

### 36. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

	(Thousands of euros)	
	<b>2017</b>	<b>2016</b>
Short selling securities	-	24,228
Trading derivatives (note 23):		
Swaps	377,553	498,702
Options	2,385	4,457
Embedded derivatives	10,274	6,111
Forwards	6,334	6,225
Others	2,555	7,864
	<b>399,101</b>	<b>523,359</b>
	<b>399,101</b>	<b>547,587</b>
Level 1	1,019	234
Level 2	387,157	459,309
Level 3	10,925	88,044

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

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 d), in the amount of Euros 10,274,000 (31 December 2016: Euros 6,111,000). This note should be analysed together with note 23.

### 37. PROVISIONS

This balance is analysed as follows:

	(Thousands of euros)	
	<b>2017</b>	<b>2016</b>
Provision for guarantees and other commitments (note 22)	130,875	128,056
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium	8,627	10,490
Life insurance	27,531	34,751
For participation in profit and loss	3,863	431
Other technical provisions	18,013	15,816
Other provisions for liabilities and charges	135,249	131,506
	<b>324,158</b>	<b>321,050</b>

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

	(Thousands of euros)	
	2017	2016
<b>Balance on 1 January</b>	128,056	74,710
Transfers resulting from changes in the Group's structure	-	(930)
Charge for the year (note 14)	18,537	64,536
Reversals for the year (note 14)	(15,953)	(8,644)
Exchange rate differences	235	(1,616)
<b>Balance on 31 December</b>	<b>130,875</b>	<b>128,056</b>

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

	(Thousands of euros)	
	2017	2016
<b>Balance on 1 January</b>	131,506	136,908
Transfers resulting from changes in the Group's structure	3	(1,879)
Other transfers	(655)	11,844
Charge for the year (note 14)	16,463	44,928
Reversals for the year (note 14)	(2,337)	(12,433)
Amounts charged-off	(10,364)	(46,209)
Exchange rate differences	633	(1,653)
<b>Balance on 31 December</b>	<b>135,249</b>	<b>131,506</b>

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group'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 63,669,000 (31 December 2016: Euros 49,016,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

### 38. SUBORDINATED DEBT

This balance is analysed as follows:

	(Thousands of euros)	
	2017	2016
<b>Bonds</b>		
Non Perpetual	1,133,427	804,547
Perpetual	27,092	28,955
<b>CoCos</b>	-	703,421
	<b>1,160,519</b>	<b>1,536,923</b>
Accruals	8,543	7,632
	<b>1,169,062</b>	<b>1,544,555</b>

As referred in note 47, Banco Comercial Português, S.A. 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. 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 47, Banco Comercial Português, S.A. 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 million.