

SUPPLEMENT DATED 27 NOVEMBER 2019

BASE PROSPECTUS DATED 18 JULY 2019

NOVO BANCO, S.A.

(Incorporated with limited liability in Portugal)

€10,000,000,000.00

CONDITIONAL PASS-THROUGH COVERED BONDS PROGRAMME

This supplement (the “**Supplement**”) to the base prospectus dated 18 July 2019 which comprises a base prospectus (the “**Base Prospectus**”) constitutes a “supplement” for the purposes of Article 16 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and Article 51 of Prospectus (Directive 2003/71/EC), and Regulations 2005 of Ireland (S.I. No. 324 of 2005), as amended or superseded (the “**Prospectus Regulations**”) and is prepared in connection with the €10,000,000,000 Conditional Pass-Through Covered Bonds Programme (the “**Programme**”) established by Novo Banco, S.A. (“**Novo Banco**”, “**Bank**” or “**Issuer**”). This Supplement has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive. The Central Bank only approves this Supplement as meeting the requirements imposed under Irish and European Union Law pursuant to the Prospectus Directive.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in the Supplement, Prospectus Directive means Directive 2003/71/EU (as amended), and, where the context so requires, includes any relevant implementing measure in a relevant Member State of the EEA.

The Issuer accepts responsibility for the information contained in this Supplement as described below. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

I. PURPOSE OF THE SUPPLEMENT

The purpose of this Supplement is (a) to incorporate by reference (i) the Issuer's audited consolidated financial statements and results presentation as at and for the six-month period ended 30 June 2019 (First Half of 2019) and (ii) the Issuer's unaudited consolidated financial information and results presentation as at and for the nine-month period ended 30 September 2019; and (b) to update the following sections of the Base Prospectus: (i) the "Risk Factors" section; (ii) the "Documents Incorporated by Reference" section (iii) the "Recent Developments" sub-section in the "Description of the Issuer and the Group" section and (iv) the "Significant or Material Change" sub-section in the "General Information" section, as set out below.

II. RISK FACTORS

On pages 39 to 41 of the Base Prospectus, in the section entitled "Risk Factors", the text of the risk factor entitled "Proceedings in connection with the resolution measure applied to Banco Espírito Santo, S.A. ("BES") and the creation of Novo Banco" shall be deleted and replaced by the following paragraphs:

*"Novo Banco was incorporated by deliberation of the Board of Directors of Bank of Portugal dated 3 August 2014 (8 p.m.) ("**Deliberation of 3 August 2014**") under no. 5 of article 145-G of the RGICSF (the version in force at the time), following the resolution measure applied by Bank of Portugal to Banco Espírito Santo, S.A. ("**BES**"), under the terms of paragraphs 1 and 3-c) of article 145-C of the RGICSF.*

Pursuant to the Deliberation of 3 August 2014, the assets, liabilities, off-balance sheet items and assets under management of BES defined in Annex 2 to the Deliberation of 3 August 2014 (and clarified by the extraordinary meeting held by the Board of Directors of the Bank of Portugal on 11 August 2014 (5 p.m.)) were transferred to Novo Banco. Novo Banco has its registered office in Lisbon, at Avenida da Liberdade, no. 195.

The Deliberation of 3 August 2014 and the decisions of the Bank of Portugal related or in connection with the Deliberation of 3 August 2014 defined above as the Resolution Measure, including the application and impacts of the Resolution Measure and the incorporation of Novo Banco are being and may continue to be publicly and judicially challenged by several parties and creditors. These proceedings include also the challenges to the transfer of certain assets and liabilities to Novo Banco as a result of the Resolution Measure and the decisions of the Bank of Portugal, as well as proceedings requesting the set-off of liabilities that were not transferred to Novo Banco against credits transferred and held by Novo Banco. Several judicial proceedings have been initiated against the Bank of Portugal, the Resolution Fund and/ or Novo Banco and it is likely that other similar proceedings will be submitted within the applicable legal time

limits.

Despite the fact that the Resolution Measure expressly determines that “Any liabilities or contingencies related to the trading, financial intermediation and distribution of debt instruments issued by entities integrating Grupo Espírito Santo” have not been transferred to Novo Banco and determines as well that a number of other liabilities and contingencies have not been transferred to it, there are several legal proceedings related with the placing, by BES, of debt instruments of Espírito Santo group entities (including, commercial paper) and preference shares issued by special purpose vehicles, which have been submitted by clients who are arguing that any such liability has been transferred to Novo Banco. There are also cases outside of Portugal that are somehow connected with the non-recognition of the Resolution Measure and its effects and/or related decisions of the Bank of Portugal, such as legal proceedings brought against Novo Banco related with the placement of debt instruments of Espírito Santo Group in Venezuela (where, notably, two proceedings with the nominal amount of US\$37 million and US\$335 million have been filed) and an arbitration in the International Chamber of Commerce which is being challenged in the French Civil Courts.

Furthermore, the Bank is a party in a proceeding in which, among other aspects, the plaintiff requires the declaration of invalidity of the financial pledge existing over the shares of Companhia de Seguros Tranquilidade, S.A. securing a credit granted to Espírito Santo Financial Group, which, according to the Bank of Portugal’s decision on the Resolution Measure, has been transferred to Novo Banco, together with the related guarantee (financial pledge). The potential defective performance of the financial pledge is also mentioned in the proceedings. Also regarding this matter, the insolvency estate of Partran – former shareholder of Companhia de Seguros Tranquilidade, S.A. – has challenged the creation and enforcement of the financial pledge (“resolução em benefício da massa insolvente”), Novo Banco challenged this decision and initiated a proceeding against Partran in December 2015.

*In addition, the European Commission’s decision to approve the resolution of BES of 3 August 2014 (State aid no. SA.39250 (2014/N – Portugal, Resolution of Banco Espírito Santo, S.A.) (the “**State Aid**”)) in connection with the incorporation of Novo Banco is being challenged at the Court of Justice, which, if successful, could entail adverse consequences in respect of the State Aid process, including the opening of an in-depth investigation by the European Commission. In addition, Banco Comercial Português, Banco ActivoBank S.A. and Banco de Investimento Imobiliário S.A. lodged an action for annulment against a European Commission’s Decision C(2017/M) of 11 October 2017 (State aid SA.49275) insofar as it considered the CCA agreed and entered into between the Portuguese Resolution Fund and the Lone Star group in the context of the sale of Novo Banco S.A. by the former to the latter, as State aid compatible with the internal market. Novo Banco are acting as interveners in case T-298/18 in support of the European*

Commission and, as such, submitted a statement in intervention to the General Court on 18 February 2019. The written phase of the proceedings is now closed and oral hearing is to be scheduled. Should the Court uphold the Applicants' order of sought in its entirety and partially annul the Commission's decision, the annulment would cause the decision to disappear from the Union legal order from the date on which the decision entered into force; i.e. the situation will be as if the Commission had not decided at all on the State aid measure.

Novo Banco is not a party in the above mentioned judicial proceeding in respect of state aid and there may be other similar pending judicial proceedings of which Novo Banco is not party; therefore, it is not possible to assess the impacts of any decision in connection thereto.

As such, any final court decision that may be issued in the context of such judicial proceedings may adversely affect the capacity of Novo Banco to carry out its obligations under the Programme Documents and/or the Covered Bonds, without prejudice to the protection granted to the holders of the Covered Bonds in the terms and subject to the limits provided for in the applicable legislation, as mentioned in the "Insolvency of the Issuer" section of this Base Prospectus.

On 29 December 2015, the Bank of Portugal adopted a decision regarding the clarification and re-transfer of liabilities and contingencies defined as being excluded from Novo Banco's determined perimeter according to the resolution measure dated 3 August 2014, as clarified and adjusted since such date. In this decision, the Bank of Portugal clarified that a wide range of BES liabilities or contingencies had not been transferred to Novo Banco, including any liabilities or off-balance sheet items of BES which were at 8 p.m. on 3 August 2014 contingent or unknown (including disputed liabilities in connection with pending litigation and liabilities or contingencies resulting from fraud or the breach of regulatory, criminal or administrative provisions or determinations) regardless of their nature (tax, labour, civil or other), and whether or not recorded in BES's books of account.

Furthermore, the Bank of Portugal decided that any liabilities of BES that had been in fact transferred to Novo Banco but did not comply with the above-mentioned criteria and decision were to be re-transferred from Novo Banco to BES with effects from 8.00 p.m. on 3 August 2014.

On 29 December 2015, the Bank of Portugal, as resolution authority and using its legal powers to retransfer certain assets and liabilities, determined that certain senior bonds in the principal amount of approximately 2 billion euro were retransferred from the Issuer to BES. A number of institutional and non-institutional investors holding the senior bonds retransferred to BES have filed claims against the Bank of Portugal in the Lisbon Administrative Court (the Issuer is counter-interested party) seeking an annulment of the retransfer of the bonds on various grounds, including the non-fulfilment of the prerequisites for the

retransfer of credits; misfeasance by the Bank of Portugal; violation of the principle of equal treatment of creditors of equal seniority; violation of the proportionality principle; violation of the equality principle favouring Portuguese nationals and the Portuguese State; and violation of the administrative rules of proceeding. Similar proceedings relating to the retransfer of senior bonds have also been filed against the Bank of Portugal. All of these proceedings are still pending or awaiting final decision (caso julgado).

On 1 September 2017, Banco Comercial Português, S.A. announced that it had filed an application to obtain a judicial review of the contingent capitalisation obligation of the Resolution Fund agreed in connection with the Lone Star Sale. The Issuer is not party to such legal proceedings.

It is not possible to determine when the relevant courts will issue final awards regarding these or future legal proceedings, or to determine or make a full assessment of the impact or likely outcomes of any such legal proceedings or of future legal proceedings or the consequences arising therefrom for Novo Banco or the Covered Bonds.

Covered Bonds holders should be aware that the legal proceedings and consequences arising therefrom may adversely affect the incorporation, financial condition and/or the capacity of Novo Banco to carry out its obligations under the Programme Documents and/or the Covered Bonds.

Ultimately, if a court were to declare the Resolution Measure invalid and, despite its disruptive effects, determine the invalidity and ineffectiveness of all contracts and legal acts performed by Novo Banco since its incorporation, the establishment of the Programme, the security created over cover pool and the issue of the Covered Bonds would become void and investors could suffer substantial losses.

Successful claims of this or a similar nature could have a material adverse financial effect on the Issuer and the Group or cause significant reputational harm, which in turn could have a material adverse effect on the financial condition of the Group. In addition, while the Indemnification Mechanism may help mitigate economic risks arising from litigation related to the Resolution Measure and related decisions of the Bank of Portugal, there can be no assurance that it will be applied or, if applied, upheld. Even if the Indemnification Mechanism is successfully applied, such claims may result in adverse reputational impact on the Issuer and/or the Group. See also – “Novo Banco’s activity is subject to reputational risk.”

On pages 41 and 42 of the Base Prospectus, in the section entitled “*Risk Factors*”, the following paragraphs shall be added at the end of the risk factor entitled “*Risk relating to changes in legislation on deferred tax assets could have a material effect on the NB Group*”:

“In September 2019, Law No. 98/2019 was published, amending the tax treatment of the impairment of credit institutions and other financial institutions and introducing changes to the special regime applicable to deferred tax assets (“REAIID”).

According to the new regime, impairment losses for credit risk become generically deductible, provided that they relate to exposures (analysed on an individual or collective basis) resulting from the normal activity of these institutions, and they are recorded in accordance with the accounting and regulatory standards applicable in the tax periods beginning on or after 1 January 2019.

As regards the rules applicable to impairment losses recorded in the periods of taxation beginning before 1 January 2019, deductibility is generally limited to the amount corresponding to the application of the mandatory minimum limits set out in the notice of Banco de Portugal no. 3/95 (in the wording in force prior to its revocation), provided that certain conditions are met.

For the application of this new regime, the law provides for a period of adaptation for credit institutions and other financial institutions. In accordance with its provisions, in the 5 tax periods beginning on or after 1 January 2019, the current regime still applies (observing the provisions of the regulatory Decree no. 13/2018), becoming its application only compulsory in the period of taxation initiated from 1 January 2024, unless the option for the application of the new regime is communicated to the Tax Authority until the end of the 10th month of the current tax period, with effects in that tax period and in the following tax periods.

Regarding the change to DTA Special Regime (Law no. 61/2014), we highlight the significant reduction in the period for the capital increase of the taxable persons as a result of the exercise of the rights of conversion conferred to the State and in turn object of potestative rights to acquire by the Shareholders. In accordance with the new rules, the registration of the capital increase of the taxable person shall be made immediately after that period, by the amount resulting from the exercise of the rights of conversion, after the expiry of the period for the exercise of the potestative right to acquire the conversion rights, which may not exceed three years (not less than one year after the entry into force of the new law for the current situations) counted from the confirmation by the Tax Authority of the conversion of deferred tax assets into tax credit.

On pages 42 to 43 of the Base Prospectus, in the section entitled “Risk Factors”, the text of the risk factor entitled “A reduction in the Issuer’s credit ratings would increase its cost of funding and adversely affect the Novo Banco Group’s financial condition and results of operations” shall be deleted and replaced by the following paragraphs:

“Credit ratings affect the cost and other terms upon which the Novo Banco Group is able to obtain funding, including the availability of certain funding instruments. Rating agencies regularly evaluate the Issuer, and its long-term credit ratings are based on a number of factors, including its financial

strength, the credit rating of Portugal and the conditions affecting the financial services industry generally and the Portuguese banking system in particular. On the date hereof, the Issuer's long-term credit ratings are the following: "Caa2" for senior unsecured debt with a positive outlook and "B2" for deposits with a positive outlook by Moody's, and "B (high)" issuer rating and senior debt rating with a positive trend and "BB (low)" deposits rating with a positive trend by DBRS Rating GmbH. There can be no assurance that the rating agencies will maintain the current ratings or outlooks.

Downgrades of the Issuer's ratings, or the perceived likelihood of such a downgrade, could increase its cost of funding or, in a scenario that combines a sharp ratings drop with a further deterioration of the credit environment, could result in increasing difficulties or the total inability of the Group to access funding in the financial markets. Additionally, this could have an adverse impact on the Issuer's contractual obligations that depend on rating triggers or the risk perception of the public in general, leading to deposit outflows.

Any such downgrade to the Issuer's credit ratings could have an adverse effect on the Issuer's liquidity position, cost of funding and net interest margin, which could adversely affect the Group's financial condition and results of operations."

III. DOCUMENTS INCORPORATED BY REFERENCE

On 2 August 2019, the Issuer published its unaudited consolidated financial information and presentation as at and for the six-month period ended 30 June 2019 (First Half of 2019), followed by the publication, on 4 September 2019, the Issuer's audited consolidated financial statements for the six-month period ended 30 June 2019 (First Half of 2019). On 8 November 2019, the Issuer published its unaudited consolidated financial information and results presentation as at and for the nine-month period ended 30 September 2019. A copy of the Issuer's published audited consolidated financial statements and results presentation as at and for the six-month period ended 30 June 2019 (First Half of 2019), as well as of its unaudited consolidated financial information and results presentation as at and for the nine-month period ended 30 September 2019 has been filed with the Central Bank of Ireland and those documents are incorporated in this Supplement, which is supplemental to, and should be read in conjunction with, the Base Prospectus.

Copies of documents incorporated by reference in the Base Prospectus can be obtained from the registered offices of the Issuer. Documents referred to above can be viewed electronically and free of charge at the Issuer's website:

- Audited consolidated financial statements for the First Half of 2019:
<https://www.novobanco.pt/site/cms.aspx?plg=abc65cb7-c4ea-47b0-9e40-b3750e8f4ff4>
- Results Presentation for the First Half of 2019:

<https://www.novobanco.pt/site/cms.aspx?plg=f0ee87e9-63e5-41ca-8ffa-35cf7d70581e>

- Unaudited consolidated financial information for the nine-month period ended 30 September 2019:
<https://www.novobanco.pt/site/cms.aspx?plg=5bd8ca03-ff32-4ce2-b6b7-21067477b259>
- Results Presentation for the nine-month period ended 30 September 2019:
<https://www.novobanco.pt/site/cms.aspx?plg=22a4cd30-424a-4cda-9f4e-fadf366cff84>

IV. DESCRIPTION OF THE ISSUER AND THE GROUP

The “*Description of Issuer and the Group*” section on pages 122 to 189 of the Base Prospectus:

(i) in the “*Legal, Administrative and Arbitration Proceedings*” sub-section is amended by the deletion of the last paragraph of the sub-chapter “*Proceedings Relating to the Resolution Measure*”, on page 157 of the Base Prospectus, which shall be replaced by the following paragraph:

“Among the legal proceedings in the Portuguese courts relating to the Resolution Measure, there are two legal proceedings, one initiated by a shareholder of BES and another by several holders of subordinated bonds issued by BES, before the Lisbon Administrative Court (Tribunal Administrativo de Círculo (TAC) de Lisboa), which were aggregated and designated as pilot-proceedings (processos-piloto). In both legal proceedings the plaintiffs challenged the validity of the Resolution Measure applied to BES on the basis of alleged illegalities and unconstitutionality. Novo Banco is counter-interested party in both proceedings. On 12 March 2019, the Lisbon Administrative Court fully dismissed the claims of the plaintiffs. The plaintiffs exercised their right of appeal, having the relevant appeal per saltum being accepted by the Administrative Supreme Court on 17 July 2019.”

(ii) in the “*Group Structure*” sub-section is amended by the deletion of references to “*BES Beteiligungs, GmbH (BES GMBH)*” on pages 123 and 124 of the Base Prospectus, as this entity was merged into Novo Banco.

(iii) is further amended by the inclusion of the following paragraphs at the end of “*Recent Developments*” sub-section, on page 189 of the Base Prospectus:

“*Recent Developments*

(...)

On 24 July 2019, the Issuer announced that, on that date, the rating agency Moody’s Investors Service had taken several rating actions on Novo Banco. Moody’s Investors Service upgraded the long-term deposit ratings two-notches to B2 from Caa1 and affirmed the long-term senior unsecured debt ratings at Caa2. Moody’s Investors Service also upgraded the baseline credit assessment (BCA) and adjusted BCA of Novo

Banco to caa1 from caa2. The outlook on the long-term deposit ratings remains positive while the outlook on the senior unsecured debt ratings improved to positive from negative. Moody's Investors Service also upgraded the long-term Counterparty Risk Ratings to B1 from B2, the long-term Counterparty Risk Assessment to B1(cr) from B2(cr) and the Subordinate Regular Bond rating to Caa2 from Caa3. The rating actions were taken following Moody's Investors Service change of the Macro Profile of Portugal (Baa3 stable) to "Moderate+" from "Moderate" in combination with the continued improvement in the banks' credit fundamentals, notably asset risk.

On 5 August 2019, the Issuer announced that its branch in Spain and Novo Banco Servicios Corporativos, S.L. had signed a Sale and Purchase Agreement with Waterfall Asset Management L.L.C., a New York-based asset management firm, for the sale of a portfolio of real estate properties and non-performing loans known as "Project Albatroz". The portfolio had a gross book value of 308 million euros at Novo Banco consolidated level. The Issuer also announced it expected the transaction to be fully completed until the end of 2019, once all the conditions related with its formalization have been satisfied. The Issuer informed that this transaction is an important step forward in Novo Banco's divestment strategy of non-core assets whilst focusing in its core banking activity.

Also on 5 August 2019, the Issuer announced that it had signed a Promissory Sale and Purchase Agreement with entities indirectly owned by funds managed by Cerberus Capital Management, L.P., a New York-based firm, for the sale of a portfolio of real estate assets, known as "Project Sertorius". The portfolio with a gross book value of 487.8 million euros, comprised 195 properties, corresponding to 1,228 individual units, with industrial, commercial, land plots and residential uses, including parking spaces. The Issuer also informed that, after the sale, the portfolio will be managed by a servicer that is a reference in Portugal in the management of this type of assets, and that will be incorporating up to 13 staff members from Novo Banco. The Issuer informed that it expects the transaction to be completed until the end of 2019, once all the conditions related with its formalization have been satisfied. This transaction is an important step forward in Novo Banco's divestment strategy of non-core assets whilst focusing in its core banking activity.

On 7 August 2019, following the abovementioned announcements dated 5 August 2019, the Issuer informed on the following: (i) relating to the Promissory Sale and Purchase Agreement for the sale of a portfolio of real estate assets, signed under the "Project Sertorius", that the portfolio sale value to entities indirectly owned by funds managed by Cerberus Capital Management, L.P., amounted to 159 million euros and (ii) regarding to the Sale and Purchase Agreement for the sale of a portfolio of non-performing assets, signed under the "Project Albatroz", that the portfolio sale value to Waterfall Asset Management L.L.C., amounted to 98.7 million euros. The Issuer also informed that these operations had no additional impact in the Income Statement considering the value of the assets in the 30 June 2019 Novo Banco accounts as

they already reflect the amount of 228.7 million euros in provisions in the semester related to the above-mentioned asset sales.

On 5 September 2019, the Issuer announced that following a competitive bid process, Novo Banco and Arrábida - Fundo Especial de Investimento Imobiliário Fechado had signed a Sale and Purchase Agreement with Burlington Loan Management DAC, a company affiliated with and advised by Davidson Kempner European Partners, L.L.P. for the sale of a portfolio of non-performing loans and related exposures (Project Nata II) with an approximate outstanding balance amount of 2,732 million euro and a gross book value of 1,713 million euro, subject to ordinary perimeter adjustments at closing. The portfolio sale value amounts to 191 million euro and the transaction will result in a direct impact on the income statement of Novo Banco of -106 million euro in 2019. The Issuer informed it expected the transaction to be completed in the coming months, once all the conditions to which the transaction is subject have been satisfied. This transaction is a further important step forward in Novo Banco's divestment strategy of non-performing assets and will accelerate its reduction.

On 14 October 2019, following the announcement the Issuer has made on 12 September 2018, the Issuer announced that it had completed the sale of the entire share capital of GNB – Companhia de Seguros de Vida, S.A. (“GNB Vida”) to GBIG Portugal, S.A., an entity wholly owned by funds to which the investment adviser is APAX PARTNERS, LLP. The total consideration for the sale amounts to an upfront fixed price of 123 million euro and an earn-out component of up to 125 million euro indexed to distribution targets associated to the 20-year agreement between Novo Banco and GNB Vida to distribute life insurance products in Portugal. The fixed consideration announced for the transaction in 12 September 2018 was 190 million euro and on a like for like basis the value achieved on closing was 168 million euro. As at 30 June 2019, this transaction would have had a positive impact on the Common Equity Tier 1 of Novo Banco of 6 million euro. This transaction is an important step forward in Novo Banco's divestment strategy of non-core assets whilst increasing the focus on its core banking activity.”

V. GENERAL INFORMATION

On page 212 the Base Prospectus, in the sub-section “*Significant or Material Change*” of the “*General Information*” section, the paragraph shall be replaced by the following:

“Other than public announcements publicly disclosed at Novo Banco's website (https://www.novobanco.pt/site/cms.aspx?labelid=NB_RELEASES), there has been no significant change in the financial or trading position of the Novo Banco Group since 30 September 2019. There has been no

material adverse change in the prospects of the Issuer since the date of the last audited accounts, 30 June 2019.”

VI. GENERAL

This Supplement includes in respect of the Issuer all information contained within this Supplement together with all documents incorporated herein by reference.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement (if any) and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Except as disclosed in this Supplement there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Covered Bonds issued under the Programme since the publication of the Base Prospectus. Copies of this Supplement can be obtained from the registered offices of the Issuer and from the specified offices of the Agent. In addition, copies of this Supplement and the Base Prospectus are available for viewing at the official websites of Euronext Dublin (www.ise.ie) and the Central Bank (www.centralbank.ie/regulation/securities-markets/prospectus/pages/approvedprospectus.aspx).