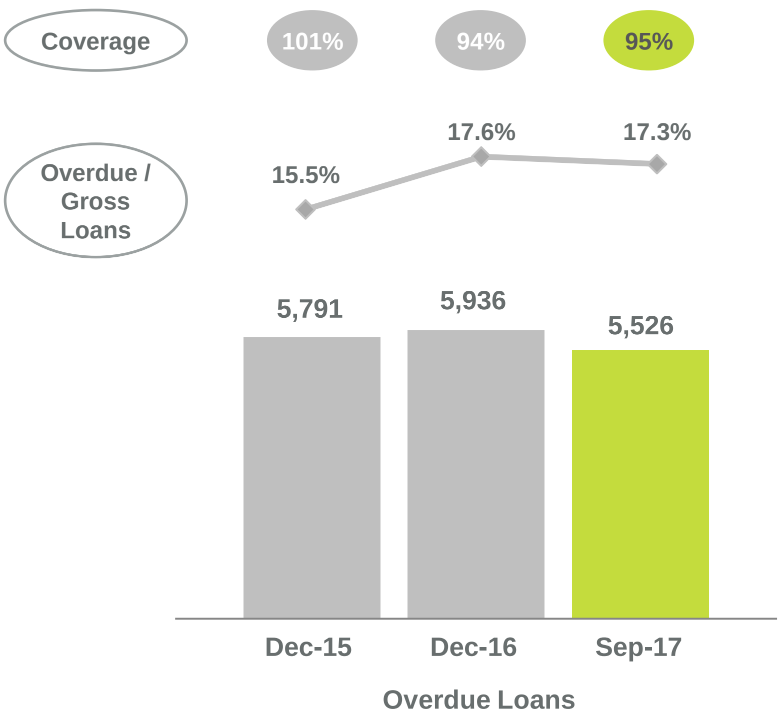
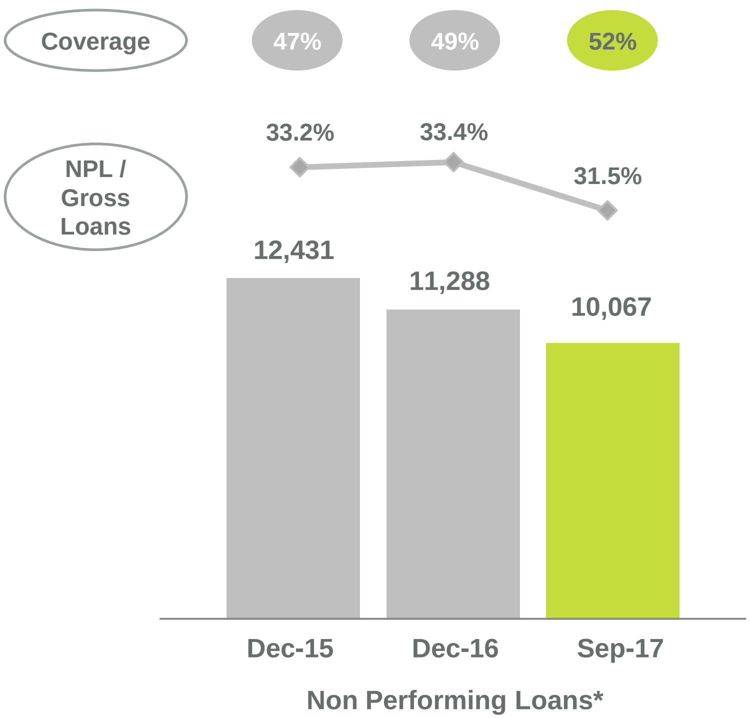
* *Dec-16 and for 9M17 annualized figure*

Credit Risk Indicators

Overdue Loans *(€ million)*



Non Performing Loans* *(€ million)*



- Non Performing Loans reduced materially by €1.2 billion to €10.1 billion in Sep-17 (€11.3 billion in Dec-16), with the Non Performing Loans ratio improving by 200 bps in the 9M2017 to 31.5%.
- The NPL coverage ratio is 52% (Dec-16: 49%)

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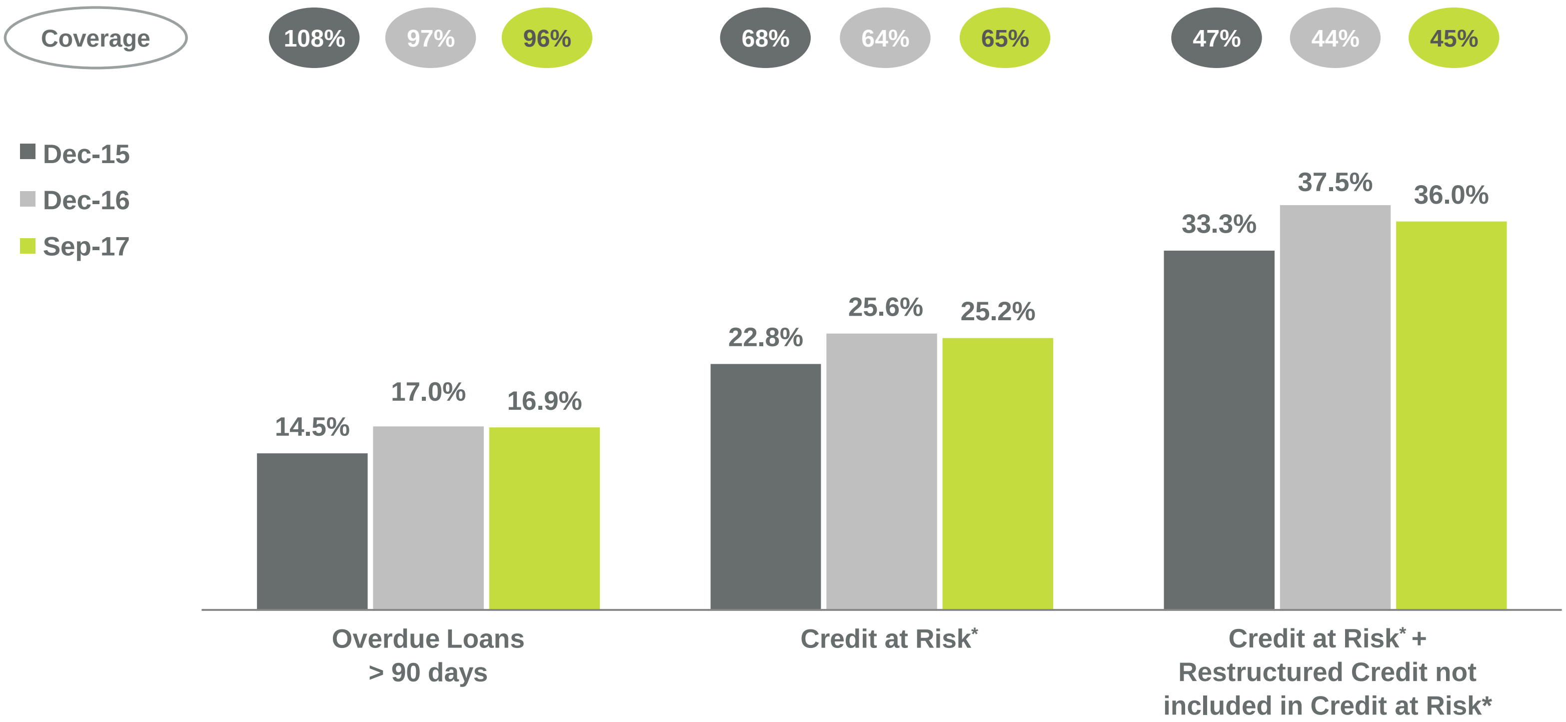
* *Concept includes total exposure of loan contracts: (i) With overdue amount > 90 days; (ii) Flagged as default according with internal definition compliant with the article 178 of the CRR; (iii) With specific impairment. For corporate loans this classification is considered at client level*

Credit Risk Indicators

Credit Quality and Coverage



- Comparing with Dec-16 the Credit Risk Indicators ratios improved and maintained the coverage.

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* According to Banco de Portugal instructions nr. 23/2011 and nr.32/2013.

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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 €50.5 billion**. ▪ **Reference bank in Corporate segment,** with 18.3% market share * in Corporate Loans and 21.2% in Trade Finance. ▪ One of the **leading banks in Retail in Portugal**, backed by a segmented commercial approach and by a multi-channel strategy. More than 500 thousand frequent digital clients (+7% YoY), with the number of frequent users of the NB Smart App surpassing the 229 thousand mark (+31% YTD).
Indicators	▪ **Net Customer Loans of €26.8 billion in Sep-17.** ▪ **Customer Deposits of €26.0 billion in Sep-17.** ▪ **Loan to Deposit ratio of 103% in Sep-17.** ▪ Provisional capital ratios in Sep-17: **CET1 phased-in of 10.9%** and **CET1 fully implemented 9.7%**.

* Based on August 2017 data and management estimates.

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Consolidated Balance Sheet

(€ million)	31 Dec. 16	30 Sep. 17
Cash and deposits with central banks	1,469	1,442
Deposits with banks	371	306
Financial assets held for trading	657	623
Other financial assets at fair value through profit or loss	1,204	1,105
Available for sale financial assets	10,558	10,788
Loans and advances to banks	724	721
Loans and advances to customers	28,184	26,780
Derivatives held for risk management purposes	223	195
Non current assets held for sale	8	10
Non current assets held for sale: - discontinued operations	1,217	1,074
Investment properties	1,206	1,263
Other tangible assets	206	174
Intangible assets	45	38
Investments in associated companies	159	158
Current tax assets	31	24
Deferred tax assets	2,604	2,405
Technical reserves of reinsurance ceded	6	7
Other assets	3,460	3,380
Total Assets	**52,333**	**50,491**

	31 Dec. 16	30 Sep. 17
Deposits from central banks	6,410	6,410
Financial liabilities held for trading	633	546
Deposits from banks	3,578	2,066
Due to customers	25,990	26,499
Debt securities issued	3,818	3,483
Derivatives held for risk management purposes	108	119
Investment contracts	3,396	3,152
Non current liabilities held for sale	2	3
Non current liabilities held for sale: - discontinued operations	749	907
Provisions	365	336
Technical reserves	1,334	1,239
Current tax liabilities	17	20
Deferred tax liabilities	19	9
Other subordinated debt	48	50
Other liabilities	719	766
Total Liabilities	**47,185**	**45,605**
Share capital	4,900	4,900
Revaluation reserves, other reserves and retained earnings	955	326
Net income for the period	(788)	(419)
Non-controlling interests	81	80
Total Equity	**5,148**	**4,886**
Total Liabilities + Equity	**52,333**	**50,491**

NOVO BANCO

Consolidated Income Statement

(€ million)	*9M2016**	*9M2017*
Net Interest Income	**391.1**	**285.9**
Dividend income	35.1	11.3
Fee and Commission income	280.8	280.1
Fee and Commission expense	(85.2)	(57.1)
Net gains / (losses) from financial assets at fair value through profit or loss	(66.6)	23.4
Net gains / (losses) from available-for-sale financial assets	108.6	56.1
Net gains / (losses) from foreign exchange revaluation	(11.2)	(9.4)
Net gains / (losses) from sale of other assets	(16.5)	(29.4)
Insurance earned premiums, net of reinsurance	33.2	38.8
Claims incurred, net of reinsurance	(132.6)	(156.3)
Change of the technical provision, net of reinsurance	89.3	107.8
Other operating income and expense	(6.2)	(66.9)
Operating Income	**619.8**	**484.3**
Staff costs	(230.2)	(210.4)
General and administrative costs	(176.8)	(152.7)
Depreciation and amortisation	(42.9)	(31.2)
Provisions and impairments	(762.6)	(563.2)
Sale of subsidiaries and associates	3.6	3.8
Results from associated companies consolidated by equity method	6.4	6.3
Income before taxes	**(582.7)**	**(463.0)**
Income tax		
Current	(11.5)	(9.5)
Deferred	198.1	(24.1)
Income from continuing activities	**(396.1)**	**(496.6)**
Income from discontinued activities	0.9	76.6
Net income for the period	**(395.2)**	**(420.0)**
Non-controlling interests	(10.4)	(0.8)
Net income attributable to the shareholders of the Bank	**(384.8)**	**(419.2)**

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* *Restated figures*

Glossary (1/3)

Income Statement

Fees and Commissions	Fee and commission income less fee and commission expense
Commercial Banking Income	Net interest income and fees and commissions
Capital Markets Results	Dividend income, net gains / (losses) from financial assets and liabilities at fair value through profit or loss, net gains / (losses) from available-for-sale financial assets, net gains / (losses) from foreign exchange revaluation, and net gains / (losses) on the revaluation of liabilities
Other Operating Results	Other operating income and expenses, disposal of subsidiaries and associated companies, and 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 accouting 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

Glossary (2/3)

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 a 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
Non-performing loans	Total balance of the contracts identified as: (i) in default (internal definition in line with article 178 of Capital Requirement Regulation, i.e., contracts with material overdue above 90 days and contracts identified as unlikely to pay, in accordance with qualitative criteria); and (ii) with specific impairment.

Glossary (3/3)

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 income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.

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.

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This document contains unaudited information for 9M2016 and 9M2017.

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