MOODY'S
INVESTORS SERVICE

CREDIT OPINION
25 April 2023

Update

Send Your Feedback

RATINGS

Novo Banco, S.A.

Domicile	Lisboa, Portugal
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Ba3
Type	Senior Unsecured - Dom Curr
Outlook	Positive
Long Term Deposit	Ba1
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Maria Vinuela +34.91.768.8237
VP-Senior Analyst
maria.vinuela@moodys.com

Alvaro Moreno +34.91.768.8201
Associate Analyst
alvaro.morenoortiz@moodys.com

Maria Jose Mori +34.91.768.8227
Senior Vice President
mariajose.mori@moodys.com

Maria Cabanyes +34.91.768.8214
Senior Vice President
maria.cabanyes@moodys.com

Novo Banco, S.A.

Update following upgrade of deposit ratings to Ba1 and senior unsecured debt ratings to Ba3; outlook remains positive

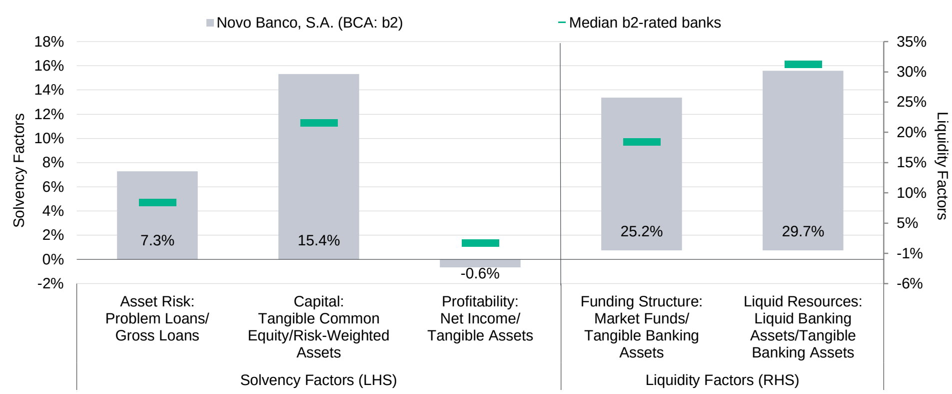
Summary

On 19 April 2023, we upgraded Novo Banco, S.A.'s (Novo Banco) long-term deposit ratings to Ba1 from Ba3 and its senior unsecured debt ratings to Ba3 from B3. At the same time, we also upgraded (1) the bank's Baseline Credit Assessment (BCA) and Adjusted BCA to ba3 from b2; (2) the junior senior unsecured MTN programme ratings to (P)B1 from (P)B3; and (3) the subordinated debt ratings to B1 from B3.

Novo Banco's long-term deposit ratings of Ba1 and long-term senior unsecured debt ratings of Ba3 reflect the bank's BCA and Adjusted BCA of ba3; the outcome of our Advanced Loss Given Failure (LGF) analysis, which results in a two-notch uplift for the deposit ratings and no uplift for the senior debt ratings; and our assumption of a low probability of government support, which results in no further rating uplift.

Novo Banco's BCA of ba3 reflects its significantly improved credit profile as a result of a de-risking strategy pursued over several years in accordance with a restructuring plan agreed with the European Commission which has been successfully completed. In particular, Novo Banco's BCA reflects its enhanced asset quality levels - although still weak - strong profitability metrics and improved loss absorption capacity amid high capital levels.

Exhibit 1
Rating Scorecard - Key Financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Significant reduction of non performing assets (NPAs) achieved over recent years.

» Strong profitability metrics will continue improving over the outlook period.

» Customer deposits are the bank's main source of funding.

» Improved liquidity buffers

Credit challenges

» Asset risk, albeit significantly improved over recent years, remains weak.

» High capital levels will reduce once the bank resumes dividend payments.

» Still modest risk absorption capacity when measured against the asset risk profile.

» Reliance on ECB funding and market repos is still high

Outlook

The outlook on Novo Banco's long-term deposit and senior unsecured debt ratings is positive, reflecting Moody's view that the material improvements in the bank's metrics that have been achieved within a short time frame could be sustained over the outlook horizon thanks to a more resilient business franchise.

Factors that could lead to an upgrade

Novo Banco's standalone BCA could be upgraded if the bank were to reduce further its stock of problem assets and improve its loss-absorption capacity and recurring profitability.

An upgrade of Novo Banco's BCA could trigger an upgrade of the bank's long-term deposit and senior unsecured debt ratings. The issuance of sizeable volumes of bail-in-able debt instruments could also exert upward pressure on Novo Banco's senior unsecured debt ratings.

Factors that could lead to a downgrade

Novo Banco's standalone BCA could be downgraded if the bank's capital position were to deteriorate or because of a weakening of its asset risk, or profitability. A downgrade could also occur if the bank's liquidity were to worsen from its current position.

A downgrade of Novo Banco's BCA would likely impinge on the deposit and debt ratings because they are linked with the bank's standalone BCA. The bank's deposit ratings could also be affected by a reduction in the volume of junior deposits.

Key indicators

Exhibit 2
Novo Banco, S.A. (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	45,995.0	44,618.5	44,395.6	45,295.9	48,273.9	(1.2)[4]
Total Assets (USD Million)	49,088.1	50,557.5	54,320.5	50,844.6	55,184.0	(2.9)[4]
Tangible Common Equity (EUR Million)	3,579.6	2,982.1	2,828.8	3,822.6	3,295.1	2.1[4]
Tangible Common Equity (USD Million)	3,820.3	3,379.1	3,461.2	4,290.8	3,766.7	0.4[4]
Problem Loans / Gross Loans (%)	5.3	6.9	9.7	12.7	23.5	11.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.4	10.8	9.5	11.4	9.8	11.4[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	29.2	40.4	55.2	60.4	92.9	55.6[5]
Net Interest Margin (%)	1.5	1.4	1.3	1.2	1.0	1.3[5]
PPI / Average RWA (%)	2.5	1.8	-0.4	-0.2	0.0	0.7[6]
Net Income / Tangible Assets (%)	0.6	0.4	-3.0	-2.2	-3.0	-1.4[5]
Cost / Income Ratio (%)	41.3	43.9	139.4	123.6	99.4	89.5[5]
Market Funds / Tangible Banking Assets (%)	25.2	27.4	25.6	24.8	19.9	24.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	29.7	30.6	25.7	26.0	20.4	26.5[5]
Gross Loans / Due to Customers (%)	88.9	90.3	95.6	95.1	100.1	94.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

With total assets of €46.0 billion as of the end of December 2022, Novo Banco is Portugal's (Baa2 stable) fourth-largest bank. As of the end of December 2022, the bank had 292 branches plus 22 corporate centers, and 4,090 employees.

The sale process of Novo Banco was closed on 18 October 2017, after Lone Star acquired a 75% stake in Novo Banco's capital, becoming its majority shareholder. As part of Novo Banco's sale process, which was approved by the European Commission (EC), a “contingent capital agreement” (so called CCA) was set up and managed by the Resolution Fund. Under this mechanism, Novo Banco can be compensated up to a limit of €3.89 billion for losses related to a predefined portfolio of problematic assets, subject to the breach of a capital ratio trigger (CET1 below 12%) and some additional requirements. The mechanism is in place until December 2025, and this date can be extended, under certain conditions, by one additional year. Since 2017, Novo Banco has received €3.4 billion out of the €3.89 billion approved under this support mechanism.

The Portuguese government presented to the EC a restructuring plan prepared by Lone Star, that aimed to ensure the viability of Novo Banco by 2021 and that has successfully come to an end. Over this period, Novo Banco has significantly reduced its stock of legacy assets, although they remain high when compared to peers. The restructuring has also translated into significant improvements in the bank's profitability metrics. This is particularly important as the funds under the CCA are now close to be exhausted (€485 million left), and the inability of the bank to generate organic capital could compromise the bank's current capital levels.

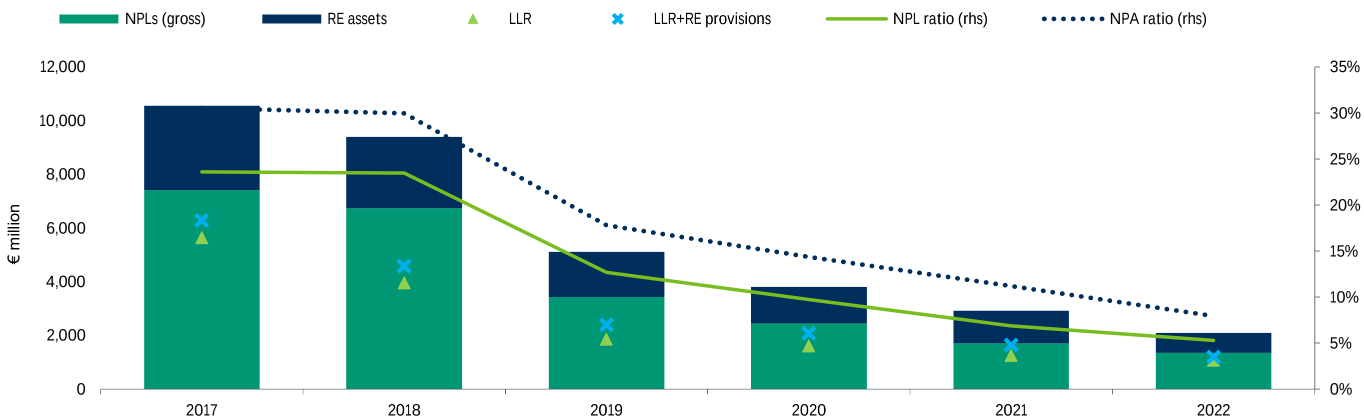
Detailed credit considerations

Still weak asset risk will remain broadly stable

We assign Novo Banco an Asset Risk score of ba3, in line with its macro-adjusted score. This assessment takes into consideration our expectation that Novo Banco's still large stock of NPAs (nonperforming loans [NPLs] + foreclosed real estate assets) will be broadly stable over the outlook period, as inflationary pressures and high interest rates will erode both households' and corporate finances and will have a bearing upon the bank's asset quality, offsetting the positive impact of recoveries.

Between 2017 and 2022, Novo Banco has significantly reduced its stock of NPA principally by several large portfolio sales. As a result, the bank's NPL ratio declined to a Moody's-calculated 5.3% as of the end of December 2022 down from 6.9% a year earlier. We have estimated Novo Banco's NPA ratio at around 7.9% as of December 2022, below our estimated 11.2% as of the end of December 2021.

Exhibit 3
Still weak asset risk despite the significant decline in the stock of NPAs

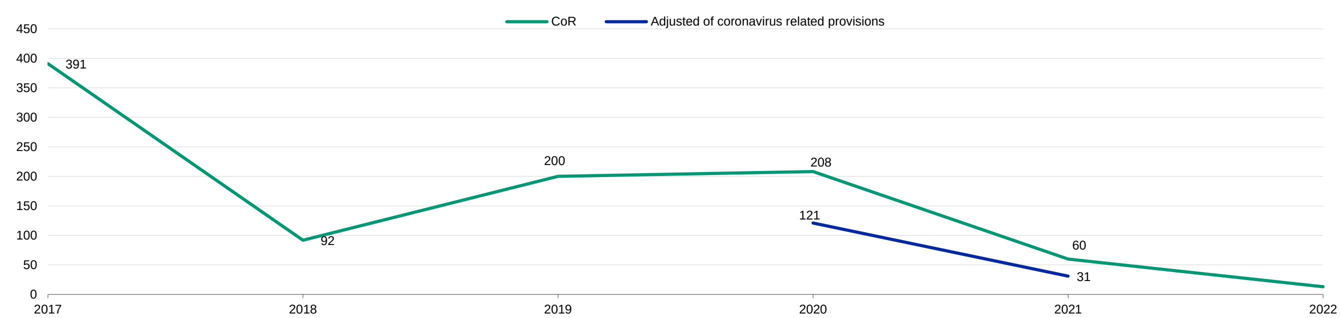


Source: Novo Banco's annual accounts and quarterly presentation

Although we acknowledge the significant reduction in Novo Banco's stock of NPAs, the bank's credit profile remains constrained by the prevailing weakness in its asset-quality metrics, which still compare poorly with those of its domestic and European peers. The average NPL ratio for Portuguese banks was 3.5% as of the end of December 2022 and the EU average was 2.1%[1] as of the same date.

In 2022, cost of risk[2] went down to 13 basis points (bps) from 60 bps in 2021 (see Exhibit 4). Going forward, Novo Banco expects normalized cost of risk levels of around 50 bps per year.

Exhibit 4
Cost of risk trending towards more normalised levels
Loan loss provisions to gross loans



Source: Novo Banco's annual accounts

Novo Banco's coverage ratio (loan-loss reserves as a percentage of NPLs) stood at 78.7% as of the end of December 2022, up from 73.1% at end-December 2021. The coverage of NPAs was 56.8% as of the same date (56.1% by year-end 2021).

High capital levels will reduce once the bank resumes dividend payments

We assign a ba1 Capital score to Novo Banco, four notches below the Macro-Adjusted score. We make this negative adjustment to reflect: (1) the unpaid 2021 CCA call, that amounts to €209 million (already deducted from the bank's regulatory capital); and (2) lower capital levels once Novo Banco resumes dividend payments.

Novo Banco's capital metrics have significantly improved in 2022 because the bank is subject to a dividend ban agreed under the CCA. Although capital metrics will continue improving until the end of the CCA (December 2025), we expect the bank's capital to return to more normalized levels once this dividend ban is lifted. Our key capital metric, tangible common equity (TCE)/risk-weighted assets (RWA), stood at 15.4% as of December 2022, up from 10.8% at end-December 2021. This increase was primarily the result of a reduction in the bank's risk-weighted assets driven by treasury portfolio restructuring and various sales, as well as the incorporation of the net income for the period. If we deduct the unpaid 2021 CCA call from the bank's TCE ratio, this would go down to 14.4%.

Novo Banco reported a phased-in CET1 ratio of 13.7% and a total capital ratio of 16.0% at end-December 2022, against the European Central Bank (ECB) minimum requirements of 8.7% and 13.5%, respectively.

The funds available under the CCA, which were key to preserve the bank's capital amid the large losses Novo Banco booked over the past years, are now close to be exhausted (€485 million are available up to date). However, we note that Novo Banco's CET1 ratio now stands well above the 12% ratio trigger, and we believe it will continue above these levels until the end of the CCA (December 2025). As such, we believe it is highly unlikely that Novo Banco asks for additional funds under this mechanism.

Recurring profitability metrics will continue improving over the outlook period

We assign a Profitability score of baa3 to Novo Banco. This reflects our assessment that the bank's profitability will continue to benefit from the improvement of its net interest margin, as loans continue to reprice at higher rates while the cost of funding grows more slowly. This will more than offset the negative pressure from high inflation on operating costs and higher cost of risk.

Novo Banco reported a net profit of €586 million at the end of December 2022, compared to €192 million a year earlier and equivalent to a net income to tangible assets ratio of 1.3%. However, we note that Novo Banco's net income includes a significant amount of gains from the sale of real estate assets and overdue loans and capital market results, which are non-recurring by nature and amount to €213 million in 2022, and non-recurring operating costs amounting to €43 million. If these are excluded, the bank's recurring net income would stand at €416 million, equivalent to a net income to tangible assets ratio of 0.9%.

Novo Banco's pre-provision income (PPI) excluding non-recurring items[3] increased by 10% YOY, mainly driven by the 7% increase in core revenues [4] that more than offset the 2% increase in recurring operating costs. Novo Banco is well positioned to continue benefiting from the higher interest rates, as the bulk of its loan book is referenced to variable rates.

Bottom-line profitability was positively impacted in 2022 by the 68% decline in impairment and provisions, which, together with the increase in PPI, contributed to the significant 356% increase in the Novo Banco's recurring net income.

Novo Banco's efficiency levels have also improved as a result of the deep restructuring of its operations. The bank reported a cost-to-income ratio of 49% [5] at the end of December 2022 (44% just considering recurring items), up from 48% a year earlier.

Mainly funded by customer deposits, but still high reliance on ECB funding and market repos

Novo Banco's market funds to tangible banking assets ratio stood at 25.2% at end-December 2022, equivalent to a Funding Structure score of ba2. We assign a Funding structure score of ba1 to Novo Banco to reflect: (1) a three notch positive adjustment to reflect the expected repayment of the bulk of its ECB funding in 2023 and 2024; and (2) a two-notch negative adjustment to reflect the still high reliance on ECB funding and market repos and the challenges Novo Banco may face in rebuilding its funding franchise.

Novo Banco is mainly deposit funded, with customer deposits representing 70% of the bank's total funding. Out of the total amount of customer deposits, 73% are retail deposits. The bank's reported loan-to-deposit ratio stood at 83% as of December 2022, slightly down from 86% a year earlier.

Novo Banco's market funding is mainly composed of ECB funding, that amounted to €6.3 billion as of the end of December 2022, equivalent to a very high 14% of total assets and market repos for an amount of €2.6 billion. In July 2021, the bank returned to market activity for the first time since June 2018 and issued €300 million senior preferred notes accompanied by a tender of €160 million.

Novo Banco has a final MREL requirement of 23.16% of its total risk exposure amount (TREA) plus the applicable combined buffers, that needs to be fulfilled by 1 January 2026. At end-December, the bank had an MREL ratio of 20.8% and it expected to satisfy its MREL needs via organic capital generation and balance sheet optimization in 2023.

Novo Banco has a Macro-Adjusted Liquid Resources score of baa2, to which we made a negative adjustment of two notches to ba1, to reflect: (1) the expected decrease in liquid assets once the bank repays the bulk of its ECB funding; and (2) the encumbrance of some of the liquid assets that are not readily available for the bank.

Novo Banco had a buffer of ECB-eligible liquid assets in the form of sovereign bonds to €16.9 billion (net of haircuts) as of the end of December 2022, up from €16.5 billion a year earlier, as well as €5.9 billion in cash, that covers the expected repayment of ECB funding in 2023 of €5.4 billion.

Novo Banco reported a liquidity coverage ratio of 210% as of December 2022, compared with 182% a year earlier. The net stable funding ratio stood at 113% as of December 2022 from 117% in 2021.

ESG considerations

Novo Banco, S.A.'s ESG Credit Impact Score is Moderately Negative CIS-3

Exhibit 5
ESG Credit Impact Score

For an issuer scored CIS-3 (Moderately Negative), its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time. The negative influence of the overall ESG attributes on the rating is more pronounced compared to an issuer scored CIS-2.

Source: Moody's Investors Service

Novo Banco's ESG Credit Impact Score is moderately negative (**CIS-3**), reflecting the moderately negative rating impact of the bank's governance risks stemming from past risk management shortcomings which led to the implementation of a restructuring program and which still weigh moderately on its credit profile. Environmental and social factors have a limited impact on the bank's rating to date.

Exhibit 6
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental

Novo Banco faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is exposed to mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Novo Banco is developing its climate risk and portfolio management capabilities and is actively transitioning its lending portfolios to achieve carbon neutrality targets.

Social

Novo Banco is exposed to high industrywide social risks particularly related to customer relations risk and associated regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by Novo Banco's developed policies and procedures. Novo Banco's high cyber and personal data risks are mitigated by the bank's sound IT framework.

Governance

Novo Banco's governance risks are moderate, stemming from past risk management deficiencies which led to severe asset quality deterioration and the implementation of a restructuring program agreed with the European Commission. The successful completion of the program has led to an improvement in the bank's financial strategy and risk management practices. However, the track record of sustainable performance has yet to be established. Novo Banco is controlled by Lone Star, which owns 75% of its capital. Therefore, the bank is exposed to potential outside influence by the controlling shareholder on the bank's management and board. The risk is however mitigated by the presence of independent directors which are majority in the board and Portugal's developed institutional framework.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss given failure

Novo Banco is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits. We assign a 26% proportion of junior deposits. These metrics are in line with our standard assumptions. We also take into account full depositor preference, whereby junior deposits are preferred over senior debt creditors in accordance with the law that was passed by the Portuguese government in March 2019.

For Novo Banco's deposit and senior unsecured debt ratings, our LGF analysis reflects the likely impact on the loss given failure of the combination of its own volume and subordination. Our LGF analysis indicates a very low loss given failure for deposits and a moderate loss given failure for senior unsecured debt, which leads us to position these ratings two notches above and in line with the BCA, respectively.

Government support

We assign a low probability of government support to Novo Banco's ratings, which results in no uplift for the deposit and senior debt ratings.

Counterparty Risk Ratings (CRRs)

Novo Banco's CRRs are positioned at Baa3/Prime-3

The CRRs are positioned three notches above the Adjusted BCA of ba3, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities.

Counterparty Risk (CR) Assessment

Novo Banco's CR Assessment is positioned at Baa3(cr)/Prime-3(cr)

The CR Assessment is positioned three notches above the Adjusted BCA of ba3 based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments amounting to 19.4% of tangible banking assets.

The main difference from our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss; therefore, we focus purely on subordination and take no account of the volume of the instrument class. The CR Assessment does not benefit from any systemic support uplift, in line with our support assumptions on deposits and senior unsecured debt.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7

Novo Banco, S.A.

Macro Factors		
Weighted Macro Profile	**Moderate +**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	7.3%	ba3	↑	ba3	Quality of assets	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	15.4%	a3	↓↓	ba1	Stress capital resilience	
Profitability						
Net Income / Tangible Assets	-0.6%	caa2	↑↑	baa3	Expected trend	
Combined Solvency Score		ba2		ba2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.2%	ba2	↑↑	ba1	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	29.7%	baa2	↓	ba1	Asset encumbrance	
Combined Liquidity Score		ba1		ba1		
Financial Profile				ba2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa2		
BCA Scorecard-indicated Outcome - Range				ba1 - ba3		
Assigned BCA				ba3		
Affiliate Support notching				0		
Adjusted BCA				ba3		

Balance Sheet	**in-scope (EUR Million)**	**% in-scope**	**at-failure (EUR Million)**	**% at-failure**
Other liabilities	14,182	30.9%	17,122	37.3%
Deposits	28,827	62.8%	25,887	56.4%
Preferred deposits	21,332	46.4%	20,265	44.1%
Junior deposits	7,495	16.3%	5,621	12.2%
Senior unsecured bank debt	1,139	2.5%	1,139	2.5%
Dated subordinated bank debt	400	0.9%	400	0.9%
Equity	1,378	3.0%	1,378	3.0%
Total Tangible Banking Assets	45,925	100.0%	45,925	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	18.6%	18.6%	18.6%	18.6%	3	3	3	3	0	baa3
Counterparty Risk Assessment	18.6%	18.6%	18.6%	18.6%	3	3	3	3	0	baa3 (cr)
Deposits	18.6%	3.9%	18.6%	6.4%	2	2	2	2	0	ba1
Senior unsecured bank debt	18.6%	3.9%	6.4%	3.9%	2	-1	-1	0	0	ba3
Junior senior unsecured bank debt	3.9%	3.9%	3.9%	3.9%	-1	-1	-1	-1	0	b1
Dated subordinated bank debt	3.9%	3.0%	3.9%	3.0%	-1	-1	-1	-1	0	b1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	baa3	0	Baa3	Baa3
Counterparty Risk Assessment	3	0	baa3 (cr)	0	Baa3(cr)	
Deposits	2	0	ba1	0	Ba1	Ba1
Senior unsecured bank debt	0	0	ba3	0	Ba3	(P)Ba3
Junior senior unsecured bank debt	-1	0	b1	0	(P)B1	(P)B1
Dated subordinated bank debt	-1	0	b1	0	B1	(P)B1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 8

Category	Moody's Rating
NOVO BANCO, S.A.	
Outlook	Positive
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured -Dom Curr	Ba3
Junior Senior Unsecured MTN	(P)B1
Subordinate -Dom Curr	B1
Commercial Paper -Dom Curr	NP
NOVO BANCO S.A., LUXEMBOURG BRANCH	
Outlook	Positive
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured -Dom Curr	Ba3
NB FINANCE LTD.	
Outlook	Positive
Bkd Senior Unsecured	Ba3

Source: Moody's Investors Service

Endnotes

1 Source: European Banking Authority's Risk Dashboard

2 Measured as loan loss provisions to gross loans

3 Capital market results + gains from the sale of real estate assets

4 Net Interest Income + Fee and Commission.

5 Excluding markets and other operating results

REPORT NUMBER 1364949

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE