

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Portuguese Republic

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A
Outlook:	Stable
Local Currency Long-term Issuer Rating:	A
Outlook:	Stable

Rationale

- (1) The ratings are supported by the country's diversified and developed economic base, progress on structural reforms and the solid EU and euro-area support mechanism it enjoys. On the other hand, they remain constrained by the country's still high levels of government debt and net external debt. The rating outlook is Stable. Before the outbreak of the COVID-19 pandemic, the government had made good progress on structural reforms involving the labor market, social security system and fiscal consolidation. While the economy suffered a heavy setback in 2020 due to the impact of the pandemic, it recovered in 2021 through the normalization of economic activities and the effect of a government economic measures, and utilization of the EU recovery fund. The Socialist Party, led by Prime Minister Antonio Costa, ensured political stability by winning more than a majority of parliamentary seats in the general election called ahead of schedule at the end of January 2022 following the rejection of its budget bill. JCR deems that the economy will continue domestic demand-led growth leveraging massive investment through utilization of the EU recovery fund and make steady progress on fiscal consolidation.
- (2) Portugal is an advanced economy, with its nominal GDP totaling approximately USD230 billion and GDP per capita (in ppp terms) exceeding USD34,000 in 2020. Its income level is high among the sovereigns rated in the A range by JCR. After a historic downturn caused by the pandemic (an 8.4% contraction in real GDP terms in 2020), the economy recovered in 2021 with a growth close to 5%, driven by private consumption and investment. In the medium term, the economy is projected to keep growing at around 3% on domestic demand through utilization of the EU recovery fund. If the country effectively invests in strengthening economic and social resilience, green and digital transitions, it will be able to further raise its long-term growth potential.
- (3) The country's financial system stays stable. The NPL ratio in the banking sector fell from 6.2% at the end of 2019 to 4.0% at the end of September 2021. Loans still subject to the moratorium are small in volume and their impact after the end of the moratorium is seen only limited. Banks are expected to keep reinforcing their capital base. On the external front, the net external liabilities (IIP)/GDP ratio stood high at about 100% at the end of September 2021. However, the ratio is expected to decline gradually as the current account stays generally balanced.
- (4) The government had made progress on fiscal consolidation until 2019 thanks to the steady economic growth, primary balance surpluses and reduced interest payment costs. In 2020, however, the general government budget balance/GDP ratio turned into a deficit of 5.7% (a surplus of 0.1% in 2019) and the general government debt/GDP ratio widened to 135.2% (116.6% in 2019) due to the implementation of economic measures such as enhanced national health services and income compensation in response to the pandemic. In 2021, the budget deficit/GDP ratio and the government debt/GDP ratio were seen to have fallen below 5% and 130%, respectively, on a recovery of the economy and the completion of the economic measures. The government plans to curb current expenditures again in 2022. JCR holds that fiscal consolidation will steadily progress in keeping with economic recovery.

Toshihiko Naito, Sakura Yamamoto

Rating

Issuer: Portuguese Republic

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A	Outlook:	Stable
Local Currency Long-term Issuer Rating:	A	Outlook:	Stable

Rating Assignment Date: February 17, 2022

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was not obtained from the rating stakeholder.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Portuguese Republic
Rating Publication Date:	February 24, 2022

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions

The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Informational and explanatory materials published by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
- B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer, some independent media, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as

JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Portuguese Republic	Issuer(Long-term)(FC)	January 19, 2000	AA	
Portuguese Republic	Issuer(Long-term)(FC)	May 15, 2001	AA	Stable
Portuguese Republic	Issuer(Long-term)(FC)	February 26, 2003	AA	Stable
Portuguese Republic	Issuer(Long-term)(FC)	March 18, 2004	AA	Stable
Portuguese Republic	Issuer(Long-term)(FC)	April 15, 2005	AA	Negative
Portuguese Republic	Issuer(Long-term)(FC)	October 11, 2006	AA-	Stable
Portuguese Republic	Issuer(Long-term)(FC)	April 24, 2009	AA-	Stable
Portuguese Republic	Issuer(Long-term)(FC)	September 24, 2010	AA-	Stable
Portuguese Republic	Issuer(Long-term)(FC)	April 7, 2011	#AA-	Negative
Portuguese Republic	Issuer(Long-term)(FC)	January 19, 2012	A	Negative
Portuguese Republic	Issuer(Long-term)(FC)	March 15, 2013	A	Negative
Portuguese Republic	Issuer(Long-term)(FC)	June 2, 2014	A	Stable
Portuguese Republic	Issuer(Long-term)(FC)	August 5, 2015	A	Stable
Portuguese Republic	Issuer(Long-term)(FC)	November 15, 2016	A	Stable
Portuguese Republic	Issuer(Long-term)(FC)	February 26, 2018	A	Stable
Portuguese Republic	Issuer(Long-term)(FC)	June 21, 2019	A	Stable
Portuguese Republic	Issuer(Long-term)(FC)	October 6, 2020	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	May 15, 2001	AA	Stable
Portuguese Republic	Issuer(Long-term)(LC)	February 26, 2003	AA	Stable
Portuguese Republic	Issuer(Long-term)(LC)	March 18, 2004	AA	Stable
Portuguese Republic	Issuer(Long-term)(LC)	April 15, 2005	AA	Negative
Portuguese Republic	Issuer(Long-term)(LC)	October 11, 2006	AA-	Stable
Portuguese Republic	Issuer(Long-term)(LC)	April 24, 2009	AA-	Stable
Portuguese Republic	Issuer(Long-term)(LC)	September 24, 2010	AA-	Stable
Portuguese Republic	Issuer(Long-term)(LC)	April 7, 2011	#AA-	Negative
Portuguese Republic	Issuer(Long-term)(LC)	January 19, 2012	A	Negative
Portuguese Republic	Issuer(Long-term)(LC)	March 15, 2013	A	Negative
Portuguese Republic	Issuer(Long-term)(LC)	June 2, 2014	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	August 5, 2015	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	November 15, 2016	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	February 26, 2018	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	June 21, 2019	A	Stable
Portuguese Republic	Issuer(Long-term)(LC)	October 6, 2020	A	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito
General Manager of International Rating Department

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