Rating Report
Novo Banco, S.A.

DBRS Morningstar
4 July 2022

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Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	B (high)	Trend Changed Apr' 22	Stable
Short-Term Issuer Rating	R-4	Confirmed Apr' 22	Stable
Intrinsic Assessment	B (high)	Maintained Apr' 22	-

Rating Drivers

Factors with Positive Rating Implications

A rating upgrade would require a sustained improvement in profitability and a strengthening of the capital position.

Factors with Negative Rating Implications

A deterioration in the Bank's capital position or a significant weakening in asset quality would lead to a downgrade of the ratings.

Rating Considerations

Franchise Strength (Moderate/Weak)

- Fourth largest banking franchise by total assets in Portugal with significant market share in corporate banking and Small and Medium sized Enterprises (SMEs). The bank has undertaken a restructuring plan focused on de-risking and simplification.

Earnings Power (Weak/Very Weak)

- In 2021, the Bank reported its first profit since inception. Past performance was affected by high impairments and provisions on legacy problem assets as well as restructuring charges.

Risk Profile (Weak/Very Weak)

- Asset quality has improved significantly through the reduction of non-performing loans and other legacy problem assets, and lower concentration risk in some corporate and SMEs sectors. Despite this the bank's asset quality metrics are still weaker compared to domestic and international peers.

Funding and Liquidity (Moderate)

- The funding structure depends largely on deposits and ECB funding. The bank is gradually gaining access to the wholesale market.

Capitalisation (Very Weak)

- The Banks has modest capital ratios. Lower support under the CCA is expected to be more than offset by improving profitability and further balance sheet optimisation.

2021	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	**M**	**M/W**	**M/W**
Earnings	**VW**	**W/VW**	**W/VW**
Risk	**W/VW**	**W**	**W/VW**
Funding & Liquidity	**G**	**W**	**M**
Capitalisation	**W/VW**	**VW**	**VW**

Overall Assessment	Intrinsic Assessment Range (IAR)	Assigned IA
W/VW	**[BH-BB]**	**B (high)**

Financial Information

	For the Year Ended December 31 (IFRS)				
(In EUR Millions unless otherwise stated)	**2021**	**2020**	**2019**	**2018**	**2017**
Total Assets	44,619	44,396	45,296	48,274	52,055
Gross Loans to Customers	24,936	25,199	26,986	28,632	31,442
Income Before Provisions and Taxes (IBPT)	322	(225)	(165)	(268)	(30)
Net Attributable Income	185	(1,329)	(1,059)	(1,412)	(2,298)
Net Interest Margin	1.4%	1.3%	1.2%	1.0%	0.9%
Cost / Income ratio	67.4%	159.6%	131.2%	146.4%	103.7%
LLP / IBPT	35.5%	-313.7%	-272.5%	-94.8%	-4172.4%
Cost of Risk	0.49%	2.87%	1.81%	1.01%	4.74%
CET1 Ratio	11.10%	10.90%	13.50%	12.80%	12.80%

Source: Morningstar Inc., Company Documents

Issuer Description

Novo Banco, S.A. (novobanco, or the Bank) was created following the application of resolution measures to Banco Espírito Santo (BES) in August 2014. The Bank is a corporate and retail banking group in Portugal with total assets of around EUR 44 billion at end-2021.

Rating Rationale

The B (high) Long-Term Issuer Rating and Stable trend reflect the improvements in the Bank's profitability and asset quality. Overall, the Bank's performance in 2021 was better than previously anticipated, and novobanco continued to execute its restructuring plan by reducing its stock of Non-Performing Loans (NPLs) and other legacy assets. In addition, for the first time since its inception, the Bank was profitable for a full-year in 2021. Nonetheless, the ratings continue to reflect the Bank's the still large stock of non-performing loans (NPLs) and its modest capital ratios.

Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Moderate	Moderate / Weak	Moderate / Weak

Novo Banco, S.A. is Portugal's 4th largest bank by total assets. The Bank maintains a leading franchise in SME and Corporate banking in Portugal with a market share of around 15% for corporate loans. In line with the restructuring plan approved by the European Commission (EC) under EU State Aid rules, the Bank has made further progress in de-risking its balance sheet, and the Bank has continued to streamline its operations through Corporate simplification.

At Q1 2022, novobanco had 4,182 employees vs. 4,557 at Q1 2021 (-375 YoY) while the number of branches fell to 311, down by 48 YoY. At the same time, the Bank has continued to invest in digitalisation and branding and, as part of its strategic refocus on the core business in Portugal, novobanco completed the sale of its Spanish operations in H2 2021.

Shareholding and Contingent Capital Agreement (CCA)
In October 2017, investment funds managed by the American Lone Star Group completed the acquisition of a 75% stake in the Bank through Nani Holdings, SGPS, SA. The remaining 25% is held by the Portuguese Resolution Fund and the Portuguese General Treasury and Finance Department (Direcção-Geral do Tesouro e Finanças). Under the conditions of the acquisition, Lone Star injected EUR 1 billion of capital. As part of the restructuring process, the Portuguese Resolution Fund agreed to compensate novobanco, through a Contingent Capital Agreement (CCA) (up to a limit of EUR 3.89 billion) for losses that may be recognised with respect to some of its problem assets, in the event that its capital ratios decrease below a predefined threshold. At FY 2021, the cumulative CCA compensations totalled EUR 3.4 billion. After these payments, the CCA amount that is potentially available for novobanco is approximately EUR 485 million. The mechanism is in place until Dec-25 (the "CCA Maturity Date"), although DBRS Morningstar notes that this date can be extended, under certain conditions, by one additional year.

In 2021, however, the payment under the CCA has been subject to divergencies between the Resolution Fund and novobanco. The payment received for 2020 was lower than the amount requested by novobanco. On the unpaid amount there is currently an arbitration process with the Resolution Fund, and the outcome of this still remains unclear.

Earnings Power

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Very Weak	Weak / Very Weak	Weak / Very Weak

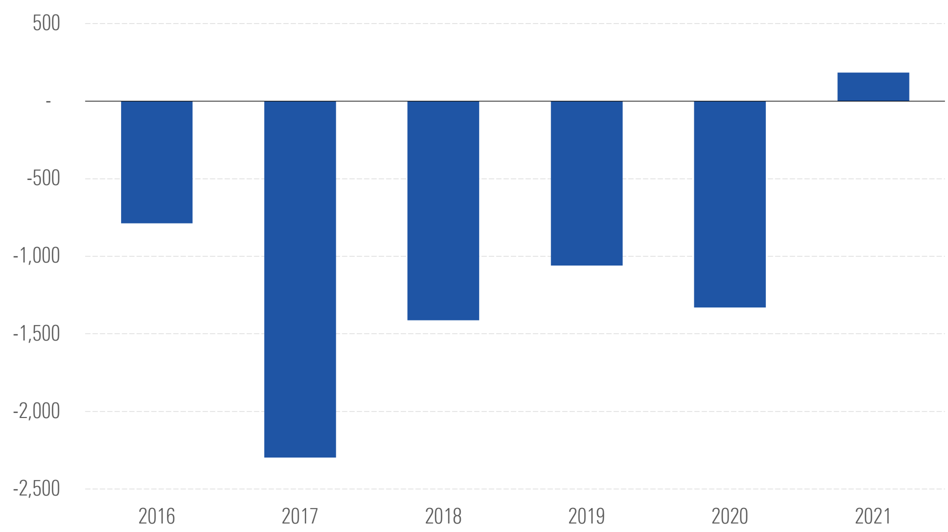
In 2021, for the first time since novobanco's inception, the Bank reported four consecutive quarters of net profits. In Q1 2022, the bank remained profitable, recording a net income of EUR 142.7 million, up from EUR 70.7 million in Q1 2021. We expect the Bank to remain profitable in 2022, however, risks have increased as a result of persistent inflationary pressures, rising interest rates as well as higher macroeconomic uncertainty related to the conflict in Ukraine.

In YE 2021, novobanco reported a consolidated net profit of EUR 184.5 million compared to a net loss of EUR 1,329 million in YE 2020. Higher operating income and a lower level of impairments and provisions were the main drivers of this improvement.

Commercial banking income increased to EUR 855.9 million, with this partly attributable to higher net interest income (+3.3% YoY) mainly due to lower funding costs and some loan growth, and higher fees and commissions (+3.9% YoY). Fee income benefitted from the strong volume growth in the Payments Management and the Asset Management & Bancassurance businesses. This comes as a result of a growth in business activity and consumer confidence. In addition, results from capital markets increased, with the negative pressure from the liquidity management exercise (LME) conducted in Q1 (- EUR 75.9 million) compensated by interest rate risk hedges.

Operating costs were down YoY (-5.4%). This reflects the progress in terms of simplification optimisation, as well as digitalisation. In 2021, net impairments and provisions amounted to EUR 352.7 million representing a YoY reduction of EUR 838.7 million. This reflected a reduction of cost of risk and loan loss provisions related to the COVID-19 pandemic, as well as lower provisions and impairments linked to the Bank's restructuring. The results in 2020 also included the recognition of the loss of EUR 300.2 million for the revaluation of restructuring funds.

Exhibit 1 novobanco Net Results (EUR Million)



Source: DBRS Morningstar, Company Documents

Risk Profile

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Weak	Weak / Very Weak

Credit Risk

Novo Banco, S.A.'s main risk is credit risk arising from its loan book which is primarily composed of lending to SME and Corporate clients. At FY 2021, 55% of novobanco's gross loan book related to SMEs and corporates (stable vs 2020). The bulk of the lending book is at variable rate.

Exhibit 2 Gross Loans Portfolio - 2021 (excl. securitised loans)

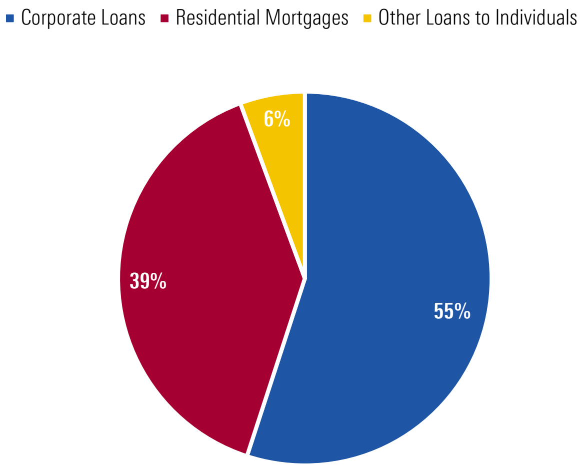
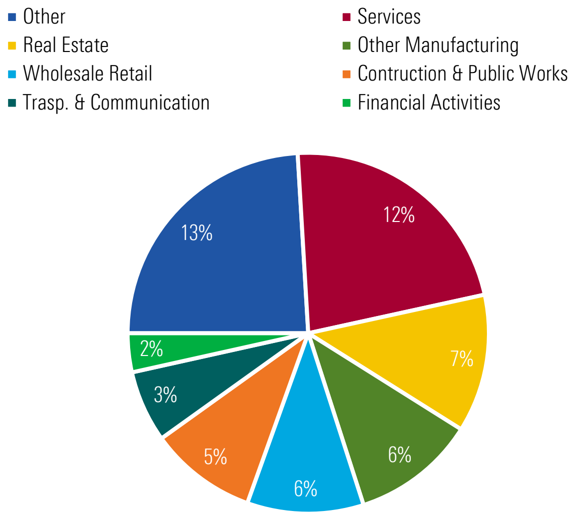


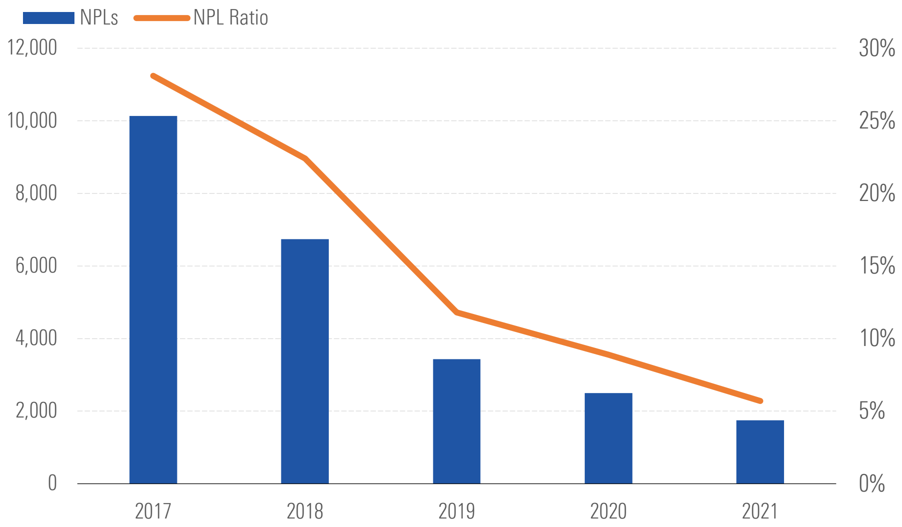
Exhibit 3 Corporate Loans Breakdown - 2021 (excl. securitised loans)



Source: DBRS Morningstar, Company Documents

In 2021, the Bank continued to make progress to reduce non-performing loans (NPLs) and other non-core assets, with the gross NPL stock falling by 30% to EUR 1.7 billion at FY 2021, from EUR 2.5 billion at FY 2020, mainly supported by disposals. The Bank's gross NPL ratio fell to 5.7% from 8.9% at FY 2020. Despite the progress this ratio continues to remain higher than the European average. According to novobanco's medium term targets, the Bank's gross NPL ratio is expected to fall below 5% by 2023.

Exhibit 4 novobanco NPL Evolution (EUR Million)



Source: DBRS Morningstar, Company Documents, Based on Company Disclosure

Some asset quality risks stemming from the pandemic have decreased for the time being. At YE 2020, novobanco had EUR 6.9 billion of loans under moratoria which represented around 27% of the gross loan book, although the bulk of these expired by September 2021. The withdrawal of the moratoria has not resulted in a significant increase in NPLs for the time being, however, DBRS Morningstar notes that on these loans, there has been an increase in the proportion of Stage 2 loans where credit risk has increased significantly since initial recognition.

In 1Q 2022, the bank's risk profile has remained stable with the stock of NPLs and the gross NPL ratio in line with the levels reported at end-2021, while NPL coverage was reported at 71%. Thus far, the weakening in the macroeconomic environment has had only a limited impact on the bank's risk metrics.

Security Portfolio
The Bank's securities portfolio is largely comprised of sovereign debt, which accounts for 60% of the securities portfolio. Total exposure to this debt is high, representing over 2 times the Bank's shareholders equity. The majority of this portfolio is held at fair value through other comprehensive income (50% of the portfolio), while the remaining portion is held at amortised cost (44%) and fair value through profit and loss (6%). This portfolio is largely of a maturity in excess of two years, with 23% maturing between 2 to 5 years, and 42% maturing in more than 5 years.

Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good	Weak	Moderate

The Bank's current funding structure depends largely on deposits and ECB funding. Total deposits amounted to EUR 28 billion, representing 62% of total assets at Q1 2022 (59% at end-2020). The average rate on customer deposits decreased to 19 bps in 2021 from 27 bps in 2020. At Q1 2022, deposits comprised of sight deposits (48%) with term deposits accounting for the remaining 52%. The bulk of with the deposit base is provided by retail customers (73% of total deposits). The Bank also has a significant exposure to the ECB with EUR 8 billion in total funds at end-Q1 2022, corresponding to a net ECB funding of EUR 2.8 billion as of Q1 2022. Total ECB funding is expected to be reduced with the reimbursements of TLTRO.

In 2021, novobanco placed two senior preferred bond issues totalling EUR 575 million. The first bond was issued in July, raising EUR 300 million, with a maturity in 2024 and an early redemption in July 2023. The second bond was issued in December, amounting to EUR 275 million and with a maturity in 2023 (early redemption in September 2022). These bonds allowed the Bank to comply with the MREL regulatory requirement, in force since 1 January 2022. By 2022 the bank is expected to comply with an MREL requirement of 17.65%, with a Total Risk Exposure Amount of 14.64%, a combined buffer of 2.51%, and an O-SII for LSF Nani of 0.50%. This MREL requirement increases to 22.78% on January 1st 2026 including the combined buffer requirement.

The Bank's liquidity position is underpinned by a sizable pool of eligible assets, net of haircuts, of around EUR 11.2 billion as of end-2021. The bank's liquidity coverage ratio (LCR) was reported at 182% at end-2021, up from 140% in 2020, whilst the net stable funding ratio (NSFR) increased to

117% from 112% mainly thanks to the provision of the ECB LTRO III funds. The indicators are expected to decrease in 2022 with the reimbursement of the TLTRO.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Very Weak	Very Weak

At end-2021 the Bank reported phased-in CET1 and total capital ratios of 11.1% and 13.1%, respectively, stable compared to 2020, and against a CET1 minimum requirement of 8.7%. In Q1 2022, however, these capital ratios declined, with the bank recording a CET1 ratio of 10.8% and a total capital ratio of 12.9%. The decline in Q1 2022 was largely attributable to regulatory effects from IFRS 9 (-35bps impact), and treasury results (-18bps) which more than offset the contribution from earnings. The ratios do not include the CCA capital injection of EUR 209 million requested .

Against this backdrop, the Bank is currently operating below its 13.5% total capital required under SREP, on the back of the extraordinary measures granted by the ECB to counter the COVID-19 emergency.

The Bank's CET1 ratio is protected up to a predetermined threshold for the amounts of losses verified in a perimeter of assets as outlined by the Contingent Capital Agreement. For 2021, novobanco made a request of EUR 209 million to the Resolution Fund to meet a CET1 level of 12%. This considered EUR 165 million unpaid portion of CCA for 2020, mainly in relation to the discontinuation of the Spanish operations for EUR 147 million.

Up until 2020, the support from the CCA has been timely and aligned to novobanco's requests. However, the capital paid to novobanco in 2021 was lower than the amount initially requested. This has caused an arbitration process with the Resolution Fund, and the outcome of this still remains unclear. Against this backdrop, similar disputes could occur in the future, notwithstanding the EUR 485 million of capital support potentially still available for novobanco.

For 2022, the Bank will need to meet a total capital ratio of 13.5% and build Pillar 2 Guidance (P2G) of 1.5%. The capital plan expects organic capital generation and further balance sheet deleverage.

Exhibit 5 Capital Ratios and RWAs

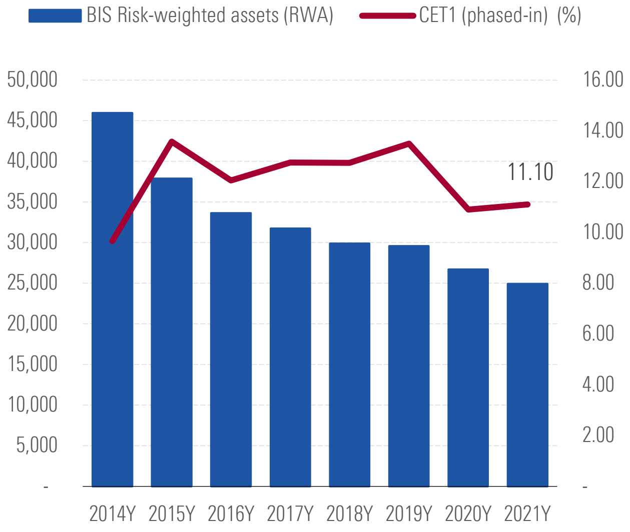
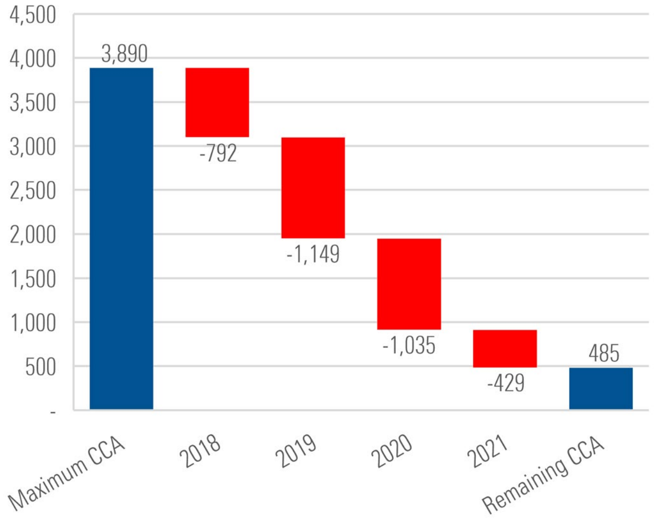


Exhibit 6 novobanco CCA Summary



Source: DBRS Morningstar, Company Documents,

Novo Banco S.A.
ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental	**Overall:**	**N**	**N**
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social	**Overall:**	**N**	**N**
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Human Capital and Human Rights:	**N**	**N**
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance	**Overall:**	**Y**	**R**
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	Y	R
	Bribery, Corruption, and Political Risks:	**Y**	**R**
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	N	N
	Corporate / Transaction Governance:	**N**	**N**
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
	Consolidated ESG Criteria Output:	**Y**	R

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

The environmental factor does not affect the ratings or trends assigned to novobanco. In order to improve its environmental footprint, the bank has undertaken several internal projects including those centered around CO2 emissions, electricity consumption and paper consumption. Portugal has been mentioned by the ECB's climate stress tests as potentially facing higher loan losses due to increased physical risks associated with climate change. novobanco is not a signatory of TCFD.

Social

The social factor does not affect the ratings or trends assigned to novobanco. The bank is making efforts to improve its social standing through the implementation of internal bank policies on social factors such as gender diversity and work/life balance.

Although, we have no knowledge of any notable data breaches, we note that the bank's ratings could be negatively impacted by a loss of private data that significantly impacts the bank's franchise or its financial performance.

Governance

The subfactor of Corporate Governance remains relevant to the ratings and trends of novobanco. The bank has faced reputational risks that were mainly linked to past management and the failure of its predecessor Banco Espirito Santo (BES). The bank has been subject to scrutiny by Portuguese and European authorities in relation to its restructuring plan. Political risk is also considered as relevant, reflecting the current disputes between the bank and the resolution fund regarding the capital payment under the CCA.

In relation to Russia/Ukraine, EU banks need to ensure that they are blocking and identifying any potential illicit payments from sanctioned individuals and/or businesses, and any non-compliance with the sanctions imposed could lead to fines and reputational consequences over time.

Novo Banco, S.A.

	1		2	3	4	5
2021	**Scorecard Indicator**	**Scorecard Indicator Data**	**Scorecard Indicator Assessment**	**Scorecard Building Block (BB) Assessment**	**Grids BB Assessment**	**Combined BB Assessment**
Franchise	Adjusted Assets	32.8	M	**M**	**M/W**	**M/W**
	Sovereign Rating	13.0	G/M			
Earnings	Return on Equity	-0.18	VW	**VW**	**W/VW**	**W/VW**
	Return on Assets	-0.02	VW			
	IBPT/Avg.Assets	0.00	W/VW			
Risk	Net NPLs/Net Loans	0.04	M/W	**W/VW**	**W**	**W/VW**
	Provisions/IBPT	1.40	W/VW			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	1.2	G	**G**	**W**	**M**
Capitalisation	Sovereign-Adjusted Capital Ratio	0.1	W/VW	**W/VW**	**VW**	**VW**
	NPL/Equity + Loan Loss Reserves	0.52	M			
	5-Year Accumulated Net Income/Total Assets	-0.13	VW			

6	7			8
Overall Assessment	**Intrinsic Assessment Range (IAR)**			**Assigned IA**
W/VW	BB	BB (low)	B (high)	**B (high)**

Notes: (1) based on financial data as of FY 2021. (2) For more information see Global Methodology for Rating Banks and Banking Organisations published on 19 July 2021.

Annual Financial Information

	For the Year Ended December 31 (IFRS)				
	2021	2020	2019	2018	2017
Balance Sheet (EUR Millions)					
Cash & Cash Equivalents*	5,922	2,809	2,223	1,391	4,729
Investments in Financial Assets	10,882	11,924	12,689	11,615	9,373
Gross Loans to Customers	24,936	25,199	26,986	28,632	31,442
Loan Loss Reserves	(1,585)	(1,945)	(2,203)	(4,325)	(6,010)
Net Lending to Customers	23,351	23,253	24,783	24,306	25,431
Total Assets	44,619	44,396	45,296	48,274	52,055
Deposits from Customers	27,582	26,322	28,400	28,695	30,086
Debt & Capital Lease Obligations	1,470	973	1,123	1,104	1,217
Total Liabilities	41,469	41,249	41,293	44,352	47,334
Total Equity	3,149	3,147	4,003	3,922	4,721
Income Statement (EUR Millions)					
Net Interest Income	573	555	512	454	404
Non Interest Income	410	(187)	(51)	117	417
Equity Method Results	4	9	1	6	8
Total Operating Income	987	378	463	577	829
Total Operating Expenses	666	603	608	845	860
Income Before Provisions and Taxes (IBPT)	322	(225)	(165)	(268)	(30)
Loan Loss Provisions	114	706	449	254	1,269
Irregular Income/Expenses	35	374	324	179	632
Net Attributable Income	185	(1,329)	(1,059)	(1,412)	(2,298)
Growth (%) - YoY Change					
Net Interest Income	3.29%	8.33%	12.79%	12.55%	-23.71%
Total Operating Income	161.45%	-18.44%	-19.75%	-30.42%	-1.61%
Total Operating Expenses	10.48%	-0.82%	-28.05%	-1.75%	50.58%
IBPT	-242.88%	36.61%	-38.44%	779.76%	-111.19%
Net Attributable Income	-113.88%	25.55%	-25.03%	-38.54%	191.51%
Gross Loans & Advances	-1.01%	-6.58%	-5.71%	-8.92%	-6.43%
Deposits from Customers	4.79%	-7.32%	-1.03%	-4.62%	16.73%
Earnings (%)					
Net Interest Margin	1.39%	1.33%	1.21%	1.03%	0.85%
Non-Interest Income / Total Revenue	41.54%	-49.50%	-10.99%	20.28%	50.31%
Cost / Income ratio	67.44%	159.59%	131.23%	146.37%	103.67%
LLP / IBPT	35.45%	-313.74%	-272.54%	-94.83%	-4172.38%
Return on Avg Assets (ROAA)	0.43%	-2.98%	-2.24%	-2.78%	-4.47%
Return on Avg Equity (ROAE)	5.86%	-37.84%	-26.41%	-31.60%	-47.28%
IBPT over Avg RWAs	1.21%	-0.80%	-0.54%	-0.85%	-0.09%
Internal Capital Generation	5.86%	-37.84%	-26.41%	-31.60%	-47.28%
Risk Profile (%)					
Cost of Risk	0.49%	2.87%	1.81%	1.01%	4.74%
Gross NPLs over Gross Loans	7.02%	9.89%	12.66%	23.47%	30.01%
NPL Coverage Ratio	89.68%	77.40%	63.94%	63.87%	63.21%
Net NPLs over Net Loans	3.77%	4.41%	NA	NA	NA
NPLs to Equity and Loan Loss Reserves Ratio	37.18%	43.15%	47.96%	74.67%	89.26%
Funding & Liquidity (%)					
Net Loan to Deposit Ratio	85.48%	89.18%	88.05%	85.49%	85.05%
Liquidity Coverage Ratio	182%	140%	143%	125%	124%
Net Stable Funding Ratio	117%	112%	101%	106%	108%
Capitalization (%)					
CET1 Ratio	11.10%	10.90%	13.50%	12.80%	12.80%
Tier1 Ratio	11.10%	10.90%	13.50%	12.80%	12.80%
Total Capital Ratio	13.10%	12.80%	15.10%	14.50%	13.00%
Leverage Ratio	6.00%	6.50%	8.40%	8.20%	8.20%
Dividend Payout Ratio	0.0%	NA	NA	NA	NA

Source: Morningstar Inc., Company Documents

*Includes Loans to Banks

Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (19 July 2021), *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (17 May 2022) and *DBRS Morningstar Criteria: Guarantees and Other Forms of Support* (4 April 2022) which can be found on our website under Methodologies.

Ratings

Issuer	Debt	Rating Action	Rating	Trend
Novo Banco, S.A.	Long-Term Issuer Rating	Trend Changed	B (high)	Neg
Novo Banco, S.A.	Long-Term Senior Debt	Trend Changed	B (high)	Neg
Novo Banco, S.A.	Subordinated Debt	Trend Changed	B (low)	Neg
Novo Banco, S.A.	Long Term Critical Obligations Rating	Confirmed	BB (high)	Stable
Novo Banco, S.A.	Long-Term Deposits	Trend Changed	BB (low)	Neg
Novo Banco, S.A.	Short Term Critical Obligations Rating	Confirmed	R-3	Stable
Novo Banco, S.A.	Short-Term Debt	Confirmed	R-4	Stable
Novo Banco, S.A.	Short-Term Deposits	Confirmed	R-4	Stable
Novo Banco, S.A.	Short-Term Issuer Rating	Confirmed	R-4	Stable
Novo Banco Luxembourg Branch	Long-Term Senior Debt	Trend Changed	B (high)	Neg
Novo Banco Luxembourg Branch	Long-Term Deposits	Trend Changed	BB (low)	Neg
Novo Banco Luxembourg Branch	Short-Term Debt	Confirmed	R-4	Stable
Novo Banco Luxembourg Branch	Short-Term Deposits	Confirmed	R-4	Stable
NB Finance Ltd.	Senior Notes Guaranteed by NB	Trend Changed	B (high)	Neg

Ratings History

Issuer	Debt	Current	2021	2020	2021	2019
Novo Banco, S.A.	Long-Term Issuer Rating	B (high)	B (high)	B (high)	B (high)	B (high)
Novo Banco, S.A.	Long-Term Senior Debt	B (high)	B (high)	B (high)	B (high)	B (high)
Novo Banco, S.A.	Subordinated Debt	B (low)	B (low)	B (low)	B (low)	B (low)
Novo Banco, S.A.	Long Term Critical Obligations Rating	BB (high)	BB (high)	BB (high)	BB (high)	BB (high)
Novo Banco, S.A.	Long-Term Deposits	BB (low)	BB (low)	BB (low)	BB (low)	BB (low)
Novo Banco, S.A.	Short Term Critical Obligations Rating	R-3	R-3	R-3	R-3	R-3
Novo Banco, S.A.	Short-Term Debt	R-4	R-4	R-4	R-4	R-4
Novo Banco, S.A.	Short-Term Deposits	R-4	R-4	R-4	R-4	R-4
Novo Banco, S.A.	Short-Term Issuer Rating	R-4	R-4	R-4	R-4	R-4
Novo Banco Luxembourg Branch	Long-Term Senior Debt	B (high)	B (high)	B (high)	B (high)	B (high)
Novo Banco Luxembourg Branch	Long-Term Deposits	BB (low)	BB (low)	BB (low)	BB (low)	BB (low)
Novo Banco Luxembourg Branch	Short-Term Debt	R-4	R-4	R-4	R-4	R-4
Novo Banco Luxembourg Branch	Short-Term Deposits	R-4	R-4	R-4	R-4	R-4
NB Finance Ltd.	Senior Notes Guaranteed by NB	B (high)	B (high)	B (high)	B (high)	B (high)

Previous Action

- DBRS Morningstar Confirms Novo Banco's LT Issuer Rating at B (high), Trend now Stable, April 14, 2022
- DBRS Morningstar Confirms Novo Banco's Long-Term Issuer Rating at B (high), Trend Remains Negative, April 16, 2021
- DBRS Morningstar Confirms Novo Banco's Long-Term Issuer Rating at B (high), Trend Now Negative, April 9, 2020
- DBRS Upgrades Novo Banco's Issuer Rating to B (High); Trend Remains Positive, April 17, 2019
- DBRS Upgrades Deposit Ratings of Certain Portuguese Banks, March 28, 2019
- DBRS Withdraws Ratings of Certain Novo Banco branches, March 28, 2019

Related Research

- Portuguese Banks: Key Factors to Consider as Impact of COVID Reduces, March 30, 2022
- Most European Banks' Moratoria Are Coming To An End; Asset Quality Impact Yet to be Seen, November 9, 2021
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- Portuguese Bank Profitability Improves in Q2 2021, but Asset Quality Risks Remain, August 19, 2021
- Novo Banco Gets Partial CCA Payment but Capital Uncertainty Remains, June 9, 2021

Previous Report

- Novo Banco, S.A.: Rating Report, June 23, 2021
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- Novo Banco, S.A.: Rating Report, May 15, 2019
- Novo Banco, S.A.: Rating Report, May 11, 2018
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European Bank Ratios & Definitions

- Bank Ratio Definitions, March 14, 2022
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