

# Material third countries for the Portuguese banking system



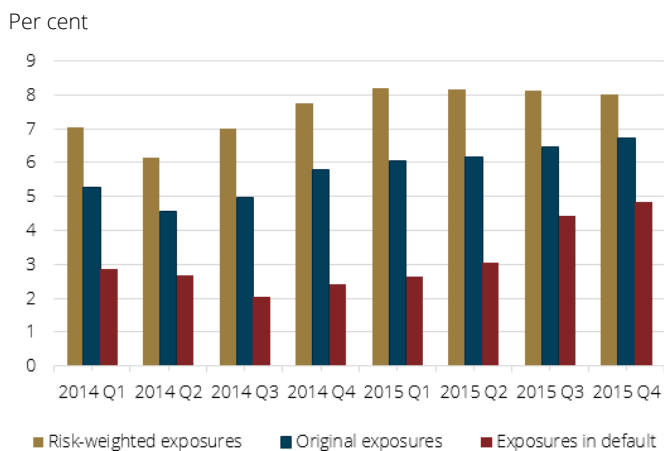
BANCO DE PORTUGAL  
EUROSYSTEM

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Pursuant to a decision of the Board of Directors of Banco de Portugal of 20 December 2016, the initial list of material third countries for the Portuguese banking system, valid until the second quarter of 2017, includes the Republic of Angola, the Republic of Mozambique and Macao Special Administrative Region of the People's Republic of China.

The identification of material third countries for the Portuguese banking system follows the methodology described in Banco de Portugal (2016).<sup>1</sup>

**Chart 1** – Amount of relevant credit exposures in third countries in relation to the total amount of relevant credit exposures.



Based on supervisory data with reference date of 31 December 2015, the Portuguese banking system is exposed to 32 third countries.<sup>2</sup> Chart 1 shows developments in the exposure amount to third countries as a percentage of the total exposure amount, according to the three exposure metrics defined in the methodology.<sup>3</sup> The Portuguese banking system's relative exposure to third countries has followed an increasing path since the third quarter of 2014 in terms of original exposures and exposures in default. In contrast, risk-weighted exposures have stabilised around 8 per cent throughout 2015, after consecutive increases since the third quarter of 2014.

**Sources:** COREP and Banco de Portugal calculations.

**Notes:** Based on data with reference date of 31 December 2015. The relevant credit exposures comprise exposures to the private non-financial sector in the banking and trading books of credit institutions subject to own funds requirements associated with credit risk, counterparty risk and free deliveries.

<sup>1</sup> See [https://www.bportugal.pt/sites/default/files/anexos/documentos-relacionados/institution\\_specific\\_countercyclical\\_capital\\_buffer.pdf](https://www.bportugal.pt/sites/default/files/anexos/documentos-relacionados/institution_specific_countercyclical_capital_buffer.pdf).

<sup>2</sup> Third country is any jurisdiction outside the European Economic Area. The European Economic Area includes the European Union Member States, Iceland, Liechtenstein and Norway.

<sup>3</sup> The three metrics defined are: (i) risk-weighted exposures; (ii) original exposures, and (iii) exposures in default.

Table 1 presents the evolution of the Portuguese banking system's relative exposures to three third countries. These are the third countries to which the Portuguese banking system has relative exposures above 1 per cent, in terms of at least one of the metrics defined in the methodology. Based on the risk-weighted exposures, Angola and Mozambique are the most material third countries for the Portuguese banking system, with relative exposures of more than 1.7 per cent since early 2015. Macao ranks third, with increasing relative risk-weighted exposures since 2015. Similar conclusions can be drawn from the analysis of the relative original exposures, while in the case of exposures in default there are no relative exposures above 1 per cent, although the ranking of the three countries remains unchanged.

**Table 1** – Amount of relevant credit exposures to a given third country in relation to the total amount of relevant credit exposures, according to three metrics.

		2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
<b>Risk-weighted exposures</b>	Angola	1.6	1.3	1.4	2.0	2.2	1.9	1.9	1.9
	Mozambique	1.6	1.0	0.9	1.7	1.8	2.1	2.0	1.8
	Macao	0.7	0.8	0.7	0.8	1.0	1.0	1.2	1.3
<b>Original exposures</b>	Angola	1.3	1.1	1.2	1.6	1.7	1.5	1.5	1.6
	Mozambique	1.1	0.6	0.6	1.2	1.2	1.3	1.2	1.2
	Macao	0.6	0.7	0.7	0.7	0.9	1.1	1.3	1.4
<b>Exposures in default</b>	Angola	0.4	0.3	0.3	0.5	0.5	0.5	0.6	0.7
	Mozambique	0.4	0.2	0.2	0.3	0.5	0.5	0.5	0.5
	Macao	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

**Sources:** COREP and Banco de Portugal calculations.

**Notes:** Values in per cent. Based on data with reference date of 31 December 2015. The relevant credit exposures comprise exposures to the private non-financial sector in the banking and trading books of credit institutions subject to own funds requirements associated with credit risk, counterparty risk and free deliveries.

On the basis of this analysis, **the initial list of material third countries for the Portuguese banking system, valid until the second quarter of 2017, includes the Republic of Angola, the Republic of Mozambique and the Macao Special Administrative Region of the People's Republic of China.** None of the third countries identified as material for the Portuguese banking system is monitored by the European Systemic Risk Board and, therefore, Banco de Portugal will monitor the cyclical systemic risk in these third countries using a set of macroeconomic and financial indicators, as described in the methodology.<sup>4</sup> Banco de Portugal will only publish its risk assessment if it needs to decide on the recognition of a countercyclical buffer measure implemented by a third country authority or set a buffer rate for exposures to a third country.

Pursuant to the methodology, this list shall be updated annually on the basis of the criteria established to guide the entry/exit of countries into/from the list. The tentative date for the release of the updated list of third countries is 30 June 2017.

<sup>4</sup> According to Decision ESRB/2015/3, the initial list of material third countries for the Union's banking system includes the Federative Republic of Brazil, the Hong Kong Special Administrative Region of the People's Republic of China, the People's Republic of China, the Republic of Turkey, the Russian Federation and the United States of America. The cyclical systemic risk in these countries is, therefore, directly monitored by the European Systemic Risk Board.