Creditreform Bank Rating

Caixa Geral de Depositos S.A. (Group)

Creditreform Rating

Rating Object	Rating Information		
Caixa Geral de Depositos S.A. (Group)	Long Term Issuer Rating / Outlook: **BBB / stable**	Short Term: **L3**	Type: Initialrating unsolicited

Rating of Bank Capital and Unsecured Debt Instruments:

Preferred Senior Unsecured:	Non-Preferred Senior Unsecured:	Tier 2:	Additional Tier 1:
BBB	**BBB-**	**BB**	**BB-**

Creditreform ID: 400986055
Incorporation: 1876
(Main-) Industry: Banks
Management: Paulo Moita de Macedo (CEO)

Rating Date: **29 November 2019**
Monitoring until: withdrawal of the rating
Rating Methodology: CRA "Bank Ratings"
CRA "Rating of Bank Capital and Unsecured Debt Instruments"
CRA "Rating Methodology Government Related Banks"
Rating History: www.creditreform-rating.de

Contents

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SWOT-Analysis

Strengths

+ Stability through the ownership of Portugal
+ Regained solid profitability
+ Largest bank with a well-known brand and considerable market share in Portugal

Weaknesses

- Relatively high amount of non-performing loans
- Relatively high RWA ratio
- Rundown of its business diversification

Opportunities / Threats

+ Further improvement of the economic situation on CGD's home market
+ Increasing profitability and significant cost reduction accelerated through the "Strategic Plan 2020"

+/- Almost half of the bank's customer loans are mortgage loans

- High dependency on the economic development in Portugal

Company Overview

Caixa Geral de Depósitos, S.A. (Group) - in the following: CGD, the Group or the Bank, is a wholly state-owned public liability limited company and the largest bank by assets in Portugal. CGD operates as a universal bank with a network of 573 branch offices in Portugal and, on a smaller scale, with some branches and subsidiaries abroad. With 14,027 employees (number of employees at the end of 2018) the Group serves approximately 3.8 million customers in Portugal and had total assets of €89.1 billion at the end of 2018.

In 2018, CGD completed its recapitalization plan (started in 2013), agreed between the European Commission and the Portuguese State. According to this plan, CGD increased its capital by about 5.5 billion EUR (3.25 bn EUR through recapitalization from the Portuguese State, 1.8 bn EUR through contingent convertible bonds, and about 500 mn EUR through the transfer of equity shares of Parcaixa, SGPS, S.A. from the Portuguese State to CGD). However, according to the European Commission CGD's recapitalization measures did not classify as State aid as the measures were in line with EU State aid rules and were carried out on market terms.
At that time, CGD's recapitalization plan was necessary due to a sizeable number of bad loans and a decreasing capital base as a result of the economic downturn in Portugal.

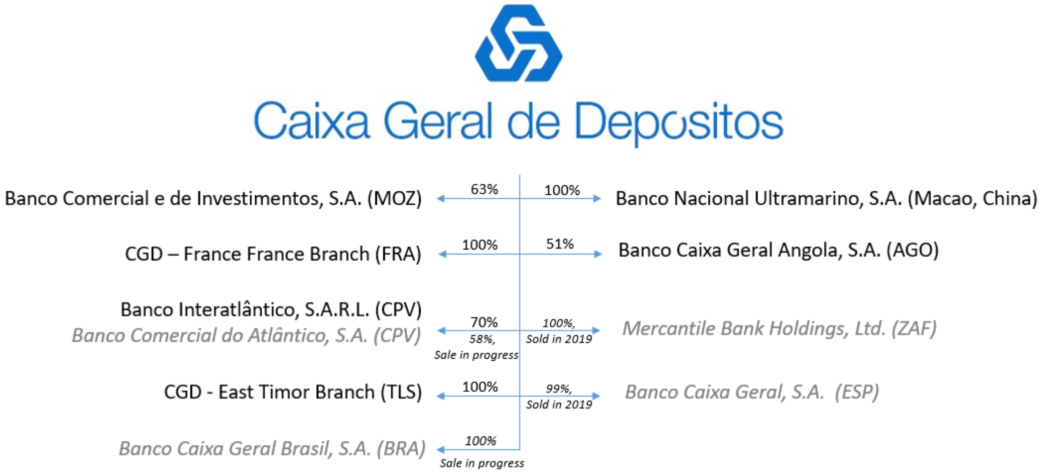
Currently, CGD is pursuing its "Strategic Plan 2020". According to this, CGD is, among other measures, down-sizing the number of its branches, restructuring its international operations to focus on its core markets, and is carrying out a reduction of its balance sheet risk by selling portfolios of non-performing loans.

As a result of the strategic plan 2020, CGD has already increased its profitability through significant cost cutting, and improved the quality of its assets by reducing its non-performing loans portfolio. In addition, CGD decreased the number of branches from 1,211 (in 2016) to 1,068 (in 2018) and its workforce from 15,452 (in 2016; end of period) to 14,027 (in 2018; end of period).

According to the Group's third quarter report 2019, CGD sold its subsidiaries Banco Caixa Geral, S.A. (Spain) and Mercantile Bank Holdings, Ltd. (South Africa). Due to the partial reversal of impairments related to both aforementioned subsidiaries CGD was able to record a non-recurring income of €159 million. However, the sale of Banco Caixa Geral Brasil, S.A. (BRA) and Banco Comercial do Atlântico, S.A. (CPV) is still in progress.

CGD's main banking subsidiaries as of 2018 can be found in Chart 1 below:

Chart 1: Main banking subsidiaries of CGD in 2019 | Source: Annual Report 2018 by CGD



Business Development

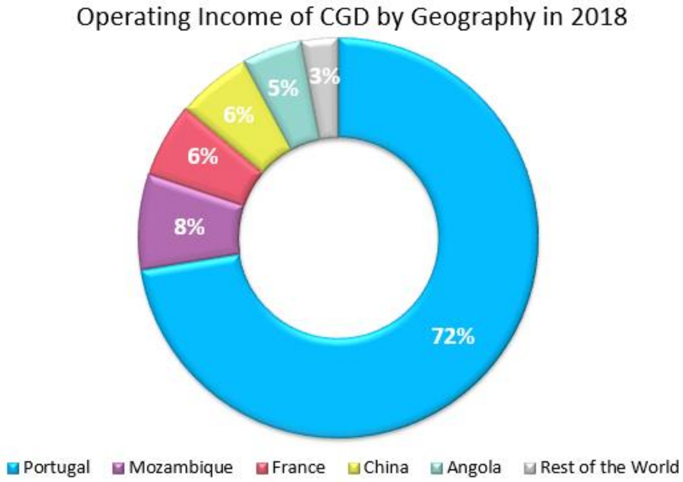
Profitability

CGD's net profit amounted to €539.5 million in 2018, increasing by €462.8 million in a year-over-year comparison, primarily due to significant cost cutting measures. Net interest income contributed approximately half to the operating income: however, due to the current low interest environment, CGD faces declining interest income which is partially offset by reduced interest expense.

Net fee and commission income contributed about 22.5% to CGD's operating income, remaining at a stable level and consisting primarily of various service fees. In 2017, CGD recognized under its trading income significant non-recurring income through its derivatives transactions in relation with interest hedges. By contrast, CGD's equity accounted results (€52.8 million) stream primarily from its associated insurance company Fidelidade – Companhia de Seguros, S.A, in which CGD has a 15% participation and which contributed €40.8 million to CGD's Group result in 2018. Under the item other income, CGD denotes, among others, its lease income (€51.6 million) and gains from investment property (€54.8 million).

A detailed breakdown of CGD's operating income for 2018 by geography can be found in Chart 2 below:

Chart 2: Group income statement | Source: eValueRate / CRA



With regard to operating expenses, CGD reveals significant cost reductions as a result of its strategic plan 2020. In addition to its decreased year-over-year personnel expenses (-6%) due to a reduction of a number of staff, CGD reveals a significant reversal of its provision made in 2017, primarily related to its provisions for redundancy agreements.

CGD's pre-impairment operating profit amounted to €946.5 million in the fiscal year 2018, increasing thereby by 29.2% year-over-year. Asset write-downs amounted to

€144.5 million in 2018 and consist mainly of customer loan impairments. Since the huge write-downs on customer loans in 2016 (due to the change in CGD's write-off policy), CGD steadily decreased its write-downs to a now competitive level.

After tax deductions and discontinued operations (including among other the results of the following subsidiaries held for sale: Banco Caixa Geral, S.A. (Spain) – contribution of €26.5 million - and Mercantile Bank Holdings, Ltd. (South Africa) with a contribution of €16.1 million), CGD achieved a net profit of about €539.6 million, by far its best result in this decade.

Considering CGD's third-quarter results, the Bank has been able to improve its net profit; however, this is mainly attributable to a non-recurring income of €159 million related to the sale of Banco Caixa Geral, S.A. (Spain) and Mercantile Bank Holdings, Ltd. (South Africa). Excluding this non-recurring income, CGD is likely to remain at its current level of profitability.

A detailed group income statement for the years of 2015 through 2018 can be found in Figure 1 below:

Figure 1: Group income statement | Source: eValueRate / CRA

Income Statement	2015	2016	2017	%	2018
Income (€000)					
Net Interest Income	1.187.915	1.090.985	1.287.442	-5,1	1.222.272
Net Fee & Commission Income	511.495	449.850	464.862	+2,0	474.198
Net Insurance Income	-	-	-	-	-
Net Trading Income	350.056	42.008	297.527	-69,0	92.174
Equity Accounted Results	47.099	47.480	24.688	> +100	52.821
Dividends from Equity Instruments	-	-	-	-	-
Other Income	216.635	275.994	248.700	+6,4	264.548
Operating Income	**2.313.200**	**1.906.316**	**2.323.218**	**-9,3**	**2.106.013**
Expenses (€000)					
Depreciation and Amortisation	105.896	91.722	86.765	-29,0	61.628
Personnel Expense	820.041	661.377	658.936	-6,0	619.171
Tech & Communications Expense	117.408	98.037	89.733	-11,1	79.782
Marketing and Promotion Expense	29.179	23.376	18.584	-13,4	16.095
Other Provisions	37.211	227.552	203.407	< -100	-108.787
Other Expense	544.862	729.847	532.980	-7,8	491.559
Operating Expense	**1.654.597**	**1.831.912**	**1.590.405**	**-27,1**	**1.159.448**
Operating Profit & Impairment (€000)					
Pre-impairment Operating Profit	**658.603**	**74.404**	**732.813**	**+29,2**	**946.565**
Asset Writedowns	679.246	2.771.431	523.815	-72,4	144.535
Net Income (€000)					
Non-Recurring Income	-	-	-	-	-
Non-Recurring Expense	-	-	-	-	-
Pre-tax Profit	**-20.642**	**-2.697.026**	**208.997**	**> +100**	**802.030**
Income Tax Expense	60.209	-836.557	215.823	+42,8	308.284
Discontinued Operations	-625	35.298	83.601	-45,2	45.818
Net Profit (€000)	**-81.477**	**-1.825.171**	**76.775**	**> +100**	**539.564**
Attributable to minority interest (non-controlling interest)	89.976	34.351	24.829	+76,4	43.788
Attributable to owners of the parent	-171.453	-1.859.523	51.946	> +100	495.776

Due to the strong increase in CGD's net profit for 2018, the Banks' earnings figures improved significantly in comparison to the previous year.

The figures for ROA, ROE and RORWA – before and after taxes - improved noticeably in comparison to the previous year. Moreover, the Bank's reduction of its operating costs improved its cost-to-income ratio as well as its cost-to-income ratio, excluding trading, distinctly. In all of the profitability figures mentioned, CGD is now clearly ahead of its competitors. Only CGD's net interest margin deteriorated year-over-year and is just in line with the average of the peer group.

Overall, CGD's key earnings figures are the best performers in any of the areas analyzed.

A detailed overview of the income ratios for the years of 2015 through 2018 can be found in Figure 2 below:

Figure 2: Group key earnings figures| Source: eValueRate / CRA

Income Ratios (%)	2015	2016	2017	%	2018
Cost Income Ratio (CIR)	71,53	96,10	68,46	-13,40	55,05
Cost Income Ratio ex. Trading (CIRex)	84,28	98,26	78,51	-20,94	57,57
Return on Assets (ROA)	-0,08	-1,95	0,08	+0,52	0,61
Return on Equity (ROE)	-1,32	-47,01	0,93	+5,58	6,51
Return on Assets before Taxes (ROAbT)	-0,02	-2,85	0,31	+0,64	0,95
Return on Equity before Taxes (ROEbT)	-0,34	-68,55	3,54	+6,70	10,23
Return on Risk-Weighted Assets (RORWA)	-0,14	-3,32	0,15	+0,97	1,11
Return on Risk-Weighted Assets before Taxes (RORWAbT)	-0,04	-4,84	0,56	+1,19	1,75
Net Interest Margin (NIM)	1,64	1,34	2,00	-0,29	1,71
Pre-Impairment Operating Profit / Assets	0,65	0,08	0,79	+0,28	1,06
Cost of Funds (COF)	1,99	1,65	1,45	-0,26	1,19
Change in %-Points					

Asset Situation and Asset Quality

CGD's financial assets accounted for 86.3% of total assets in 2018, decreasing by 3.1% in a year-over-year comparison (€2.5 billion). Net loans to customers represent the largest share of assets, accounting for 58% and decreasing by 6.5% year-over-year (€3.6 billion). The decrease is mainly a result of the reduction in the commercial banking activities by €2.8 billion in Portugal, and is influenced by NPL sales and significant credit repayments by public entities of around €1 billion. Accumulated impairments represent about 6.1% (€3.3 billion) of the Bank's customer loans.

CGD's total securities increased year-over-year by 6.5% (€880 million) and consist mainly out of debt securities by public issuers with about €9.8 billion. Moreover, CGD increased its amount of demand deposits at central banks by about €1 billion (24.5%) year-over-year. In addition, the balance sheet item of non-current assets & discontinued operations reveals primarily CGD's subsidiaries (Banco Caixa Geral, S.A. and Mercantile Bank Holdings, Ltd.), which were recently sold as announced in the Bank's Q3-2019 Report.

The Group's total asset amounted to €89.1 billion in 2018, decreasing by 4.5% year-over-year (€4.2 billion).

A detailed look at the development of the asset side of the balance sheet for the years of 2015 through 2018 can be taken in Figure 3 below:

Figure 3: Development of assets| Source: eValueRate / CRA

Assets (€000)	2015	2016	2017	%	2018
Cash and Balances with Central Banks	3.652.808	2.598.285	5.319.593	+24,5	6.620.833
Net Loans to Banks	4.011.515	3.217.797	3.028.694	-27,6	2.193.022
Net Loans to Customers	65.759.033	63.100.967	55.254.981	-6,5	51.674.353
Total Securities	16.732.708	12.667.096	13.556.244	+6,5	14.438.063
Total Derivative Assets	1.625.722	1.519.408	971.122	-28,1	698.229
Other Financial Assets	1.755.523	1.405.195	1.283.902	-0,2	1.281.589
Financial Assets	**93.537.308**	**84.508.749**	**79.414.536**	**-3,2**	**76.906.090**
Equity Accounted Investments	277.496	312.338	414.717	-6,3	388.544
Other Investments	1.125.044	978.263	897.818	-9,8	809.963
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	830.402	1.426.072	6.756.508	-8,0	6.213.217
Tangible and Intangible Assets	754.402	692.681	669.289	-23,9	509.444
Tax Assets	1.511.044	2.587.563	2.322.692	-7,3	2.152.315
Total Other Assets	2.865.772	3.041.647	2.772.355	-23,8	2.111.845
Total Assets	**100.901.467**	**93.547.313**	**93.247.914**	**-4,5**	**89.091.418**

CGD's asset quality improved significantly in recent years; however, the Bank still has to catch up to its peers, in particular with regard to its non-performing loans ratio (calculated from 2018 on as stage 3 loans over net loans to customers). CGD has significantly improved its non-performing loans ratio in recent years through write-offs and NPL portfolio sales. The increase from 2017 to 2018 is related to the technical change in the NPL ratio calculation.

Moreover, through the dramatic reduction of its asset write-downs over recent years, CGD has reached a very sound and below peer-group average net write-off to risk weighted assets ratio. This, however, is partially due to the Bank's relatively high risk weighted asset ratio of 54.3%, which represents the Bank's riskier business activities according to the risk weights. A further reduction would be appropriate in order to de-risk CGD's assets.

A detailed overview of the asset quality for the years 2015 through 2018 can be found in Figure 4 below:

Figure 4: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2015	2016	2017	%	2018
Net Loans/ Assets	65,17	67,45	59,26	-1,25	58,00
Risk-weighted Assets/ Assets	59,74	58,81	55,96	-1,62	54,35
NPLs*/ Net Loans to Customers	10,54	10,50	9,10	+0,78	9,88
NPLs*/ Risk-weighted Assets	11,50	12,04	9,63	+0,91	10,54
Potential Problem Loans**/ NPLs*	39,56	45,76	45,00	+47,57	92,57
Reserves/ NPLs*	74,98	85,01	90,65	-25,29	65,36
Reserves/ Net Loans	7,90	8,93	8,25	-1,79	6,46
Net Write-offs/ Net Loans	1,03	4,39	0,95	-0,67	0,28
Net Write-offs/ Risk-weighted Assets	1,13	5,04	1,00	-0,71	0,30
Level 3 Assets/ Total Assets	3,04	2,69	2,42	-0,46	1,96
Change in %Points					

* NPLs are represented from 2018 onwards by Stage 3 Loans.
** Potential Problem Loans are represented from 2018 onwards by Stage 2 Loans.

Refinancing and Capital Quality

CGD's financial liabilities accounted for 90% of its total liabilities in 2018, decreasing by 4.1% year-over-year (€3.1 billion). Deposits from customers represent the main funding source of the Group, representing 79% of the Group's liabilities, and remaining largely at the previous year's level. Compared to the year 2015, however, CGD lost about €10 billion of customer deposits primarily at the Banco Nacional Ultramarino (Macau), due to the reduction of the offshore branches that were closed down and due to reduced deposits of its institutional customers. By contrast, domestic customer deposits remained at a stable level at €53 billion.

The reduction in deposits from banks stems from the CGD's early repayment of €3 billion of financing from the ECB. This early redemption removed the future refinancing risk for CGD; however, it also decreased its liquidity position. Moreover, it is the first time in this decade that CGD does not hold any ECB borrowings.

By contrast, CGD's total debt consists primarily of covered bonds (€ 3 billion) and tier 2 debt liabilities. In June 2018, CGD issued €500 million of Tier 2 securities to institutional investors, thereby completing the recapitalization plan agreed in 2017 between the Portuguese State and the European Commission to improve its capitalization. In this regard, and in view of the development of the Group's total equity, please refer to the company overview, in particular to the recapitalization plan of CGD.

The balance sheet item of non-current liabilities & discontinued operations consists of the aforementioned targeted sale of some subsidiaries (among others Banco Caixa Geral, S.A. and Mercantile Bank Holdings, Ltd.), which were finalized in 2019.

A detailed overview of the development of liabilities for the years 2015 through 2018 can be found in Figure 5 below:

Figure 5: Development of refinancing and capital adequacy| Source: eValueRate / CRA

Liabilities (€000)	2015	2016	2017	%	2018
Total Deposits from Banks	5.433.070	5.799.712	4.042.850	-56,5	1.758.542
Total Deposits from Customers	73.426.265	69.680.130	63.630.896	-0,3	63.422.525
Total Debt	9.919.052	7.534.147	5.965.543	-9,1	5.421.389
Derivative Liabilities	1.749.408	1.697.678	1.065.798	-30,4	741.508
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	2.136.757	2.058.859	1.269.754	+19,6	1.518.107
Total Financial Liabilities	**92.664.552**	**86.770.526**	**75.974.841**	**-4,1**	**72.862.071**
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	693.369	5.783.829	-6,7	5.396.454
Tax Liabilities	269.088	241.829	308.308	-26,1	227.795
Provisions	992.464	1.127.312	1.288.291	-13,4	1.115.900
Total Other Liabilities	791.654	831.436	1.618.329	-25,6	1.203.752
Total Liabilities	**94.717.758**	**89.664.472**	**84.973.598**	**-4,9**	**80.805.972**
Total Equity	**6.183.710**	**3.882.841**	**8.274.316**	**+0,1**	**8.285.445**
Total Liabilities and Equity	**100.901.467**	**93.547.313**	**93.247.914**	**-4,5**	**89.091.418**

CGD's regulatory capital ratios increased significantly over the past years due to the aforementioned recapitalization plan. With a CET1 ratio of 13.5% and a total capital ratio of 15.9% at year-end 2018, CGD's ratios are slightly below the peer-group average. The boxplots in figure 7 display CGD's capital position in comparison to the peer group.
However, considering CGD's third quarter report 2019, CGD reveals a CET1 ratio of 15.6% and a total capital ratio of 18%. Thus, CGD has been able to catch up to its peers and is further strengthening its regulatory capital position. With any of its regulatory capital ratios, CGD comfortably exceeds its SREP requirements.

Moreover, with its total equity to total assets ratio (9.3%), as well as its leverage ratio (7.7%), CGD exceeds the average of its peers (see figure 7). In addition, CGD recently issued its first non-preferred senior unsecured bond in the amount of €500 million to strengthen its MREL position.

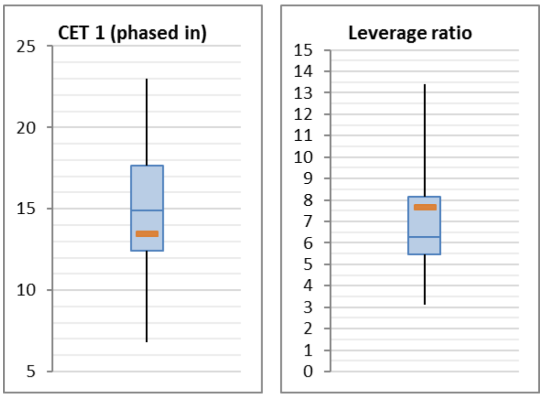
Overall, CGD has achieved sound capitalization after a prolonged tumultuous period.

A detailed overview of the development of capital ratios for the years 2015 through 2018 can be found in Figure 6 below:

Figure 6: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2015	2016	2017	%	2018
Total Equity/ Total Assets	6,13	4,15	8,87	+0,43	9,30
Leverage Ratio	5,70	3,30	8,20	-0,50	7,70
Phased-in: Common Equity Tier 1 Ratio (CET1)	10,87	7,01	14,00	-0,50	13,50
Phased-in: Tier 1 Ratio (CET1 + AT1)	10,87	7,01	15,00	-0,50	14,50
Phased-in: Total Capital Ratio (CET1 + AT1 + T2)	12,29	8,07	15,60	+0,30	15,90
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	10,03	5,50	13,90	-0,40	13,50
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	10,03	5,50	14,90	-0,40	14,50
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	10,23	5,72	15,20	+0,60	15,80
Change in %Points					

Figure 7: Boxplot presentations | Source: eValueRate / CRA



Due to CGD's bank capital and debt structure, the Group's preferred senior unsecured debt instruments have not been notched down in comparison to the long-term issuer rating. Due to the seniority structure, CGD's non-preferred senior unsecured debt has been notched down by one notch. However, CGD's Tier 2 capital rating is three notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 capital is rated four notches below the long-term issuer rating, reflecting a high bail-in risk in the event of resolution.

Liquidity

CGD's liquidity situation is sufficient. The Group reveals a liquidity coverage ratio, which has sustainably improved in recent years and which is now clearly above the average of the peer group. CGD's LCR and NSFR comfortably exceed the regulatory requirements.

The Bank's interbank ratio is distinctly above the average of its competitors, and increased as a result of the decline in CGD's deposits from banks. The Bank's net loans to deposits ratio at 81.5% is below the peer-group average. Thus, the amount of the Bank's deposits are currently more than sufficient to fund its customer loans.

A detailed overview of the development of liquidity for the years of 2015 through 2018 can be found in Figure 8 below.

Figure 8: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2015	2016	2017	%	2018
Net Loans/ Deposits (LTD)	89,56	90,56	86,84	-5,36	81,48
Interbank Ratio	73,84	55,48	74,91	+49,79	124,71
Liquidity Coverage Ratio	143,10	175,60	208,90	+25,70	234,60
Customer Deposits / Total Funding (excl. Derivates)	78,98	79,21	75,83	+3,38	79,21
Net Stable Funding Ratio (NSFR)	135,90	134,10	139,40	+9,50	148,90
Change in %Points					

Conclusion

Overall, CGD accomplished a turnaround in its performance in 2018. Profitability and capitalization reached sufficient levels after the recent difficult and tumultuous years; however, the Bank still struggles with regard to its asset quality.

Despite the low-interest environment in Europe, CGD has reached a very sound level of profitability, not least because of the economic upturn in its core market Portugal. With a net profit of 539 million in 2018, CGD achieved by far its best result in a decade, thereby overcoming a period of significant losses. This positive development is attributable to the Group's good progress in cost reductions and downsizing its exposure to non-performing assets. All of the Group's earnings figures are now above the peer-group average. According to the Group's third quarter 2019 report, CGD is able to maintain its current level of profitability, even net of some one-off effects related to the sale of some international operations.

The asset quality of CGD remains, despite recent improvements, unsatisfactory. The Group still struggles with a legacy of a relatively high number of non-performing assets. However, CGD is working on the reduction of its NPL's among others by write-downs or the sale of NPL portfolios. Its current target of an NPL ratio of below 7% can only be the first step in this regard. The Bank's relatively high reserves for the NPL mitigates this partially. Moreover, the Group's high risk-weighted assets ratio shows a relatively high risk appetite on the part of the Bank.

On the liabilities side, CGD has stabilized the amount of customer deposits after years of reductions. The Bank's funding is characterized by its relatively high amount of deposits. CGD's uses covered bonds (€3 billion) and unsecured funding to a significantly lesser extent. The finalization of the recapitalization plan through capital injections by the Portuguese State enabled CGD to reach a satisfactory capital position. In addition, the Bank recently successfully issued its first non-preferred senior unsecured bond (€ 500 million) with exclusively institutional investors to meet its MREL requirements. According to the Bank's third quarter 2019 report, CGD has even been able to improve its CET1 ratio to 15.6%.

In general, we see a high dependency of CGD on the well-being of its core market Portugal, especially after the ongoing disposal of some subsidiaries abroad. In addition, we see a close relationship between CGD and its sole shareholder Portugal (CRA rating: BBB from 16.09.2019). However, CGD benefits from this close relationship. It remains to be seen to what extend the Group will benefit from its discontinued operations abroad.

Outlook

We consider the outlook of CGD's long-term issuer rating and its bank capital and debt instruments to be stable. This reflects our view that CGD's is likely to maintain its regained level of profitability in the upcoming years, while benefitting from the stability of its sole shareholder the Portuguese State.

In addition, we assume a stable political and economic environment in the markets in which CGD operates.

Scenario Analysis

In a scenario analysis, CGD's rating developed slightly better in the "best-case" scenario and substantially worse in the "worst-case" scenario. The ratings of bank capital and unsecured debt would behave similarly, based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade CGD's long-term issuer credit rating and its bank capital and debt instruments if we see the Group showing sustainable and sound profitability figures and an increased capital position, while maintain its close relationship to the Portuguese State.

By contrast, a downgrade of CGD's long-term issuer credit rating and its bank capital and debt instruments is likely if the Portuguese State disengages from its close relationship to CGD. In addition, a deterioration of the Group's profitability, difficulties with regard to the reduction of the non-performing loans, as well as a deterioration of its capitalization might lead to a downgrade as well.

Appendix

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **BBB / stable / L3**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred Senior Unsecured Debt (PSU): **BBB**
Non-preferred Senior Unsecured Debt (NPS): **BBB-**
Tier 2 (T2): **BB**
Additional Tier 1 (AT1): **BB-**

Ratings Detail and History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 9: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	29.11.2019	BBB / stable / L3
Bank Capital and Debt Instruments	**Rating Date**	**Result**
PSU / NPS / T2 / AT1 (Initial)	29.11.2019	BBB / BBB- / BB / BB-

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating.

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA. Subject to a peer group analysis were 48 competing institutes.

The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for bank ratings, the methodology for the rating of bank capital and unsecured debt instruments as well as the methodology for government related banks in conjunction with Creditreform`s basic document "Rating Criteria and Definitions".

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document "Rating Criteria and Definitions" is published on the following homepage:

www.creditreform-rating.de/de/regulatory-requirements/.

On 29 November 2019, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Caixa Geral de Depositos S.A. (Group), and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Aggregated data base by eValueRate
2. Annual Report and interim reports
3. Investors relations information and other publications
4. Website of the rated bank

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The "Basic data" information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In case where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings are explained in mentioned methodologies and / or in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic data" card as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data" information card.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

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