NOVO BANCO GROUP ACTIVITY AND RESULTS
FOR FINANCIAL YEAR 2018
(Unaudited financial information)

- NOVO BANCO for the first time presents separately the financial results of the “Recurrent Bank” (“NOVO BANCO Recurrent”) and “Legacy Bank” (“NOVO BANCO Legacy”).
- NOVO BANCO Recurrent posts positive income before taxes of €2.2 million, which highlights the recovery achieved from the loss reported in 2017 (-€311.4 million) and ongoing investments in the franchise.
- NOVO BANCO Legacy total assets reduced by €4.1 billion (NBV) as a consequence of continued de-risking of the Bank’s balance sheet.
- Non-performing loans (including deposits with banks and loans and advances to banks) reduced by €3.4 billion and non-performing loans ratio reduced to 22.4%.
- Liquidity at comfortable levels, with loan to deposit ratio of 89% and capital markets access re-established via tender and exchange offers of bonds carried out in conjunction with a €400 million subordinated debt Tier 2 issuance.
- Stringent focus on operational efficiency, reducing operating costs by 11.3% YoY.
- SREP Pillar 2 requirement reduced by 75 bps to 3.25%, reflecting the bank’s efforts to improve governance, operations, and balance sheet strength.

NOVO BANCO announces its 2018 full year financial results (unaudited), which for the first time present separately the financial results of NOVO BANCO Recurrent, which consists of sustainable, profitable core banking activity, and NOVO BANCO Legacy, which includes customer loans not only those included in the Contingent Capital Agreement, approximately 92% of the total legacy loan book, but also other loans, securities, a (non-yielding) real estate portfolio, and discontinued operations, considered in the majority as non-strategic in the commitments assumed to DGCOMP after the resolution.

NOVO BANCO believes that differentiating between NOVO BANCO Recurrent and NOVO BANCO Legacy results will help customers and other stakeholders assess the progress of the Bank’s ongoing restructuring.
Importantly, in 2018 NOVO BANCO was able to take advantage of the positive conditions of the Portuguese real estate market and the demand for non-performing loans, which allowed the Bank to accelerate the execution of its restructuring process using the Contingent Capital Agreement (CCA) as foresee. These operations carried out in this context impacted mainly the NOVO BANCO Legacy.

At the same time, the NOVO BANCO Recurrent showed healthy momentum, with positive income before taxes of €2.2 million, which highlights the recovery achieved from the loss reported in 2017 (-€311.4 million).

On a consolidated basis, NOVO BANCO Group reported a net loss of €1,412.6 million in 2018, which compares with a net loss of €2,298.0 million in 2017.

In connection with the process of divestment of non-strategic assets and focus on the domestic and Iberian banking business (strategic reorganisation), NOVO BANCO Group carried out the following operations in 2018:

(i) Sales of the assets and liabilities of the branch in Venezuela, of Banco Internacional de Cabo Verde, S.A. and of Banque Espírito Santo et de la Vénétie, S.A. (BESV);
(ii) Closure of the activity of the London branch;
(iii) Signing of a sale agreement for the entire share capital of GNB - Companhia de Seguros de Vida, S.A.;
(iv) Debt tender and exchange offers, carried out in conjunction with a €400 million issue of Tier 2 subordinated bonds, which will contribute to the improvement of net interest income going forward;
(v) Signing of a promissory agreement to sell a portfolio of real estate assets, named Project Viriato, that had a -€159.0 million impact on the Group’s results; and
(vi) Sale of a portfolio of non-performing loans (NPLs) and related assets, named Project Nata, with an impact on results of -€110.1 million.

In connection with the impact of losses related to the sale and write-downs of legacy assets, NOVO BANCO will request a compensation of €1,149 million under the existing Contingent Capital Agreement (CCA). 69% of this amount results from the losses incurred on the assets included in the CCA and 31% due to regulatory requirements for capital increase in the adjustment of the transitional period of capital ratios and to the impact of IFRS 9.

For 2017 and 2018, NOVO BANCO will have received a total of €1.9 billion out of the maximum of €3.89 billion defined under the CCA.
NOVO BANCO RECURRENT

Results

In 2018 NOVO BANCO Group focused on growing and improving long-term profitability of the NOVO BANCO Recurrent, which focuses on the core domestic and Iberian banking business, as well as new commercial initiatives. As a result, the NOVO BANCO Recurrent reported a positive income before taxes of €2.2 million, which highlights the recovery achieved from the loss reported in 2017 (-€311.4 million).

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Recurrent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>283.4</td>
</tr>
<tr>
<td>+ Fees and Commissions</td>
<td>319.2</td>
</tr>
<tr>
<td>= Commercial Banking Income</td>
<td>602.6</td>
</tr>
<tr>
<td>+ Capital Markets Results</td>
<td>35.5</td>
</tr>
<tr>
<td>+ Other Operating Results</td>
<td>-33.5</td>
</tr>
<tr>
<td>= Banking Income</td>
<td>604.6</td>
</tr>
<tr>
<td>- Operating Costs</td>
<td>515.3</td>
</tr>
<tr>
<td>= Net Operating Income</td>
<td>89.3</td>
</tr>
<tr>
<td>- Net Impairments and Provisions</td>
<td>400.8</td>
</tr>
<tr>
<td>Credit</td>
<td>193.2</td>
</tr>
<tr>
<td>Securities</td>
<td>-1.1</td>
</tr>
<tr>
<td>Other Assets and Contingencies</td>
<td>208.6</td>
</tr>
<tr>
<td>= Income before Taxes</td>
<td>-311.4</td>
</tr>
</tbody>
</table>

The Net interest income presents an increase of +36.6% driven by the optimisation measures implemented in 2018, namely those related to the reduction in the cost of funding.

Fees and commissions on banking services contributed €309.2 million to the results, down by 3.1% from €319.2 million in December 2017.

Main contributors to the Fees and commissions are:

- support services to companies – including income from guarantees provided, documentary credits, and services related to loan management and other (36% of total fees and commissions);
- commissions on payment services (38% of the total) – cards and payment processing, including cheques, transfers, payment orders, POS and ATMs, and also account management fees; and
- asset management and bancassurance products, which accounted for 21% of total fees and commissions.
The **Capital markets results** in 2018 were positive in €30.4 million reflecting the gains on the sale and revaluation of securities, in particular sovereign debt securities, that more than offset the losses recognised on the tender and exchange offer of existing bonds carried out in conjunction with the issue of new Tier 2 bonds.

**Operating costs** show a year-on-year (YoY) reduction of 9.9%, reflecting the restructuring measures associated with the downsizing of the distribution network and simplification and scaling down of the organisational structure and processes, with the consequent reduction of the headcount.

Staff costs decreased by 3.0% YoY, to €257.9 million, underpinned by a headcount reduction of 392 employees since 31 December 2017. At 31 December 2018 NOVO BANCO Group had 5,096 employees (Dec. 17: 5,488).

General and administrative costs dropped by -3.8% YoY, to €184.3 million. This reduction, which occurred across most cost categories, reflects the rationalisation and streamlining policy under way.

Depreciation charges decreased significantly, by 61.9%.

The reduction of the operating costs also reflects the downsizing of the distribution network in line with the new business environment. On 31 December 2018 NOVO BANCO had 402 branches, which is 71 fewer units than at the end of 2017.

The **Core operating result** (Commercial banking income – Operating costs) increases €144.8 million to €232.1 million at the end of 2018.

**Provision and impairments** presented a reduction of 36.7% (-€147.2 million less than in 2017), with the credit provision charge decreasing 79.5% to €39.6 million, while other provisions, amounting to €201.6 million, include circa €155.2 million for the programme of early reimbursement of high-rate liabilities.

**Activity**

Assets increased by €298 million (+0.8%). Net customer loans grew by 2.4%, due to the continued support to domestic companies, across all economic sectors and all companies with a special focus on SMEs.

The non-performing loans ratio (including cash and deposits with banks and loans and advances to banks) was 5.4%, with the respective coverage ratio by impairments standing at 46.8%. The cost of risk represented 17 bps.
NOVO BANCO LEGACY

NOVO BANCO Legacy activity income before taxes was -€715.2 million, impacted by the deleveraging process of non-strategic assets, of which it is worth mentioning the impact of (i) sales of non-performing loans (Project Nata) and real estate (Project Viriato), which together contributed with a loss of approximately €234 million, (ii) additional impairments that had to be reinforced during the year for legacy customers (€224 million), and provision for the early repayment of high-rate liabilities of €27.6 million.

The Income before taxes reflects a recovery of 52.8% compared to the loss registered in the previous year (-€1,514.6 million). A major factor to this decrease in the losses was the reduction of impairments and provisions by €1,199.7 million compared to 2017.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Recurrent 2017</th>
<th>Recurrent 2018</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>4,285</td>
<td>1,102</td>
<td>-74.3</td>
</tr>
<tr>
<td>Customer loans</td>
<td>21,940</td>
<td>22,465</td>
<td>2.4</td>
</tr>
<tr>
<td>Securities</td>
<td>7,043</td>
<td>9,380</td>
<td>33.2</td>
</tr>
<tr>
<td>Real Estate</td>
<td>211</td>
<td>374</td>
<td>77.1</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>-</td>
<td>-</td>
<td>...</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,839</td>
<td>4,295</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,318</strong></td>
<td><strong>37,616</strong></td>
<td><strong>0.8</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Legacy 2017</th>
<th>Legacy 2018</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Income</td>
<td>120.3</td>
<td>67.2</td>
<td>-44.2</td>
</tr>
<tr>
<td>+ Fees and Commissions</td>
<td>5.6</td>
<td>4.6</td>
<td>-16.7</td>
</tr>
<tr>
<td>= Commercial Banking Income</td>
<td>125.9</td>
<td>71.8</td>
<td>-42.9</td>
</tr>
<tr>
<td>+ Capital Markets Results</td>
<td>58.8</td>
<td>-70.7</td>
<td>...</td>
</tr>
<tr>
<td>+ Other Operating Results</td>
<td>-9.2</td>
<td>-237.0</td>
<td>...</td>
</tr>
<tr>
<td>= Banking Income</td>
<td>175.4</td>
<td>-235.9</td>
<td>...</td>
</tr>
<tr>
<td>- Operating Costs</td>
<td>33.9</td>
<td>22.9</td>
<td>-32.4</td>
</tr>
<tr>
<td>= Net Operating Income</td>
<td>141.5</td>
<td>-258.8</td>
<td>...</td>
</tr>
<tr>
<td>- Net Impairments and Provisions</td>
<td>1,656.1</td>
<td>456.4</td>
<td>-72.4</td>
</tr>
<tr>
<td>Credit</td>
<td>1,036.0</td>
<td>223.9</td>
<td>-78.4</td>
</tr>
<tr>
<td>Securities</td>
<td>135.9</td>
<td>0.9</td>
<td>-99.3</td>
</tr>
<tr>
<td>Other Assets and Contingencies</td>
<td>484.3</td>
<td>231.5</td>
<td>-52.2</td>
</tr>
<tr>
<td>= Income beforees Taxes</td>
<td>-1,514.6</td>
<td>-715.2</td>
<td>52.8</td>
</tr>
</tbody>
</table>

The NOVO BANCO Legacy assets reduced by 27.7% (-€4,079 million in net terms), in line with the strategic plan, the deleverage process of the Group and the commitments made to the DGCOMP.
The Customer loans portfolio decreased by circa €1,562 million (-40.6%) compared with 2017, and the completion of the sale of BES Vénétie contributed €974 million to the reduction in total assets.

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2018</th>
<th>Chg. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>466</td>
<td>299</td>
<td>-35.8</td>
</tr>
<tr>
<td>Customer loans</td>
<td>3,851</td>
<td>2,289</td>
<td>-40.6</td>
</tr>
<tr>
<td>Securities</td>
<td>1,581</td>
<td>1,613</td>
<td>2.0</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2,279</td>
<td>1,661</td>
<td>-27.1</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>5,131</td>
<td>4,090</td>
<td>-20.3</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,429</td>
<td>706</td>
<td>-50.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,737</td>
<td>10,658</td>
<td>-27.7</td>
</tr>
</tbody>
</table>

The non-performing loans ratio (including cash and deposits with banks and loans and advances to banks) was 90.3%, with the respective coverage ratio by impairments standing at 63.0%. The cost of risk represented 397 bps.
<table>
<thead>
<tr>
<th>MAIN HIGHLIGHTS</th>
<th>31-Dec-17</th>
<th>31-Dec-18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACTIVITY (mn€)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets (3)</td>
<td>52 055</td>
<td>48 274</td>
</tr>
<tr>
<td>Customer Loans (gross)</td>
<td>31 422</td>
<td>28 712</td>
</tr>
<tr>
<td>Customer Deposits (3)</td>
<td>29 682</td>
<td>28 350</td>
</tr>
<tr>
<td>Equity (3)</td>
<td>4 721</td>
<td>3 922</td>
</tr>
<tr>
<td><strong>SOLVENCY (4)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Equity Tier 1 / Risk Weighted Assets</td>
<td>12.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Tier 1 / Risk Weighted Assets</td>
<td>12.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Total Capital / Risk Weighted Assets</td>
<td>13.0%</td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>LIQUIDITY (mn€)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Central Bank Funding (net) (2)</td>
<td>2 790</td>
<td>5 864</td>
</tr>
<tr>
<td>Eligible Assets for Repo Operations (ECB and other), net of haircut</td>
<td>12 706</td>
<td>14 624</td>
</tr>
<tr>
<td>(Total Credit - Credit Provision) / Customer Deposits (1)</td>
<td>88%</td>
<td>89%</td>
</tr>
<tr>
<td>Liquidity Coverage Ratio (LCR)</td>
<td>124%</td>
<td>125%</td>
</tr>
<tr>
<td>Net Stable Funding Ratio (NSFR)</td>
<td>108%</td>
<td>106%</td>
</tr>
<tr>
<td><strong>ASSET QUALITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdue Loans &gt; 90 days / Customer Loans (gross)</td>
<td>16.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Non-Performing Loans (NPL) / Customer Loans (gross) + Cash and Deposits with banks and Loans and advances to banks (gross)</td>
<td>28.1%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Credit Provisions / Overdue Loans &gt; 90 days</td>
<td>109.8%</td>
<td>114.3%</td>
</tr>
<tr>
<td>Credit Provisions / Customer Loans (gross)</td>
<td>17.9%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Cost of Risk</td>
<td>3.91%</td>
<td>0.92%</td>
</tr>
<tr>
<td><strong>PROFITABILITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (mn€) (3)</td>
<td>-2 298.0</td>
<td>-1 412.6</td>
</tr>
<tr>
<td>Income before Taxes and Non-Controlling Interests / Average Net Assets (1) (3)</td>
<td>-3.6%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Banking Income / Average Net Assets (1) (3)</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Income before Taxes and Non-Controlling Interests / Average Equity (1) (3)</td>
<td>-33.5%</td>
<td>-14.3%</td>
</tr>
<tr>
<td><strong>EFFICIENCY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Costs / Banking Income (1) (3)</td>
<td>70.4%</td>
<td>100.6%</td>
</tr>
<tr>
<td>Staff Costs / Banking Income (1) (3)</td>
<td>35.3%</td>
<td>55.0%</td>
</tr>
<tr>
<td><strong>EMPLOYEES (No.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5 488</td>
<td>5 096</td>
</tr>
<tr>
<td>- Domestic</td>
<td>5 156</td>
<td>4 804</td>
</tr>
<tr>
<td>- International</td>
<td>332</td>
<td>292</td>
</tr>
<tr>
<td><strong>BRANCH NETWORK (No.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>473</td>
<td>402</td>
</tr>
<tr>
<td>- Domestic</td>
<td>448</td>
<td>381</td>
</tr>
<tr>
<td>- International</td>
<td>25</td>
<td>21</td>
</tr>
</tbody>
</table>

**mn€:** million euros

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

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

(3) Data as at 31 December 2017 was restated to reflect in Other reserves and retained earnings the triggering of the Contingent Capital Agreement and the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.

(4) Provisional data for 31 December 2018.
NOVO BANCO GROUP RESULTS

NOVO BANCO Group reported a net loss of €1,412.6 million in 2018, which compares with a net loss of €2,298.0 million in 2017. The income statement for the financial year ended on 31 December 2017 was restated to reflect in Other reserves and retained earnings the Contingent Capital Agreement, and the change in the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017. This restatement aims to ensure the comparability and consistency of the data presented for financial years 2018 and 2017.

The main highlights of the activity developed in 2018 are the following:

- Commercial banking income reached €768.2 million (+5.5% YoY), supported by the increase in net interest income (+12.6%);
- Capital markets results were negative by €40.3 million, and include the costs and losses amounting to €81.8 million resulting from the tender and exchange offers for the then existing bonds, carried out at the end of the first half of 2018, and the issue of new Tier 2 bonds.

<table>
<thead>
<tr>
<th>INCOME STATEMENT</th>
<th>2017 *</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Income</td>
<td>403.7</td>
<td>454.3</td>
<td>12.6%</td>
</tr>
<tr>
<td>+ Fees and Commissions</td>
<td>324.8</td>
<td>313.9</td>
<td>-3.4%</td>
</tr>
<tr>
<td>= Commercial Banking Income</td>
<td>728.5</td>
<td>768.2</td>
<td>5.5%</td>
</tr>
<tr>
<td>+ Capital Markets Results</td>
<td>94.3</td>
<td>40.3</td>
<td>...</td>
</tr>
<tr>
<td>+ Other Operating Results</td>
<td>-42.7</td>
<td>243.7</td>
<td>...</td>
</tr>
<tr>
<td>= Banking Income</td>
<td>780.0</td>
<td>484.2</td>
<td>-37.9%</td>
</tr>
<tr>
<td>· Operating Costs</td>
<td>549.2</td>
<td>487.3</td>
<td>-11.3%</td>
</tr>
<tr>
<td>= Net Operating Income</td>
<td>230.8</td>
<td>3.0</td>
<td>...</td>
</tr>
<tr>
<td>· Net Impairments and Provisions</td>
<td>2056.9</td>
<td>710.0</td>
<td>-65.5%</td>
</tr>
<tr>
<td>· Credit</td>
<td>1229.2</td>
<td>263.5</td>
<td>-78.6%</td>
</tr>
<tr>
<td>· Securities</td>
<td>134.8</td>
<td>13.3</td>
<td>-90.1%</td>
</tr>
<tr>
<td>· Other Assets and Contingencies</td>
<td>692.9</td>
<td>433.1</td>
<td>-37.5%</td>
</tr>
<tr>
<td>= Income before Taxes</td>
<td>-1826.1</td>
<td>-713.0</td>
<td>61.0%</td>
</tr>
<tr>
<td>· Corporate Income Tax</td>
<td>445.1</td>
<td>667.7</td>
<td>50.0%</td>
</tr>
<tr>
<td>· Special Tax on Banks</td>
<td>30.8</td>
<td>27.3</td>
<td>-11.6%</td>
</tr>
<tr>
<td>= Income after Taxes</td>
<td>-2302.1</td>
<td>-1408.0</td>
<td>38.8%</td>
</tr>
<tr>
<td>· Non-Controlling Interests</td>
<td>-4.0</td>
<td>4.7</td>
<td>...</td>
</tr>
<tr>
<td>= Net Income</td>
<td>-2298.0</td>
<td>-1412.6</td>
<td>38.5%</td>
</tr>
</tbody>
</table>

* Data as at 31 December 2017 was restated to reflect in Other reserves and retained earnings the triggering of the Contingent Capital Agreement and the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.
Other operating results include losses in the amount of €243.7 million, which relates in part to the negative impact of the sale of the portfolio of non-performing loans (Project Nata), in the amount of €207.1 million, which is partly offset by a €97.0 million positive effect being recognised under impairments and in securities results, resulting in net impact of this operation of -€110.1 million;

Operating costs decreased by 11.3% YoY, to €487.3 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;

Core operating income (commercial banking income - operating costs) increased by 56.7%, from €179.3 million to €280.9 million;

The provision charge in the period, totalling €710.0 million, includes credit impairments amounting to €263.5 million, €13.3 million for securities and €433.1 million for other assets and contingencies, of which €169.8 million are provisions for the sale of a portfolio of real estate assets (Project Viriato) and €182.8 million are provisions for the programme of early reimbursement of liabilities;

The year's income before taxes, a loss of €713.0 million, reflect an improvement of 61.0% relative to the previous year.

The amount of taxes of €667.7 million is explained, on the one hand, by the annulment of tax losses carried forward, which, under the terms of the current business plan, do not meet the conditions for inclusion in the Bank's assets, and on the other, by the strategy of divesting from non-productive assets that inevitably leads to the annulment of deferred tax assets due to the Bank's reporting of tax losses.

**NET INTEREST MARGIN**

The reduction of the interest rate on liabilities (-39bps) contributed to the increase of the net interest margin by 20bps YoY (from 0.89% to 1.09%), despite the negative impact from the reduction of interest rate on assets by 19bps (from 1.94% in 2017 to 1.75% in 2018).
The average rate on customer loans, the main component of financial assets (72.7%), was 2.06%. As to liabilities, the average balance of deposits was €28.8 billion, with an average interest rate of 0.66%.

**FUNDING**

At 31 December 2018 deposits totalled €28.4 billion, which is €1.3 billion less than at the end of December 2017. This reduction translates the effort made to reprice the offer of deposits, combined with the initiatives taken viewing the early reimbursement of the higher interest rate liabilities.

---

### Total Funds

<table>
<thead>
<tr>
<th></th>
<th>31-Dec-17</th>
<th>31-Dec-18</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>absolute</td>
<td>relative</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>29 682</td>
<td>28 350</td>
<td>-1 333</td>
</tr>
<tr>
<td>Other Customer Funds (1)</td>
<td>632</td>
<td>346</td>
<td>-286</td>
</tr>
<tr>
<td>Debt Securities (2)</td>
<td>1 217</td>
<td>689</td>
<td>-528</td>
</tr>
<tr>
<td>Subordinated Debt</td>
<td>-</td>
<td>415</td>
<td>415</td>
</tr>
<tr>
<td><strong>Sub -Total</strong></td>
<td>31 531</td>
<td>29 799</td>
<td>-1 731</td>
</tr>
<tr>
<td>Off-Balance Sheet Funds</td>
<td>4 829</td>
<td>4 769</td>
<td>-61</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td>36 360</td>
<td>34 568</td>
<td>-1 792</td>
</tr>
</tbody>
</table>

(1) Includes cheques and pending payment instructions, REPOS and other funds
(2) Includes funds associated to consolidated securitisation operations
The legacy activity does not have liabilities directly related to it, so the liabilities are allocated based on the need to finance the assets at each balance sheet date, thus corresponding to the difference between legacy assets, allocated capital and liabilities of discontinued operations.

LIQUIDITY

With the Bank's activity now normalised, liquidity management in 2018 involved the rationalisation of funding sources, with a special focus on improving profitability. In this regard, we note the effort made to reprice the offer of deposits, as well as the initiatives taken to achieve the early redemption of the higher interest rate liabilities, which enabled a significant reduction in the average cost of liabilities.

On the other hand, NOVO BANCO reinforced its investment in its securities portfolio by around €2.4 billion.

The amount of cash and deposits at central banks thus registered a significant reduction, with net borrowing from the ECB (borrowings from the ECB net of placements with this institution) consequently increasing, to reach close to €5.9 billion at the end of the year.

NOVO BANCO's increased securities portfolio led to a considerable increase in the portfolio of eligible assets for rediscout, and in particular in eligible assets with the European Central Bank, enabling the Bank to maintain its liquidity buffer at a high level. At the end 2018, the portfolio of eligible assets totalled €14.6 billion (net of haircuts), which compares with €12.7 billion at the end of 2017.

Market funding remained relatively stable, notwithstanding the reimbursements occurred during 2018, namely of the bonds repurchased within the scope of the tender and exchange offer, considering the issuance of €400 million of subordinated bonds, an operation that marked the return of the Bank to the international financial markets, having earned the 2018 ‘Europe Financial Bond Award’ from the International Financial Review (IFR).

NOVO BANCO thus maintained a comfortable liquidity position, with the regulatory Liquidity Coverage Ratio (LCR) rising to 125% at the end of 2018, from 124% at the end of 2017.

The loan to deposit ratio (89%) increased by 1 p.p. compared to 31 December 2017, given that the reduction in deposits was higher that the reduction in loans.
Customer deposits remain the main source of balance sheet funding, accounting for 63.8% of total liabilities and 58.6% of total assets. Non-subordinated debt securities amounted to €689 million at the end of 2018.

### FUNDING STRUCTURE

<table>
<thead>
<tr>
<th></th>
<th>31-Dec-17 *</th>
<th>31-Dec-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits (57.0%)</td>
<td>29.7</td>
<td>28.4</td>
</tr>
<tr>
<td>Debt Securities (2.3%)</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Other Liabilities (31.5%)</td>
<td>16.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Equity</td>
<td>4.7</td>
<td>3.9</td>
</tr>
</tbody>
</table>

* (1) Includes ECB funding

### CAPITAL

As at 31 December 2018, NOVO BANCO complied with all capital ratios required by the European Central Bank (ECB) under the Supervisory Review and Evaluation Process (SREP).

NOVO BANCO’s Common Equity Tier 1 (CET1) and Tier 1 ratios are protected up to the amount of losses already recorded on the assets included in the Contingent Capital Agreement (CCA).

In 2017 and 2018, the NOVO BANCO Group recorded losses totalling €3.7 billion, with compensation amounts under the CCA totalling €1.9 billion as at 31 December 2018.

The compensation amount to be requested for 2018 took into account the losses incurred on the assets included in the Contingent Capital Agreement, as well as the regulatory requirements for capital ratios in force at the end of 2018.
At 31 December 2018, the CET1 ratio was 12.8% (31-Dec-2017: 12.8%), and the total capital ratio was 14.5% (31-Dec-2017: 13.0%).

### NOVO BANCO GROUP ASSET QUALITY

Taking into account the legacy and recurrent activity, as at 31 December 2018 the main groups of credit risk showed an improvement compared to December 2017.

<table>
<thead>
<tr>
<th>CREDIT QUALITY</th>
<th>31-Dec-17</th>
<th>31-Dec-18</th>
<th>Change absolute</th>
<th>Change relative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loans (gross)</td>
<td>31 422</td>
<td>28 712</td>
<td>-2 710</td>
<td>-8.6%</td>
</tr>
<tr>
<td>Overdue Loans</td>
<td>5 215</td>
<td>3 539</td>
<td>-1 677</td>
<td>-32.1%</td>
</tr>
<tr>
<td>Overdue Loans &gt; 90 days</td>
<td>5 127</td>
<td>3 464</td>
<td>-1 663</td>
<td>-32.4%</td>
</tr>
<tr>
<td>Restructured Credit</td>
<td>7 102</td>
<td>4 833</td>
<td>-2 269</td>
<td>-32.0%</td>
</tr>
<tr>
<td>Non-Performing Loans (NPL) *</td>
<td>10 130</td>
<td>6 739</td>
<td>-3 391</td>
<td>-33.5%</td>
</tr>
<tr>
<td>Credit Provisions</td>
<td>5 631</td>
<td>3 958</td>
<td>-1 674</td>
<td>-29.7%</td>
</tr>
</tbody>
</table>

* Includes Deposits with banks and Loans and advances to banks.

The reduction in overdue loans by more than 90 days and in non-performing loans (including cash and deposits with banks and loans and advances to banks) improved the respective asset quality ratios to 12.1% and 22.4%, respectively, at the end of December 2018.

Provisions for Credit amounted to €4.0 billion, representing 13.8% of the total loan book.
The €3.4 billion reduction in non-performing loans (including cash and deposits with banks and loans and advances to banks), from €10.1 billion in December 2017 to €6.7 billion in December 2018, was particularly noticeable, with the respective asset quality ratio improving by 5.6p.p. to 22.4%. The coverage of non-performing loans (including cash and deposits with banks and loans and advances to banks) by impairments reached 59.9% (Dec.17: 56.3%).

<table>
<thead>
<tr>
<th><strong>ASSET QUALITY AND COVERAGE INDICATORS</strong></th>
<th>31-Dec-17</th>
<th>31-Dec-18</th>
<th>Change (pp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue Loans / Customer Loans (gross)</td>
<td>16.6%</td>
<td>12.3%</td>
<td>-4.3</td>
</tr>
<tr>
<td>Overdue Loans &gt; 90 days / Customer Loans (gross)</td>
<td>16.3%</td>
<td>12.1%</td>
<td>-4.3</td>
</tr>
<tr>
<td>Restructured Credit / Customer Loans (gross)</td>
<td>22.6%</td>
<td>16.8%</td>
<td>-5.8</td>
</tr>
<tr>
<td>Non-Performing Loans (NPL) / (Customer Loans (gross) + Cash and Deposits with banks and Loans and advances to banks (gross))</td>
<td>28.1%</td>
<td>22.4%</td>
<td>-5.6</td>
</tr>
<tr>
<td>Credit Provisions / Customer Loans (gross)</td>
<td>17.9%</td>
<td>13.8%</td>
<td>-4.1</td>
</tr>
<tr>
<td>Coverage of Overdue Loans</td>
<td>108.0%</td>
<td>111.8%</td>
<td>3.9</td>
</tr>
<tr>
<td>Coverage of Overdue Loans &gt; 90 days</td>
<td>109.8%</td>
<td>114.3%</td>
<td>4.4</td>
</tr>
<tr>
<td>Coverage of Non-Performing Loans</td>
<td>56.3%</td>
<td>59.9%</td>
<td>3.6</td>
</tr>
</tbody>
</table>
MAIN EVENTS IN 2018

Issuance of subordinated bonds

With the aim of reinforcing its equity capital, in mid-2018 NOVO BANCO issued €400 million of 10-year subordinated debt instruments with a coupon of 8.5%. In a first phase, the operation involved the issuance of €258.8 million in new Tier 2 bonds, resulting from the exchange of existing senior bonds, while the remaining €141.2 million bonds were subscribed by new investors.

Process of Divestment of Non-Strategic Assets

The strategy of focusing on the domestic banking business led to the following operations over the assets considered non-strategic for NOVO BANCO’s activity:

- Completion of the sale of the assets and liabilities of the Venezuela branch to BANCAMIGA, Banco Universal, CA. With the completion of this transaction NOVO BANCO ceased to have any banking activity in Venezuela;
- Sale of the 87.5% equity holding in Banque Espírito Santo et de la Vénétie, S.A. to the Cerberus Capital Management, L.P. fund;
- Completion of the sale of 90% of the share capital of Banco Internacional de Cabo Verde, S.A., held by NB África, SGPS S.A. and by NOVO BANCO, S.A., to IIBG Holdings B.S.C.;
- Signature of an agreement to sell the entire share capital of the subsidiary GNB - Companhia de Seguros de Vida, S.A. to Bankers Insurance Holdings, a company of the Global Bankers Insurance Group;
- Signature of a promissory agreement to sell a portfolio of real estate assets comprising approximately nine thousand properties (called Project Viriato) to entities indirectly held by funds managed by Anchorage Capital Group L.L.C.;
- Signature of a purchase and sale agreement between NOVO BANCO, S.A., and Banco Electrónico de Serviço Total, S.A. and a consortium of funds managed by KKR Credit Advisors (US) L.L.C. and LX Investment Partners II S.A.R L., for the sale of a portfolio of non-performing loans (NPLs) and related assets (called Project Nata).

Cultural and Artistic Heritage

On 29 January 2018 NOVO BANCO and the Portuguese State, through the Ministry of Culture, assumed the commitment to make available to the public the cultural and artistic heritage of NOVO BANCO through partnerships with public and private entities, such as museums and universities at national and regional level. This commitment involved the creation of the NB Cultura brand which gathers under a single concept all the Bank’s collections - paintings, contemporary photography, humanities studies and numismatics.
ECONOMIC ENVIRONMENT

2018 saw the extension of the cycle of expansion of global economic activity, albeit now featuring a diverging performance between the US and the other economies. US GDP increased by 2.9% in 2018, with domestic demand benefiting from significant fiscal stimulus. In this scenario, the Federal Reserve raised the key interest rate by 100 bps during the year, to 2.25%-2.5%, while the 10-year Treasuries yield rose from 2.406% to 2.685%, temporarily spiking above 3.2% at the start of the 4th quarter. In the Eurozone, GDP grew by 1.8%, decelerating from its 2.4% growth rate in the previous year. Growth was penalised by spurts of political uncertainty, by the deceleration of exports to China (an economy that registered the lowest growth rate since 1990, at 6.6%) and by certain non-recurrent factors that mainly affected Germany and France. Despite the favourable evolution of the labour market, inflation in the Eurozone remained very subdued, closing the year at 1.6%, or 1% for core inflation.

In this context, the ECB kept the rate of the main refinancing operations at 0% and the deposit facility rate at -0.4%. The 3-month Euribor reached -0.309% at the end of the year, only marginally above the -0.329% recorded in December 2017. The 10-year Bund yield fell from an annual high of 0.76% in February to 0.242% in December, while the euro lost 4.7% against the US dollar, to EUR/USD 1.1452.

The ECB gradually reduced its asset purchase programme, ending the purchase of new securities at the end of the year. The performance of the financial markets was hampered by trade tensions between the US and China and by fears of an increase in interest rates in the US. The Dow Jones, S&P 500 and Nasdaq indices fell 5.6%, 6.2% and 3.9%, respectively. In China, the Shanghai Composite slumped by 24.6%. In Europe, the DAX, CAC 40 and IBEX registered negative changes of 18.3%, 10.95% and 14.97%, respectively. The equity market was also penalised by the energy sector, following a fall in the oil price (-20.4%, in the case of Brent, to USD 53.2/barrel). In addition to an increase in volatility, 2018 was also marked by the (uncommon) absence of obvious safe haven assets in financial markets.

In Portugal GDP grew by 2.2% in 2018 (vs. 2.8% in 2017). Growth was supported by favourable monetary conditions (propping domestic demand), the vigour of the tourism industry, the reduction of unemployment (from 8.9% to 7% of the labour force), the increase in households disposable income, and a very strong housing market (house prices rose by 8.5% YoY in the 3rd quarter). A favourable perception of the Portuguese economy translated into the improvement of the sovereign rating by the main rating agencies - DBRS in April (to BBB) and Moody's in October (to Baa3), with S&P raising the outlook from ‘stable’ to ‘positive’ in September. The spread of the Portuguese 10-year Treasury Bonds versus the German bund retreated to 148bps at the end of the year (from an annual peak of 193bps in May). The respective yield fell from an annual high of 2.19% in May to 1.72% in December. The PSI-20 index followed the global trend, retreating by 12.19% in the year.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income</td>
<td>758,691</td>
<td>888,313</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>304,349</td>
<td>484,649</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>454,342</td>
<td>403,664</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>8,974</td>
<td>6,156</td>
</tr>
<tr>
<td>Fee and Commission income</td>
<td>366,088</td>
<td>387,245</td>
</tr>
<tr>
<td>Fee and Commission expense</td>
<td>59,734</td>
<td>71,792</td>
</tr>
<tr>
<td>Net gains / (losses) from financial assets and liabilities at fair value through profit or loss</td>
<td>(68,675)</td>
<td>(56,571)</td>
</tr>
<tr>
<td>Net gains / (losses) from assets at fair value through profit or loss mandatory</td>
<td>(32,877)</td>
<td>-</td>
</tr>
<tr>
<td>Net gains / (losses) from financial assets at fair value through other comprehensive income</td>
<td>34,472</td>
<td>57,245</td>
</tr>
<tr>
<td>Net gains / (losses) from foreign exchange revaluation</td>
<td>42,503</td>
<td>26,387</td>
</tr>
<tr>
<td>Net gains / (losses) from the sale of other assets</td>
<td>(176,004)</td>
<td>(39,284)</td>
</tr>
<tr>
<td>Other operating income and expenses</td>
<td>(78,951)</td>
<td>(50,942)</td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>490,118</td>
<td>662,108</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>266,138</td>
<td>275,740</td>
</tr>
<tr>
<td>General and Administrative Costs</td>
<td>198,989</td>
<td>215,409</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>22,149</td>
<td>58,057</td>
</tr>
<tr>
<td>Provisions, net of reversals</td>
<td>238,870</td>
<td>190,931</td>
</tr>
<tr>
<td>Impairment losses on loans, net of reversals</td>
<td>263,500</td>
<td>1,229,205</td>
</tr>
<tr>
<td>Impairment losses on other financial assets, net of reversals</td>
<td>6,479</td>
<td>134,787</td>
</tr>
<tr>
<td>Impairment losses on other assets, net of reversals</td>
<td>201,106</td>
<td>501,984</td>
</tr>
<tr>
<td><strong>Operating Costs</strong></td>
<td>1,197,231</td>
<td>2,606,113</td>
</tr>
<tr>
<td>Sale of subsidiaries and associates</td>
<td>1,026</td>
<td>3,931</td>
</tr>
<tr>
<td>Results from associated companies consolidated by the equity method</td>
<td>5,626</td>
<td>8,377</td>
</tr>
<tr>
<td><strong>Income before taxes and non-controlling interests</strong></td>
<td>(700,461)</td>
<td>(1,931,697)</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current taxes</td>
<td>8,790</td>
<td>14,373</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>658,917</td>
<td>430,773</td>
</tr>
<tr>
<td><strong>Income from continuing activities</strong></td>
<td>(1,368,168)</td>
<td>(2,376,843)</td>
</tr>
<tr>
<td>Income from discontinued operations</td>
<td>(39,819)</td>
<td>74,779</td>
</tr>
<tr>
<td><strong>Net Income for the period</strong></td>
<td>(1,407,987)</td>
<td>(2,302,064)</td>
</tr>
<tr>
<td>Attributable to shareholders of the Bank</td>
<td>(1,412,642)</td>
<td>(2,296,049)</td>
</tr>
<tr>
<td>Attributable to Non-controlling interests</td>
<td>4,655</td>
<td>(4,015)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(1,407,987)</td>
<td>(2,302,064)</td>
</tr>
</tbody>
</table>

* Data as at 31 December 2017 was restated to reflect in Other reserves and retained earnings the triggering of the Contingent Capital Agreement and the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.
# NOVO BANCO, S.A.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 AND AS AT 31 DECEMBER 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits with central banks</td>
<td>701 883</td>
<td>3 788 027</td>
</tr>
<tr>
<td>Deposits with other banks</td>
<td>275 789</td>
<td>380 601</td>
</tr>
<tr>
<td>Securities held for trading</td>
<td>257 270</td>
<td>367</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td>516 336</td>
<td>577 153</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>423 058</td>
<td>581 901</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>24 754 445</td>
<td>25 790 943</td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>10 617 312</td>
<td>8 478 428</td>
</tr>
<tr>
<td>Derivatives held for risk management purposes</td>
<td>71 404</td>
<td>170 588</td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td>1 888</td>
<td>5 448</td>
</tr>
<tr>
<td>Non-current assets held for sale - discontinued operations</td>
<td>4 090 358</td>
<td>5 130 956</td>
</tr>
<tr>
<td>Investment properties</td>
<td>1 098 071</td>
<td>1 144 432</td>
</tr>
<tr>
<td>Other tangible assets</td>
<td>5 425</td>
<td>8 682</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>118 698</td>
<td>146 251</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>6 689</td>
<td>6 014</td>
</tr>
<tr>
<td>Current tax assets</td>
<td>1 196 525</td>
<td>1 964 017</td>
</tr>
<tr>
<td>Other assets</td>
<td>3 996 257</td>
<td>3 723 544</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>48 273 902</strong></td>
<td><strong>52 054 849</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from central banks</td>
<td>6 410 461</td>
<td>6 410 123</td>
</tr>
<tr>
<td>Financial liabilities held for trading</td>
<td>492 953</td>
<td>559 765</td>
</tr>
<tr>
<td>Deposits from other banks</td>
<td>1 945 099</td>
<td>2 015 044</td>
</tr>
<tr>
<td>Due to customers</td>
<td>28 695 268</td>
<td>30 314 005</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>689 252</td>
<td>1 216 780</td>
</tr>
<tr>
<td>Financial liabilities related to transferred assets</td>
<td>44 450</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives held for risk management purposes</td>
<td>36 150</td>
<td>76 212</td>
</tr>
<tr>
<td>Non-current liabilities held for sale</td>
<td>-</td>
<td>3 277</td>
</tr>
<tr>
<td>Non-current liabilities held for sale - discontinued operations</td>
<td>4 438 001</td>
<td>5 525 962</td>
</tr>
<tr>
<td>Provisions</td>
<td>425 935</td>
<td>416 670</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>12 050</td>
<td>13 887</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>6 403</td>
<td>6 193</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>414 903</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>740 616</td>
<td>775 663</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>44 351 541</strong></td>
<td><strong>47 333 581</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>5 900 000</td>
<td>5 900 000</td>
</tr>
<tr>
<td>Other reserves and retained earnings</td>
<td>( 600 343)</td>
<td>1 040 105</td>
</tr>
<tr>
<td>Net Income for the period attributable to the shareholders of the Bank</td>
<td>( 1 412 642)</td>
<td>( 2 298 049)</td>
</tr>
<tr>
<td><strong>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</strong></td>
<td><strong>3 887 015</strong></td>
<td><strong>4 642 056</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>35 346</td>
<td>79 212</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>3 922 361</strong></td>
<td><strong>4 721 268</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>48 273 902</strong></td>
<td><strong>52 054 849</strong></td>
</tr>
</tbody>
</table>

* Data as at 31 December 2017 was restated to reflect in Other reserves and retained earnings the triggering of the Contingent Capital Agreement and the change of the initial recognition of liabilities related to the LME operation concluded in the last quarter of 2017.
**GLOSSARY**

### Income Statement

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and Commissions</td>
<td>Fee and commission income less fee and commission expense.</td>
</tr>
<tr>
<td>Commercial Banking Income</td>
<td>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.</td>
</tr>
<tr>
<td>Capital Markets Results</td>
<td>Other operating income and expenses, disposal of subsidiaries and associated companies, and results from companies consolidated by the equity method.</td>
</tr>
<tr>
<td>Other Operating Results</td>
<td>Net interest income and fees and commissions.</td>
</tr>
<tr>
<td>Banking Income</td>
<td>Net interest income, fees and commissions, capital markets results and other results.</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>Staff costs, general and administrative expenses and depreciation and amortisation.</td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>Banking Income - operating costs.</td>
</tr>
<tr>
<td>Net Provisions</td>
<td>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.</td>
</tr>
</tbody>
</table>

### Balance Sheet / Liquidity

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets eligible as collateral for rediscount operations with the ECB</td>
<td>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.</td>
</tr>
<tr>
<td>Securities portfolio</td>
<td>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.</td>
</tr>
<tr>
<td>Due to customers</td>
<td>Sums booked under the following balance sheet accouting headings: [#400 - #34120 + #52020 + #53100].</td>
</tr>
<tr>
<td>Banco de Portugal Instruction n. 16/2004</td>
<td>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.</td>
</tr>
<tr>
<td>Net ECB funding</td>
<td>Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB.</td>
</tr>
<tr>
<td>Total Customer Funds</td>
<td>On- and off- balance sheet customer funds.</td>
</tr>
<tr>
<td>Off-Balance Sheet Funds</td>
<td>Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.</td>
</tr>
<tr>
<td>Banco de Portugal Instruction n. 16/2004</td>
<td>The ratio of gross loans to total credit.</td>
</tr>
</tbody>
</table>

### Asset Quality and Coverage Ratios

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue Loans ratio</td>
<td>Ratio of overdue loans to total credit.</td>
</tr>
<tr>
<td>Overdue Loans &gt; 90 days ratio</td>
<td>Ratio of overdue loans &gt; 90 days to total credit.</td>
</tr>
<tr>
<td>Overdue Loans coverage ratio</td>
<td>Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.</td>
</tr>
<tr>
<td>Overdue Loans &gt; 90 days coverage ratio</td>
<td>Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.</td>
</tr>
<tr>
<td>Coverage ratio of customer loans</td>
<td>Ratio of impairment on customer loans (on balance sheet) to gross customer loans.</td>
</tr>
<tr>
<td>Cost of Risk</td>
<td>Ratio of credit impairment charges accounted in the period to gross customer loans.</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>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.</td>
</tr>
<tr>
<td>Non-performing loans ratio</td>
<td>Ratio of non-performing loans to the sum of total credit and cash and deposits with banks and Loans and advances to banks.</td>
</tr>
<tr>
<td>Non-performing loans coverage ratio</td>
<td>Ratio of impairment on customer loans (on balance sheet) to non-performing loans.</td>
</tr>
</tbody>
</table>
GLOSSARY

**Efficiency and Profitability Ratios**

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Efficiency (Staff Costs / Banking Income)</strong></td>
<td>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).</td>
</tr>
<tr>
<td><strong>Efficiency (Operating Costs / Banking Income)</strong></td>
<td>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).</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Return on average net assets</strong></td>
<td>Ratio of income before tax and non-controlling interests to average net assets.</td>
</tr>
<tr>
<td><strong>Return on average equity</strong></td>
<td>Ratio of income before tax and non-controlling interests to average equity.</td>
</tr>
</tbody>
</table>

€ million: million euros  
€ billion: billion euros  
pp: percentage points  
NBV: net book value  
YoY: year-on-year