

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 800,801,000 as at 31 December 2019. The fair value of the relative Credit Default Swap (CDS) is recorded as a positive amount of Euros 203,646,000 and the registered cost in 2019 amounts to Euros 5,169,000.

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 2019, the operation amounts to Euros 884,659,000. The fair value of the relative CDS is recorded as a positive amount of Euros 64,101,000 and their registered cost in 2019 amounts to Euros 906,000.

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)	
	2019	2018
Debt securities held associated with credit operations		
Portuguese issuers		
Bonds	155,567	176,751
Commercial paper	1,871,985	2,024,762
Foreign issuers		
Bonds	32,356	34,671
Commercial paper	25,233	19,704
	2,085,141	2,255,888
Overdue securities - over 90 days	1,799	55,353
	2,086,940	2,311,241
Impairment	(12,431)	(39,921)
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Bonds issued by public entities		
Portuguese issuers (*)	137,330	47,377
Foreign issuers	8,173	4,891
Bonds issued by other entities		
Portuguese issuers	178,067	254,662
Foreign issuers	50,854	63,325
	374,424	370,255
Impairment	(532)	(284)
	373,892	369,971
	2,448,401	2,641,291

(*) Includes the amount of Euros 856,000 related to adjustments resulting from the application of fair value hedge accounting.

As at 31 December 2019, the balance Debt securities held not associated with credit operations - Bonds issued by other entities includes the amount of Euros 138,752,000 (31 December 2018: Euros 213,772,000) related to public sector companies.

The analysis of the balance Debt securities (balances before impairment), by maturity, as at 31 December 2019 is as follows

(Thousands of euros)

	2019					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	-	-	-	155,567	-	155,567
Commercial paper	1,342,583	529,402	-	-	1,799	1,873,784
Foreign issuers						
Bonds	-	-	10,881	21,475	-	32,356
Commercial paper	15,201	10,032	-	-	-	25,233
	1,357,784	539,434	10,881	177,042	1,799	2,086,940
Debt securities held not associated with credit operations						
Public entities						
Portuguese issuers	-	-	-	137,330	-	137,330
Foreign issuers	1,998	-	6,175	-	-	8,173
Other entities						
Portuguese issuers	-	-	138,737	39,330	-	178,067
Foreign issuers	-	-	-	50,854	-	50,854
	1,998	-	144,912	227,514	-	374,424
	1,359,782	539,434	155,793	404,556	1,799	2,461,364

The analysis of the balance Debt securities (balances before impairment), by maturity, as at 31 December 2018 is as follows:

(Thousands of euros)

	2018					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Total
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
	-	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 debt securities portfolio, net of impairment, by sector of activity, is analysed as follows:

	(Thousands of euros)	
	2019	2018
Debt securities held associated with credit operations		
Mining	17,493	24,996
Food, beverage and tobacco	83,063	80,074
Textiles	67,201	69,346
Wood and cork	8,017	10,820
Paper, printing and publishing	10,305	17,163
Chemicals	151,612	222,101
Machinery, equipment and basic metallurgical	76,345	56,775
Electricity and gas	184,911	190,338
Water	14,956	9,957
Construction	12,135	6,937
Retail business	73,243	86,042
Wholesale business	70,554	73,388
Restaurants and hotels	7,506	8,518
Transports	35,948	49,144
Telecommunications	6,444	8,932
Services		
Financial intermediation	222,846	249,231
Real estate activities	23,919	39,115
Consulting, scientific and technical activities	923,513	991,948
Administrative and support services activities	16,924	13,653
Health and collective service activities	4,999	4,999
Other services	5,084	3,596
Other international activities	57,491	54,247
	2,074,509	2,271,320
Debt securities held not associated with credit operations		
Chemicals	25,609	25,562
Water	39,324	39,229
Transports (*)	99,402	174,480
Services		
Financial intermediation	50,854	63,325
Consulting, scientific and technical activities	13,550	15,149
	228,739	317,745
Government and Public securities	145,153	52,226
	373,892	369,971
	2,448,401	2,641,291

(*) corresponds to securities of public sector companies

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

	(Thousands of euros)	
	2019	2018
Debt securities held associated with credit operations		
Balance on 1 January	39,921	42,886
Adjustments due to the implementation of IFRS 9	-	2,946
Charge for the year in net income interest (note 2)	120	211
Impairment charge for the year (note 10)	1,717	-
Reversals for the year (note 10)	(907)	(6,121)
Loans charged-off	(28,420)	-
Exchange rate differences	-	(1)
Balance at the end of the year	12,431	39,921
Debt securities held not associated with credit operations		
Balance on 1 January	284	n.a.
Adjustments due to the implementation of IFRS 9	-	1,838
Impairment charge for the year (note 10)	447	-
Reversals for the year (note 10)	-	(1,554)
Loans charged-off	(202)	-
Exchange rate differences	3	-
Balance at the end of the year	532	284

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

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)	
	2019	2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	51,452	57,942
Equity instruments	545	805
Trading derivatives	590,361	637,005
	642,358	695,752
Financial assets not held for trading mandatorily at fair value through profit or loss		
Debt instruments	1,444,772	1,589,899
Financial assets designated at fair value through profit or loss		
Debt instruments	31,496	33,034
Financial assets at fair value through other comprehensive income		
Debt instruments	8,006,771	6,900,301
Equity instruments	72,099	96,591
	8,078,870	6,996,892
	10,197,496	9,315,577

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1B.5. in the amount of Euros 956,000 (31 December 2018: Euros 916,000).