

## 24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

	(Thousands of euros)			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Swaps	45,141	229,923	123,054	177,900

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group 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 Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

As allowed by IFRS 9, the Group opted to continue to apply the hedge accounting requirements in accordance with IAS 39, 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 2019, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 2,259,000 (31 December 2018: positive amount of Euros 3,187,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 4,514,000 (31 December 2018: negative amount of Euros 4,636,000).

During 2019, there were made reclassifications from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 44,882,000 (2018: positive amount Euros 23,004,000). The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is detailed in note 54.

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2019, is as follows:

	(Thousands of euros)					
	2019				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
<b>Fair value hedging derivatives related to interest rate risk changes</b>						
OTC Market						
Interest rate swaps	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
<b>Cash flow hedging derivatives related to interest rate risk changes</b>						
OTC Market						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
<b>Cash flow hedging derivatives related to currency risk changes</b>						
OTC Market						
Currency swaps	83,090	-	-	83,090	185	172
Other currency contracts (CIRS)	469,804	930,004	1,605,817	3,005,625	8,853	98,300
	552,894	930,004	1,605,817	3,088,715	9,038	98,472
<b>Hedging derivatives related to net investment in foreign operations</b>						
OTC Market						
Currency and interest rate swap	-	462,072	136,723	598,795	-	8,057
<b>Total derivatives traded by</b>						
OTC Market	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

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

(Thousands of euros)						
	2018					
	Notional (remaining period)			Total	Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year		Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	-	24,500	3,976,674	4,001,174	12,662	77,787
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,367	205,511	12,467,208	12,725,086	81,677	7,604
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts	336,794	570,475	2,609,407	3,516,676	28,051	87,700
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	58,059	76,034	462,072	596,165	664	4,809
Total derivatives traded by						
OTC Market	447,220	876,520	19,515,361	20,839,101	123,054	177,900

## 25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)		
	2019	2018
Portuguese credit institutions	37,959	42,486
Foreign credit institutions	172,432	237,991
Other Portuguese companies	228,897	180,832
Other foreign companies	21,876	21,785
	461,164	483,094
Impairment	(60,773)	(78,012)
	400,391	405,082

The movements occurred in Impairment for investments in associated companies are analysed as follows:

(Thousands of euros)		
	2019	2018
<b>Balance on 1 January</b>	78,012	102,012
Transfers	2,853	-
Impairment charge for the year (note 12)	4,550	12,623
Loans charged-off	(3,756)	-
Exchange rate differences	(20,886)	(36,623)
<b>Balance at the end of the year</b>	60,773	78,012