

22. Financial assets held to maturity

As at 31 December 2017, the balance Financial assets held to maturity was analysed as follows:

(Thousands of euros)

	2017				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Bonds issued by public entities					
Foreign issuers	-	-	50,859	-	50,859
Bonds issued by other entities					
Portuguese issuers	-	-	173,909	39,145	213,054
Foreign issuers	-	-	-	78,872	78,872
	-	-	224,768	118,017	342,785

This note should be analyzed together with note 20.

The analysis of financial assets held to maturity, by sector of activity, as at 31 December 2017, was analysed as follows:

(Thousands of euros)

	2017
Transports	173,909
Services	
Financial intermediation	78,872
Real estate activities	39,145
	291,926
Government and Public securities	50,859
	342,785

23. Hedging derivatives

This balance is analysed as follows:

(Thousands of euros)

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Swaps	92,891	68,486	18,804	99,453
Others	-	-	-	12,899
	92,891	68,486	18,804	112,352

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Bank opted to continue to apply the hedge accounting requirements in accordance with IAS 39 (note 1 B.4), using mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2018, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,870,000 (31 December 2017: negative amount of Euros 4,833,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2018, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 23,004,000 (31 December 2017: positive amount of Euros 26,586,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 49):

	(Thousands of euros)	
Hedged items	2018	2017
Loans	5,306	4,886
Securities acquisition	(47,870)	(29,543)
Deposits	(10,214)	2,447
Debt issued	(148)	(47,816)
	(52,926)	(70,026)

The analysis of hedging derivatives portfolio by maturity as at 31 December 2018 is as follows:

	(Thousands of euros)					
	2018				Fair value	
	Notional (remaining term)			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to						
interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	24,500	2,738,774	2,763,274	12,372	60,882
Cash flow hedging derivatives related to						
interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	-	11,880,000	11,880,000	80,519	7,604
Total derivatives traded by:						
OTC Market	-	24,500	14,618,774	14,643,274	92,891	68,486

The analysis of hedging derivatives portfolio by maturity as at 31 December 2017 is as follows:

(Thousands of euros)

	2017				Fair value	
	Notional (remaining term)			Total	Assets	Liabilities
	Up to 3 months	3 months to 1 year	Over 1 year			
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,288	6,434,440	6,439,728	17,060	53,401
Others	450,000	-	-	450,000	-	12,899
	450,000	5,288	6,434,440	6,889,728	17,060	66,300
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate Swaps	-	-	12,050,000	12,050,000	1,744	46,052
Total derivatives traded by:						
OTC Market	450,000	5,288	18,484,440	18,939,728	18,804	112,352

24. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of euros)

	2018	2017
Portuguese credit institutions	388,440	338,422
Foreign credit institutions	792,877	801,463
Other Portuguese companies	1,760,363	1,848,351
Other foreign companies	2,756,639	2,771,176
	5,698,319	5,759,412
Impairment for investments in:		
Subsidiary companies	(2,532,289)	(2,385,466)
Associated and other companies	(18,057)	(3,585)
	(2,550,346)	(2,389,051)
	3,147,973	3,370,361