

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 D).

Synthetic securitizations

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, supports an operation started on 28 June 2013, based on a medium and long term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The legal maturity date of the operation is 25 March of 2036 and the operation amounts to Euros 1,993,999,000 as at 31 December 2018. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 202,017,000 and the registered cost in 2018 amounts to Euros 9,159,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated on 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The legal maturity date is 21 September of 2043 and as at 31 December 2018, the operation amounts to Euros 1,179,301,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,729,000 and their registered cost in 2018 amounts to Euros 1,217,000.

In both operations, the Bank hired a CDS with a Special Purpose Vehicle (SPV), buying by this way the protection for part of the credit risk inherent to the referenced portfolio. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPE, and the subscription by investors, the Credit Linked Notes (CLN). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLN issue was invested by the referred SPE the constitution of a deposit that collateralizes, in full, their responsibilities towards its creditors under the operation, including the Group under the CDS context.

These operations involve the Bank's to reduce the risk-weighted assets associated with the credit portfolios supporting the operations, but it did not transfer to third parties most of the rights and obligations arising from the credits included in them, thus not meeting the derecognition criteria in the accounting policy presented in note 1B.1.3.

20. Debt securities

The balance Debt securities is analysed as follows:

	(Thousands of euros)	
	2018	2017
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	176,751	241,381
Commercial paper	2,024,762	1,681,476
Foreign issuers		
Bonds	34,671	38,731
Commercial paper	19,704	21,465
	2,255,888	1,983,053
Overdue securities - over 90 days	55,353	67,353
	2,311,241	2,050,406
Impairment	(39,921)	(42,886)
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Public entities		
Portuguese issuers	47,377	n.a.
Foreign issuers	4,891	n.a.
Other entities		
Portuguese issuers	254,662	n.a.
Foreign issuers	63,325	n.a.
	370,255	n.a.
Impairment	(284)	n.a.
	369,971	n.a.
	2,641,291	2,007,520

The analysis of the balance Debt securities, by maturity, as at 31 December 2018 is as follows

(Thousands of euros)

	2018					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	
Debt securities held associated						
with credit operations						
Portuguese issuers						
Bonds	-	-	-	176,751	-	176,751
Commercial paper	1,430,666	594,096	-	-	55,353	2,080,115
Foreign issuers						
Bonds	-	-	11,659	23,012	-	34,671
Commercial paper	19,704	-	-	-	-	19,704
	1,450,370	594,096	11,659	199,763	55,353	2,311,241
Debt securities held not associated						
with credit operations						
Public entities						
Portuguese issuers	-	-	-	47,377	-	47,377
Foreign issuers	-	-	4,891	-	-	4,891
Other entities						
Portuguese issuers	-	90,615	124,809	39,238	-	254,662
Foreign issuers	-	-	-	63,325	-	63,325
Foreign issuers	-	90,615	129,700	149,940	-	370,255
	1,450,370	684,711	141,359	349,703	55,353	2,681,496

The analysis of the balance Debt securities, by maturity, as at 31 December 2017 is as follows:

(Thousands of euros)

	2017					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	
Debt securities held associated						
with credit operations						
Portuguese issuers						
Bonds	35,101	-	-	206,280	-	241,381
Commercial paper	1,678,280	3,196	-	-	67,353	1,748,829
Foreign issuers						
Bonds	-	-	13,027	25,704	-	38,731
Commercial paper	21,465	-	-	-	-	21,465
	1,734,846	3,196	13,027	231,984	67,353	2,050,406

The analysis of debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

	(Thousands of euros)	
	2018	2017
Debt securities held associated with credit operations		
Mining	24,996	18,353
Food, beverage and tobacco	80,074	42,566
Textiles	69,346	79,794
Wood and cork	10,820	6,001
Paper, printing and publishing	17,163	62,038
Chemicals	222,101	223,932
Machinery, equipment and basic metallurgical	56,775	50,887
Electricity and gas	190,338	219,537
Water	9,957	-
Construction	6,937	86,678
Retail business	86,042	73,560
Wholesale business	73,388	64,559
Restaurants and hotels	8,518	12,794
Transports	49,144	23,627
Telecommunications	8,932	12,571
Services		
Financial intermediation	249,231	269,246
Real estate activities	39,115	35,091
Consulting, scientific and technical activities	991,948	643,484
Administrative and support services activities	13,653	16,004
Health and collective service activities	4,999	2,496
Other services	3,596	4,106
Other international activities	54,247	60,196
	2,271,320	2,007,520
Debt securities held not associated with credit operations		
Chemicals	25,562	n.a.
Construction	39,229	n.a.
Transports	174,480	n.a.
Services		
Financial intermediation	63,325	n.a.
Consulting, scientific and technical activities	15,149	n.a.
	317,745	n.a.
Government and Public securities	52,226	n.a.
	369,971	n.a.
	2,641,291	2,007,520

The changes occurred in impairment for debt securities are analysed as follows:

	(Thousands of euros)	
	2018	2017
Debt securities held associated with credit operations		
Balance on 1 January	42,886	34,505
Adjustments due to the implementation of IFRS 9 (note 52)	2,946	-
Charge for the year in net income interest (note 2)	211	-
Other transfers	-	(581)
Impairment charge for the year (note 10)	-	10,516
Reversals for the year (note 10)	(6,121)	-
Loans charged-off	-	(1,554)
Exchange rate differences	(1)	-
Balance at the end of the year	39,921	42,886
Debt securities held not associated with credit operations		
Balance on 1 January	n.a.	n.a.
Adjustments due to the implementation of IFRS 9 (note 52)	1,838	n.a.
Reversals for the year (note 10)	(1,554)	n.a.
Balance at the end of the year	284	n.a.

21. Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets available for sale

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

	(Thousands of euros)	
	2018	2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	57,942	73,148
Equity instruments	805	1,277
Trading derivatives	637,005	696,214
	695,752	770,639
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,589,899	n.a.
Financial assets designated at fair value through profit or loss		
Debt instruments	33,034	142,336
Financial assets at fair value through other comprehensive income		
Debt instruments	6,900,301	n.a.
Equity instruments	96,591	n.a.
	6,996,892	n.a.
Financial assets available for sale		
Debt instruments	n.a.	4,867,577
Equity instruments	n.a.	1,825,405
	n.a.	6,692,982
	9,315,577	7,605,957

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. (2017: note 1C.2.3) in the amount of Euros 916,000 (31 December 2017: Euros 0).