Rating Report
Novo Banco, S.A.

DBRS Morningstar
21 December 2023

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	BB (high)	Upgraded Dec'23	Stable
Short-Term Issuer Rating	R-3	Upgraded Dec'23	Stable
Intrinsic Assessment	BB (high)	Upgraded Dec'23	

Rating Drivers

Factors with Positive Rating Implications

- An upgrade would likely be driven by further improvements in asset quality, and sustained profitability, while maintaining adequate capital buffers.

Factors with Negative Rating Implications

- A downgrade could result from a material weakening in the Bank's capital levels and/or a significant worsening in asset quality. A sharp deterioration in liquidity position could also lead to a downgrade.

Rating Considerations

Franchise Strength (Moderate)

- Fourth largest banking franchise by total assets in Portugal with a leading position in corporate and SME lending. In 2022, the Bank completed its restructuring plan.

Earnings Power (Good/Moderate)

- Improved profitability on the back of a successful restructuring process and higher interest revenues. Sound profitability metrics are likely to remain in the medium-term amid stronger credit profile and high interest rates.

Risk Profile (Moderate)

- Asset quality has improved significantly through the reduction of non-performing loans supported by relatively low concentration risk. However, the Bank's asset quality metrics are still weaker compared to the EU average.

Funding and Liquidity (Good/Moderate)

- The funding structure depends largely on deposits. Adequate liquidity position.

Capitalisation (Weak/Very Weak)

- The Bank's capital ratios have improved recently supported by organic capital generation and RWA management. Relatively limited track record of organic capital generation.

2023H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	G/M	M/W	M
Earnings	G	M/W	G/M
Risk	G/M	M/W	M
Funding & Liquidity	S/G	W	G/M
Capitalisation	W/VW	W/VW	W/VW

Overall Assessment	Intrinsic Assessment Range (IAR)	Assigned IA
M/W	['BBB', 'BBB (low)', 'BB (high)']	BB (high)

Financial Information

(In EUR Millions unless otherwise stated)	H1 2023	H1 2022	For the Year Ended December 31 (IFRS) 2022	2021	2020	2019	2018
Total Assets	43,900	45,493	45,995	44,619	44,396	45,296	48,274
Gross Loans to Customers	25,798	25,448	25,594	24,936	25,199	26,986	28,632
Income Before Provisions and Taxes (IBPT)	404	292	501	322	(225)	(169)	(282)
Net Attributable Income	373	267	561	185	(1,329)	(1,059)	(1,412)
Net Interest Margin	2.5%	1.3%	1.5%	1.4%	1.3%	1.2%	1.0%
Cost / Income ratio	44.5%	49.8%	55.4%	67.4%	159.6%	132.1%	150.1%
LLP / IBPT	8.9%	0.7%	-1.8%	35.5%	-313.7%	-266.4%	-85.3%
Cost of Risk	0.29%	0.02%	-0.04%	0.49%	2.87%	1.81%	0.96%
CET1 Ratio	15.30%	11.80%	13.70%	11.10%	10.90%	13.50%	12.80%

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. Novobanco is a corporate and retail banking group in Portugal with total assets of around EUR 43 billion at end-September 2023.

Rating Rationale

Novo Banco’s ratings were upgraded on December 13, 2023. The upgrade reflected novobanco’s significant improvement in earnings and capital that exceeded DBRS Morningstar’s expectations, supported by higher interest rates as well as the successful completion of the turnaround process which has led to a material reduction in the stock of legacy problem assets. Net attributable income increased significantly in 9M 2023 mainly on the back of higher interest revenues, while the Bank’s capital position strengthened further, supported by organic capital generation and RWA reduction. The Bank’s gross NPL ratio continued to fall to 4.2% in Q3 2023. Despite closing the gap with its peers, novobanco’s asset quality metrics are still weaker than the EU average.

The Stable trend reflects DBRS Morningstar’s expectation that the Bank will maintain sound capital buffers and an adequate liquidity position as well as consolidating the improvements achieved in terms of recurrent profitability and asset quality. In our view, the Bank’s performance should continue to benefit from higher interest rates, although some margin pressure is expected.

Franchise Strength

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

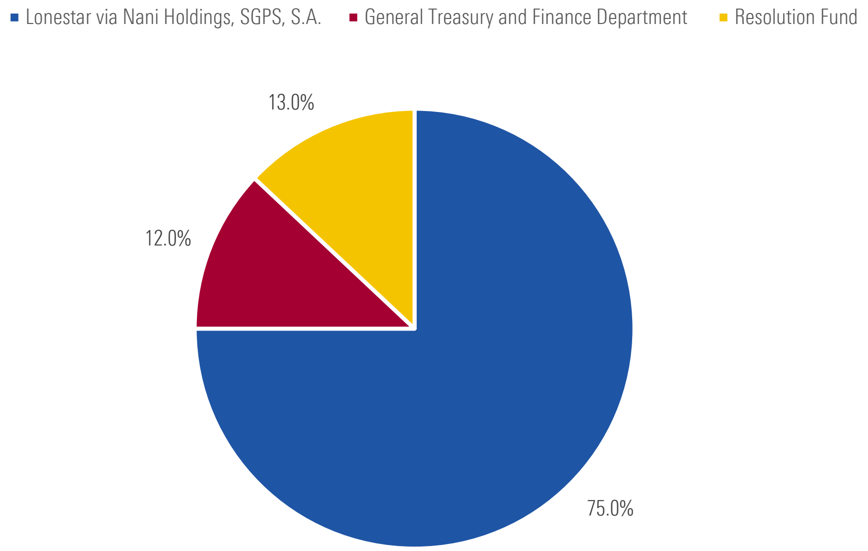
Novobanco is Portugal's 4th largest bank by total assets. The Bank maintains a leading franchise in SME and Corporate banking in Portugal with a market share of around 14.5% for corporate loans at end-September 2023. The Bank made significant progress in de-risking its balance sheet, whist also streamlining its operating structure and improving profitability. In Q1 2023, novobanco received notification from the Directorate General for Competition (DG Comp) that the restructuring plan, started in 2017, is now considered concluded. This, in our view, represents an important milestone in the Bank's turnround process.

At end-September 2023, novobanco had 4,209 employees vs. 4,139 at end-September 2022 (+70 YOY) while the number of branches remained constant at 292 YTD. At the same time, the Bank has continued to invest in digitalisation and branding, as part of its strategic refocus on the core business in Portugal.

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) (Exhibit 1).

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 Q3 2023, the cumulative CCA compensation 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 December 2025 (the "CCA Maturity Date"), although DBRS Morningstar notes that this date can be extended by one additional year, should certain conditions be met.

Exhibit 1 novobanco Shareholders



Source: DBRS Morningstar, Company Documents, as of September 2023.

Earnings Power

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

In DBRS Morningstar's view, the Bank has significantly improved its earnings capacity mainly as a result of its successful restructuring process and the higher interest rate environment. In 9M 2023, novobanco reported record profitability, mainly driven by higher net interest income. We expect the Bank to report solid profitability metrics in the medium-term considering the Bank's stronger credit profile and higher NIM, although we expect some headwinds from the ongoing economic slowdown and higher interest rates.

In 9M 2023, novobanco reported a consolidated net profit of EUR 638.5 million, up from EUR 428.3 million a year earlier, mainly driven by higher interest income on the back of higher rates and taking into account the Bank's large exposure to floating rate loans. This translated into an ROE of 20.0%, up from 16.8%, as per DBRS Morningstar's calculation.

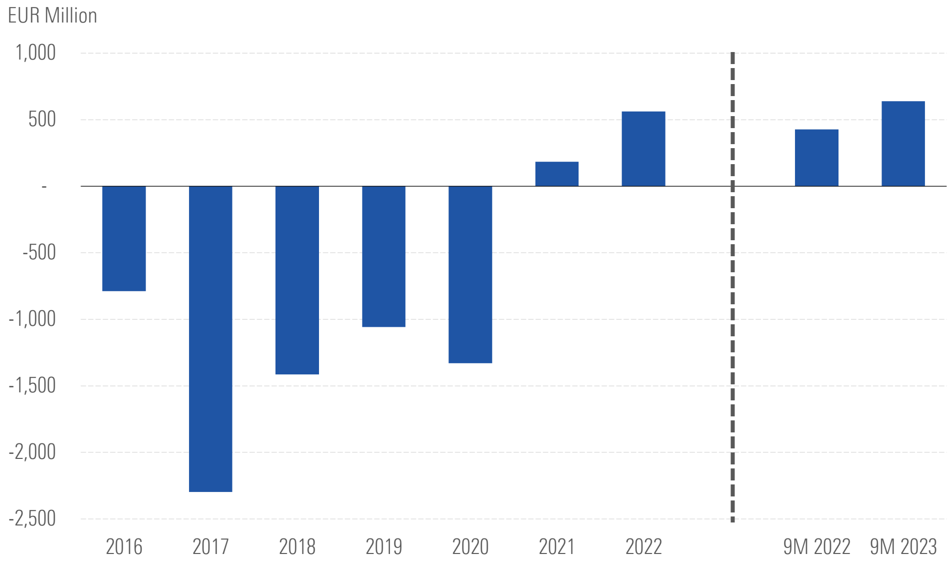
Net interest income significantly increased to EUR 831 million up YOY from 406 million in 9M 2022, with the average yield on interest earning assets increasing in 9M 2023, to 3.98% from 1.56%. The Bank's net interest margin grew YoY to 2.66% at Q3 2023 from 1.29%. The bulk of the Bank's floating rate loan book has largely re-priced as of 9M 2023. For 2024, NIM should remain solid although we expect some margin pressure from higher remuneration for deposits and a potential gradual reduction in interest rates throughout 2024.

Fee and commission income slightly increased, YOY by only 1.4%, to EUR 217 million supported by increased contributions from payments (+9.1% YOY) reflecting higher transaction volumes, which offset lower fees from loans, guarantees and asset management.

While the Bank is continuing with its corporate simplification plan, operating costs increased YOY (8.1%) at end-September 2023, largely due to ongoing digitalization efforts and inflationary pressures. Staff costs were reported at EUR 183.8 million, up from EUR 169.8 million. The Bank reported a cost/income ratio of 32%, significantly down from 51% a year earlier, driven by higher core revenues.

At end-September 2023, net impairments and provisions (including loan impairment and securities) amounted to EUR 81.7 million, up from EUR 22.5 million YOY. Loan provisions increased to EUR 65.7 million from EUR 39.5 million in 9M 2023, largely reflecting management overlays. This translated into a cost of risk of 36 bps (including loan impairment and securities) at end-September 2023. Nonetheless, we expect credit risks to increase moderately in 2024 on the back of potential asset quality deterioration.

Exhibit 2 novobanco Net Results



Source: DBRS Morningstar, Company Documents.

Risk Profile

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

Since 2017, novobanco has made significant progress in de-risking its balance sheet, with the provision of capital support through the Contingent Capital Agreement (CCA) from the Portuguese Resolution Fund playing a key role in this process.

Credit Risk

Novobanco's credit risk arises from its loan book which is composed of corporate lending and mortgages. The bulk of the lending book is at variable rates with SMEs accounting for around 30%

of total loans at end-H1 2023. Stage 3 loans remain elevated within the corporate loan book, at 7% of corporate loans at end-September 2023 although this has reduced significantly from 2020.

Exhibit 3 Gross Loans Portfolio – 9M 2023

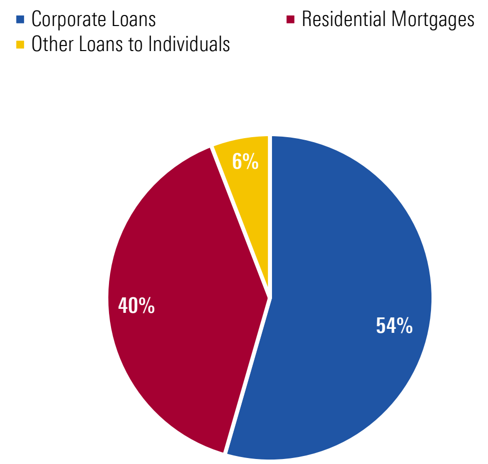
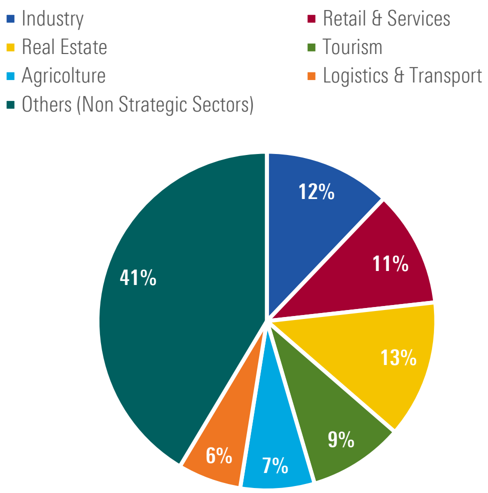


Exhibit 4 Corporate Loans Breakdown – 9M 2023

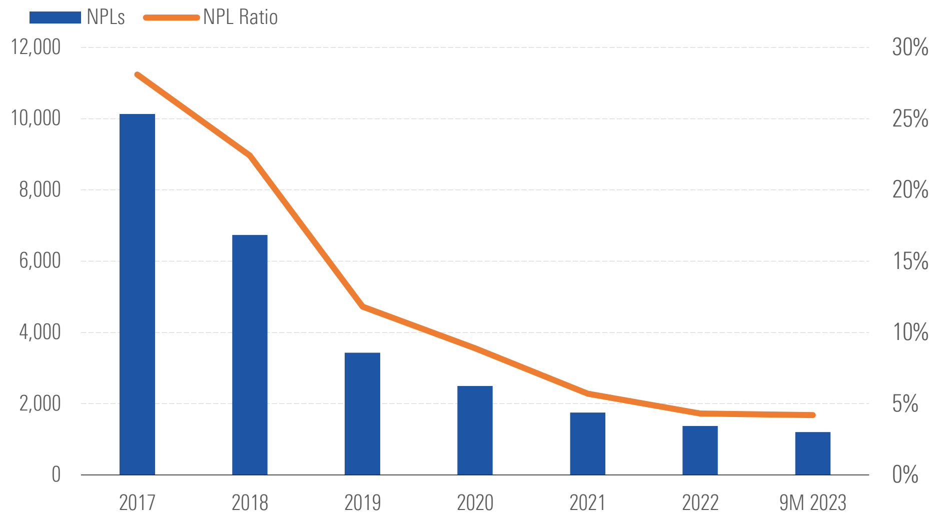


Source: DBRS Morningstar, Company Documents, excluding securitised loans.

Novobanco's gross NPL stock continued to fall in 9M 2023, by 12.5% to EUR 1,205 million. This was mainly supported by cures & recoveries, which reduced NPLs by EUR 196 million, alongside write-offs, which reduced NPLs by EUR 105 million. New entries have also been reducing YOY, with EUR 144 million in 9M 2023, compared to new entries of EUR 232 million in 2022, reflecting the resilient operating environment in Portugal. The Bank's gross NPL ratio fell to 4.2% at Q3 2023 from 4.3% at FY 2022, which is still higher than the European average (Exhibit 5). Stage 2 loans remained relatively high but largely stable in 9M 2023, standing at around 14% of total loans.

A large proportion of the lending book is at variable rates, with 85% and 92% of the corporate and mortgage portfolio, respectively. Credit quality risks from high interest rates have been limited for the time being, but the risks remain on the rise taking into account the subdued economic activity and the pressure on borrowers' debt affordability due to the rapid increase in interest rates. On a positive note, the NPL coverage ratio was sound, leading to a net NPL ratio of 0.7% at end-September 2023. In addition, the average loan to value ratio in the mortgage portfolio remains below 50%.

Exhibit 5 novobanco NPL Evolution (EUR Million)

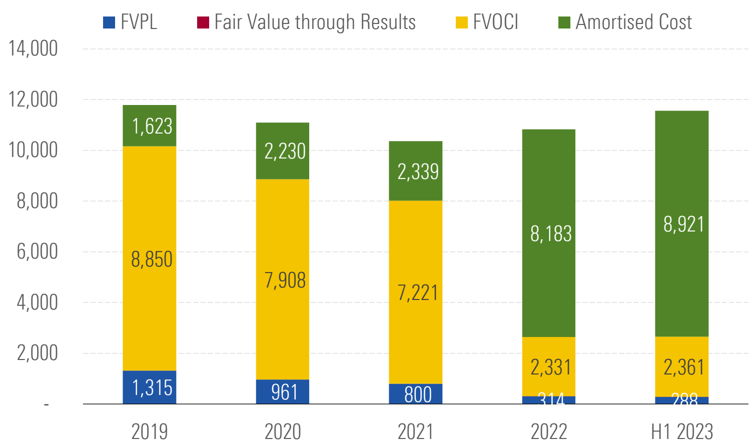


Source: DBRS Morningstar, Company Documents, Based on Company Disclosure. NPL Ratio incl. cash and advances with Banks.

Security Portfolio

The Bank's securities portfolio stands at EUR 10.8 billion, and is largely comprised of sovereign debt, accounting for 54% of the total securities portfolio. Total exposure to sovereign debt is relatively high, representing 1.7 times the Bank's shareholders equity. The majority of the securities portfolio is held at amortised cost (79%), with most of the remaining portion held at Fair Value through Other Comprehensive Income (FVOCI) (15%). (Exhibit 6). The Bank reported unrealised marked to market losses of EUR 226 million as of H1 2023 (net of tax and hedges), which could result in a negative 28 bps impact on the CET1 ratio in an adverse scenario.

Exhibit 6 novobanco Securities Portfolio Accounting Designation Breakdown (EUR Million)



Source: DBRS Morningstar, Company Documents, Figures are pre-fair value changes.

Funding and Liquidity

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

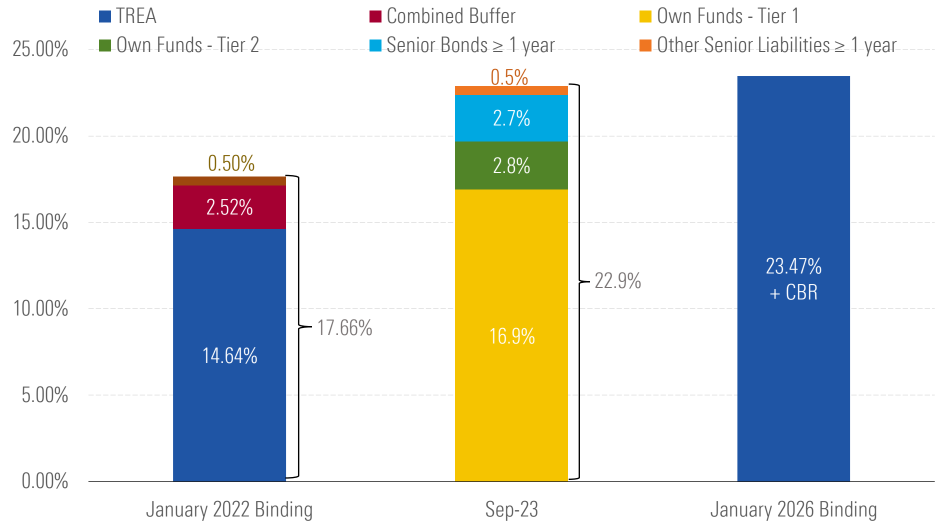
The Bank's current funding structure is largely comprised of deposits. Total deposits amounted to EUR 28.1 billion, representing 66% of total liabilities at end-September 2023. Deposit volumes remained largely resilient, with total deposits slightly declining by 1% compared to end-2022. The increase in rates led to a shift from demand deposits to time deposits, and a higher cost of funding, with the average deposit rate increasing to 66 bps at end-September 2023 from 15 bps a year earlier. Going forward, the Bank expects a moderate increase in the deposit beta, from currently standing around 19bps.

At end-September 2023, deposits were largely comprised of demand deposits (61%) with term deposits accounting for the remaining 39%. The bulk of the deposit base is provided by retail customers (73% of total deposits). The Bank also has exposure to the ECB, with EUR 1.1 billion in total funds at Q3 2023, which has reduced significantly YOY (from EUR 6.3 billion), following the phase out of TLTRO and a prepayment made in 2022 and 2023. This corresponds to net ECB funding of negative EUR 1.8 billion as of end-September 2023.

At September 2023, the Bank reported a Total MREL ratio of 22.8%, above the 2022 requirement of 17.66%, of which 15.14% was attributable to the Total Risk Exposure Amount, and 2.52% was the combined buffer. By 2026 the Bank must comply with an MREL requirement of 23.47%, in addition to a combined buffer requirement (Exhibit 7).

The Bank has a liquidity buffer of around EUR 13.3 billion, corresponding to around 47% of its deposit base. The Bank's regulatory liquidity ratios remain adequate, with the liquidity coverage ratio (LCR) reported at 136% at end-September 2023, down from 210% in 2022 largely due to TLTRO repayments, whilst the net stable funding ratio (NSFR) increased slightly to 118% from 116% at end-June 2023, but is lower than peers.

Exhibit 7 novobanco MREL vs. Requirements



Source: DBRS Morningstar, Company Documents, TREA = Total Risk Exposure Amount.

Capitalisation

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

At end-September 2023, the Bank reported fully-loaded CET1 and total capital ratios of 16.5% and 19.3%, respectively. This represents a significant improvement compared to the levels reported at end-2022 (13.1% and 15.5%). Capital ratios benefitted from improving organic capital generation, alongside a reduction in RWAs in 9M 2023. Profitability contributed 340 bps YOY. While we recognize the Bank's significant improvement since end-2022, our view on capital still takes into account the heavy losses reported until YE-2020, and a relatively limited track record of organic capital generation.

Novobanco's minimum capital requirements under SREP applicable for 2024 are 8.72% for CET1 and 13.47% for total capital. These requirements include an 8% Pillar 1 Requirement, a 2.85% Pillar 2 Requirement (P2R), and other buffers (including CCyB, other systematically important bank) of 2.62%.

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. The amount that is potentially available for novobanco is approximately EUR 485 million.

Up until 2020, the support from the CCA had been timely and aligned to novobanco's requests. However, the capital paid to novobanco in 2021 was lower than the amount initially requested. This led to an arbitration process with the Resolution Fund, and the outcome of this still remains unclear. None of these unpaid or disputed amounts have been included in CET1 capital.

Exhibit 8 Capital Ratios and RWAs

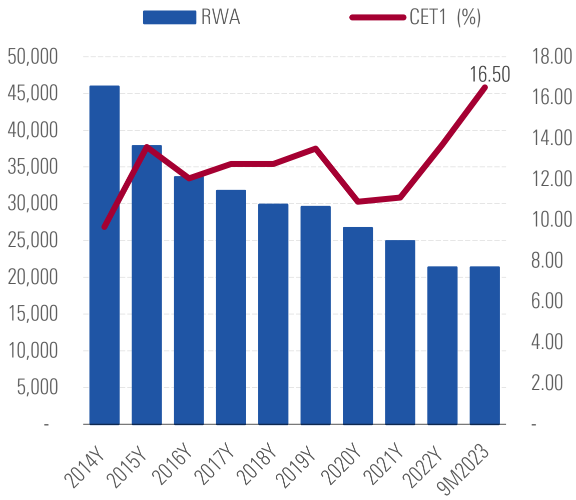
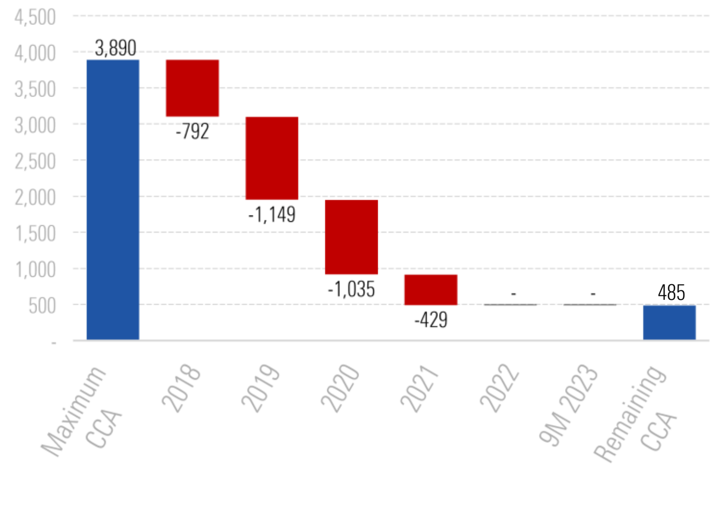


Exhibit 9 novobanco CCA Summary



Source: DBRS Morningstar, Company Documents. CET 1 for the 9M 2023 is fully loaded.

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 long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	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
		Climate and Weather Risks	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 it 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	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could affect 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 allow for 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.
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. These risks include wildfires and flood risks. Novobanco was part of the ECB climate risk stress-test results which were published on July 8, 2022.

For additional information on climate risk for Portuguese banks refer to the commentary published on DBRS Morningstar webpage on October 11, 2023: How Climate Change Risks Could Affect Portuguese Banks, https://www.dbrsmorningstar.com/research/421648/how-climate-change-risks-could-affect-portuguese-banks

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

Political risk is considered as relevant, reflecting the disputes between the Bank and the resolution fund regarding the capital payment under the CCA. This is accounted for under the Bank's Risk building block.

Seven of the Bank's ten General and Supervisory Board members are independent. The Bank have a three-member Financial Affairs (Audit) Committee which has delegated powers of the General and Supervisory Board regarding accounting policies, the approval of the annual budget, among other functions.

Novo Banco, S.A.

	1		2	3	4	5
Financial Data through 2023H1	**Scorecard Indicator**	**Scorecard Indicator Data**	**Scorecard Indicator Assessment**	**Scorecard Building Block (BB) Assessment**	**Grids BB Assessment**	**Combined BB Assessment**
Franchise	Adjusted Assets	39	M	**G/M**	**M/W**	**M**
	Sovereign Rating Category	15	G			
Earnings	Return on Equity	11.06%	S	**G**	**M/W**	**G/M**
	Return on Assets	0.88%	S/G			
	IBPT/Avg.Assets	1.15%	G/M			
Risk	Net NPLs/Net Loans	1.65%	G/M	**G/M**	**M/W**	**M**
	Provisions/IBPT	29.14%	S/G			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	113.2%	S/G	**S/G**	**W**	**G/M**
Capitalisation	Sovereign-Adjusted Capital Ratio	9.40%	G/M	**W/VW**	**W/VW**	**W/VW**
	NPL/[Equity + Loan Loss Reserves]	32.70%	G/M			
	5-Year Accumulated Net Income/Total Assets	-2.00%	W/VW			

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

Notes: (1) based on financial data as of H1 2023. (2) For more information see Global Methodology for Rating Banks and Banking Organizations published on 22 June 2023. (3) IAR and IA refer to bank level rating.

Annual Financial Information

			For the Year Ended December 31 (IFRS)				
	H1 2023	H1 2022	2022	2021	2020	2019	2018
Balance Sheet (EUR Millions)							
Cash & Cash Equivalents*	3,473	6,273	6,643	5,922	2,809	2,223	1,391
Investments in Financial Assets	12,476	10,715	11,299	10,882	11,924	12,689	11,615
Gross Loans to Customers	25,798	25,448	25,594	24,936	25,199	26,986	28,632
Loan Loss Reserves	(1,093)	(1,325)	(1,228)	(1,563)	(1,945)	(2,203)	(4,325)
Net Lending to Customers	24,705	24,123	24,366	23,373	23,253	24,783	24,306
Total Assets	43,900	45,493	45,995	44,619	44,396	45,296	48,274
Deposits from Customers	28,688	29,030	28,827	27,582	26,322	28,400	28,695
Debt & Capital Lease Obligations	1,888	1,498	1,584	1,470	973	1,123	1,104
Total Liabilities	39,920	42,241	42,483	41,469	41,249	41,293	44,352
Total Equity	3,981	3,252	3,512	3,149	3,147	4,003	3,922
Income Statement (EUR Millions)							
Net Interest Income	524	268	625	573	555	512	454
Non Interest Income	200	311	488	410	(187)	(51)	103
Equity Method Results	3	2	8	4	9	1	6
Total Operating Income	727	582	1,122	987	378	463	563
Total Operating Expenses	323	289	621	666	603	612	845
Income Before Provisions and Taxes (IBPT)	404	292	501	322	(225)	(169)	(282)
Loan Loss Provisions	36	2	(9)	114	706	449	240
Irregular Income/Expenses	(10)	(19)	(23)	35	374	320	178
Net Attributable Income	373	267	561	185	(1,329)	(1,059)	(1,412)
Growth (%) - YoY Change							
Net Interest Income	95.51%	-7.34%	9.08%	3.29%	8.33%	12.79%	12.55%
Total Operating Income	24.97%	11.02%	13.65%	161.45%	-18.47%	-17.67%	-29.12%
Total Operating Expenses	11.71%	-3.08%	-6.71%	10.48%	-1.48%	-27.57%	-1.75%
IBPT	38.11%	29.72%	55.79%	-242.88%	33.46%	-40.20%	328.05%
Net Attributable Income	39.91%	93.69%	203.97%	-113.88%	25.55%	-25.03%	-38.54%
Gross Loans & Advances	1.38%	1.89%	2.64%	-1.04%	-6.62%	-5.75%	-8.94%
Deposits from Customers	-1.18%	6.78%	4.51%	4.79%	-7.32%	-1.03%	-4.62%
Earnings (%)							
Net Interest Margin	2.47%	1.28%	1.48%	1.39%	1.33%	1.21%	1.03%
Non-Interest Income / Total Revenue	27.55%	53.49%	43.51%	41.54%	-49.50%	-10.94%	18.25%
Cost / Income ratio	44.48%	49.76%	55.36%	67.44%	159.59%	132.06%	150.11%
LLP / IBPT	8.87%	0.68%	-1.77%	35.45%	-313.74%	-266.36%	-85.26%
Return on Avg Assets (ROAA)	1.67%	1.29%	1.29%	0.43%	-2.98%	-2.24%	-2.78%
Return on Avg Equity (ROAE)	20.03%	16.80%	17.09%	5.86%	-37.84%	-26.41%	-31.60%
IBPT over Avg RWAs	3.78%	1.22%	2.16%	1.21%	-0.80%	-0.56%	-0.90%
Internal Capital Generation	20.03%	16.80%	17.09%	5.86%	-37.84%	-26.41%	-31.60%
Risk Profile (%)							
Cost of Risk	0.29%	0.02%	-0.04%	0.49%	2.87%	1.81%	0.96%
Gross NPLs over Gross Loans	4.92%	6.66%	5.36%	6.95%	9.83%	12.66%	23.47%
NPL Coverage Ratio	86.15%	78.20%	89.26%	89.35%	77.88%	63.94%	63.87%
Net NPLs over Net Loans	1.03%	1.89%	1.27%	2.12%	2.76%	6.06%	11.16%
NPLs to Equity and Loan Loss Reserves Ratio	25.12%	37.52%	29.15%	37.36%	43.46%	48.21%	82.46%
Funding & Liquidity (%)							
Net Loan to Deposit Ratio	86.12%	83.10%	84.82%	85.56%	89.18%	88.05%	85.49%
Liquidity Coverage Ratio	191%	170%	190%	150%	140%	143%	125%
Net Stable Funding Ratio	116%	107%	113%	117%	112%	101%	106%
Capitalization (%)							
CET1 Ratio	15.30%	11.80%	13.70%	11.10%	10.90%	13.50%	12.80%
Tier1 Ratio	15.30%	11.80%	13.70%	11.10%	10.90%	13.50%	12.80%
Total Capital Ratio	18.10%	13.90%	16.00%	13.10%	12.80%	15.10%	14.50%
Leverage Ratio	7.20%	5.70%	6.10%	6.00%	6.50%	8.40%	8.20%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	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* (22 June 2023), *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (04 July 2023) and *DBRS Morningstar Global Criteria: Guarantees and Other Forms of Support* (28 March 2023) which can be found on our website under Methodologies.

Ratings

Issuer	Debt	Rating Action	Rating	Trend
Novo Banco, S.A.	Long-Term Issuer Rating	Upgrade	BB (high)	Stable
Novo Banco, S.A.	Long-Term Senior Debt	Upgrade	BB (high)	Stable
Novo Banco, S.A.	Subordinated Debt	Upgrade	BB (low)	Stable
Novo Banco, S.A.	Long Term Critical Obligations Rating	Upgrade	BBB	Stable
Novo Banco, S.A.	Long-Term Deposits	Upgrade	BBB (low)	Stable
Novo Banco, S.A.	Short Term Critical Obligations Rating	Upgrade	R-2 (high)	Stable
Novo Banco, S.A.	Short Term Debt	Upgrade	R-3	Stable
Novo Banco, S.A.	Short-Term Deposits	Upgrade	R-2 (middle)	Stable
Novo Banco, S.A.	Short-Term Issuer Rating	Upgrade	R-3	Stable
Novo Banco, S.A.	Long-Term Senior Debt - EUR 5 billion EMTN Programme	Upgrade	BB (high)	Stable
Novo Banco, S.A.	Senior Non-Preferred Debt - EUR 5 billion EMTN Programme	Upgrade	BB	Stable
Novo Banco, S.A.	Subordinated Debt - EUR 5 billion EMTN Programme	Upgrade	BB (low)	Stable
Novo Banco Luxembourg Branch	Long-Term Senior Debt	Upgrade	BB (high)	Stable
Novo Banco Luxembourg Branch	Long-Term Deposits	Upgrade	BBB (low)	Stable
Novo Banco Luxembourg Branch	Short-Term Debt	Upgrade	R-3	Stable
Novo Banco Luxembourg Branch	Short-Term Deposits	Upgrade	R-2 (middle)	Stable
NB Finance Ltd.	Senior Notes Guaranteed by NB	Upgrade	BB (high)	Stable

Ratings History

Issuer	Debt	Current	Mar-23	2022	2021	2020
Novo Banco, S.A.	Long-Term Issuer Rating	BB (high)	BB (low)	B (high)	B (high)	B (high)
Novo Banco, S.A.	Long-Term Senior Debt	BB (high)	BB (low)	B (high)	B (high)	B (high)
Novo Banco, S.A.	Subordinated Debt	BB (low)	B	B (low)	B (low)	B (low)
Novo Banco, S.A.	Long Term Critical Obligations Rating	BBB	BB (high)	BB (high)	BB (high)	BB (high)
Novo Banco, S.A.	Long-Term Deposits	BBB (low)	BB	BB (low)	BB (low)	BB (low)
Novo Banco, S.A.	Short Term Critical Obligations Rating	R-2 (high)	R-3	R-3	R-3	R-3
Novo Banco, S.A.	Short Term Debt	R-3	R-4	R-4	R-4	R-4
Novo Banco, S.A.	Short-Term Deposits	R-2 (middle)	R-4	R-4	R-4	R-4
Novo Banco, S.A.	Short-Term Issuer Rating	R-3	R-4	R-4	R-4	R-4
Novo Banco, S.A.	Long-Term Senior Debt - EUR 5 billion EMTN Programme	BB (high)	BB (low)	B (high)	-	-
Novo Banco, S.A.	Senior Non-Preferred Debt - EUR 5 billion EMTN Programme	BB	B (high)	B	-	-
Novo Banco, S.A.	Subordinated Debt - EUR 5 billion EMTN Programme	BB (low)	B	B (low)	-	-
Novo Banco Luxembourg Branch	Long-Term Senior Debt	BB (high)	BB (low)	B (high)	B (high)	B (high)
Novo Banco Luxembourg Branch	Long-Term Deposits	BBB (low)	BB	BB (low)	BB (low)	BB (low)
Novo Banco Luxembourg Branch	Short-Term Debt	R-3	R-4	R-4	R-4	R-4
Novo Banco Luxembourg Branch	Short-Term Deposits	R-2 (middle)	R-4	R-4	R-4	R-4
NB Finance Ltd.	Senior Notes Guaranteed by NB	BB (high)	BB (low)	B (high)	B (high)	B (high)

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- DBRS Morningstar Upgrades Novo Banco's Long-Term Issuer Rating to BB (high), Trend Stable, December 13, 2023
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- Portuguese Banks: An Analysis of Sovereign and Other Debt Exposures, July 11, 2022

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European Bank Ratios & Definitions

- Bank Ratio Definitions, March 14, 2022

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