

4. Credit risk

4.1. DEFINITIONS AND POLICIES FOR LOSSES AND PROVISIONING ASSESSMENT

Credit risk is associated with the potential losses and with the uncertainty concerning the expected returns due to the failure of the borrower – and of its guarantor, if there is one – or of the issuer of a security or of the counterparty of a contract in complying with their duties.

Past due loans, for accounting purposes, correspond to the global value of the credits and instalments due and not collected associated to credit agreements recognised in the balance sheet in any form whatsoever. Thus, all the credits (capital) that have not been settled 30 days after their maturity date are accounted in past due loans.

This framework also includes the capital instalments contractually foreseen for future periods but that, due to the non-payment of one of the instalments (of capital or of interests) may, in accordance with the law, be considered due and there are doubts on whether they will be paid.

A loan, including its components of principal, interest and expenses, is considered to be “non performing” whenever a previously established limit has been exceeded, whenever a contractual covenant has been breached or when an overdraft situation has occurred (with no previous approval and after its liquidation has been requested to the debtor). Materiality thresholds per client segment are defined for the monitoring of credit risk.

Since January 1, 2018, the credit impairment calculation process incorporates the general principles defined by IFRS 9 and the guidelines issued by Banco de Portugal through Circular Letter 2018/00000062.

For the purpose of impairment calculation, the expected losses of operations are determined according to the stage in which they are classified, according to the following criteria:

<i>Stage 1</i>	Contracts whose credit risk has not increased significantly since its initial recognition (except POCI) ³ .
<i>Stage 2</i>	Contracts whose credit risk increased significantly from its initial recognition, but for which there is no objective evidence of impairment.
<i>Stage 3</i>	Contracts with objective signs of impairment.

The following situations are considered ‘objective signs of impairment’:

- i. Clients that are ‘in default’ (i.e., with an internal risk grade of 15 in the Bank’s Masterscale);
- ii. Financial distress recognised in accordance to the answers provided by clients to a specific questionnaire to analyse signs of financial distress;
- iii. 90-days past due loans, whenever these represent more than 20% of the global (on-balance) debt of a given debtor;
- iv. 90-days past due loans in one or more contracts, for which the overall amount exceeds 500 euros, for non-Retail clients;
- v. 90-days past due loans in one or more contracts, for which the overall amount exceeds 200 euros, for Retail clients;
- vi. Contracts restructured due to clients’ financial distress, past due for more than 30 days, when the past-due amount is greater than 200 euros.

Clients representing high risk and exposure for which objective signs of impairment exist (Stage 3) are submitted to individual impairment analysis.

³ POCI: Purchased or Originated Credit Impaired; financial assets with objective evidence of impairment at the time of initial recognition.

That individual analysis in a regular process for the allocation of a recovery expectation concerning all of the exposures, as well as of a term expected for the recovery. The impairment amount for each client is based, essentially, in the prospects of repayment and repayment term, concerning monetary, financial or physical assets. This periodic process is based on the elements that are relevant for the impairment assessment, namely:

- Financial and economic data, based on the Client's most recent accounting statements;
- Qualitative data that characterise the Client's situation in what concerns the economic viability of the business;
- Projected cash-flows for clients that are analysed in a 'going concern' perspective;
- Creditworthiness track-record of the Client within the Bank and the financial system.

Collateral and guarantees data is of particular importance, especially in real estate companies and in cases for which economic viability is reduced ("gone concern" approach).

The Bank has a conservative approach towards the treatment of collateral, materialised in the use of haircuts, aiming at incorporating the assets' devaluation risk, the costs inherent to their selling and the maintenance costs and term that occur until the sale.

For each client, impairment is calculated as the difference between the respective exposure and the total of expected cash-flows for the various operations, discounted at the effective interest rate of each operation.

The credits that are not subject to individual impairment analysis are grouped, taking into consideration their risk features and impairment assessed is based on homogeneous populations (collective analysis), defined in accordance to the risk grade and the segment of clients.

For these cases, the following main parameters are used for impairment assessment:

- PD: Probability of Default ('1-year' for credits in Stage 1, 'lifetime' for credits in Stage 2);
- LGD: Loss Given Default;
- CCF: Credit Conversion Factor applicable to the undrawn off-balance amount.

These parameters are estimated through statistical internal models, including macro-economic adjustments in a forward looking perspective. Those models are updated annually and submitted for appreciation to the Models' Validation and Monitoring Office.

The results of the impairment assessment process are duly registered in accounting terms. In accordance with Banco de Portugal's regulatory letter no. 15/2009, the accounting cancellation of credits should be effected when there are no realistic recovery prospects from an economic perspective and, for collateralised credits, when the funds coming from the use of the collaterals have already been received, by the use of impairment losses when these correspond to 100% of the value of the credits deemed as impossible to recover. Hence, when a credit reaches an impairment of 100%, its classification as unrecoverable should be envisaged. However, even if a loan impairment has not reached 100%, it still may be classified as unrecoverable if there are no recovery expectations. It is important to point out that all procedures and methodologies described are defined through internal regulations approved by top management and dedicated to the impairment process, as well as to credit granting, monitoring and recovery and to the treatment of non-performing credit.

On each balance date, an evaluation of the objective evidence of impairment is made. A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment, resulting of one or more events that occurred after its initial recognition, such as: (i) for listed securities, a continued or significant price devaluation, and (ii) for unlisted securities, when that event (or events) has an impact in the financial asset, or group of financial assets, estimated future cash flow value that can be reasonably estimated. According to the Group's policies, 30% of devaluation of the fair value of an debt instrument is considered a significant devaluation and the one year period is assumed as a continued devaluation of the fair value below acquisition cost.

If impairment is detected in a debt instrument classified as financial asset at fair value through other comprehensive income, the accumulated loss (measured as the difference between the acquisition cost and the fair value, excluding impairment losses previously recognised against results) is allocated to fair value changes and recognised in the results. If, in a subsequent period, the fair value of the debt instruments classified as financial assets at fair value through other comprehensive income increases and that increase may be objectively related with an event that occurred after the recognition of the impairment loss in the results, the impairment loss is reverted against results.

Finally, provisions are recognised when (i) the Group has a current liability (legal or deriving from practices or policies that imply the recognition of certain liabilities), (ii) it is likely that its payment is demanded and (iii) when a reliable estimation of the value of that liability can be made.

In cases where the discount effect is material, provisions are recorded, corresponding to the present value of expected future payments, discounted at a rate that reflects the risk associated with the liability.

The provisions are reviewed in the end of each reporting date and adjusted to show the better estimation, being reverted to results in the same proportion as unlikely payments. The provisions are derecognised by using them to pay the liabilities for which they have initially been made for or when the same are no longer required.

The conciliation of the general and specific credit risk adjustments, concerning exposures subject to impairment, is presented in Table 12.

TABLE 12 – TEMPLATE 16 / EU CR2-A – CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

31/12/2018			(Thousand euros)
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment	
OPENING BALANCE IN 1 JULY	3 033 290	282 944	
Increases due to amounts set aside for estimated loan losses during the period	339 664	51 234	
Decreases due to amounts reversed for estimated loan losses during the period	-38 010	-10 675	
Decreases due to amounts taken against accumulated credit risk adjustments	-719 031	-38 920	
Transfers between credit risk adjustments			
Impact of exchange rate differences			
Business combinations, including acquisitions and disposals of subsidiaries			
Other adjustments	-152	12	
CLOSING BALANCE IN 31 DECEMBER	2 615 761	284 594	
Recoveries on credit risk adjustments recorded directly to the statement of profit and loss	-13 210		
Specific credit risk adjustments directly recorded to the statement of profit and loss			

30/06/2018			(Thousand euros)
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment	
OPENING BALANCE IN 1 JANUARY	3 208 675	357 116	
Increases due to amounts set aside for estimated loan losses during the period	345 129	44 499	
Decreases due to amounts reversed for estimated loan losses during the period	-87 233	-116 847	
Decreases due to amounts taken against accumulated credit risk adjustments	-433 433	-1 812	
Transfers between credit risk adjustments			
Impact of exchange rate differences			
Business combinations, including acquisitions and disposals of subsidiaries			
Other adjustments	152	-12	
CLOSING BALANCE IN 30 JUNE	3 033 290	282 944	
Recoveries on credit risk adjustments recorded directly to the statement of profit and loss	-6 639		
Specific credit risk adjustments directly recorded to the statement of profit and loss			

The changes in the stock of defaulted and impaired loans and debt securities is shown in table 13.

TABLE 13 – TEMPLATE 17 / EU CR2-B - CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

(Milhares de euros)

	Gross carrying value of defaulted exposures	
	Dec 18	Jun 18
OPENING BALANCE ^(*)	6 709 649	7 809 602
Loans and debt securities that have defaulted or impaired since the last reporting period	389 458	345 548
Returned to non-defaulted status	-332 062	-297 267
Amounts written off	-349 761	-259 499
Other changes	-775 601	-888 736
CLOSING BALANCE ^(**)	5 641 684	6 709 649

(*) 31/12/2017 for Jun 2018; 30/06/2018 for Dec 2018

(**) 30/06/2018 for Jun 2018; 31/12/2018 for Dec 2018

4.2. CREDIT QUALITY

The following tables present the breakdown of both on-balance and off-balance sheet items' credit quality.

TABLE 14 - TEMPLATE 11 / EU CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

31/12/2018 (Thousand euros)

	a		b	c	d	e	f	g
	Gross carrying values			Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures						
Corporates	3 471 839	13 609 099			2 101 965			14 978 972
Retail	1 585 539	28 281 845			504 511			29 362 874
Equity		1 570 347			82 142			1 488 206
TOTAL IRB APPROACH	5 057 378	43 461 292			2 688 618			45 830 052
Central Governments or Central Banks		15 178 987			1 329			15 177 658
Regional Governments or Local Authorities		806 871			1 236			805 634
Public Setor Entities		144 656			1 614			143 042
Multilateral Development Banks		19 139						19 139
International Organisations								
Institutions		2 737 985			2 112			2 735 873
Corporates		8 660 707			55 115			8 605 592
Retail		3 172 068			35 223			3 136 846
Secured by mortgages on immovable property		1 220 270			23 798			1 196 472
Exposures in default	787 394				291 614			495 780
Items associated with particularly high risk								
Covered bonds								

Claims on institutions and corporates with a short-term credit assessment				
Collective Investments Undertakings		157 476		157 476
Equity exposures		29 457		29 457
Other exposures				
TOTAL STANDARDISED APPROACH	787 394	32 127 617	412 041	32 502 970
TOTAL	5 844 772	75 588 908	3 100 659	78 333 022

30/06/2018

(Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Corporates	4 173 731	13 154 001		2 329 435			14 998 297
Retail	1 992 730	27 636 689		672 289			28 957 130
Equity		1 701 822		58 571			1 643 252
TOTAL IRB APPROACH	6 166 461	42 492 512		3 060 294			45 598 679
Central Governments or Central Banks		13 586 168		4 095			13 582 073
Regional Governments or Local Authorities		833 060		1 642			831 418
Public Sector Entities		212 932		1 902			211 030
Multilateral Development Banks		18 486					18 486
International Organisations							
Institutions		2 685 840		1 782			2 684 057
Corporates		8 029 481		46 693			7 982 788
Retail		2 750 240		32 143			2 718 097
Secured by mortgages on immovable property		966 041		24 594			941 447
Exposures in default	807 067			282 735			524 332
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short-term credit assessment							
Collective Investments Undertakings		22 652					22 652
Equity exposures		22 074					22 074
Other exposures							
TOTAL STANDARDISED APPROACH	807 067	29 126 972		395 586			29 538 453
TOTAL	6 973 528	71 619 485		3 455 880			75 137 132

TABLE 15 - TEMPLATE 12 / EU CR1-B – CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

31/12/2018		(Milhares de euros)					
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Mortgage credit	1 087 206	22 404 973		226 960			23 265 219
Services	536 642	6 752 784		330 526			6 958 900
Consumer credit	1 709 848	10 598 551		1 174 725			11 133 674
Construction	1 066 224	1 648 302		498 514			2 216 013
Other activities - national	690 022	21 428 193		358 621			21 759 595
Other activities - international		264		1			263
Wholesale business	102 154	1 702 243		69 771			1 734 627
Other	652 674	9 296 318		359 400			9 589 592
TOTAL	5 844 772	73 831 628		3 018 517			76 657 883

30/06/2018		(Milhares de euros)					
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Mortgage credit	1 332 820	21 997 319		264 073			23 066 065
Services	660 980	6 230 600		418 244			6 473 336
Consumer credit	2 256 427	9 900 626		1 388 388			10 768 664
Construction	1 305 295	2 018 568		582 847			2 741 016
Other activities - national	483 584	15 269 561		227 566			15 525 578
Other activities - international	0	6 347		63			6 284
Wholesale business	139 722	2 580 753		86 266			2 634 209
Other	814 643	11 778 644		429 863			12 163 423
TOTAL	6 993 469	69 782 416		3 397 310			73 378 575

TABLE 16 - TEMPLATE 13 / EU CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

31/12/2018		(Thousand euros)					
	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Portugal	5 025 057	50 993 495		2 558 225			53 460 328
Poland	657 957	20 109 223		371 851			20 395 330
Mozambique and other	161 758	2 728 910		88 442			2 802 226
TOTAL	5 844 772	73 831 628		3 018 517			76 657 883

30/06/2018

(Thousand euros)

	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Portugal	6 150 487	49 222 244		2 943 853			52 428 877
Poland	690 116	17 910 329		376 070			18 224 375
Mozambique and other	152 866	2 649 843		77 387			2 725 322
TOTAL	6 993 469	69 782 416		3 397 310			73 378 575

TABLE 17 - TEMPLATE 14 / EU CR1-D – AGEING OF PAST-DUE EXPOSURES

31/12/2018

(Thousand euros)

	Gross carrying values					
	=< 30 d	> 30 d =< 60 d	> 60 d =< 90 d	> 90 d =< 180 d	> 90 d =< 1 Y	> 1 Y
Loans	1 011 111	191 070	71 509	182 984	385 595	2 351 425
Debt securities						59 075
TOTAL EXPOSURES	1 011 111	191 070	71 509	182 984	385 595	2 410 500

30/06/2018

(Thousand de euros)

	Gross carrying values					
	=< 30 d	> 30 d =< 60 d	> 60 d =< 90 d	> 90 d =< 180 d	> 90 d =< 1 Y	> 1 Y
Loans	1 164 804	200 141	142 648	218 180	432 014	3 119 772
Debt securities						59 075
TOTAL EXPOSURES	1 164 804	200 141	142 648	218 180	432 014	3 178 847

TABLE 18 - TEMPLATE 15 / EU CR1-E – NON-PERFORMING AND FORBONE EXPOSURES

31/12/2018 (Milhares de euros)

	Gross carrying amount of performing and non-performing exposures						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral and financial guarantees received	
		Of which performing but past due > 30 days and =< 90 days	Of which performing forbone	of which non-performing			On performing exposures		On non-performing exposures		On non-performing exposures	Of which forbone exposures
				of which defaulted	of which impaired	of which forbone		of which forbone		of which forbone		
Debt securities	18 842 884			175 573	151 426	92 156	-4 935		-108 394		122	
Loans and advances	52 183 644	89 010	960 580	5 548 123	5 210 551	5 519 331	-277 913	-22 335	-2 585 473	-1 462 647	2 471 417	2 149 561
Off-balance-sheet exposures	12 941 099		3 648	640 561	590 147	819	17 239	388	170 471	166	227 540	

30/06/2018 (Milhares de euros)

	Gross carrying amount of performing and non-performing exposures						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral and financial guarantees received	
		Of which performing but past due > 30 days and =< 90 days	Of which performing forbone	of which non-performing			On performing exposures		On non-performing exposures		On non-performing exposures	Of which forbone exposures
				of which defaulted	of which impaired	of which forbone		of which forbone		of which forbone		
Debt securities	17 006 065			175 711	151 568	92 249	-6 538		-108 530		124	
Loans and advances	51 240 118	107 127	960 580	6 666 205	6 312 570	6 506 142	-265 350	-22 335	-3 013 935	-1 462 647	3 129 619	2 149 561
Off-balance-sheet exposures	12 477 320		3 648	676 625	633 026	819	20 580	389	126 986	166	274 022	

4.3. CONCENTRATION RISK MANAGEMENT

The Group's policy relating to the identification, measurement and evaluation of the concentration risk in credit risk is defined and described in the document "*Credit Principles and Guidelines*", approved by the Bank's management body. This policy applies to all Group entities by the transposition of the respective definitions and requirements into the internal rulings of each entity. Through the document mentioned above, the Group defined the following guidelines relating to the control and management of credit concentration risk.

The monitoring of the concentration risk and the follow-up of major risks is made, at Group level, based on the concept of "Economic Groups" and "Customer Groups" - sets of connected Customers (individual persons or companies), which represent a single entity from a credit risk perspective, such that if one of them is affected by financial problems, one or all of the others, will probably face difficulties to fulfil their debtor obligations. The Customer connections that originate a Customer group include the formal participation on the same economic group, the evidence that a direct or indirect control relationship exists, including the control by an individual Customer (criteria of capacity of control) of a company or the existence of a strong commercial interdependency or common sources of funding that cannot be replaced on a short term (criteria of economic dependency). The identification of connected clients is an integral part of the credit granting and monitoring processes of each entity.

For the control of credit concentration risk and limit the exposure to this risk, there are limits defined for:

- 1) Corporate single-name exposures (Large exposures);
- 2) Exposures to sovereign risks;
- 3) Exposures to Institutions (banks/financial institutions);
- 4) Exposure to sectors of activity;
- 5) Geographic concentration (country risk).

These limits apply to the 'Net exposures' at stake^(*), relating either to a counterparty or a group of counterparties – cases for 1), 2) and 3) – or to the set of exposures to an activity sector or to a country (the counterparty country of residence) – cases for 4) and 5). The measurement of geographic concentration excludes the countries in which the Group operates (Portugal, Poland and Mozambique).

Except for case 4), the concentration limits are established by taking into consideration the credit worthiness of the debtors at stake in what concerns their rating grades/probability of Default (PD) (internal or external ratings; country rating in the case of geographic concentration).

The concentration limits for Corporate single-name exposures apply only to non-NPE positions, since the NPE positions are covered by the NPE reduction Plan.

The limits for single-name concentration are presented in the following table, which indicates the single-name limit established (for any given Customer/Group of Customers), as the Net Exposure weight on the consolidated Own Funds.

TABLE 19 – LIMITS FOR SINGLE NAME CONCENTRATION

Risk quality	Risk grade	Max Net exposure as a % of COF
High quality	1 – 5	8.0%
Average/good quality	6 – 7	6.0%
Average low/quality	8 – 9	4.0%
Low quality	10 – 11	1.0%
Restricted credit	12 or worse	0.5%

As at 31 of December 2018 there were 3 Economic Groups with net exposure above the limits approved for the respective risk grade, which compares with 4 Customers by the end of 2017. For each Client with exposure excess a specific plan is prepared, aiming at reducing the exposure and bringing it within the established limits.

^(*) Net exposure = EAD x LGD, assuming that PD=1 and considering LGD=45% whenever own estimates for LGD do not exist.

It should also be referred that the measurement of this concentration type is also done within the Group RAS (Risk Appetite Statement) scope.

The following table presents the concentration limits to Sovereigns, Institutions, activity sectors and geographies, as well as the measurements of these concentrations as at 31st of December 2017:

TABLE 20 – OTHER CONCENTRATION LIMITS

Counterparties	Limit (% of COF)	Net exposure % weight
Sovereigns	Very low risk 25%; low risk 10%; average (or lower quality) risk 7.5%	Sovereign 1: 3.8% (very low risk) Sovereign 2: 0.4% (low risk) Sovereign 3: 0.01% (low risk) Sovereign 4: 0.01% (very low risk)
Institutions	Very low risk 10%; low risk 5%; average (or lower quality) risk 2.5%	Institution 1 (very low risk): 2.7%; Institution 2 (average or lower quality risk): 2.0%; Institution 3 (low risk): 0.7%; Institution 4: 0.7%; Institution 5: 0.6%; Institution 6: 0.6%; Institution 7: 0.6%; Institution 8: 0.5%; Institution 9: 0.5%; Institution 10: 0.5%; Institution 11: 0.4%; Institution 12: 0.3%; Institution 13: 0.3%; Institution 14: 0.3%; Institution 15: 0.3%; Institution 16: 0.2%; Institution 17: 0.2%; Institution 18: 0.2%; Institution 19: 0.2%; Institution 20: 0.2%
Countries	Very low risk 40%; low risk 20%; average (or lower quality) risk 10%	Country 1 (very low risk): 4.9%; Country 2 (very low risk): 2.7%; Country 3 (very low risk): 2.6%; Country 4 (average or lower quality risk): 2.5%; Country 5 (very low risk): 2.3%; Country 6 (very low risk): 1.8%; Country 7 (very low risk): 1.5%; Country 8: 1.3%; Country 9: 0.8%; Country 10: 0.6%; Country 11: 0.5%; Country 12: 0.3%; Country 13: 0.2%; Country 14: 0.2%; Country 15: 0.2%
Sectors of activity	Any sector: 40%	PORTUGAL: Other corporate services 28.4% Other activities 19.2% Construction 17.9% Financial and insurance activities 16.2% Wholesale and retail trade; repair of motor vehicles and motorcycles 16.2% POLAND: Wholesale and retail trade; repair of motor vehicles and motorcycles 25.2% Transporting and storage 12.1% Financial and insurance activities 10.5%

Very low risk: RG 1-3 ; Low risk: RG 4-6 ; Average or lower quality risk: 7-12 (RG= internal risk grade); COF = Consolidated Own Funds.

The Bank's management body and the Risk Assessment Committee are regularly informed on the evolution of the credit concentration risk metrics (against the mentioned limits) and on major risks, which are assessed by measuring the weights of the net exposure values in question in terms of the consolidated Own Funds level. For such measurements, the Risk Office uses a database on credit exposures (the Risk Office Datamart), monthly updated by the Group's systems, which also feeds a simulation tool for supporting the analysis of the impact on changes on the Customers exposures in the consumption of the respective concentration limits, used by the Credit Division within the scope of credit analysis for large clients.

4.4. CHARACTERISATION OF THE EXPOSURES

The exposures taken into consideration for the calculation of the own funds requirements for credit risk comprise the Banking Book exposures registered in the consolidated balance sheet and in off-balance sheet accounts related, namely, with loans and advances to customers, other loans and advances to credit institutions, investments in financial instruments, the ownership of other assets, the guarantees and commitments assumed and hedging derivatives. These exposures do not include those handled within the scope of the trading portfolio, but the ones related to securitisation are considered.

The total exposures net of impairments and amortisations attained a value of 78,333 million euros, as at 31 December 2018, and 72,574million euros as at 31 December 2017. Table 21 presents the breakdown of these amounts by risk classes and approaches defined by the CRD IV/CRR.

TABLE 21 – TEMPLATE 7 / EU CRB-B – TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

31/12/2018

(Thousand euros)

	Net value of exposures at the end of the period	Average net exposures over the period
Central Governments or Central Banks		
Institutions		
Corporates	14 978 972	15 043 233
Of which: Specialised lending	1 397 315	1 487 673
Retail	29 362 874	29 492 418
Equity	1 488 206	741 661
TOTAL IRB APPROACH	45 830 052	45 277 312
Central Governments or Central Banks	15 177 658	12 655 452
Regional Governments or Local Authorities	805 634	784 913
Public Sector Entities	143 042	360 854
Multilateral Development Banks	19 139	18 979
Institutions	2 735 873	2 886 780
Corporates	8 605 592	7 875 016
Retail	3 136 846	2 589 867
Secured by mortgages on immovable property	1 196 472	953 923
Exposures in default	495 780	550 472
Collective Investments Undertakings	157 476	147 840
Equity exposures	29 457	22 270
TOTAL STANDARDISED APPROACH	32 502 970	28 846 366
TOTAL	78 333 022	74 123 679

31/12/2017

(Thousand euros)

	Net value of exposures at the end of the period	Average net exposures over the period
Central Governments or Central Banks		
Institutions		
Corporates	15 585 776	15 066 107
Of which: Specialised lending	1 510 638	1 541 953
Retail	29 362 874	29 492 418
Equity	28 956 944	29 104 710
TOTAL IRB APPROACH	44 995 376	44 621 610
Central Governments or Central Banks	11 347 805	11 632 548
Regional Governments or Local Authorities	743 984	770 801
Public Sector Entities	347 066	520 582
Multilateral Development Banks	19 432	18 952
Institutions	2 914 255	3 119 068
Corporates	8 110 886	7 504 328
Retail	2 499 634	2 347 194
Secured by mortgages on immovable property	962 577	871 700
Exposures in default	600 671	587 720
Items associated with particularly high risk		273 490
Collective Investments Undertakings	21 139	202 095
Equity exposures	11 480	21 356
TOTAL STANDARDISED APPROACH	27 578 929	27 869 832
TOTAL	72 574 305	72 491 442

The geographical distribution of the Group's original risk positions at the end of 2017 and 2016 is provided in Table 22.

TABLE 22 – TEMPLATE 8 / EU CRB-C - GEOGRAPHICAL BREAKDOWN OF EXPOSURES

31/12/2018	(Thousand euros)			
	Portugal	Poland	Other	Total
Central Governments or Central Banks				
Institutions				
Corporates	14 075 183	4 036	899 753	14 978 972
Retail	21 302 601	6 443 836	1 616 437	29 362 874
Equity	1 466 313	21 892		1 488 206
TOTAL IRB APPROACH	36 844 097	6 469 764	2 516 190	45 830 052
Central Governments or Central Banks	8 029 614	5 547 562	1 600 483	15 177 658
Regional Governments or Local Authorities	725 060	80 574	0	805 634
Public Sector Entities	105	24 675	118 263	143 042
Multilateral Development Banks			19 139	19 139
Institutions	1 006 822	58 578	1 670 474	2 735 873
Corporates	3 731 695	4 194 989	678 908	8 605 592
Retail	303 633	2 597 449	235 764	3 136 846
Secured by mortgages on immovable property	74 658	749 829	371 985	1 196 472
Exposures in default	121 243	269 432	105 104	495 780
Collective Investment Undertakings	157 474		2	157 476
Equity exposures			29 457	29 457
TOTAL STANDARDISED APPROACH	14 150 304	13 523 087	4 829 578	32 502 970
TOTAL	50 994 401	19 992 852	7 345 769	78 333 022

31/12/2017	(Thousand euros)			
	Portugal	Poland	Other	Total
Central Governments or Central Banks				
Institutions				
Corporates	14 568 895	3 474	1 013 406	15 585 776
Retail	20 911 484	6 585 238	1 460 223	28 956 944
Equity	421 625	7 927	23 104	452 656
TOTAL IRB APPROACH	35 902 004	6 596 639	2 496 733	44 995 376
Central Governments or Central Banks	4 963 896	4 865 568	1 518 342	11 347 805
Regional Governments or Local Authorities	654 971	88 872	141	743 984
Public Sector Entities	192 167	18 330	136 569	347 066
Multilateral Development Banks		19 432		19 432
Institutions	1 104 001	398 724	1 411 529	2 914 255
Corporates	3 567 281	3 671 493	872 112	8 110 886
Retail	233 891	2 056 185	209 559	2 499 634
Secured by mortgages on immovable property	55 609	652 382	254 586	962 577
Exposures in default	130 461	317 893	152 316	600 671
Collective Investment Undertakings	21 139			21 139
Equity exposures	11 162		319	11 480
TOTAL STANDARDISED APPROACH	10 934 578	12 088 879	4 555 473	27 578 929
TOTAL	46 836 582	18 685 517	7 052 205	72 574 305

The sectoral distribution of the Group's original risk positions at the end of 2018 and 2017 is provided in Table 23.

TABLE 23 – TEMPLATE 9 / EU CRB-D - CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

31/12/2018	(Thousand euros)								
	Mortgage credit	Services	Consumer credit	Construction	Other activities, national	Other activities, international	Wholesale business	Other	Total
Central Governments or Central Banks									
Institutions									
Corporates		5 963 323		1 695 435	743 630		942 239	5 634 345	14 978 972
Retail	23 241 202	314 111	4 363 588	221 881	200 185	15	203 004	818 888	29 362 874
Equity								1 488 206	1 488 206
TOTAL IRB APPROACH	23 241 202	6 277 434	4 363 588	1 917 316	943 815	15	1 145 243	7 941 439	45 830 052
Central Governments or Central Banks		2 301 577		3 900	11 879 336	180		992 665	15 177 658
Regional Governments or Local Authorities		2 699			794 728			8 208	805 634
Public Sector Entities		105			42 683		96 349	3 906	143 042
Multilateral Development Banks					19 139				19 139
International Organisations									
Institutions		2 074 155			661 718				2 735 873
Corporates		405 181		240 196	5 676 613	67	387 352	1 896 183	8 605 592
Retail		24 317	2 347 716	27 181	521 219	0	72 296	144 116	3 136 846
Secured by mortgages on immovable property	18 146	32 927	112 702	5 554	952 580		26 568	47 995	1 196 472
Exposures in default	5 872	15 280	134 894	21 865	267 763		6 819	43 286	495 780
Items associated with particularly high risk									
Covered bonds									
Claims on institutions and corporates with a short-term credit assessment									
Collective Investment Undertakings								157 476	157 476
Equity exposures								29 457	29 457
Other exposures									
TOTAL STANDARDISED APPROACH	24 018	4 856 240	2 595 312	298 697	20 815 780	247	589 384	3 323 292	32 502 970
TOTAL	23 265 219	11 133 674	6 958 900	2 216 013	21 759 595	263	1 734 627	11 264 731	78 333 022

31/12/2017

(Thousand euros)

	Mortgage credit	Services	Consumer credit	Construction	Other activities, national	Other activities, international	Wholesale business	Other	Total
Central Governments or Central Banks									
Institutions									
Corporates		5 906 473		2 097 926	1 054 058		954 627	5 572 692	15 585 776
Retail	23 066 347	274 631	4 377 310	166 764	178 546	13	195 654	697 680	28 956 944
Equity								452 656	452 656
TOTAL IRB APPROACH	23 066 347	6 181 104	4 377 310	2 264 690	1 232 603	13	1 150 281	6 723 027	44 995 376
Central Governments or Central Banks		1 137 400		6 296	9 494 992	204		708 913	11 347 805
Regional Governments or Local Authorities		4 120			731 440			8 425	743 984
Public Sector Entities		192 157			154 908				347 066
Multilateral Development Banks					19 432				19 432
International Organisations									
Institutions		2 181 186			733 069				2 914 255
Corporates		388 711		220 434	5 378 757	15	342 434	1 780 535	8 110 886
Retail		19 354	1 779 415	17 804	511 873	10	60 663	110 515	2 499 634
Secured by mortgages on immovable property	25 254	29 607	49 404	1 573	835 843		3 833	17 063	962 577
Exposures in default	9 111	16 221	125 458	35 689	379 735		5 930	28 527	600 671
Items associated with particularly high risk									
Covered bonds									
Claims on institutions and corporates with a short-term credit assessment									
Collective Investment Undertakings								21 139	21 139
Equity exposures								11 480	11 480
Other exposures									
TOTAL STANDARDISED APPROACH	34 365	3 968 756	1 954 276	281 796	18 240 048	229	412 860	2 686 598	27 578 929
TOTAL	23 100 712	10 149 860	6 331 587	2 546 486	19 472 652	242	1 563 141	9 409 625	72 574 305

The distribution of the Group's original risk positions by residual maturity term at the end of 2018 and 2017 is provided in Table 24.

TABLE 24 – TEMPLATE 10 / EU CRB-E - MATURITY OF EXPOSURES

31/12/2018					(Thousand euros)
	Term to maturity < 1 Y	1 Y < Term to maturity < 5 Y	5 Y < Term to maturity < 10 Y	Term to maturity > 10 Y	Total
Central Governments or Central Banks					
Institutions					
Corporates	6 916 617	3 006 487	3 004 406	2 051 462	14 978 972
Retail	1 989 594	3 483 270	2 279 202	21 610 807	29 362 874
Equity				1 488 206	1 488 206
TOTAL IRB APPROACH	8 906 211	6 489 757	5 283 609	25 150 474	45 830 052
Central Governments or Central Banks	3 587 047	8 273 046	3 059 200	258 366	15 177 658
Regional Governments or Local Authorities	179 026	135 682	461 070	29 857	805 634
Public Sector Entities	37 576	101 467	2 692	1 308	143 042
Multilateral Development Banks		19 139			19 139
International Organisations					
Institutions	1 658 326	435 168	626 765	15 614	2 735 873
Corporates	5 045 743	3 054 737	423 001	82 111	8 605 592
Retail	438 332	1 326 080	684 262	688 172	3 136 846
Secured by mortgages on immovable property	263 879	352 997	215 307	364 288	1 196 472
Exposures in default	273 987	134 026	52 245	35 522	495 780
Items associated with particularly high risk					
Covered bonds					
Claims on institutions and corporates with a short-term credit assessment					
Collective Investment Undertakings				157 476	157 476
Equity exposures				29 457	29 457
Other exposures					
TOTAL STANDARDISED APPROACH	11 483 916	13 832 340	5 524 543	1 662 171	32 502 970
TOTAL	20 390 127	20 322 098	10 808 152	26 812 645	78 333 022

31/12/2017					(Thousand euros)
	Term to maturity < 1 Y	1 Y < Term to maturity < 5 Y	5 Y < Term to maturity < 10 Y	Term to maturity > 10 Y	Total
Central Governments or Central Banks					
Institutions					
Corporates	7 209 939	3 530 115	2 930 818	1 914 903	15 585 776
Retail	1 876 121	3 072 284	2 230 794	21 777 746	28 956 944
Equity				452 656	452 656
TOTAL IRB APPROACH	9 086 060	6 602 399	5 161 611	24 145 305	44 995 376
Central Governments or Central Banks	5 067 486	3 882 606	2 150 538	247 175	11 347 805
Regional Governments or Local Authorities	135 460	126 668	199 271	282 585	743 984
Public Sector Entities	42 093	66 068	67 897	171 008	347 066
Multilateral Development Banks		19 432			19 432
International Organisations					
Institutions	1 617 165	456 925	807 888	32 277	2 914 255
Corporates	4 406 234	3 201 921	392 125	110 605	8 110 886
Retail	381 060	1 121 863	633 728	362 984	2 499 634
Secured by mortgages on immovable property	331 221	334 702	191 901	104 753	962 577
Exposures in default	276 927	219 221	70 342	34 181	600 671

Items associated with particularly high risk

Covered bonds					
Claims on institutions and corporates with a short-term credit assessment					
Collective Investment Undertakings				21 139	21 139
Equity exposures				11 480	11 480
Other exposures					
TOTAL STANDARDISED APPROACH	12 257 645	9 429 407	4 513 690	1 378 186	27 578 929
TOTAL	21 343 706	16 031 806	9 675 301	25 523 492	72 574 305

4.5. OWN FUNDS REQUIREMENTS FOR CREDIT RISK

4.5.1. FRAMEWORK OF THE APPROACHES USED

As at 31 December 2018 and 2017, the Group determined the own funds requirements for credit risk in accordance with the authorisations granted by the Supervisor for the approach to calculate risk weighted assets (RWA).

For the portfolio that, on those dates, fitted the standardised approach, the original exposures were classified in line with regulatory risk classes according to the nature of the counterparty, to which specific regulatory weights are applied after carrying out some adjustments – such as the ones related with provisions and value corrections, the ones due to the application of CCF, namely, in the case of off-balance sheet exposures, and those resulting from risk mitigation – thus finding the value of the risk weighed assets.

In the capital requirements calculation based on the standardised approach, the exposures are weighted according to the provisions of the CRR. In the risk class "Central Government and Central Banks", credit ratings of issuers or issues are used, provided they have been attributed by recognised credit rating agencies (ECAI – External Credit Assessment Institutions), for the purpose of determining the respective risk quality levels, as per which the corresponding risk weights are applied as defined by the CRR (no. 2 of article 114, Section 2, Chapter 2, Title II, Part III). Whenever the same issuer or issue has two or more risk evaluations, the second best rating attributed is used. The credit rating of the issuer is applicable to all of its operations, whereas the rating for a specific issue is only considered for that same issue. The ECAI used by the Group were Standard & Poor's, Moody's and Fitch Ratings. Exposures of unrated clients are treated in accordance with no. 1 of article 114, Section 2, Chapter 2, Title II, Part III of the CRR.

Regarding the "Institutions" risk class, the risk weight of the exposures results from the existence of specific ratings and the exposures' terms-to-maturity or from the existence of the sovereign rating at stake and the exposures original term, as defined by articles 119 to 121 of the CRR.

Concerning the risk classes "Central Government and Central Banks" and "Institutions", in Portugal, the Group uses the standardised approach, pursuant to the conditions for permanent partial use of such approach, defined by article 150, Section 1, Chapter 3, Title II, Part III of the CRR.

On 31 December 2018 and 2017, according to the supervisory authorisations granted for the Group's activities in Portugal, the Bank used the internal ratings based approach for the exposure classes "Corporates" and "Retail Exposures" (in both cases, with own LGD estimates), "Equity exposures" and "Items representing securitisation positions". Regarding the Corporates exposure class, the exposures treated under the simplified rating system were weighted using the standardised approach. From 31 December 2012, also, according to the supervisory authorisations granted for the Group's activities in Poland, the Bank used the internal ratings based approach for "Retail Exposures" (with own LGD estimates), regarding the positions of individual clients guaranteed by residential real estate collateral and the retail renewable positions (QRRE – Qualified Retail Renewable Exposures).

For all the other geographies where the Group operates, the consolidated own funds requirements as at 31 December 2018 and 2017 were estimated following the standardised approach.

Also, in Portugal:

- Risk weighted assets as at 31 December 2018 and 2017 for exposures to Customers that exceptionally did not receive an internal risk level were computed according to the standardised approach, considering a PD corresponding to risk grade 12 of the Group Master Scale;

- Within the Corporates risk class, the Bank used the standardised approach for a set of exposures to churches, sports clubs and other non-profit organisations, in accordance with the supervisory authorisation for a permanent partial use of this approach, for these cases.

4.5.2. IRB APPROACH – PARAMETERS AND GENERAL INFORMATION

In the IRB Approach, the weight of exposures to determine the value of risk weighted assets is based on the PD corresponding to the various internal risk ratings of the Customers, using internal rating systems and models, adequate for each Customers segment/sub-segment.

In addition, in this approach, the computation of the risk weighted assets also uses the internally estimated LGD as well as CCF factors on off-balance sheet exposures. On the IRB approach, the effect of the credit risk decrease by means of collaterals for credit exposures is incorporated into the estimate of the risk weighted assets through the LGD parameters.

The internal ratings are given based on the Rating Master Scale, common to all the rating systems and models used, presented in Table 25.

TABLE 25 - RATING MASTER SCALE

Risk grades	Minimum PD	Maximum PD	Description
1	0.01%	0.05%	Maximum security (only for sovereign risks)
2	0.05%	0.07%	Superior quality
3	0.07%	0.14%	Very high quality
4	0.14%	0.28%	High quality
5	0.28%	0.53%	Very good quality
6	0.53%	0.95%	Good quality
7	0.95%	1.73%	Medium/high quality
8	1.73%	2.92%	Medium quality
9	2.92%	4.67%	Medium/low quality
10	4.67%	7.00%	Low quality
11	7.00%	9.77%	Very low quality
12	9.77%	13.61%	Conditioned access to credit
13 ^(*)	13.61%	27.21%	Weak signs of impairment
14 ^(*)	27.21%	100.00%	Strong signs of impairment
15 ^(*)	100.00%	100.00%	Default

^(*) Processual risk grade; the presented values of Max. and Min. PD for RG 13 and 14 are indicative, being applied the observed PD.

The risk ratings attributed by the rating systems and models are valid for one year, and are periodically revised/updated or whenever there are grounds to do so (e.g. requests for new loans or evidence of a decrease in the debtor's credit quality).

The Rating Division is responsible for risk ratings - a unit that is independent from the credit decision-making bodies and areas – even though most risk scores are granted by automatic decision making models used for the debtors of the Retail exposure class.

All customers are rated, but the corresponding PD are only used to compute own funds requirements through the IRB Approach for exposures that fit the risk classes for which the Supervisor authorised the use of this approach.

The rating models included in the various rating systems are regularly subject to validation, carried out in 2018 by the validation unit of the Models Monitoring and Validation Office (GAVM), which is independent from the units that are responsible for the development and maintenance of rating models. In addition, GAVM's validation unit is also responsible for ensuring that the Group's Rating Master Scale is up-to-date and correct.

The conclusions of GAVM's validation, as well as its amendment/improvement recommendations and proposals, are analysed and ratified by a specific Validation Committee, whose composition varies according to the type of model analysed. The proposals to amend the models originated in the Validation Committees are submitted to the approval of the Risk Commission.

Besides its responsibilities regarding the PD models and the Rating Master Scale, GAVM is also responsible for validating the models used to estimate LGD and CCF parameters. Regarding these models, the Bank estimates them all based on the methods validated by the Supervisor within the scope of the process to approve the use of the IRB approach.

In terms of LGD parameters, the computation model used is based on the gathering and analysis of past data on credit risk losses, and all losses verified are computed and the various cash flows underlying credit recovery processes are discounted, including financial losses.

CCF are estimated based on the analysis of data on the use of credit lines and limits within the time frame of one year prior to the defaults.

It should be underlined that there is a model owner for each credit risk model – PD, LGD and CCF – responsible for:

- Ensuring compliance with the regulatory requirements for storing input and output data;
- Ensuring the adequacy of the model's documentation, including the development documentation, development samples and all the documents regarding changes to the model;
- Being the senior responsible in charge of all requests pertaining to the decision process based on the model;
- Changing the model whenever necessary;
- Ensuring the existence of monitoring processes;
- Ensuring the necessary support to the GAVM pursuant to the model validation work.

In addition, regarding the rating systems in which rating models are integrated, there is also a rating system owner, who is responsible for:

- Ensuring the necessary support to the GAVM within the scope of the analysis of the rating systems decision flow;
- Promoting the execution of changes to the rating system whenever necessary.

The next table shows the off-balance credit facilities' amounts and their use, weighted by using own estimates for CCF (in accordance with article 452 (iii) e) of the CRR):

TABLE 26 – CREDIT FACILITIES OUTSIDE OF THE BALANCE SHEET

31/12/2018		(Thousand euros)						
	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	8 749 124	18 298 686	3 540 680	17 740 427	2 589 523	13 210 432	73,1%	74,5%
Large Corporate	4 997 675	9 832 838	2 274 139	9 383 629	1 692 347	6 770 061	74,4%	72,1%
Small and medium Corporate	3 219 428	7 583 082	834 208	7 474 075	494 279	5 605 465	59,3%	75,0%
Specialised lending	532 020	882 767	432 333	882 722	402 897	834 906	93,2%	94,6%
Equity	97 159	1 982 552	97 159	1 982 552	175 158	3 670 415	180,3%	185,1%

31/12/2017		(Thousand euros)						
	Original exposure		Exposure at risk		Risk weighted assets		% RWA	
	Non-used	Used	Non-used	Used	Non-used	Used	Non-used	Used
Corporate	8 737 382	18 873 038	3 255 496	18 373 226	2 139 646	12 783 571	65,7%	69,6%
Large Corporate	5 366 833	10 448 529	2 295 584	10 021 967	1 484 980	6 525 274	64,7%	65,1%
Small and medium Corporate	2 968 810	7 295 880	653 994	7 222 680	382 849	5 154 872	58,5%	71,4%
Specialised lending	401 739	1 128 629	305 918	1 128 579	271 818	1 103 426	88,9%	97,8%
Equity	105 341	2 807 176	105 341	2 245 496	191 223	4 055 746	181,5%	180,6%

In accordance with items h) and i) from article 452 of the CRR, it is also referred that:

- During 2017, the relevant parameters associated with the IRB portfolio parameters were stable. The effective LGD of the IRB portfolio is still, approximately, of 30% and the average CCF below 50%;
- The improvement in the credit worthiness of clients in 2017, as a consequence of the favourable evolution of the economic climate, translated into a reduction of 20% in the average PD.

4.5.3. IRB APPROACH – “CORPORATES” RISK CLASS

In this risk class, the computation of own funds requirements using the IRB Approach is based on the weights resulting from the risk assessment made by the Project Finance rating system and on the PD that correspond to the risk ratings given by the Real Estate Promotion and the Corporates rating system.

In the first case, the Bank uses several rating models to grant risk scores (and the respective PD used to compute the applicable weights): Large, Mid and Small Corporate models, models for Holdings of Economic Groups and for Investment Holdings, models for Real Estate Promotion projects and companies (in both cases, with specific approaches to investment or development cases), Real Estate Investment Funds model and Small Real Estate Companies/Small Real Estate Projects models.

In the second case, the Bank uses the Project Finance rating model, which consists on the mapping between the scoring of a specific questionnaire and one of four possible classifications (besides the possibility of default) for the risks in question, which then define the weights to be used in the computation of risk weighted assets in accordance with no. 5 of article 153, Sub-Section 2, Section 2, Chapter 3, Title II, Part III of the CRR.

The risk grades attributed by these models result from two evaluation components: a quantitative component (economic-financial grade, based on the Customer's accounting data) and a qualitative component, based on an evaluation template. The risk grade resulting from these two components may be adjusted (upwards or downwards) by checking several situations that are typified and pre-defined in specific internal regulations.

Finally, if the rating analyst proposes an override to the Client's Integrated Rating, this must be approved by the Rating Committee, resulting in the Final Rating. However, the overrides are not frequent.

Table 27 summarises these rating models and systems:

TABLE 27 - CORPORATES RATING MODELS AND SYSTEMS

Rating system for Corporates	Large Corporate Model: quantitative component (quantitative score, based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on expert judgment and following sectorial rating matrixes that incorporate the sectors' risk) + adjustments stemming from pre-defined situations (including those arising from the identification of "imminent risk" evidence) + Group adjustments.
	Small and Mid Corporate Models: quantitative component (economic/financial grade based on accounting data and taking into consideration the Client's activity sector) + qualitative component (based on information gathered by the commercial area on specific templates for that purpose) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Business Model for Real Estate Development/Model for Investment Companies/Real Estate income: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for Small Real Estate agents: quantitative component + qualitative component + adjustments stemming from pre-defined situations or from the identification of imminent risk evidence + adjustments stemming from economic group relations (e.g. parents vs. affiliates).
Rating system for Projects	Rating model for Project Finance: scoring of specific questionnaire on the financial strength, the politic and regulatory frameworks, other features of the operation, the ability of sponsors/shareholders and the package of collaterals.
	Model for Real Estate Promotion Projects for sale / Model for Real Estate Promotion Projects for income/Model for Real Estate Investment Funds: quantitative component (specific ratios, financial score, financial flexibility) + qualitative component (sector, management quality, assets/projects quality, market and competitiveness) + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.
	Model for small Real Estate Projects: quantitative component + qualitative component + adjustments stemming from pre-defined situations (including those arising from the identification of imminent risk evidence) + Group adjustments.

4.5.4. IRB APPROACH – “RETAIL PORTFOLIO” RISK CLASS

In this risk class, the risk weighted assets calculation by the IRB Approach is based on the PD that correspond to the risk scores given by the rating systems for Small Businesses and for Individuals.

In these rating systems, the attribution of risk scores is made using two types of automated decision models: (i) a behavioural model (TRIAD), based on the past financial data of the Customers at the Bank (executed by computer on a monthly basis), which is complemented by (ii) acceptance scoring models, used whenever the behavioural model does not apply (new Customers for instance) and defined based on the credit product the Customer wants or on the products the Customer already has.

In the Small Businesses Rating System, the TRIAD model is composed by two assessment grids that allow the model to fit the evaluated Customer's profile. In this rating system, as mentioned before, risk scores may also be granted by an acceptance scoring model designed for the segment in question.

In the Individuals Rating System, the TRIAD model is composed by four assessment grids defined based on the products already owned by the Customer, and the complementary acceptance scoring models are defined based on the credit product the Customer wants or on the products the Customer already has.

The rating systems and models used by the Bank for the Retail Portfolio are broken down in Table 28:

TABLE 28 - RETAIL PORTFOLIO RATING MODELS AND SYSTEMS

Rating system for Small Business	TRIAD model - automatic decision based on Client financial behaviour and two scorecards (according to the Client profile).
	Application Scoring model for the Small Businesses (whenever TRIAD cannot be applied - e.g. new Clients).
Rating system for Individuals	TRIAD model - Automatic decision based on Client financial behaviour and four scorecards (according to the products already owned by the Client).
	Application Scoring model for Individuals (whenever TRIAD cannot be applied - e.g. new customers), for each intended product or for products already owned by the Client.

TABLE 29 – TEMPLATE 24 / EU CR9 – IRB METHOD – BACKTESTING OF PD PER EXPOSURE CLASS

31/12/2018								(Unidades)
Exposure class	PD range	Weighted average PD (%)	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which, new obligors	Average historical annual default rate 2017/2018
				End of previous year	End of the year			
1. CORPORATES	0 a <0,25	0,20%	0,18%	1 107	1 180	1		0,05%
	0,25 a <1	0,60%	0,55%	2 468	2 710	1		0,02%
	1 a <5	2,49%	2,31%	2 798	3 100	13		0,38%
	5 a <16	9,23%	9,89%	2 857	3 291	82	2	3,31%
	16 a <99	47,70%	48,13%	116	123	44		38,03%
	100	100,00%	100,00%	968	988	983	20	
1.1 Specialised lending	0 a <0,25							
	0,25 a <1	0,70%	0,67%	52	55			
	1 a <5	1,30%	1,30%	10	10			
	5 a <16	11,50%	10,43%	3	3			
	16 a <99							
	100	100,00%	100,00%	2	2	2		
1.2 SME	0 a <0,25	0,19%	0,18%	691	743	1		0,07%
	0,25 a <1	0,55%	0,55%	1 807	1 976	1		0,03%
	1 a <5	2,33%	2,28%	2 049	2 296	8		0,27%
	5 a <16	10,00%	10,06%	2 244	2 620	65	2	3,40%
	16 a <99	47,66%	47,43%	92	96	39		38,37%
	100	100,00%	100,00%	771	790	785	19	
2. RETAIL	0 a <0,25	0,13%	0,13%	834 930	900 716	440	12	0,06%
	0,25 a <1	0,52%	0,52%	415 052	474 727	1 446	18	0,36%
	1 a <5	2,24%	2,19%	281 994	327 572	3 676	62	1,34%
	5 a <16	9,34%	10,00%	243 861	313 492	12 135	280	5,49%
	16 a <99	33,00%	39,99%	18 972	21 941	7 398	35	39,70%
	100	100,00%	100,00%	76 423	78 085	76 951	1 662	
2.1 Secured by real estate	0 a <0,25	0,13%	0,12%	219 035	227 367	109		0,07%
	0,25 a <1	0,52%	0,52%	61 305	64 388	172	3	0,32%

	1 a <5	2,26%	2,28%	40 872	42 449	474	1	1,30%
	5 a <16	9,26%	9,31%	29 107	29 818	2 187	6	7,76%
	16 a <99	30,72%	29,73%	3 496	3 523	1 128		33,02%
	100	100,00%	100,00%	13 297	13 329	12 921	32	
2.1.1 SME	0 a <0,25	0,15%	0,15%	7 828	8 080	5		0,03%
	0,25 a <1	0,55%	0,54%	3 636	3 889	4	1	0,07%
	1 a <5	2,26%	2,23%	2 996	3 212	30		0,88%
	5 a <16	9,68%	9,92%	3 086	3 210	180	2	5,47%
	16 a <99	41,69%	44,21%	131	131	62		46,43%
	100	100,00%	100,00%	955	965	945	10	
2.1.2 Non-SME	0 a <0,25	0,12%	0,12%	211 207	219 287	104		0,07%
	0,25 a <1	0,52%	0,52%	57 669	60 499	168	2	0,34%
	1 a <5	2,27%	2,28%	37 876	39 237	444	1	1,33%
	5 a <16	9,21%	9,24%	26 021	26 608	2 007	4	8,02%
	16 a <99	30,34%	29,17%	3 365	3 392	1 066		32,52%
	100	100,00%	100,00%	12 342	12 364	11 976	22	
2.2 Qualifying Revolving	0 a <0,25	0,13%	0,13%	559 176	612 140	280	11	0,05%
	0,25 a <1	0,53%	0,52%	283 890	329 124	1 003	8	0,36%
	1 a <5	2,10%	2,17%	189 505	225 541	2 405	41	1,27%
	5 a <16	9,74%	10,14%	169 707	231 066	6 669	210	4,49%
	16 a <99	39,93%	41,21%	12 904	15 514	4 690	25	37,03%
	100	100,00%	100,00%	45 941	47 241	46 802	1 300	
2.3 Other Retail	0 a <0,25	0,16%	0,16%	56 719	61 209	51	1	0,09%
	0,25 a <1	0,52%	0,53%	69 857	81 215	271	7	0,38%
	1 a <5	2,18%	2,20%	51 617	59 582	797	20	1,60%
	5 a <16	9,62%	9,79%	45 047	52 608	3 279	64	7,68%
	16 a <99	46,19%	45,94%	2 572	2 904	1 580	10	61,26%
	100	100,00%	100,00%	17 185	17 515	17 228	330	
2.3.1 SME	0 a <0,25	0,16%	0,15%	26 122	28 488	16	1	0,03%
	0,25 a <1	0,54%	0,53%	16 921	20 243	22	2	0,14%
	1 a <5	2,14%	2,24%	12 337	15 549	106	3	0,89%
	5 a <16	10,12%	10,54%	17 312	22 345	726	45	4,18%
	16 a <99	49,10%	48,89%	426	597	220	3	52,65%
	100	100,00%	100,00%	3 385	3 571	3 524	186	
2.3.2 Non-SME	0 a <0,25	0,16%	0,17%	30 597	32 721	35		0,16%
	0,25 a <1	0,52%	0,52%	52 936	60 972	249	5	0,47%
	1 a <5	2,21%	2,19%	39 280	44 033	691	17	1,84%
	5 a <16	9,26%	9,23%	27 735	30 263	2 553	19	9,94%
	16 a <99	44,23%	45,18%	2 146	2 307	1 360	7	62,93%
	100	100,00%	100,00%	13 800	13 944	13 704	144	

31/12/2017

(Unidades)

Exposure class	PD range	Weighted average PD (%)	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which, new obligors	2017 default rate
				End of previous year	End of the year			
1. CORPORATES	0 a <0,25	0,20%	0,18%	861	912			
	0,25 a <1	0,62%	0,55%	2 338	2 551			
	1 a <5	2,42%	2,35%	2 656	2 914	8		0,30%
	5 a <16	9,52%	9,93%	2 909	3 254	111		3,82%
	16 a <99	40,60%	46,90%	118	127	48	3	38,14%
	100	100,00%	100,00%	1 246	1 268	1 266	22	
1.1 Specialised lending	0 a <0,25							
	0,25 a <1	0,69%	0,66%	38	50			
	1 a <5	1,30%	1,30%	13	14			
	5 a <16	11,50%	11,50%	3	3			
	16 a <99							
	100	100,00%	100,00%	2	2	2		
1.2 SME	0 a <0,25	0,20%	0,19%	522	558			
	0,25 a <1	0,57%	0,55%	1 655	1 811			
	1 a <5	2,36%	2,31%	1 950	2 150	3		0,15%
	5 a <16	9,84%	10,06%	2 292	2 576	91		3,98%
	16 a <99	43,73%	47,27%	99	107	37	3	34,34%
	100	100,00%	100,00%	1 048	1 064	1 063	16	
2. RETAIL	0 a <0,25	0,14%	0,13%	771 525	830 793	533	14	0,07%
	0,25 a <1	0,52%	0,52%	437 761	487 700	1 649	22	0,37%
	1 a <5	2,15%	2,18%	296 645	337 345	4 182	40	1,40%
	5 a <16	9,02%	9,71%	214 765	277 093	13 364	213	6,12%
	16 a <99	34,65%	42,21%	19 627	21 993	8 016	51	40,58%
	100	100,00%	100,00%	105 593	107 298	106 238	1 705	
2.1 Secured by real estate	0 a <0,25	0,14%	0,13%	198 452	205 295	166	1	0,08%
	0,25 a <1	0,51%	0,51%	75 296	77 291	274	2	0,36%
	1 a <5	2,17%	2,17%	46 678	47 909	674	2	1,44%
	5 a <16	8,96%	9,01%	28 177	28 637	2 267	7	8,02%
	16 a <99	32,60%	31,05%	3 606	3 635	1 221	3	33,78%
	100	100,00%	100,00%	17 406	17 441	17 079	35	

2.1.1 SME	0 a <0,25	0,19%	0,19%	3 692	3 829			
	0,25 a <1	0,48%	0,49%	5 574	5 711	3		0,05%
	1 a <5	2,09%	2,12%	3 693	3 895	29	1	0,76%
	5 a <16	9,49%	9,70%	2 854	2 994	151	3	5,19%
	16 a <99	46,24%	45,09%	123	126	56		45,53%
	100	100,00%	100,00%	1 182	1 190	1 165	8	
2.1.2 Non-SME	0 a <0,25	0,14%	0,13%	194 760	201 466	166	1	0,08%
	0,25 a <1	0,51%	0,51%	69 722	71 580	271	2	0,39%
	1 a <5	2,17%	2,18%	42 985	44 014	645	1	1,50%
	5 a <16	8,91%	8,93%	25 323	25 643	2 116	4	8,34%
	16 a <99	32,00%	30,55%	3 483	3 509	1 165	3	33,36%
	100	100,00%	100,00%	16 224	16 251	15 914	27	
2.2 Qualifying Revolving	0 a <0,25	0,13%	0,13%	546 506	595 070	335	8	0,06%
	0,25 a <1	0,53%	0,52%	272 869	312 655	1 020	16	0,37%
	1 a <5	2,13%	2,20%	192 597	226 048	2 522	26	1,30%
	5 a <16	9,80%	9,87%	145 796	201 567	7 707	170	5,17%
	16 a <99	42,59%	43,99%	13 165	15 358	5 033	42	37,91%
	100	100,00%	100,00%	60 366	61 680	61 213	1 314	
2.3 Other Retail	0 a <0,25	0,17%	0,17%	26 567	30 428	32	5	0,10%
	0,25 a <1	0,52%	0,52%	89 596	97 754	355	4	0,39%
	1 a <5	2,10%	2,14%	57 370	63 388	986	12	1,70%
	5 a <16	9,15%	9,45%	40 792	46 889	3 390	36	8,22%
	16 a <99	46,52%	46,63%	2 856	3 000	1 762	6	61,48%
	100	100,00%	100,00%	27 821	28 177	27 946	356	
2.3.1 SME	0 a <0,25	0,18%	0,19%	12 772	14 740	1	1	
	0,25 a <1	0,53%	0,51%	24 385	26 824	39		0,16%
	1 a <5	2,12%	2,17%	14 802	17 249	141	2	0,94%
	5 a <16	9,92%	10,42%	16 286	20 335	744	21	4,43%
	16 a <99	48,61%	48,35%	447	492	246	3	54,36%
	100	100,00%	100,00%	5 279	5 463	5 400	184	
2.3.2 Non-SME	0 a <0,25	0,16%	0,16%	13 795	15 688	31	4	0,20%
	0,25 a <1	0,52%	0,52%	65 211	70 930	316	4	0,48%
	1 a <5	2,09%	2,12%	42 568	46 139	845	10	1,96%
	5 a <16	8,55%	8,72%	24 506	26 554	2 646	15	10,74%
	16 a <99	45,44%	46,29%	2 409	2 508	1 516	3	62,81%
	100	100,00%	100,00%	22 542	22 714	22 546	172	

The figures for the risk positions of portfolios treated by the IRB approach, with reference to 31 December and 30 June 2018 are presented in Tables 30 to 34 that reflect the different risk classes of the portfolios – Corporate, retail, Specialised Lending and Equity.

TABLE 30 – TEMPLATE 21 / EU CR6 (I) – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE - CORPORATES

31/12/2018

(Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
CORPORATE	0,01% to 0,05%												
	0,05% to 0,07%		154	26,97%	42	0,05%	10	42,26%	995	9	20,8%	0	
	0,07% to 0,14%	33	9 549	41,76%	4 033	0,10%	78	42,26%	1 110	1 345	33,4%	2	
	0,14% to 0,28%	703 595	873 209	78,58%	1 391 732	0,20%	371	42,09%	635	507 239	36,5%	1 172	
	0,28% to 0,53%	375 315	323 145	78,79%	634 416	0,40%	352	29,93%	760	230 639	36,4%	759	
	0,53% to 0,95%	575 097	389 682	70,47%	845 926	0,70%	386	38,73%	796	578 805	68,4%	2 291	
	0,95% to 1,73%	454 270	264 029	67,33%	630 286	1,30%	298	40,40%	512	516 042	81,9%	3 309	
	1,73% to 2,92%	1 195 783	300 324	62,91%	1 379 303	2,30%	289	36,06%	701	1 312 670	95,2%	11 432	
	2,92% to 4,67%	486 095	318 907	48,23%	622 966	3,70%	273	36,29%	1 013	742 007	119,1%	8 353	
	4,67% to 7,00%	204 156	157 898	34,66%	254 554	5,90%	185	34,43%	975	331 071	130,1%	5 181	
	7,00% to 9,77%	301 680	56 891	29,40%	313 877	8,30%	96	38,89%	1 138	541 260	172,4%	10 138	
	9,77% to 13,61%	418 068	252 701	35,43%	504 282	11,50%	297	34,68%	1 190	867 362	172,0%	20 081	
	13,61% to 100,00%	24 828	22 492	27,29%	30 966	50,85%	63	37,22%	721	57 218	184,8%	5 802	
	100,00% (default)	2 119 178	247 739	43,34%	2 226 548	100,00%	193	69,45%	1 203	265 881	11,9%	1 469 110	
	SUBTOTAL	6 858 098	3 216 718	62,62%	8 838 930	27,22%	2 891	45,50%	890	5 951 550	67,3%	1 537 629	-1 540 643
SME	0,01% to 0,05%												
	0,05% to 0,07%	45	612	45,07%	321	0,05%	7	39,65%	411	27	8,4%	0	
	0,07% to 0,14%	4 349	3 736	55,26%	5 937	0,10%	72	36,54%	778	966	16,3%	2	
	0,14% to 0,28%	62 978	107 648	72,85%	137 686	0,20%	494	39,53%	537	32 041	23,3%	108	
	0,28% to 0,53%	170 979	226 083	61,31%	281 351	0,40%	948	39,03%	673	98 784	35,1%	440	
	0,53% to 0,95%	288 494	197 166	59,16%	391 575	0,70%	975	37,48%	755	189 738	48,5%	1 022	
	0,95% to 1,73%	317 960	183 570	57,48%	359 846	1,30%	984	38,83%	597	214 130	59,5%	1 809	
	1,73% to 2,92%	638 914	163 874	42,70%	649 023	2,30%	756	39,07%	1 226	690 223	106,4%	5 832	
	2,92% to 4,67%	252 629	210 409	34,56%	272 827	3,70%	637	36,59%	635	215 430	79,0%	3 656	

4,67% to 7,00%	218 921	105 519	39,65%	243 097	5,90%	556	35,68%	765	228 510	94,0%	5 079	
7,00% to 9,77%	121 777	93 629	33,64%	141 210	8,30%	281	35,50%	697	143 548	101,7%	4 112	
9,77% to 13,61%	672 121	188 158	35,96%	718 520	11,50%	1 854	33,61%	907	886 711	123,4%	27 696	
13,61% to 100,00%	149 693	15 364	30,72%	154 412	51,44%	150	33,94%	1 503	235 812	152,7%	26 918	
100,00% (default)	926 963	140 901	23,72%	960 385	100,00%	836	56,34%	1 218	161 937	16,9%	490 977	
SUBTOTAL	3 825 825	1 636 671	46,64%	4 316 190	25,96%	8 550	40,99%	938	3 097 857	71,8%	567 652	-557 371
TOTAL	10 683 923	4 853 390	-	13 155 119	-	-	-	-	9 049 407	68,8%	2 105 282	-2 098 014

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

30/06/2018

(Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
CORPORATE	0,01% to 0,05%												
	0,05% to 0,07%		316	23,40%	74	0,05%	11	42,26%	719	12	16,6%		
	0,07% to 0,14%	20 136	18 643	55,63%	30 508	0,10%	83	42,13%	503	6 479	21,2%	13	
	0,14% to 0,28%	549 004	978 888	80,23%	1 335 968	0,20%	370	41,80%	649	490 418	36,7%	1 117	
	0,28% to 0,53%	468 829	262 931	71,71%	658 125	0,40%	386	29,62%	641	235 639	35,8%	779	
	0,53% to 0,95%	411 964	448 758	75,86%	747 612	0,70%	311	39,77%	733	516 793	69,1%	2 080	
	0,95% to 1,73%	551 404	245 341	68,84%	720 933	1,30%	302	40,34%	645	627 777	87,1%	3 780	
	1,73% to 2,92%	451 873	249 778	61,87%	591 479	2,30%	229	34,28%	585	515 400	87,1%	4 653	
	2,92% to 4,67%	789 018	322 575	50,54%	962 200	3,70%	280	36,69%	645	1 054 342	109,6%	13 058	
	4,67% to 7,00%	253 495	217 779	46,73%	343 388	5,91%	189	34,84%	569	414 909	120,8%	7 068	
	7,00% to 9,77%	484 568	78 963	45,01%	436 600	8,30%	122	30,74%	772	555 619	127,3%	11 063	
	9,77% to 13,61%	487 216	229 583	38,32%	547 430	11,50%	310	32,56%	1 030	862 635	157,6%	20 491	
	13,61% to 100,00%	24 888	15 144	24,82%	28 647	42,52%	24	34,52%	1 064	53 535	186,9%	4 179	
	100,00% (default)	2 546 900	283 282	42,34%	2 666 845	100,00%	212	65,65%	1 111	412 175	15,5%	1 593 400	
	SUBTOTAL	7 039 295	3 351 981	64,45%	9 069 809	31,52%	2 829	45,20%	812	5 745 733	63,4%	1 661 679	-1 670 480
SME	0,01% to 0,05%												
	0,05% to 0,07%	241	702	47,01%	571	0,05%	4	32,71%	365	39	6,8%	0	

0,07% to 0,14%	3 843	3 189	42,31%	4 992	0,10%	70	32,93%	858	767	15,4%	2	
0,14% to 0,28%	71 944	112 202	60,93%	135 972	0,20%	501	38,76%	579	31 444	23,1%	105	
0,28% to 0,53%	258 783	230 835	61,66%	380 904	0,40%	924	38,44%	810	155 132	40,7%	584	
0,53% to 0,95%	255 561	184 320	55,40%	320 531	0,70%	973	38,47%	632	150 849	47,1%	859	
0,95% to 1,73%	300 050	169 652	56,26%	470 565	1,30%	883	36,07%	616	283 778	60,3%	2 180	
1,73% to 2,92%	580 821	120 781	46,50%	583 839	2,30%	696	39,00%	1 318	648 909	111,2%	5 230	
2,92% to 4,67%	258 209	109 971	39,96%	265 054	3,70%	644	36,59%	705	215 597	81,3%	3 551	
4,67% to 7,00%	184 465	75 248	37,22%	194 225	5,90%	496	35,71%	858	182 676	94,1%	4 051	
7,00% to 9,77%	90 865	79 083	36,72%	115 893	8,30%	257	35,01%	716	125 670	108,4%	3 340	
9,77% to 13,61%	573 635	226 435	33,29%	635 175	11,50%	1 700	31,03%	835	714 580	112,5%	22 565	
13,61% to 100,00%	89 915	10 505	25,26%	92 286	47,57%	120	33,26%	1 460	136 090	147,5%	14 557	
100,00% (default)	1 156 151	140 946	24,36%	1 190 489	100,00%	923	57,48%	1 213	180 781	15,2%	603 099	
SUBTOTAL	3 824 482	1 463 868	46,42%	4 390 495	29,70%	8 191	41,70%	950	2 826 311	64,4%	660 124	-654 861
TOTAL	10 863 776	4 815 849		13 460 304					8 572 043	63,7%	2 321 803	-2 325 340

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

TABLE 31 – TEMPLATE 21 / EU CR6 (II) – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE - RETAIL

31/12/2018

(Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
SECURED BY REAL ESTATE	0,01% to 0,05%												
	0,05% to 0,07%	91 755	2 940	97,53%	94 622	0,05%	1 222	16,23%		2 241	2,4%	8	
	0,07% to 0,14%	9 132 511	52 454	92,64%	9 303 387	0,09%	166 840	21,28%		454 273	4,9%	1 774	
	0,14% to 0,28%	4 145 162	36 080	100,62%	4 240 069	0,20%	63 094	19,71%		340 721	8,0%	1 614	
	0,28% to 0,53%	2 417 772	17 847	94,92%	2 476 111	0,40%	38 793	19,41%		333 767	13,5%	1 909	
	0,53% to 0,95%	1 710 787	7 441	90,28%	1 721 471	0,70%	27 565	20,42%		362 347	21,1%	2 473	
	0,95% to 1,73%	1 137 015	5 959	91,97%	1 139 407	1,30%	18 669	20,66%		363 941	31,9%	3 044	
	1,73% to 2,92%	760 518	3 250	103,42%	749 065	2,29%	12 782	20,52%		339 016	45,3%	3 508	
	2,92% to 4,67%	785 748	4 342	98,82%	794 191	3,71%	13 716	19,38%		447 293	56,3%	5 733	
	4,67% to 7,00%	553 513	3 840	69,80%	488 344	5,93%	8 587	19,38%		353 050	72,3%	5 633	
	7,00% to 9,77%	366 074	511	59,10%	321 241	8,47%	5 575	19,28%		273 752	85,2%	5 325	
	9,77% to 13,61%	869 501	2 960	77,03%	768 111	11,50%	13 164	17,11%		642 434	83,6%	15 110	
	13,61% to 100,00%	276 594	283	96,29%	276 819	29,09%	4 156	26,07%		402 065	145,2%	18 591	
	100,00% (default)	1 077 772	569	99,47%	1 078 338	100,00%	12 403	29,42%		963 147	89,3%	264 617	
	SUBTOTAL	23 324 721	138 477	94,35%	23 451 178	5,98%	386 566	20,82%		5 278 049	22,5%	329 338	-221 996
QUALIFYING REVOLVING RETAIL EXPOSURES	0,01% to 0,05%												
	0,05% to 0,07%	2 054	133 317	12,70%	18 985	0,05%	70 043	63,14%		425	2,2%	6	
	0,07% to 0,14%	74 236	541 871	46,60%	326 761	0,08%	286 753	59,55%		10 536	3,2%	160	
	0,14% to 0,28%	101 619	518 416	22,47%	218 099	0,20%	260 853	58,89%		14 272	6,5%	253	
	0,28% to 0,53%	105 510	225 509	29,88%	172 898	0,40%	187 361	58,34%		19 732	11,4%	398	
	0,53% to 0,95%	92 772	118 559	38,81%	138 790	0,71%	130 457	58,80%		25 305	18,2%	577	
	0,95% to 1,73%	85 999	71 710	45,87%	118 889	1,29%	98 986	59,85%		34 873	29,3%	914	
	1,73% to 2,92%	58 239	36 968	40,58%	73 239	2,27%	63 601	60,66%		33 073	45,2%	1 006	
	2,92% to 4,67%	43 805	23 819	37,05%	52 629	3,77%	51 302	60,87%		34 154	64,9%	1 208	
	4,67% to 7,00%	29 053	15 125	33,06%	34 054	6,03%	41 834	59,82%		29 647	87,1%	1 231	

	7,00% to 9,77%	18 805	10 104	35,09%	22 351	9,11%	30 433	61,11%		25 622	114,6%	1 252	
	9,77% to 13,61%	26 421	46 650	12,69%	32 339	11,50%	158 975	60,52%		41 459	128,2%	2 251	
	13,61% to 100,00%	32 151	4 440	69,73%	35 246	29,10%	22 792	65,14%		63 859	181,2%	6 626	
	100,00% (default)	43 310	2 738	7,60%	43 518	100,00%	57 236	77,89%		59 438	136,6%	30 074	
	SUBTOTAL	713 974	1 749 224	32,80%	1 287 799	5,37%	1 460 626	60,22%		392 396	30,5%	45 956	-39 518
OTHER RETAIL – SME	0,01% to 0,05%												
	0,05% to 0,07%	3 045	15 445	44,34%	9 664	0,05%	241	36,73%		425	4,4%	2	
	0,07% to 0,14%	62 593	125 973	35,86%	117 449	0,10%	14 837	32,11%		7 675	6,5%	38	
	0,14% to 0,28%	177 776	134 518	39,85%	239 363	0,20%	18 167	30,51%		24 342	10,2%	149	
	0,28% to 0,53%	187 844	94 217	39,11%	211 506	0,40%	12 757	30,83%		34 318	16,2%	267	
	0,53% to 0,95%	148 194	67 224	39,39%	150 791	0,70%	9 644	29,99%		31 944	21,2%	320	
	0,95% to 1,73%	116 745	30 533	28,36%	96 902	1,30%	7 290	30,78%		27 602	28,5%	394	
	1,73% to 2,92%	76 682	28 264	47,85%	65 584	2,30%	4 624	31,36%		22 728	34,7%	479	
	2,92% to 4,67%	51 896	16 189	54,59%	71 603	3,70%	6 117	30,24%		25 041	35,0%	800	
	4,67% to 7,00%	29 731	8 208	21,00%	22 388	5,90%	2 893	31,79%		8 755	39,1%	424	
	7,00% to 9,77%	21 450	4 251	19,74%	14 447	8,30%	1 780	33,47%		6 309	43,7%	407	
	9,77% to 13,61%	104 767	72 929	28,76%	84 944	11,50%	18 252	34,10%		41 472	48,8%	3 348	
	13,61% to 100,00%	13 796	14 523	26,08%	17 225	50,03%	796	35,90%		12 699	73,7%	3 117	
	100,00% (default)	126 948	94 622	24,16%	149 807	100,00%	3 951	55,20%		106 039	70,8%	74 214	
	SUBTOTAL	1 121 468	706 896	35,39%	1 251 672	13,13%	101 349	33,79%		349 348	27,9%	83 960	-94 787
OTHER RETAIL – NON SME	0,01% to 0,05%												
	0,05% to 0,07%	15 649	5 746	48,67%	18 444	0,05%	704	16,77%		481	2,6%	2	
	0,07% to 0,14%	93 621	13 586	66,66%	108 665	0,10%	4 560	17,57%		4 996	4,6%	19	
	0,14% to 0,28%	330 114	21 858	42,37%	345 018	0,20%	27 427	19,94%		29 419	8,5%	138	
	0,28% to 0,53%	402 353	10 453	57,63%	412 015	0,40%	37 985	25,41%		69 729	16,9%	419	
	0,53% to 0,95%	252 570	8 717	51,44%	258 320	0,70%	26 862	26,59%		62 466	24,2%	481	
	0,95% to 1,73%	198 279	3 937	59,85%	197 317	1,30%	20 479	26,44%		62 124	31,5%	678	
	1,73% to 2,92%	128 907	1 606	55,24%	127 589	2,30%	14 397	27,09%		48 510	38,0%	795	
	2,92% to 4,67%	91 278	2 197	56,84%	94 160	3,70%	10 484	27,40%		38 938	41,4%	954	

4,67% to 7,00%	84 470	914	37,21%	80 724	5,90%	8 269	32,10%		41 121	50,9%	1 529	
7,00% to 9,77%	55 062	770	36,62%	51 294	8,30%	7 135	31,91%		27 509	53,6%	1 358	
9,77% to 13,61%	117 513	4 004	26,61%	113 232	11,50%	13 735	33,76%		70 773	62,5%	4 396	
13,61% to 100,00%	28 132	979	20,77%	28 316	44,30%	2 335	27,54%		20 465	72,3%	3 430	
100,00% (default)	236 167	3 409	34,99%	237 359	100,00%	15 567	59,99%		220 687	93,0%	124 731	
SUBTOTAL	2 034 114	78 176	50,14%	2 072 454	13,76%	189 939	29,31%		697 218	33,6%	138 929	-148 210
TOTAL	27 194 277	2 672 772	-	28 063 104	-	2 138 480	-		6 717 011	23,9%	598 183	-504 511

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

30/06/2018

(Thousand euros, Units)

	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Value adjustments and provisions
SECURED BY REAL ESTATE	0,01% to 0,05%												
	0,05% to 0,07%	85 145	2 597	95,09%	87 615	0,05%	1 221	16,12%		2 065	2,4%	7	
	0,07% to 0,14%	9 168 598	39 816	72,42%	9 295 053	0,09%	169 991	21,45%		456 840	4,9%	1 782	
	0,14% to 0,28%	3 987 280	28 939	95,43%	4 072 511	0,20%	61 319	19,89%		330 871	8,1%	1 566	
	0,28% to 0,53%	2 313 634	15 771	94,79%	2 360 478	0,40%	37 231	19,58%		320 975	13,6%	1 836	
	0,53% to 0,95%	1 632 514	5 436	88,83%	1 640 515	0,70%	26 461	20,60%		348 834	21,3%	2 378	
	0,95% to 1,73%	1 081 542	3 398	97,71%	1 096 828	1,30%	17 898	20,49%		347 533	31,7%	2 906	
	1,73% to 2,92%	745 418	3 222	121,83%	741 474	2,29%	12 404	20,35%		332 787	44,9%	3 445	
	2,92% to 4,67%	753 664	9 676	89,18%	771 114	3,71%	13 139	19,42%		435 214	56,4%	5 575	
	4,67% to 7,00%	562 115	2 198	95,17%	504 995	5,93%	8 548	19,33%		363 816	72,0%	5 806	
	7,00% to 9,77%	381 080	568	53,90%	332 347	8,45%	5 726	19,22%		281 703	84,8%	5 476	
	9,77% to 13,61%	895 024	3 091	50,71%	799 738	11,50%	13 607	17,10%		667 543	83,5%	15 726	
	13,61% to 100,00%	248 860	274	94,60%	249 119	29,15%	3 778	26,49%		368 395	147,9%	17 198	
	100,00% (default)	1 319 520	512	98,31%	1 320 023	100,00%	14 895	27,83%		1 128 593	85,5%	300 559	
	SUBTOTAL	23 174 395	115 498	85,98%	23 271 808	7,05%	386 218	20,95%		5 385 167	23,1%	364 261	-258 644

QUALIFYING REVOLVING RETAIL EXPOSURES	0,01% to 0,05%											
	0,05% to 0,07%	2 006	147 827	12,69%	20 768	0,05%	77 564	62,93%		464	2,2%	7
	0,07% to 0,14%	70 633	537 183	45,78%	316 567	0,08%	284 728	59,47%		10 205	3,2%	155
	0,14% to 0,28%	93 405	509 290	22,42%	207 577	0,20%	255 839	58,85%		13 566	6,5%	240
	0,28% to 0,53%	99 019	216 635	29,67%	163 291	0,40%	181 005	58,42%		18 665	11,4%	377
	0,53% to 0,95%	87 086	113 864	38,66%	131 112	0,71%	126 698	58,68%		23 855	18,2%	544
	0,95% to 1,73%	79 484	70 235	48,50%	113 552	1,29%	96 598	60,00%		33 393	29,4%	875
	1,73% to 2,92%	54 395	36 546	48,09%	71 969	2,27%	62 911	61,01%		32 681	45,4%	994
	2,92% to 4,67%	41 907	24 123	46,04%	53 013	3,77%	51 727	60,99%		34 470	65,0%	1 220
	4,67% to 7,00%	26 661	15 380	54,99%	35 119	6,04%	42 581	60,75%		31 080	88,5%	1 291
	7,00% to 9,77%	17 404	10 171	63,72%	23 885	9,15%	31 172	61,43%		27 588	115,5%	1 351
	9,77% to 13,61%	25 797	47 499	12,71%	31 836	11,50%	149 585	60,54%		40 834	128,3%	2 216
	13,61% to 100,00%	29 720	4 132	338,42%	43 705	26,72%	22 587	66,07%		78 822	180,4%	7 648
	100,00% (default)	52 194	2 991	8,68%	52 454	100,00%	69 560	78,79%		68 705	131,0%	36 849
SUBTOTAL	679 713	1 735 878	33,71%	1 264 847	6,28%	1 452 555	60,53%		414 327	32,8%	53 765	-45 022
OTHER RETAIL – SME	0,01% to 0,05%											
	0,05% to 0,07%	3 631	13 491	43,32%	9 476	0,05%	234	34,41%		388	4,1%	2
	0,07% to 0,14%	59 124	122 245	34,20%	115 688	0,10%	14 442	32,11%		7 443	6,4%	37
	0,14% to 0,28%	158 460	120 444	37,32%	236 042	0,20%	16 817	30,06%		23 206	9,8%	142
	0,28% to 0,53%	162 998	78 208	34,62%	200 335	0,40%	11 867	30,30%		30 951	15,5%	242
	0,53% to 0,95%	124 582	54 571	30,30%	128 251	0,70%	9 201	29,05%		26 045	20,3%	262
	0,95% to 1,73%	106 226	44 109	37,05%	104 931	1,30%	7 435	29,80%		28 831	27,5%	410
	1,73% to 2,92%	76 074	22 206	27,06%	61 631	2,30%	4 830	31,06%		20 737	33,7%	444
	2,92% to 4,67%	52 235	23 287	47,29%	72 538	3,70%	6 117	29,15%		24 545	33,8%	786
	4,67% to 7,00%	33 213	16 239	23,59%	27 288	5,90%	2 868	31,68%		10 604	38,9%	516
	7,00% to 9,77%	18 319	4 480	16,93%	12 649	8,30%	1 785	30,44%		4 968	39,3%	321
	9,77% to 13,61%	104 501	54 278	23,16%	79 863	11,50%	17 287	32,48%		36 925	46,2%	2 981
	13,61% to 100,00%	8 963	3 387	37,96%	10 085	50,08%	611	35,67%		7 380	73,2%	1 816
	100,00% (default)	185 093	83 378	23,65%	204 810	100,00%	5 403	61,41%		147 221	71,9%	114 010

	SUBTOTAL	1 093 420	640 322	32,44%	1 263 587	17,70%	98 897	35,34%		369 244	29,2%	121 968	-140 810
OTHER RETAIL – NON SME	0,01% to 0,05%												
	0,05% to 0,07%	18 363	5 603	47,81%	21 042	0,05%	818	16,28%		532	2,5%	2	
	0,07% to 0,14%	91 661	11 787	61,80%	103 127	0,10%	4 580	17,32%		4 680	4,5%	18	
	0,14% to 0,28%	322 627	17 781	52,29%	338 850	0,20%	26 699	19,97%		28 929	8,5%	135	
	0,28% to 0,53%	366 475	19 205	45,40%	380 681	0,40%	35 127	24,40%		61 866	16,3%	371	
	0,53% to 0,95%	290 732	9 556	50,32%	295 220	0,70%	25 640	24,89%		66 854	22,7%	514	
	0,95% to 1,73%	176 947	3 872	66,79%	177 194	1,30%	19 775	26,42%		55 752	31,5%	608	
	1,73% to 2,92%	134 528	3 687	52,45%	136 747	2,30%	13 957	29,24%		56 198	41,1%	920	
	2,92% to 4,67%	83 359	1 364	48,89%	84 145	3,70%	10 205	26,65%		33 881	40,3%	830	
	4,67% to 7,00%	67 300	1 742	24,32%	62 805	5,90%	7 790	29,79%		29 598	47,1%	1 104	
	7,00% to 9,77%	54 981	343	32,61%	51 299	8,30%	6 844	26,28%		22 651	44,2%	1 119	
	9,77% to 13,61%	137 690	2 735	38,13%	132 270	11,50%	14 511	34,13%		83 734	63,3%	5 192	
	13,61% to 100,00%	17 445	966	20,96%	17 645	43,28%	2 321	31,13%		14 358	81,4%	2 399	
	100,00% (<i>default</i>)	346 084	2 958	36,76%	347 171	100,00%	22 193	65,11%		285 296	82,2%	203 394	
	SUBTOTAL	2 108 192	81 598	50,05%	2 148 197	18,19%	190 460	31,35%		744 329	34,7%	216 605	-227 814
TOTAL		27 055 720	2 573 296		27 948 438					6 913 067	24,7%	756 599	-672 289

NOTE: This data does not include the exposures on Derivatives and Specialised Lending.

TABLE 32 – TEMPLATE 5 / EU CR10 (I) – IRB (SPECIALISED LENDING)

31/12/2018 (Thousand euros)							
Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Expected losses
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years	45 090		70%	45 144	31 601	181
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years	850 624	330 340	90%	1 118 908	1 007 017	8 951
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	107 937	34 584	115%	111 533	127 752	3 123
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	16 320	3 273	250%	18 130	45 325	1 450
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years	6 134	3 012		7 878	12 661	1 812
TOTAL	Less than 2.5 years						
	Equal to or greater than 2.5 years	1 026 104	371 211		1 301 594	1 224 355	15 517

30/06/2018 (Thousand euros)							
Regulatory categories	Remaining maturity	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Expected losses
Category 1	Less than 2.5 years			50%			
	Equal to or more than 2.5 years	20 350		70%	20 361	14 252	81
Category 2	Less than 2.5 years			70%			
	Equal to or more than 2.5 years	901 563	354 026	90%	1 186 577	1 067 919	9 493
Category 3	Less than 2.5 years			115%			
	Equal to or more than 2.5 years	117 849	39 518	115%	121 894	139 622	3 413
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years	16 754	3 266	250%	18 838	47 094	1 507
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years	1 529	2 438		2 934		1 467
TOTAL	Less than 2.5 years						
	Equal to or greater than 2.5 years	1 058 045	399 248		1 350 603	1 268 888	15 961

TABLE 33 – TEMPLATE 5 / EU CR10 (II) – IRB (EQUITY POSITIONS)

31/12/2018 (Thousand euros)							
Equities under the simple risk-weighted approach							
Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Own funds requirements	Expected losses
Private equity exposures	1 065 341		190%	1 065 341	2 024 149	161 932	8 523
Exchange-traded equity exposures	19 265		290%	19 265	55 867	4 469	154
Other equity exposures	136 081		370%	136 081	503 500	40 280	3 266
TOTAL	1 220 687			1 220 687	2 583 516	206 681	11 943

30/06/2018

(Thousand euros)

Equities under the simple risk-weighted approach

Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Own funds requirements	Expected losses
Private equity exposures	1 216 760		190%	1 216 760	2 311 843	184 948	9 734
Exchange-traded equity exposures	7 303		290%	7 303	21 180	1 694	58
Other equity exposures	97 955		370%	97 955	362 434	28 995	2 351
TOTAL	1 322 018			1 322 018	2 695 457	215 637	12 143

TABLE 34 – TEMPLATE 23 / EU CR8 – RWA FLOW STATEMENTS OF CCR EXPOSURES UNDER THE IRB APPROACH

	31 Dec 2018		30 Sep 2018	
	RWA amounts	Capital requirements	RWA amounts	Capital requirements
RWA AS AT THE END OF THE PREVIOUS REPORTING PERIOD (*)	20 971 750	1 677 740	20 623 601	1 649 888
Asset size	-441 433	-35 315	12 428	994
Asset quality				
Model updates				
Methodology and policy				
Acquisitions and disposals				
Foreign exchange movements	-31 005	-2 480	-4 465	-357
Other	267 095	21 368	340 185	27 215
RWA AS AT THE END OF THE REPORTING PERIOD (**)	20 766 407	1 661 313	20 971 750	1 677 740

(*) 30/06/2018 for Sep 2018; 30/09/2018 for Dec 2018

(**) 30/09/2018 for Sep 2018; 31/12/2018 for Dec 2018

4.5.5. STANDARDISED APPROACH – EXPOSURES AND RISK WEIGHTS BY REGULATORY RISK CLASSES

TABLE 35 – TEMPLATE 20 / EU CR5 – STANDARDISED APPROACH

The on- and off-balance sheet risk positions within the scope of the regulatory consolidation, net from specific credit risk adjustments and cancellations, post conversion factors and post CRM techniques, relative to portfolios that are treated under the standardised approach, as at 31 December and 30 June 2018, are broken down in the following table:

																(Thousand euros)		
Exposure classes	Risk weights															Deduzidas	TOTAL	RWA
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Outros			
Central Governments or Central Banks	14 669 778				12 811		50 252			553 657	789 057				14		16 075 569	1 764 934
Regional Governments or Local Authorities					563 518		4			77	0				127		563 727	112 808
Public Setor Entities					87		12 529			21	87 176				0		99 814	137 068
Multilateral Development Banks	19 139																19 139	
International Organisations																		
Institutions					1 230 311		243 264			76 844	2 684				200 203		1 753 305	452 567
Corporates					10 186		46 764			4 711 265	108 035				76 388		4 952 637	4 713 704
Retail									2 778 714								2 778 714	1 977 644
Secured by mortgages on immovable property					175		739 998		34 210	208 692	132 941				42 901		1 158 918	791 032
Exposures in default	1 315						0			276 679	104 082						382 075	432 802
Items associated with particularly high risk																		
Covered bonds																		
Claims on institutions and corporates with a short-term credit assessment																		
Collective Investment Undertakings										2	22 557				134 917		157 476	109 579
Equity exposures										1 148		28 308					29 457	71 919
Other exposures																		
TOTAL	14 690 232				1 817 088		1 092 811		2 812 924	5 828 385	1 246 532	28 308			454 551		27 970 832	10 564 057

30/06/2018

(Thousand euros)

30/06/2018

(Thousand euros)

Exposure classes	Risk weights														Deduzidas	TOTAL	RWA
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Outros		
Central Governments or Central Banks	12 747 089				10 205		46 128			487 234	812 773				8	14 103 437	1 731 502
Regional Governments or Local Authorities					653 525		4			158					125	653 812	130 890
Public Setor Entities					9		11 017			11	110 274					121 311	170 933
Multilateral Development Banks	18 486															18 486	
International Organisations																	
Institutions	46 326				1 264 644		292 021			68 100	6 381				261 898	1 939 370	559 912
Corporates					9 583		50 106			4 257 394	258 393				78 463	4 653 938	4 482 672
Retail									2 370 715							2 370 715	1 675 272
Secured by mortgages on immovable property					198		608 368		26 711	197 112	21 803				47 354	901 545	535 749
Exposures in default	1 229									279 994	105 532					386 756	438 293
Items associated with particularly high risk																	
Covered bonds																	
Claims on institutions and corporates with a short-term credit assessment																	
Collective Investment Undertakings										3	22 649					22 652	33 977
Equity exposures										1 171		20 903				22 074	53 429
Other exposures																	
TOTAL	12 813 129				1 938 163		1 007 643		2 397 426	5 291 177	1 337 807	20 903			387 847	25 194 095	9 812 627