

**NOVO BANCO GROUP ACTIVITY AND RESULTS****1st quarter 2018**

(Unaudited financial information)

NOVO BANCO Group reported a net profit of €60.9 million in the 1st quarter of 2018, which compares with a net loss of €130.9 million in the same period of 2017.

Note that this result includes a positive effect from discontinued operations namely resulting from the classification of GNB Vida as a discontinued operation (+€51.2 million), offset by a negative change of the same amount under reserves. Excluding this last effect, NOVO BANCO Group would have reported a €9.7 million net profit in the quarter.

Net operating income reached €130.2 million in the 1st quarter of 2018, more than double when compared to the 1st quarter of 2017 mainly due to market results and other operating income.

In the 1st quarter of 2018, there were no material events or transactions impacting the Group's assets, including those inherited and protected by the Contingent Capital Agreement, so no exceptional effect affects the accounts for this quarter.

**ACTIVITY**

The Group's loan book contracted by approximately €2.2 billion (6.5%) year-on-year, with the main reduction occurring in non-performing loans (-€1.9 billion). On 31 March 2018 the gross loan portfolio was in line with its volume at 31 December 2017. The non-performing loans ratio decreased to 29.7% (31-Mar-2017: 33.4%; 31-Dec-2017: 30.5%), with the respective impairment coverage increasing to 61.9% (31-Mar-2017: 50.1%; 31-Dec-2017: 58.7%)

Customer deposits increased by €3.4 billion (+13.5% year-on-year), of which €1.8 billion as a result of the LME (Liability Management Exercise). Compared to December 2017, deposits were down by €1.1 billion.

Net funding from the European Central Bank (ECB) was reduced by €0.8 billion year-on-year (YoY), to €5.2 billion on 31 March 2018 (31-Mar-2017: €6.0 billion).

## PERFORMANCE

Banking Income totalled €252.2 million, having grown by 39.5% relative to the 1st quarter of 2017.

Net interest income decreased by 18.1% as a result of the deleveraging in the period, while fees and commissions increased by 3.8%.

The €39.2 million positive capital markets results reported in the quarter essentially reflect the gains obtained on the sovereign debt portfolio.

The ongoing cost rationalisation and optimisation policies enabled a 9.8% reduction in operating costs, with staff costs contracting by 8.2% and general and administrative costs decreasing by 4.1%.

Impairments totalled €37.8 million in this quarter, which compares with €137.4 million in the 1st quarter of 2017. Credit impairments amounted to €50.1 million, down from €119.3 million a year earlier.

The compensation amount to be requested for 2018 will only be definitive at the end of the year, taking into account any losses (already incurred or to be incurred) on the assets protected by the contingent capital agreement, as well as the regulatory requirements defined for the period.

NOVO BANCO has its CET 1 and Tier 1 ratios protected up to the amounts of losses already recorded on the assets protected by the contingent capital agreement.

The Common Equity Tier 1 (CET1) ratio was 13.5% and the total capital ratio was 13.9%.

## MAIN HIGHLIGHTS

31-Mar-17 31-Dec-17 31-Mar-18

### ACTIVITY (mn€)

Net Assets	51 124	52 055	50 880
Gross Loans	33 483	31 422	31 293
Customer Deposits	25 169	29 691	28 576
Equity	5 049	4 832	5 030

### SOLVENCY<sup>(1)</sup>

Common Equity/Tier I/Risk Weighted Assets	10.8%	12.8%	13.5%
Tier I/Risk Weighted Assets	10.8%	12.8%	13.5%
Total Own Funds/Risk Weighted Assets	11.0%	13.0%	13.9%

### LIQUIDITY (mn€)

European Central Bank Funding (net) <sup>(3)</sup>	6 019	2 790	5 237
Eligible Assets for Repo Operations (ECB and other), net of haircut	13 192	12 706	13 968
(Total Credit - Credit Provisions)/ Customer Deposits <sup>(2)</sup>	110%	88%	91%
Liquidity Coverage Ratio (LCR)	98%	124%	123%
Net Stable Funding Ratio (NSFR) <sup>(1)</sup>	99%	108%	108%

### ASSET QUALITY

Overdue Loans > 90 days / Gross Loans	17.0%	16.3%	16.0%
Non-Performing Loans (NPL) / Gross Loans	33.4%	30.5%	29.7%
Credit Provisions / Overdue Loans > 90 days	98.5%	109.8%	114.9%
Credit Provisions / Gross Loans	16.7%	17.9%	18.4%
Cost of Risk	1.43%	3.91%	0.16%

### PROFITABILITY

Net Income (mn€)	-130.9	-1 395.4	60.9
Income before Taxes and Non-Controlling Interests / Average Net Assets <sup>(2)</sup>	-1.0%	-1.8%	0.5%
Banking Income / Average Net Assets <sup>(2)</sup>	1.4%	3.3%	2.0%
Income before Taxes and Non-Controlling Interests / Average Net Equity <sup>(2)</sup>	-9.5%	-16.8%	5.3%

### EFFICIENCY

Operating Costs / Banking Income <sup>(2)</sup>	74.8%	32.6%	48.4%
Staff Costs / Banking Income <sup>(2)</sup>	39.7%	16.4%	26.1%

### EMPLOYEES

Total	6 037	5 488	5 449
- Domestic	5 646	5 156	5 124
- International	391	332	325

### BRANCH NETWORK

Total	536	473	473
- Domestic	507	448	448
- International	29	25	25

(1) Provisional data for 31 March 2018

(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 profit of €60.9 million in the 1st quarter of 2018, which compares with a net loss of €130.9 million in the 1st quarter of 2017.

m€			
INCOME STATEMENT	1Q2017	1Q2018	% Change
Net Interest Income	119.0	97.4	-18.1%
+ Fees and Commissions	75.8	78.7	3.8%
<b>= Commercial Banking Income</b>	<b>194.8</b>	<b>176.1</b>	<b>-9.6%</b>
+ Capital Markets Results	- 6.3	39.2	...
+ Other Operating Income	- 7.8	36.9	...
<b>= Banking Income</b>	<b>180.8</b>	<b>252.2</b>	<b>39.5%</b>
- Operating Costs	135.2	121.9	-9.8%
<b>= Net Operating Income</b>	<b>45.6</b>	<b>130.2</b>	...
- <b>Net Impairments and Provisions</b>	<b>137.4</b>	<b>37.8</b>	<b>-72.5%</b>
Credit	119.3	50.1	-58.0%
Securities	6.6	1.1	-83.2%
Other Assets and Contingencies	11.5	- 13.4	...
<b>= Income before Taxes</b>	<b>- 91.8</b>	<b>92.4</b>	...
- Corporate Income Tax	6.2	3.9	-37.9%
- Special Tax on Banks	33.2	27.3	-17.8%
<b>= Income after Taxes</b>	<b>- 131.2</b>	<b>61.3</b>	...
- Non-Controlling Interests	- 0.3	0.4	...
<b>= Net Income</b>	<b>-130.9</b>	<b>60.9</b>	...

Main highlights of the activity developed in the 1st quarter of 2018:

- commercial banking income totalled €176.1 million (-9.6% YoY), being penalised by a reduction in net interest income (-18.1%) that fully offset the improvement in fees and commissions (+3.8%);
- capital market results, in the amount of €39.2 million, benefited from gains in sovereign debt transactions.
- operating costs decreased by 9.8% YoY, to €121.9 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;
- net operating income (before impairments and taxes) was positive, at €130.2 million, and
- the provision charge in the period totalled €37.8 million, which compares with €137.4 million at the end of March 2017, with credit impairments amounting to €50.1 million (€119.3 million in 1Q2017).

## Net Interest Income

The performance of net interest income continued to be impacted by the fact that benchmark interest rates remained on negative ground, by the high cost of debt securities (offset by the LME operation concluded in October 2017), 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 18.1% year-on-year, to €97.4 million. It should be noted that the positive impact from a 44 basis points (bps) reduction in the cost of liabilities (from 1.28% in Mar-17 to 0.84% in Mar-18) was not sufficient to offset the reduction in the interest rate on assets (-52 bps), causing the net interest margin to drop by 8 bps, to 0.98%, from 1.06% in March 2017 (31-Dec-17: 0.89%).

NET INTEREST INCOME AND NET INTEREST MARGIN	1Q2017			2017			1Q2018		
	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs	Average Balance	Avg. Rate	Income / Costs
INTEREST EARNING ASSETS	45 343	2.35%	262	44 347	1.94%	862	42 584	1.83%	192
Customer Loans	33 530	2.54%	210	32 474	2.32%	752	31 256	2.17%	167
Money Market Placements	2 390	1.58%	9	2 650	1.08%	29	3 019	0.76%	6
Securities and Other Assets	9 423	1.83%	43	9 223	0.88%	81	8 309	0.92%	19
OTHER NON-INTEREST EARNING ASSETS	-	-	-	-	-	-	-	-	-
<b>INTEREST EARNING ASSETS AND OTHER</b>	<b>45 343</b>	<b>2.35%</b>	<b>262</b>	<b>44 347</b>	<b>1.94%</b>	<b>862</b>	<b>42 584</b>	<b>1.83%</b>	<b>192</b>
INTEREST BEARING LIABILITIES	42 120	1.38%	143	41 065	1.14%	467	38 547	0.93%	88
Due to Customers	25 353	0.83%	52	26 319	0.86%	226	29 004	0.94%	67
Money Market Funding	9 793	0.34%	8	8 985	0.36%	33	8 389	0.26%	5
Other Liabilities	6 974	4.83%	83	5 761	3.61%	208	1 154	5.65%	16
OTHER NON-INTEREST BEARING LIABILITIES	3 223	-	-	3 282	-	-	4 037	-	-
<b>INTEREST BEARING LIABILITIES AND OTHER</b>	<b>45 343</b>	<b>1.28%</b>	<b>143</b>	<b>44 347</b>	<b>1.05%</b>	<b>467</b>	<b>42 584</b>	<b>0.84%</b>	<b>88</b>
<b>NIM / NII</b>		<b>1.06%</b>	<b>119</b>		<b>0.89%</b>	<b>395</b>		<b>0.98%</b>	<b>103</b>
(w ithout the Stage 3 impairment adjustment)									
<b>Stage 3 Impairment</b>									<b>- 6</b>
<b>NIM / NII</b>								<b>0.93%</b>	<b>97</b>

The average rate on customer loans, the main component of financial assets (73.3%), was 2.17%. As to liabilities, the average balance of deposits was €29.0 billion, with an average interest rate of 0.94%.

## Fees and Commissions

Fees and commissions on banking services contributed with €78.7 million to the results, up by 3.8% from €75.8 million in March 2017.

	m€		
FEES AND COMMISSIONS	1Q2017	1Q2018	% Change
Payments and Account Management	25.8	28.6	10.8%
Commissions on Loans, Guarantees and Similar	30.1	29.9	-0.7%
Asset Management and Bancassurance	15.3	16.2	6.1%
Advising, Servicing and Other	4.6	4.0	-14.1%
<b>TOTAL</b>	<b>75.8</b>	<b>78.7</b>	<b>3.8%</b>

In the activity of NOVO BANCO Group the relevance of the following should be stressed:

- Commissions on payment services – cards and payment processing, including cheques, transfers, payment orders, POS and ATMs, and also account management fees - with a 10.8% increase YoY;
- Support services to companies, including income from guarantees provided, documentary credits, and services related to loan management and other, which remained flat year-on-year; and
- Asset management and *bancassurance* products, where fees increased by 6.1% year-on-year.

## Capital Markets Results

Capital market results, in the amount of €39.2 million, benefited from gains on sovereign debt trades.

## Operating Costs

Operating costs show a YoY reduction of 9.8%, reflecting the implementation of restructuring measures that involved the continued downsizing of the distribution network and the simplification and scaling down of the organisational structure and processes, with the consequent reduction of the workforce.

	m€		
OPERATING COSTS	1Q2017	1Q2018	% Change
Staff Costs	71.8	65.9	-8.2%
General and Administrative Costs	52.4	50.2	-4.1%
Depreciation	11.0	5.8	-47.3%
<b>TOTAL</b>	<b>135.2</b>	<b>121.9</b>	<b>-9.8%</b>

Staff costs decreased by 8.2% YoY, to €65.9 million, underpinned by a headcount reduction of 588 employees since 31 March 2017. At 31 March 2018 NOVO BANCO Group had 5,449 employees (Dec-17: 5,488).

General and administrative costs dropped by 4.1% YoY, to €50.2 million. This reduction, which occurred across most cost categories, reflects the rationalisation and streamlining policy under way. Depreciation decreased by 47.3%.

The contraction in operating costs also reflects the downsizing of the distribution network in line with the new business reality. On 31 March 2018 NOVO BANCO had 473 branches, which is 63 fewer units than a year earlier.

## Impairments and Provisions

NOVO BANCO Group reinforced impairments by €37.8 million (€99.6 million less than in the 1st quarter of 2017). The credit provision charge totalled €50.1 million, which is €69.2 million less than a year earlier.

## ACTIVITY

### Funding

On 31 March 2018 customer deposits totalled €28.6 billion, up by €3.4 billion from €25.2 billion in March 2017. In addition to the consolidation of the relationship with the clients alongside the resumption of normal operating conditions and the recovery of funding, this increase also reflects the impact of the LME operation completed in the last quarter of 2017 (new deposits in the amount of ca. €1.8 billion).

CUSTOMER FUNDS	31-Mar-17	31-Dec-17	31-Mar-18	YoY Change		Absolute change in 1Q2018
				absolute	relative	
				mn€		
Deposits	25 169	29 691	28 576	3 407	13.5%	-1 115
Other Customer Funds <sup>(1)</sup>	408	517	300	- 108	-26.4%	- 217
Debt Securities <sup>(2)</sup>	943	1 217	1 006	63	6.7%	- 211
<b>Sub -Total</b>	<b>26 520</b>	<b>31 425</b>	<b>29 882</b>	<b>3 362</b>	<b>12.7%</b>	<b>-1 543</b>
Life Insurance Products <sup>(3)</sup>	4 516	-	-	-4 516	....	-
Off-Balance Sheet Funds	4 952	4 829	4 922	- 30	-0.6%	93
<b>Total Customer Funds</b>	<b>35 988</b>	<b>36 254</b>	<b>34 805</b>	<b>-1 183</b>	<b>-3.3%</b>	<b>-1 449</b>

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

(2) Includes funds associated to consolidated securitisation operations

(3) Taking into account the intention of NB of selling the insurance activity, developed by GNB Vida, the company has been allocated to discontinuing activities in 4Q2017

## 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. At the end of March 2018 corporate loans accounted for a 63.8% share of the total loan book.

CUSTOMER LOANS	31-Mar-17	31-Dec-17	31-Mar-18	YoY Change	
				mn€	
				absolute	relative
<b>Corporate Lending</b>	<b>22 200</b>	<b>20 092</b>	<b>19 979</b>	<b>-2 221</b>	<b>-10.0%</b>
<b>Loans to Individuals</b>	<b>11 283</b>	<b>11 330</b>	<b>11 314</b>	<b>31</b>	<b>0.3%</b>
Residential Mortgage	9 707	9 751	9 710	3	0.0%
Other Loans	1 576	1 579	1 604	28	1.8%
<b>Customer Loans (gross)</b>	<b>33 483</b>	<b>31 422</b>	<b>31 293</b>	<b>-2 190</b>	<b>-6.5%</b>
Provisions	5 601	5 631	5 754	153	2.7%
<b>Customer Loans (net)</b>	<b>27 882</b>	<b>25 791</b>	<b>25 539</b>	<b>-2 343</b>	<b>-8.4%</b>

Customer loans contracted by €2.2 billion compared to the 1st quarter of 2017. The stability of loans to individual clients, which remained flat at €11.3 billion, is worth noting.

## Asset Quality

As at 31 March 2018 the main groups of credit exposures showed an improvement compared to March 2017.

CREDIT QUALITY	31-Mar-17	31-Dec-17	31-Mar-18	YoY Change	
				mn€	
				absolute	relative
Gross Loans	33 483	31 422	31 293	-2 190	-6.5%
Overdue Loans	5 957	5 215	5 098	- 859	-14.4%
Overdue Loans > 90 days	5 686	5 127	5 010	- 676	-11.9%
Restructured Credit	8 145	7 099	6 817	-1 328	-16.3%
Non-Performing Loans (NPL)	11 180	9 594	9 301	-1 879	-16.8%
Provisions for Credit	5 601	5 631	5 754	153	2.7%



The reduction in overdue and non-performing loans improved the respective asset quality ratios to 16.3% and 29.7%, respectively, at the end of the 1st quarter of 2018.

The coverage by impairments of overdue loans (112.9%) and non-performing loans (61.9%) increased compared to both the 1st quarter of 2017 and the end of 2017.

Provisions for credit amounted to €5.8 billion, representing 18.4% of the total loan book (Dec-17: 17.9%).

<b>ASSET QUALITY AND COVERAGE RATIOS</b>	<b>31-Mar-17</b>	<b>31-Dec-17</b>	<b>31-Mar-18</b>	<b>Change YTD (pp)</b>
Overdue Loans / Gross Loans	17.8%	16.6%	16.3%	-0.3
Overdue Loans > 90 days / Gross Loans	17.0%	16.3%	16.0%	-0.3
Restructured Credit / Gross Loans	24.3%	22.6%	21.8%	-0.8
Non-Performing Loans (NPL) / Gross Loans	33.4%	30.5%	29.7%	-0.8
Provisions for Credit / Gross Loans	16.7%	17.9%	18.4%	0.5
Coverage of Overdue Loans	94.0%	108.0%	112.9%	4.9
Coverage of Overdue Loans > 90 days	98.5%	109.8%	114.9%	5.0
Coverage of Non-Performing Loans	50.1%	58.7%	61.9%	3.2

The €1.9 billion reduction in non-performing loans - from €11.2 billion in March 2017 to €9.3 billion in March 2018 - was particularly noticeable, with the respective asset quality ratio improving by 3.7pps, to 29.7%. The coverage of non-performing loans by impairments reached 61.9% (Dec-17: 58.7%).

**NOVO BANCO, S.A.**

**CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2018 AND AS AT 31 MARCH 2017**

	thousand€	
	<b>31.03.2018</b>	<b>31.03.2017</b>
Interest and similar income	191 188	270 337
Interest expense and similar charges	93 760	151 338
<b>Net Interest Income</b>	<b>97 428</b>	<b>118 999</b>
Dividend Income	3 107	1 454
Fee and Commission income	93 129	93 935
Fee and Commission expense	16 256	21 823
Net gains / (losses) from financial assets and liabilities at fair value through profit or loss	8 778	( 24 334)
Net gains / (losses) from assets at fair value mandatory through profit or loss	5 849	-
Net gains / (losses) from financial assets at fair value through equity	21 859	17 133
Net gains / (losses) from foreign exchange revaluation	4 270	2 758
Net gains / (losses) from the sale of other assets	4 523	( 4 797)
Insurance earned premiums, net of reinsurance	-	11 494
Claims incurred net of reinsurance	-	75 375
Change in technical reserves, net of reinsurance	-	60 722
Other operating income and expenses	( 20 218)	( 33 768)
<b>Operating Revenues</b>	<b>202 469</b>	<b>146 398</b>
Staff Costs	65 894	71 818
General and Administrative Costs	50 246	52 356
Depreciation and amortisation	5 798	11 023
Provisions, net of reversals	7 874	( 2 398)
Impairment losses on loans, net of reversals and recoveries	50 104	119 328
Impairment losses on other financial assets, net of reversals and recoveries	( 1 584)	6 606
Impairment losses on other assets, net of reversals and recoveries	( 18 595)	13 866
<b>Operating Costs</b>	<b>159 737</b>	<b>272 599</b>
Sale of subsidiaries and associates	-	-
Results from associated companies consolidated by the equity method	2 072	1 702
<b>Income before income tax and non-controlling interests</b>	<b>44 804</b>	<b>( 124 499)</b>
Corporate income tax		
Current tax	3 394	2 122
Deferred tax	457	4 069
	3 851	6 191
<b>Income from continuing activities</b>	<b>40 953</b>	<b>( 130 690)</b>
Income from discontinued operations	20 356	( 504)
<b>Net Income for the period</b>	<b>61 309</b>	<b>( 131 194)</b>
<b>Attributable to shareholders of the Bank</b>	<b>60 899</b>	<b>( 130 940)</b>
Attributable to Non-controlling interests	410	( 254)
	61 309	( 131 194)

**NOVO BANCO, S.A.**

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018 AND AS AT 31 DECEMBER 2017**

	thousand€	
	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>ASSETS</b>		
Cash and deposits with Central Banks	1 325 033	3 788 027
Deposits with other banks	270 263	380 601
Securities held for trading	1	367
Derivatives held for trading	564 867	577 153
Loans and advances to banks	555 583	581 901
Loans and advances to customers	25 539 271	25 790 943
Securities portfolio	9 651 100	8 478 428
Derivatives held for risk management purposes	173 726	170 588
Non-current assets held for sale	2 440	5 448
Assets of discontinued operations	5 124 569	5 130 956
Investment properties	1 129 057	1 144 432
Other tangible assets	152 495	157 497
Intangible assets	8 119	8 682
Investments in associated companies and affiliates excluded from consolidation	148 039	146 251
Current tax assets	5 721	6 014
Deferred tax assets	1 962 552	1 964 017
Other assets	4 266 703	3 723 544
<b>TOTAL ASSETS</b>	<b>50 879 539</b>	<b>52 054 849</b>
<b>PASSIVO</b>		
Deposits from Central Banks	6 410 213	6 410 123
Financial liabilities held for trading	532 063	559 765
Deposits from other banks	2 128 822	2 015 044
Due to customers	28 876 547	30 208 071
Debt securities issued	1 005 866	1 216 780
Derivatives held for risk management purposes	80 701	76 212
Non-current liabilities held for sale	3 277	3 277
Liabilities of discontinued operations	5 529 378	5 525 962
Provisions	416 674	416 670
Current tax liabilities	14 054	13 887
Deferred tax liabilities	6 404	6 193
Other liabilities	845 122	770 690
<b>TOTAL LIABILITIES</b>	<b>45 849 121</b>	<b>47 222 674</b>
<b>EQUITY</b>		
Share Capital	5 900 000	5 900 000
Reserves, retained earnings and other comprehensive income	( 1 006 995)	248 410
Net Income for the period attributable to the shareholders of the Bank	60 899	( 1 395 447)
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>	<b>4 953 904</b>	<b>4 752 963</b>
Non-controlling interests	76 514	79 212
<b>TOTAL EQUITY</b>	<b>5 030 418</b>	<b>4 832 175</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>50 879 539</b>	<b>52 054 849</b>

## GLOSSARY

### ***Income Statement***

<b>Fees and Commissions</b>	Fee and commission income less fee and commission expense.
<b>Commercial Banking Income</b>	Net interest income and fees and commissions.
<b>Capital Markets Results</b>	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.
<b>Other Operating Results</b>	Other operating income and expenses, disposal of subsidiaries and associated companies, and results from associated companies consolidated by the equity method.
<b>Banking Income</b>	Net interest income, fees and commissions, capital markets results and other results.
<b>Operating Costs</b>	Staff costs, general and administrative expenses and depreciation and amortisation.
<b>Net Operating Income</b>	Banking Income - operating costs.
<b>Net Provisions</b>	Provisions net of reversals, impairment losses on loans net of reversals, impairment losses on other financial assets net of reversals and impairment losses on other assets net of reversals.

### ***Balance Sheet / Liquidity***

<b>Assets eligible as collateral for rediscount operations with the ECB</b>	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.
<b>Securities portfolio</b>	Securities (bonds, shares and other variable-income securities) booked in the trading portfolios, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
<b>Due to customers</b> Banco de Portugal Instruction n. 16/2004	Sums booked under the following balance sheet accounting headings: [#400 - #34120 + #52020 + #53100].
<b>Net ECB funding</b>	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.
<b>On-balance sheet customer funds</b>	Deposits, other customer funds, debt securities placed with clients and life insurance products.
<b>Retail customer funds</b>	On-balance sheet funds of retail clients.
<b>Off-Balance Sheet Funds</b>	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
<b>Total Customer Funds</b>	On- and off- balance sheet customer funds.
<b>Loan to deposit ratio</b> 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***

<b>Overdue Loans ratio</b>	Ratio of overdue loans to total credit.
<b>Overdue Loans &gt; 90 days ratio</b>	Ratio of overdue loans > 90 days to total credit.
<b>Overdue Loans coverage ratio</b>	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
<b>Overdue Loans &gt; 90 days coverage ratio</b>	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
<b>Coverage ratio of customer loans</b>	Ratio of impairment on customer loans (on balance sheet) to gross loans.
<b>Cost of Risk</b>	Ratio of credit impairment charges accounted in the period to gross customer loans.
<b>Restructured credit ratio</b>	Ratio of restructured credit due to financial difficulties of the client to total credit
<b>Non-performing loans</b>	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.
<b>Non-performing loans ratio</b>	Ratio of non-performing loans and customer loans.
<b>Non-performing loans coverage ratio</b>	Ratio of impairment on customer loans (on balance sheet) to non-performing loans.

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## GLOSSARY

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### **Efficiency and Profitability Ratios**

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