

24. Hedging derivatives

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

	(Thousands of euros)			
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Swaps	91,249	285,766	45,141	229,923

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 2020, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 1,732,000 (31 December 2019: positive amount of Euros 2,259,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a positive amount of Euros 2,016,000 (31 December 2019: negative amount of Euros 4,514,000).

During 2020, there were made reclassifications 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 detailed in note 54.

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

	(Thousands of euros)					
	2020					
	Notional (remaining period)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	196,734	608,023	5,598,796	6,403,553	5,396	97,342
Stock Exchange transactions						
Interest rate Futures	–	–	197,400	197,400	–	–
Fair value hedging derivatives related to currency risk changes						
OTC Market						
Other currency contracts (CIRS)	162,661	273,418	–	436,079	34	26,365
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	–	109,642	11,667,681	11,777,323	69,275	10,020
Cash flow hedging derivatives related to currency risk changes						
OTC Market						
Currency swaps	274,584	–	–	274,584	–	6,385
Other currency contracts (CIRS)	442,564	610,622	2,225,527	3,278,713	4,779	143,465
	717,148	610,622	2,225,527	3,553,297	4,779	149,850
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	574,266	–	–	574,266	11,765	2,189
Total derivatives traded by						
OTC Market	1,650,809	1,601,705	19,492,004	22,744,518	91,249	285,766
Stock Exchange transactions	–	–	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 period)					
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	52,919	1,420,269	3,063,197	4,536,385	17,131	46,122
Cash flow hedging derivatives related to interest rate risk changes						
OTC Market						
Interest rate swaps	65,854	111,717	11,706,362	11,883,933	18,972	77,272
Cash flow hedging derivatives related to currency risk changes						
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
Hedging derivatives related to net investment in foreign operations						
OTC Market						
Currency and interest rate swap	–	462,072	136,723	598,795	–	8,057
Total derivatives traded by						
OTC Market	671,667	2,924,062	16,512,099	20,107,828	45,141	229,923

25. Investments in associated companies

This balance is analysed as follows:

(Thousands of euros)		
	2020	2019
Portuguese credit institutions	40,114	37,959
Foreign credit institutions	139,095	172,432
Other Portuguese companies	287,285	228,897
Other foreign companies	21,024	21,876
	487,518	461,164
Impairment	(52,559)	(60,773)
	434,959	400,391

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

(Thousands of euros)		
	2020	2019
Balance on 1 January	60,773	78,012
Transfers	–	2,853
Impairment charge for the year (note 12)	4,735	4,550
Loans charged-off	–	(3,756)
Exchange rate differences	(12,949)	(20,886)
Balance at the end of the year	52,559	60,773