

## 22. Hedging derivatives

This balance is analysed as follows:

	(Thousands of euros)			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	74,704	121,559	34,990	121,474

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, 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 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 1,842,000 (31 December 2019: negative amount of Euros 2,232,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2020, reclassifications were made from results to fair value reserves, related to cash flow hedge relationships, in a positive amount of Euros 72,606,000 (31 December 2019: positive amount of Euros 44,882,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows (note 48).

The analysis of hedging derivatives portfolio by maturity as at 31 December 2020 is as follows:

	(Thousands of euros)					
	2020				Fair value	
	Notional (remaining term)			Total	Assets	Liabilities (note 33)
Up to 3 months	3 months to 1 year	Over 1 year	Assets		Liabilities (note 33)	
<b>Fair value hedging derivatives related to interest rate risk changes:</b>						
OTC Market:						
Interest rate swaps	23,500	370,100	4,006,862	4,400,462	5,396	88,654
<b>Stock Exchange transactions:</b>						
Interest rate futures	–	–	197,400	197,400	–	–
<b>Fair value hedging derivatives related to currency risk changes:</b>						
OTC Market:						
Other currency contracts (CIRS)	162,661	273,418	–	436,079	34	26,365
<b>Cash flow hedging derivatives related to interest rate risk changes:</b>						
OTC Market:						
Interest rate swaps	–	–	11,080,000	11,080,000	69,274	6,540
<b>Total derivatives traded by:</b>						
OTC Market	186,161	643,518	15,086,862	15,916,541	74,704	121,559
Stock Exchange	–	–	197,400	197,400	–	–

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

	(Thousands of euros)					
	2019				Fair value	
	Notional (remaining term)			Total	Assets	Liabilities (note 33)
	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	–	1,367,350	2,062,680	3,430,030	17,859	46,122
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	–	–	11,450,000	11,450,000	17,131	75,352
Total derivatives traded by:						
OTC Market	–	1,367,350	13,512,680	14,880,030	34,990	121,474

## 23. Investments in subsidiaries and associated companies

This balance is analysed as follows:

	(Thousands of euros)	
	2020	2019
Portuguese credit institutions	164,705	128,205
Foreign credit institutions	769,328	805,385
Other Portuguese companies	1,962,499	1,963,132
Other foreign companies	2,758,172	2,757,657
	5,654,704	5,654,379
Impairment for investments in:		
Subsidiary companies	(2,539,822)	(2,484,269)
Associated and other companies	(12,970)	(34,461)
	(2,552,792)	(2,518,730)
	3,101,912	3,135,649