

### 33. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

	(Thousands of euros)	
	2017	2016
Trading derivatives (note 21):		
Swaps	378,642	528,878
Options	1,911	4,186
Embedded derivatives	158	-
Forwards	669	1,419
	381,380	534,483
Level 2	381,044	470,704
Level 3	336	63,779

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

The balance Financial liabilities held for trading includes, as at 31 December 2017, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 c), in the amount of Euros 158,000. This note should be analysed together with note 21.

### 34. PROVISIONS

This balance is analysed as follows:

	(Thousands of euros)	
	2017	2016
Provision for guarantees and other commitments (note 20)	114,981	110,601
Other provisions for liabilities and charges	154,076	113,032
	269,057	223,633

Changes in Provision for guarantees and other commitments are analysed as follows:

	(Thousands of euros)	
	2017	2016
<b>Balance on 1 January</b>	110,601	57,924
Charge for the year	4,449	52,673
Reversals for the year	(52)	-
Exchange rate differences	(17)	4
<b>Balance on 31 December</b>	114,981	110,601

Changes in Other provisions for liabilities and charges are analysed as follows:

	(Thousands of euros)	
	2017	2016
<b>Balance on 1 January</b>	113,032	95,982
Transfers	(588)	13,747
Charge for the year	46,094	46,169
Reversals for the year	-	(11,270)
Amounts charged-off	(4,462)	(31,596)
<b>Balance on 31 December</b>	154,076	113,032

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 54,762,000 (31 December 2016: Euros 46,698,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

### 35. SUBORDINATED DEBT

This balance is analysed as follows:

	(Thousands of euros)	
	2017	2016
<b>Bonds</b>		
Non Perpetual	917,846	608,932
Perpetual	86,928	88,478
<b>CoCos</b>	-	703,421
	1,004,774	1,400,831
Accruals	16,767	15,202
	1,021,541	1,416,033

The Bank fixed on 29 November 2017 the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme, as referred in note 42. The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

As referred in note 42, the Bank has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700,000,000.