

## **NOVO BANCO, S.A. informs about the results of the Comprehensive Assessment performed by the European Central Bank**

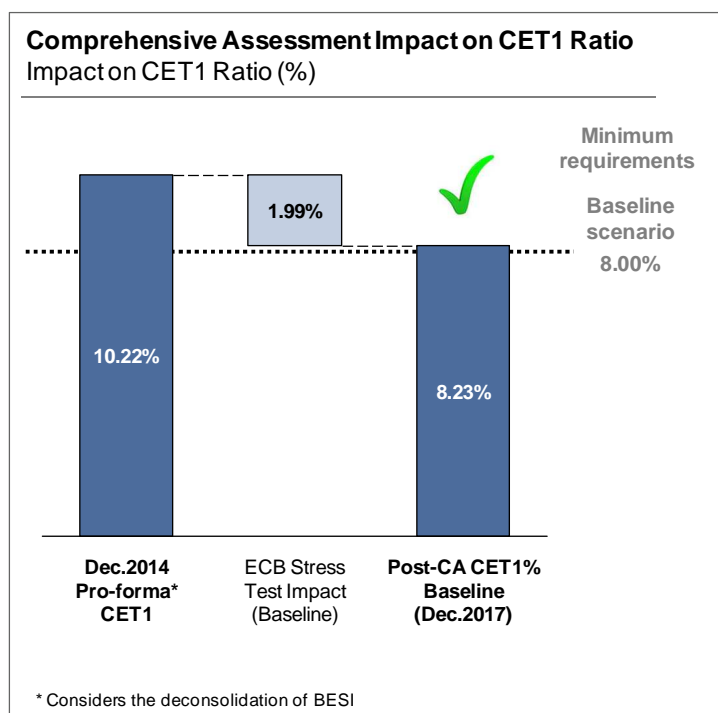
The European Central Bank (ECB) announced today the results of the Comprehensive Assessment exercise performed on 9 European Banks, including NOVO BANCO.

The stress test exercise is conducted by the ECB and aims to assess the resilience of financial institutions to adverse market developments, as well as to contribute to the overall assessment of systemic risk in the European Union financial system. The stress test evaluates the sufficiency of the capital of the banks on a 3 year horizon, given the applicable regulatory requirements. The stress test was developed with reference to two different scenarios: a baseline scenario (which has underlying existing official macroeconomic projections at the end of 2014) and an adverse scenario (that applies negative shocks to the baseline scenario).

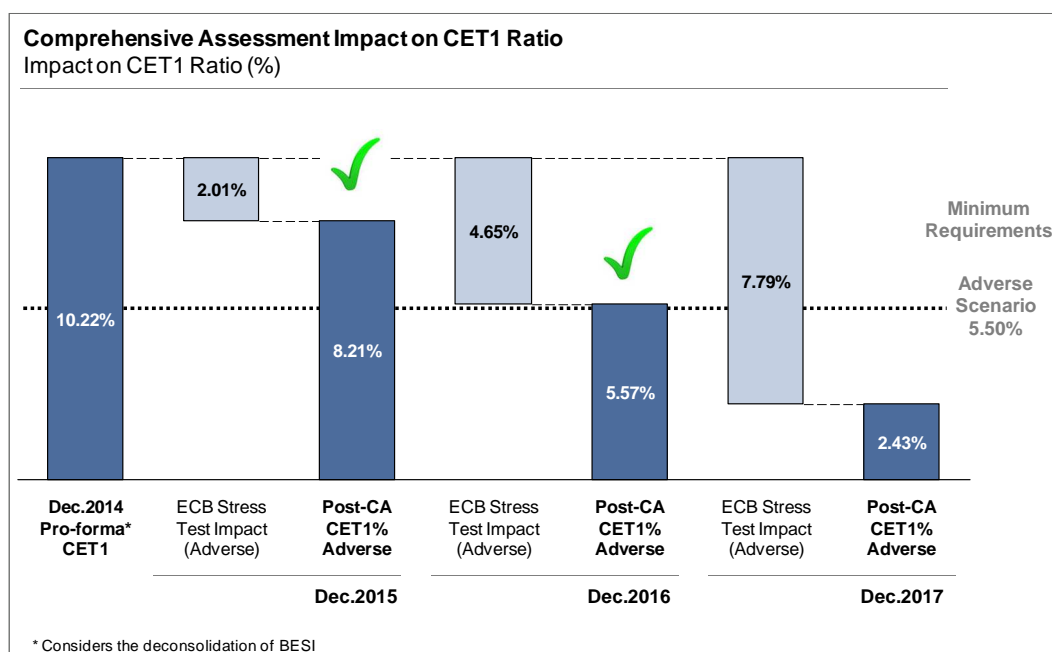
Regarding the Asset Quality Review, the ECB has considered that it was completed successfully by the special evaluation exercises of assets and liabilities performed in 2014.

The stress test to NOVO BANCO was performed based on the Balance Sheet as at 31 December 2014, but considering the deconsolidation of Banco Espírito Santo de Investimento, S.A. (BESI), entity whose sale was completed in September 2015.

According to the stress test in the baseline scenario, NOVO BANCO surpasses the minimum threshold of 8% for the Common Equity Tier 1 ratio (CET 1 ratio) in every year of the test, even considering the applicable phased-in criteria, reaching a ratio of 8.23% at the end of 2017.



Under the adverse scenario, NOVO BANCO surpasses the 5.5% threshold for the CET 1 ratio in the first two years of the test, even considering the applicable phased-in criteria. However, NOVO BANCO registers a decrease of the ratio to 2.43% at the end of 2017, which corresponds to a projected capital shortfall of EUR 1,398 million.



The projections of the stress test are based on macroeconomic and financial assumptions, defined for the period from 2014 to 2017. Under the adverse scenario, where a capital shortfall is projected for the last year of the time period, the assumptions

assume a significant degree of conservatism, namely:

- A GDP cumulative contraction of 2.8%;
- The increase in the unemployment rate to levels above 14%;
- The significant increase in long term interest rates of the Portuguese public debt, to around 4%, impacting the financing of the economy and the valuation of debt securities portfolios of the banks.

In addition, the stress test is based on a static balance sheet, reported as at 31 December 2014, five months after the resolution of Banco Espírito Santo and the creation of NOVO BANCO.

At the end of the 1st semester of 2015:

- The loan to deposit ratio decreased from 126% to 114%, backed by the growth in deposits (Eur 2.3bn in the semester) and by the deleveraging of the balance sheet (Eur 3.6bn in that same period);
- The risk weighted assets (RWA's) decreased by 7.5% (Eur 3.5bn);
- The funding from the European System of Central Banks decreased by Eur 2.6bn.

On 15 September 2015, Banco de Portugal announced the interruption of the sale process of NOVO BANCO. This event brought the need to prepare a strategic reorganization plan of NOVO BANCO' activities (focused on its restructuring and profitability) and a capital plan (reinforcement of own funds) in compliance with regulatory capital requirements.

NOVO BANCO already started working on the strategic reorganization plan, to be discussed within the existing dialogue with the ECB and the European Commission. This plan is expected to be completed in the coming weeks, with its results materializing progressively from 2016 onwards.

The share capital of NOVO BANCO is wholly owned by the Resolution Fund, while Banco de Portugal, as Resolution Authority, is responsible for ruling on relevant changes in this matter. Hence, the measures that aim to reinforce NOVO BANCO's capital ratios and which will ensure compliance with the regulatory requirements applicable at all times, resulting, or not, from the stress test, will be decided and implemented in close coordination with Banco de Portugal (as Resolution Authority) and with the Resolution Fund (Sole Shareholder), as stated in the press release of the former. The measures

already agreed with Banco de Portugal and the Resolution Fund include the following:

- Sale of NOVO BANCO's equity stake in GNB Vida - Companhia de Seguros, S.A..
- Sale to investors of other equity stakes considered non-core for the activity of NOVO BANCO.
- Resumption of the sale process of the equity stake held by the Resolution Fund in NOVO BANCO, including the reinforcement of NOVO BANCO's own funds, now that one of the main factors of uncertainty that affected the previous process has been removed, as stated by Banco de Portugal.

It is the understanding of NOVO BANCO that such measures will integrate, with full normality and without disturbance, in the relationship with the various stakeholders of NOVO BANCO, namely Depositors and other Clients.

NOVO BANCO continues to rely on the commitment made by Banco de Portugal (as the Resolution Authority) and by the Resolution Fund (as its Sole Shareholder) to ensure the measures that will allow it to meet its capital requirements, in a timely manner, and to consolidate the progress already made.

Lisbon, 14 November 2015

NOVO BANCO, S.A.