REPORT AND CONSOLIDATED ACCOUNTS '17

BANCO INVEST

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GRUPO ALVES RIBEIRO

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1. Governing Bodies

General Meeting of Shareholders

Charmain

Francisco Xavier Ferreira da Silva

Secretaries

Teresa Penaguião Silva Alves Ribeiro Pereira de Sousa
Joana Rita da Silva Ribeiro Costa Morais Villas Boas

Board of Directors

Charmain

Afonso Ribeiro Pereira de Sousa

Deputy Charmain

António Miguel Rendeiro Ramalho Branco Amaral

Members

Manuel João de Matos Silva Alves Ribeiro
João Carlos Ribeiro Pereira de Sousa
José João Silva Ribeiro da Costa Morais
Francisco Manuel Ribeiro
Luís Miguel da Rocha Barradas Ferreira

Audit Board

Charmain

Artur Carmo Barreto

Members

Rosendo José
Victor Hugo Moreira Ferreira Lemos Sousa

Alternate Member

Francisco Dias Martins

Statutory Auditor

KPMG, SROC, SA, represented by Miguel Afonso

2. Mail Financial indicators

2. Main Financial Indicators

Indicators (Euros)	2014	2015	2016	2017
Net interest income	12,577,205	12,251,235	12,991,062	16,433,483
Net income from financial operations	9,290,279	7,350,129	4,424,794	4,321,877
Net commissions	1,986,459	1,711,339	2,298,047	5,393,738
Other net operating income	(754,999)	(2,856,559)	(186,345)	134,391
Net operating revenue	23,098,944	18,456,144	19,527,558	26,283,489
Personnel costs	(5,067,881)	(5,396,517)	(6,716,762)	(8,386,236)
Other administrative costs	(4,606,453)	(4,643,361)	(5,068,711)	(6,285,362)
Overheads	(9,674,334)	(10,039,878)	(11,785,473)	(14,671,598)
Depreciation	(705,949)	(455,811)	(712,615)	(930,497)
Net provisions and impairments	(4,318,171)	(5,453,719)	(703,718)	(2,852,026)
Income before taxes	8,400,490	2,506,736	6,325,752	7,829,368
Provision for taxes	(3,545,754)	355,007	(2,250,712)	(1,981,164)
Net results	4,833,610	2,868,919	4,005,079	5,793,594
Comprehensive income	11,837,748	(3,520,104)	3,783,273	4,248,698
Net credit extended	185,344,856	246,931,131	229,029,588	328,848,647
Funds attracted	522,646,926	495,123,016	394,658,209	495,403,100
Shareholders' equity	104,422,253	100,054,973	103,082,651	106,391,777
Net assets	645,759,316	603,426,834	506,320,442	618,642,541
Transformation ratio *(Loans and advances to customers/Customer resources)*	55.0%	40.6%	41.0%	57.0%
Liquidity coverage ratio (LCR)	158.6%	141.9%	205.7%	269.9%
Cost-to-income ratio	44.94%	56.87%	64.00%	59.36%
Net interest income (as % of Net operating revenue)	54.4%	66.4%	66.5%	62.5%
Provisions and impairments (as % of Net operating revenue)	(18.7%)	(29.5%)	(3.6%)	(10.9%)
Common equity tier 1 ratio (CET1)	21.3%	18.3%	23.7%	20.3%
Solvency ratio	21.6%	18.5%	23.7%	21.8%
RWAs (as % of Total assets)	64.1%	85.4%	77.5%	71.2%

1 Calculated using Income before taxes

3. Banco Invest

3. Banco Invest

Who are we

Banco Invest, S.A. (Banco Invest or Bank) was incorporated in 1997 as Banco Alves Ribeiro, S.A., with registered office in Lisbon and a share capital of 20 million euros, wholly owned by the Alves Ribeiro Group.

In October 2005, the name was changed to Banco Invest, seeking to unequivocally reflect its Mission: to be recognised by the market as the financial institution that best satisfies the needs of private, corporate or institutional customers, in all the financial products that distance themselves from a routine bank relationship, and require greater involvement, proposing solutions which traditional banking, with its standardised offer, is unable to provide.

Banco Invest is a specialised and flexible bank, with highly qualified experts, devoted to the offer of sophisticated investment and savings operations. In a globalised and sophisticated world, investment opportunities are increasingly complex, requiring higher levels of specialisation and follow-up, which do not fall within the typical standardised offer of retail banks.

Since its foundation, the Bank has based its performance on principles of ethics, innovation, independence and safety, values that cut across all areas of the Bank's operations. These values have allowed the Bank to achieve, since its incorporation, a sustained growth performance and levels of financial solidity far above the average of the national banking sector. At the end of 2017, the Bank's solvency ratio stood at 21.82% and Customer Resources totalled 453.3 million euros, corresponding to an annual average growth of 19.4% since 2008. Last year, net operating revenue jumped 6.8 million euros (34.6%) to 26.3 million euros.

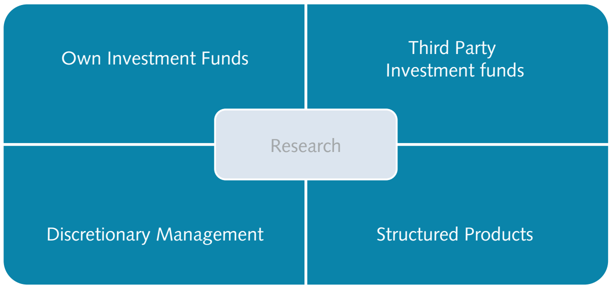
What we do

Banco Invest is specialised in the management of Savings and Investments of its private, corporate and institutional customers, offering an open and independent structure, with a global and diversified offer of products and services.

The Bank's operations are currently divided into five main business areas: Asset Management, Brokerage, Specialised Credit, Financial Services and Institutional Custody and Treasury and Capital Markets.

The Asset Management area includes the management of Own Investment Funds (mutual and real estate), Distribution of Investment Funds Managed by Third Parties, Discretionary Portfolio Management and Issue of Structured Products.

Asset Management



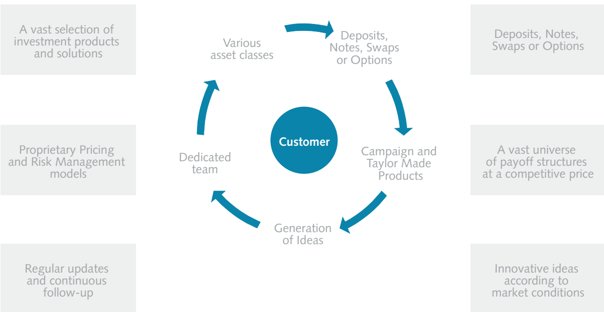
The Asset Management department of the Bank is responsible for the management of Own Investment Funds, namely the Alves Ribeiro - Plano Poupança Reforma and Invest Ibéria mutual funds.

Banco Invest selects and distributes investment funds managed by other management companies (third party funds), offering its Customers about 1,000 investment funds managed by the most prestigious national and international management companies. The offer includes various classes of assets and geographical regions, providing a wide range of diversification alternatives for different risk profiles. Most of these investment funds are available on the Bank's website. Customers can research and compare products independently or subscribe to thematic portfolios. Banco Invest, through Invest Trends, offers 30 thematic portfolios that reflect market trends and investment strategies that offer long term growth potential. The portfolios are exclusively composed of investment funds and built by the Asset Management team of Banco Invest.

The Discretionary Management of Customers' investment portfolios is conducted in accordance with each customer's risk profile and the intended level of return.

The Asset Management department structures and manages the Structured Products issued by the Bank, including indexed deposits and others without guaranteed capital (complex financial products).

Structured Products



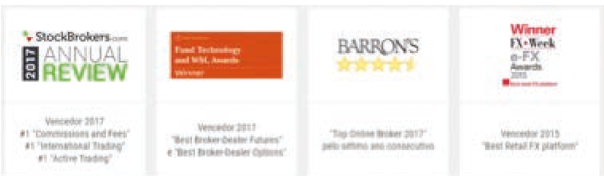
The Asset Management area is also responsible for the production of research and material supporting the sale of products on offer to Bank customers.

The **Brokerage** area includes the brokering and intermediation of shares, bonds, exchange traded funds, warrants and futures contracts. Banco Invest is present in the Prime Brokerage and Online Brokerage segments.

In the Prime Brokerage segment, the Bank offers a premium service, whereby Customers benefit from a direct relationship with traders. Traders' activity includes technical analyses, namely analyses of trends and of theoretically ideal levels of subscription and sale of securities, as well as the management of Customers' orders.

In the online brokerage segment, Bank customers can give orders through the website - from a desktop or mobile phone - or through the Invest Trader and Invest BTrader Plus trading platforms. The Invest BTrader Plus is a multi-award-winning online trading platform, with the largest offer of Forex, CFDs, ETFs, Futures, Options and Shares in the market. This simple and intuitive platform boosts the trading activity of Customers in all markets and has no account maintenance, securities custody or dividends commissions.

Invest BTrader Plus



The **Financial Services and Institutional Custody** area is directed at independent management companies of mutual and real estate funds. In addition to custody, the services offered include financial intermediation, risk hedging and management products and asset management for institutional customers.

The **Specialised Credit** area is divided into four types of offer: Margin Account, Mortgages, Crédito Económico Popular (CEP) and BI Credit.

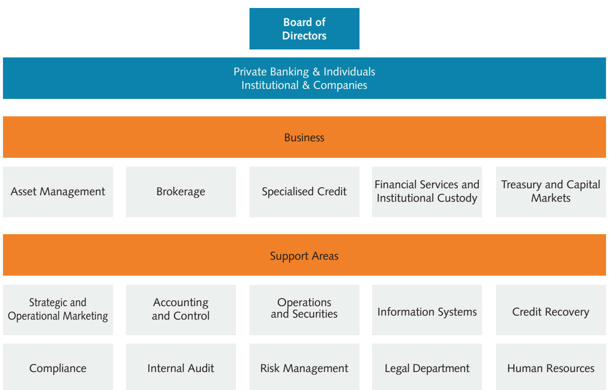
Account Margim	Mortgages	CEP	Bi Credits
• Leveraging of own funds under the pledge of their security portfolios • Only securities with liquidity and listed on official markets are eligible	• Medium-term loans to private customers subject to the provision of a real guarantee	• Loans with precious metals as collateral • Directed at Customers with a significant part of their savings invested in precious metals, and which intend to resort	• Auto loans • Vehicle leasing • Crédito Stock (line of credit for traders and to finance car fleets) • Financing for new and used vehicles

The **Treasury and Capital Markets** area focuses its activity on liquidity and balance sheet management, optimisation of the use of funding and management of Banco Invest's equity and bond portfolio.

The management of liquidity seeks to optimise the structure of the balance sheet in order to maintain the temporal structure of maturities between assets and liabilities under control, taking into account the foreseeable growth of the Bank. Management is also constrained by the need to maintain a level of sufficient liquidity reserves to maintain prudent levels of liquidity coverage. Liquidity risk is managed so as to keep pace with the growth of the Bank's assets and ensure that cash flow needs are covered without incurring exceptional losses, maintaining in portfolio marketable assets which constitute a sufficient liquidity reserve. Overall and partial risk limits are based on Value at Risk (VaR) methodologies, credit risk analysis - rating, stress tests and concentration limits per asset, per sector and per country.

The Financial Department is responsible for the management of the Bank's Cash Flow and Own Portfolio, according to the policies defined by the Bank's Investment Committee. The Bank's Investment Committee, comprising the heads of the various areas involved, determines overall guidelines governing the Bank's position. It is then up to Financial Department to manage the Bank's exposure to each market risk within the defined risk limits.

Organization of the Bank



At the end of 2017, the physical distribution network of Individuals Banking was composed of the **Private Banking** unit, located at the head office of the Bank, and 4 **Investment Centres**, located in Lisbon, Porto, Leiria and Braga.

Awards

The good performance of Banco Invest continued to be recognised publicly in several areas of financial activity by national and international independent entities.

International Banker
BEST INVESTMENT BANK
PORTUGAL 2017

Global Banking & Finance Review
MOST INNOVATIVE PRIVATE BANKING
PORTUGAL 2017

APFIPP E Jornal De Negócios
MELHOR FUNDO PPR Com ISRR 4
PORTUGAL 2017

Highlights of the financial year

2017

May	The Alves Ribeiro - Plano Poupança Reforma (PPR) Fund was considered the best retirement savings plan with a risk level of 4 (on a scale of 1 to 7), by the Portuguese Association of Investment Funds, Pension Funds and Asset Management (APFIPP).
July	Launch of Invest Trends, thematic portfolios composed of investment funds of the most prestigious international management companies. A Trend is a collection of investment funds that reflect a theme, a trend, a strategy or an idea with a promising future.
August	Launch of the Bank's new website, designed to adapt automatically to any device - the mobile phone, tablet or computer.
September	Celebration of the 20 Years of Banco Invest, at the Cultural Centre of Belém, with a concert by Miguel Araújo.
December	The Invest Ibéria Fund ended its first year of activity, since it underwent a change in its investment policy, with a return.

20 Years of Banco Invest

This year marks the completion of a decade under the spectre of the greatest economic crisis the world has known since the Great Depression. A crisis that affected, with particular intensity, all financial institutions, and which clearly demonstrated once again that the market and economic agents always end up penalising greed, carelessness and complacency, and rarely forget to reward balance, safety and rigour.

The challenges that we faced over the last 10 years proved to be exceptionally difficult, in that they were oftentimes, in terms of their nature and dimension, unprecedented in the history of the world economy, particularly in the areas of monetary policy and of the functioning of the banking system.

We concluded this decade in the clear knowledge that Banco Invest played its role to the full within the framework of the national banking sector.

First of all, because of all the problems that the Portuguese economy faced, but also and above all, due to the overriding need to guarantee the safety of its Customers' assets, the Bank maintained, at all times, a high level of solvency, among the most significant of the national banking sector, a position which it maintains to this day with a solvency ratio that exceeds 20%.

Secondly, because in response to the climate of great uncertainty in financial markets, the Bank offered a secure, professional and independent solution to all those that sought an alternative for the safekeeping and management of their savings. Over the last decade, the number of individual customers of Banco Invest grew at an annual average rate of 21%, and securities in the custody of the Bank grew at an annual average rate of 23%.

Finally, because the Bank never stopped believing in the recovery of the Portuguese economy. Over the last 10 years, notwithstanding the financial solidity of the Bank, the results it generated, and the legitimacy with which it could have done so, Banco Invest did not distribute any dividends, always opting to reinvest all its profits in the development of its activity, launching new business areas and creating more jobs. Over the last decade, the net operating income generated annually by the total number of financial institutions operating in Portugal fell by more than 30%, and the number of employees of the banking sector declined by more than 20%. Over the same period, the Net Operating Income generated annually by Banco Invest grew more than 120%, and the Bank's human resources more than doubled.

Over the last 20 years, we managed to achieve stringent objectives collectively, and built a solid and competent organisation, which has deserved the trust of a growing number of customers.

The success that we have achieved clearly represents a just reward for the efforts we have expended. I prefer to think of it as, primarily, a significant increase of our responsibility.

Never, under any circumstances, can we lose the ability to attract talent and gain new knowledge, essential in maintaining Banco Invest at the forefront of technical expertise, which is crucial for the value proposition we offer our Customers.

We can never, for whatever reason, permit ourselves to lose the ability to generate innovation, a decisive factor in the conception of solutions that increasingly defend the interests of our Customers.

We can never, at any time, permit ourselves to lose the ability to question ourselves.

There is no other route towards continuous improvement. And in the extremely competitive environment that characterises the banking sector, if one day we stopped improving, we would inevitably become consistently worse.

While we cannot predict the future, we know that it holds a no less demanding path than the one we have already covered. We shall continue down this path with balance, safety and with rigour.

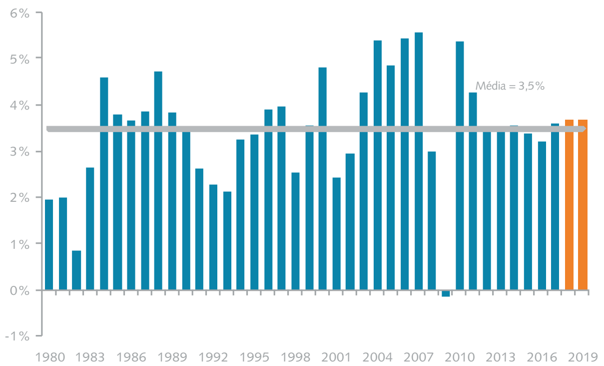
Afonso Pereira de Sousa
Chairman of the Board of Directors of Banco Invest

4. Macroeconomic background

Global economy

The Organisation for Economic Co-operation and Development (OECD) estimates that the world economy grew 3.6% in 2017, well above the 3.1% registered in the previous year. Global growth was characterised by increased synchronisation, with the main world economies recording accelerating economic activity. In the United States, Gross Domestic Product (GDP) grew 2.2% (1.5% in 2016) and in the Eurozone the economy is estimated to have expanded by 2.4% (1.8% in 2016). Within the Eurozone, the performance of the German (2.5%) and Spanish economies (3.1%) is noteworthy. In turn, Japan grew 1.5% (1.0% in 2016) and the United Kingdom decelerated to 1.5% (1.8% in 2016), with economic activity penalised by the uncertainty surrounding the Brexit conditions. Among the emerging economies, Chinese economic activity stabilised (6.8% in 2017) and Brazil and Russia returned to growth (0.7% and 1.9% in 2017, respectively), after several quarters in recession. The inflation rate remained relatively stable and low, at around 2% in advanced economies and at 4% in emerging and developing economies. In spite of the efforts of central banks, especially the central banks of advanced economies, to boost wage growth and, consequently, inflation, factors such as a high level of indebtedness and weak demographic growth, combined with technological innovation, seem to be reigning in growth and the inflation rate.

Growth of the world economy



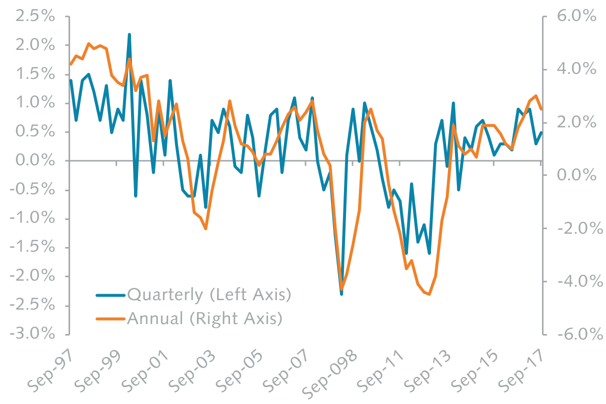
Source: IMF (October 2017), OECD (November 2017) and European Commission (November 2017)

For 2018, forecasts are slightly more positive. The world economy is expected to grow by 3.7%, slightly above the average of the last six years (3.5%). If this performance is confirmed, this will be the ninth consecutive year of growth at around the average, in a period characterised by reduced volatility. In other words, the recovery from the 2009 crisis is one of the most prolonged of the last thirty years and is characterised by considerable stability. In 2018, the United States and the Eurozone are likely to grow 2.3% and 2.0%, respectively, while Japan is expected to decelerate from 1.5% in 2017 to 1.0% in 2018. In contrast, the emerging economies will continue to lead global growth, expanding by 4.9% in 2018. Among these, the recovery of the Brazilian economy, with a growth of 1.7%, reversing the recession of the last few years, is noteworthy.

Portuguese economy

According to the Bank of Portugal, the Portuguese economy is expected to have grown by 2.6% in 2017, well above the 1.5% registered in 2016. The Portuguese economy continued to benefit from the favourable external environment and the recovery of economic agents' confidence, corresponding to an increase of tourism exports and increased investment. Private consumption grew 2.2%, buoyed by the increase in household disposable income and employment. In effect, employment grew 3.1% in 2017, resulting in a fall in the unemployment rate from 11.1% to 8.9% over the course of the year. In turn, the inflation rate increased by 0.6% at the end of 2016 to its current level of 1.6%.

Domestic GDP Growth



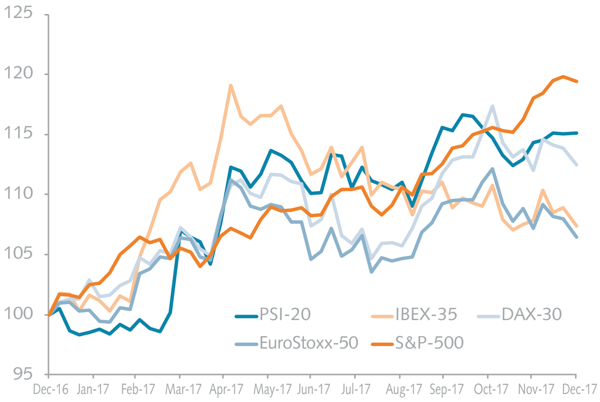
Source: Bloomberg

For 2018, forecasts point towards a slight slowdown in economic activity, with a growth of 2.3%. Private consumption and investment are expected to remain robust, as well as the contribution of exports towards GDP growth. The unemployment rate is set to continue to fall and is expected to end the year at 7.8%. After the recovery registered in 2017, the inflation rate is expected to remain stable at 1.5%.

Financial Markets

The leading stock market indices ended 2017 with significant gains. In the United States, the indices broke successive historical highs: the S&P-500 index climbed 19.4% and the Nasdaq 100 technological index registered an impressive gain of 31.5%, both in USD. In Europe, the German market, with the DAX 30 index having risen by 12.5%, and the peripheral markets, in particular the Greek (ASE +24.7%), Italian (FTSE MIB +13.6%) and Portuguese (PSI 20 +15.2%), stood out. In turn, the Japanese Nikkei 225 index went up by 19.1%, in JPY, and the emerging markets increased 34.4% on average, in USD, measured by the MSCI Emerging Markets index.

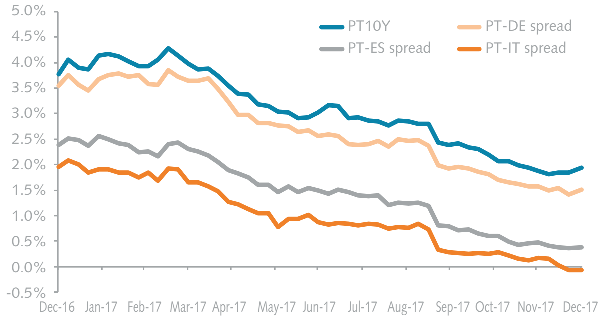
Equity Markets



Source: Bloomberg

In bond markets, gains were more modest, although still significant in the highest risk segments. In the United States, High Yield bonds obtained a total average return of 7.5% (in USD), slightly above what was registered by their European counterparts (6.2%). In the government debt universe, 10-year Treasuries ended the year almost unchanged, at 2.41%, while German Bunds rose 22 bps to 0.43%. This year's highlight was Portuguese public debt, driven by good economic performance and the return to investment grade (BBB) category by Standard & Poor's (S&P).

10-year Portuguese yield



Source: Bloomberg

Another important development in financial markets in 2017 was the strong depreciation of the USD. In relation to the Euro, the US currency depreciated by 12.4% and the DXY index, which measures the performance of the USD against a basket of 6 international currencies, lost 9.9%.

5. Business

Balance Sheet and Net Income

The year of 2017 was a year of stabilisation of the Portuguese banking sector. Following several years of contraction of balance sheets and negative returns, the sector registered a slight pick up with the recovery of loans granted and a significant reduction of the stock of non-performing loans (NPLs). The shareholders' equity of the leading national banks was reinforced, the sale of Novo Banco was concluded and the maturity of the loans to the resolution fund was extended.

Equally positive were the developments in terms of the rating of the Portuguese Republic and, consequently, of the risk premiums required from Portugal and national banks. In effect, the prospect that was created over the course of the year with regards to the increase in Portugal's rating by S&P, which materialised near the end of the year, contributed to the improvement of the markets' perception of the Portuguese economy, evidenced in the premiums of the credit default swaps (CDS) on sovereign debt, which fell from 275 to 80 bps, and to the improvement of the results of the national banks, via the exposure to bonds and the decrease in the cost of funding.

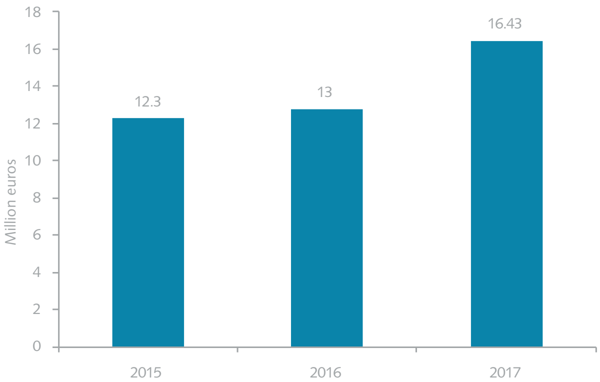
Nonetheless, relevant risks persist. Despite the recent improvement, the stock of NPLs remains high, with a ratio of 14.6%, and particularly high in the non-financial companies sector, with a ratio of 26.6%, at the end of the third quarter of the year. On the other hand, short-term interest rates remain at negative levels, conditioning the profitability of the banking sector. Of no less importance are the regulatory challenges, including the adoption of IFRS 9 and the entry into force of DMIF II, as of January 2018, and the growing technological evolution and competition from new participants in the market (Fintech), which will increase the complexity of banking activity over the next few years.

In this context, and despite the challenging environment, the year was positive for Banco Invest.

Net Income came to 5.8 million euros and Net Operating Income increased by 6.8 million euros (34.6%) to 26.3 million euros.

Net Interest Income grew 3.4 million euros (26.5%) to 16.4 million euros, reflecting the start of the BI Credit brand operation and the consequent increase of the portfolio of loans granted. In fact, the portfolio of auto loans closed the year at 94.3 million euros, accounting for most of the growth of loans granted and of net interest income.

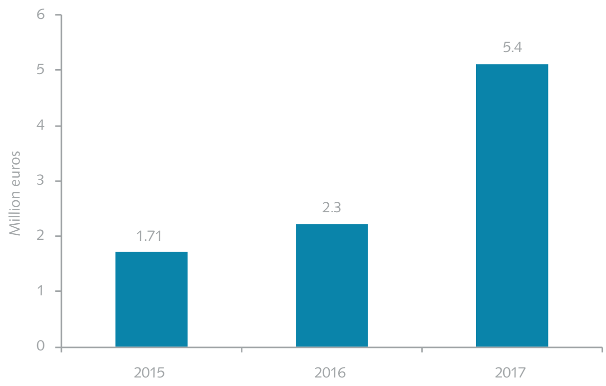
Net Interest Income



Source: Banco Invest

Net Commissions increased by 3.1 million euros (134.7%) to 5.4 million euros. The start of the activity of BI Credit was the main contributor to this increase, in addition to a significant increase of the brokerage and custody of securities commissions. The strong performance of markets and the consequent greater appetite of Customers for financial assets contributed to the improvement of these items.

Net Commissions



Source: Banco Invest

Net Income from Financial Operations came to 4.3 million euros, essentially reflecting the gains obtained from bond risk management. The good performance of the European credit and national public debt markets, whose spreads registered sharp falls, contributed to the gains obtained in Net income from financial operations in 2017.

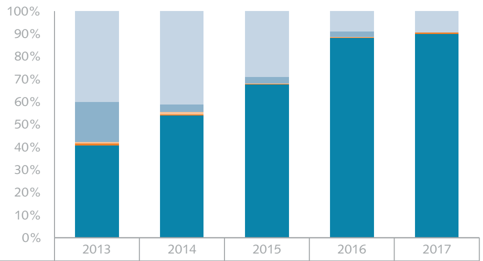
Net Impairments came to 2.9 million euros, representing a significant increase in relation to 2016. The impairment constituted via the reduction of the appraisals of some of the properties held as a guarantee for loans granted contributed significantly to this result. This amount of impairments represented 10.9% of Net Operating Revenue, which is still far below the average for the sector (21.4% in Sep/17).

Net Assets increased by 112.3 million euros (22.2%) to 618.6 million euros, mainly due to, as already mentioned, the launch of the auto loans activity. In effect, Loans and Advances to Customers registered a net increase of 99.8 million euros (43.6%), corresponding to almost the entire increase observed during the year.

Liabilities grew 109.0 million euros (27.0%) to 512.3 million euros. This growth resulted from the increase in Resources from Customers by 102.1 million euros (29.1%) to 453.3 million euros. Growth was significant both in Corporate and Private Customers, with increases of 478.0% and 24.2%, respectively, excluding interest payable. At the end of 2017, the Private Customers segment represented about 79.5% of Resources from Customers.

Resources at Central Banks increased by 10.2 million euros (35,1%) to 39.2 million euros. This amount is equivalent to 7.6% of total Liabilities, which is in line with the average of the sector (7.1% in September 2017). The portfolio of liquid assets eligible for funding obtained from the Eurosystem increased by 12.8% to 174.7 million euros (net of valuations and haircuts), of which 81.8 million euros were not used and could therefore be converted into liquidity.

Structure of Resources



	2013	2014	2015	2016	2017
From Central Banks	221,630,278	216,704,549	141,006,232	29,000,000	39,180,000
Securitisations	103,272,757	19,395,884	15,135,143	10,927,286	0
Bonds issued	2,886,602	5,077,670	449,939	99,376	0
From other credit institutions	5,389,248	2,470,654	1,486,255	988,912	2,951,525
Deposits	236,237,482	298,134,275	350,074,418	359,793,699	462,739,825

Source: Banco Invest

The transformation ratio increased from 41.0% in 2016 to 57.0% in 2017, which remains far below the average of the sector (94% in September 2017, according to APB) and which reflects the reduced degree of leverage of Banco Invest.

At the end of 2017, the solvency ratio of the Bank, calculated in accordance with the Bank of Portugal's rules, stood at 21.7%. The Common Equity Tier I ratio stood at 20.3%, compared with an average of the sector of 13.5%, in Sep/17.

In operating terms, in 2017, the distribution of income and of the main balance sheet items was as follows:

Distribution by operating segments

Consolidated Highlights (Thousand euros)

	2017			2016		
	Commercial	Markets	Total	Commercial	Markets	Total
Net interest income	13,147	3,287	16,433	10,393	2,598	12,991
Income from equity instruments	-	-	-	-	-	-
Income from services and commissions	5,434	(40)	5,394	2,298	-	2,298
Result of assets and liabilities assessed at fair value through profit and loss	-	1,153	1,153	-	1,747	1,747
Result of financial assets available for sale	-	3,642	3,642	-	3,521	3,521
Other operating income and other	(254)	(85)	(338)	(186)	(843)	(1,030)
Net operating revenue	18,287	7,997	26,284	12,505	7,023	19,528
Personnel costs and general administrative costs	(11,004)	(3,668)	(14,672)	(8,839)	(2,946)	(11,785)
Amortisations for the year	(698)	(233)	(930)	(534)	(178)	(713)
Provisions and impairment	(2,139)	(713)	(2,852)	1,380	(2,084)	(704)
Income before taxes	4,446	3,383	(7,829)	4,511	1,815	6,326
Taxes	(613)	(1,368)	(1,981)	(750)	(1,500)	(2,251)
Consolidated annual net income	3,789	2,004	5,794	3,705	300	4,005
Financial assets held for trading	-	48,307	48,307	-	35,991	35,991
Financial assets available for sale	-	79,692	79,692	-	90,810	90,810
Loans and advances to customers	256,746	72,103	328,849	144,159	84,871	229,030
Investments held to maturity	-	101,903	101,903	-	86,497	84,871
Resources at Central Banks	-	39,180	39,180	-	29,000	29,000
Resources from other credit institutions	-	2,952	2,952	-	989	989
Resources from customers and other loans	453,272	-	453,272	351,153	-	351,153
Liabilities represented by securities	-	-	-	12,038	-	12,038

Source: Banco Invest. The 'Markets' segment includes the areas: financial markets and treasury

Asset Management

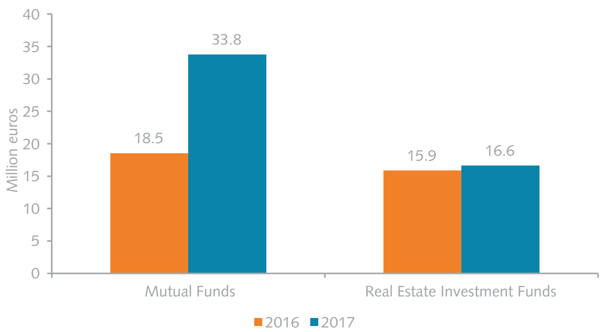
Own Investment Funds

The Alves Ribeiro - Plano Poupança Reforma Fund ended 2017 with an appreciation of 10.5%. The appreciation of the European equity market and the maintenance of a favourable environment in bond markets, with emphasis on the performance of Portuguese public debt, contributed to this excellent performance. Since the start of the fund's activity, the annualised return comes to 7.4%, the best among the national retirement savings plan funds.

In turn, the Invest Ibéria Fund ended its first year of existence in 2017 (after it underwent a change in investment policy, at the end of 2016, with the inclusion of the Spanish equity market) with a return of 23.3%, the best among comparable investment funds. Over the same period, the PSI-20 and IBEX-35 indices gained 15.2% and 7.4%, respectively. The rigorous fundamental analysis of the companies and the continuous follow-up of the market led to this outperformance.

Over the past year, the Own Investment Funds managed by the subsidiary Invest Gestão de Activos - SGFIM increased 16.0 million euros (46.5%) to 50.4 million euros. A substantial growth of Mutual Funds (82.2%) and a moderate growth of Real Estate Investment Funds (4.8%) was registered.

Own Investment Funds under management



Source: Banco Invest

Selection of investment funds of third parties

In 2017, the amount distributed of investment funds managed by third parties registered an increase of 39%, reflecting, among other factors, the low interest rates and the consequent demand for alternatives with higher expected return, as well as the Bank's investment in the improvement of the fund platform and in the creation of higher value-added products.

Discretionary Management

The portfolios under discretionary management ended 2017 with returns, net of commissions, between 1.2% (Conservative Profile) and 4.6% (Dynamic Profile). In a context of historically high assessments, of both Shares and Bonds, management remained relatively prudent over the course of the year, with a significant portion in Liquidity. The depreciation of the USD against the EUR was the main detractor of the annual return which, nonetheless, kept pace with the respective benchmarks.

Return and Risk

Source: Banco Invest. Median of the net returns by risk profile over the last 5 years.

Structured Products

During 2017, the Bank continued its activity of issue of structured products for Private Customers and financial derivatives for Institutional Customers.

Within the scope of the former, indexed deposits remained the most used format, reflecting the conservative profile of the target customers, and the amount issued grew 4.6% relative to 2016. Over the course of the year, 12 indexed deposits, with an annual average return of 1.9% (guaranteed capital), and 12 complex financial products, with an annual average return of 7.4% (risk up to 5% of the invested capital), were repaid. Among the issues conducted, the following are noteworthy:

Jan-2017

Invest Vida Saudável

Index benchmarks: Adidas, Planet Fitness, Whole Foods Market, Marine Harvest

Maturity: 18 months, with possibility of early half-yearly automatic repayment

Guaranteed Capital: 100%

Currency: EUR

Max AGNR: 5,273%

Min AGNR: 0.195

BANCO INVEST

Feb-2017

Invest Cyber Sercurity

Index benchmarks: BAE Systems, Symantec, Juniper Networks, Fortinet

Maturity: 18 months, with possibility of early half-yearly automatic repayment

Guaranteed Capital: 100%

Currency: EUR

Max AGNR: 4,394%

Min AGNR: 0.195

BANCO INVEST

Jun-2017

Invest PFC Super Cars

Index benchmarks: BMW, Tesla, Porsche, Ferrari

Maturity: 12 months

Guaranteed Capital: 97.5%

Currency: EUR

Max AGNR: 5,094%

Max Loss: -2.5%

BANCO INVEST

Jul-2017

Invest Luxury

Index benchmarks: Hugo Boss, Lauren, Louis Vuitton, Burberry, Ferrari

Maturity: 18 months

Guaranteed Capital: 100%

Currency: EUR

Max AGNR: 3.237%

Min AGNR: 0.129%

BANCO INVEST

Sep-2017

Invest Artificial Intelligence

Index benchmarks: Siemens, Dassaul Systems, Intel, Microchip Technology, ABB

Maturity: 18 months

Guaranteed Capital: 100%

Currency: EUR

Max AGNR: 3,255%

Min AGNR: 0.13%

BANCO INVEST

Dec-2017

Invest PFC Global

Index benchmarks: Allianz, Total, Microsoft, Deutsche Telekom, JPMorgan

Maturity: 12 months

Guaranteed Capital: 97.5%

Currency: EUR

Max AGNR: 5.323%

Max Loss: -2.5%

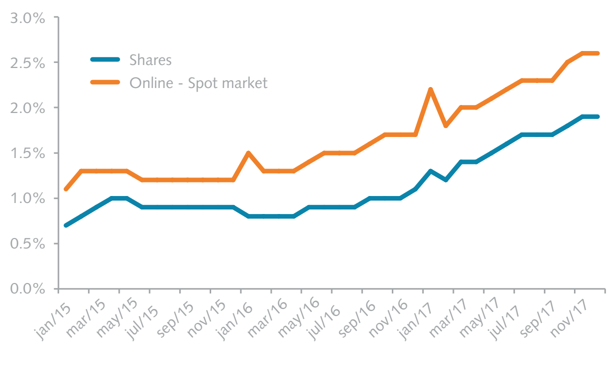
BANCO INVEST

With regards to Institutional Customers, the Bank continued to serve national and foreign banks with risk coverages for their own issues. At the end of 2017, the portfolio under management came to 112 million euros, mostly composed of equity swaps.

Brokerage

During 2017, the online activity continued to gain relative weight in total turnover, representing about 70% of the volume traded in equities.

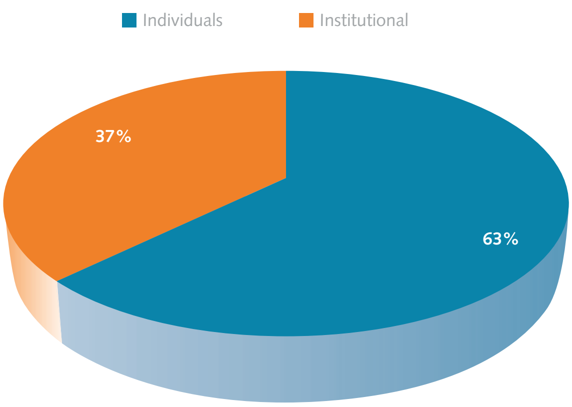
Market shares of Banco Invest
Reception of orders



Source: CMVM

By type of Customer, the Private Customers segment registered a 61% increase in representing about 63% of the total brokerage commissions of Customers. In the Institutional Customers segment, performance was less positive, mainly due to the fall in the trading volumes of debt securities, in a year characterised by reduced volatility and extremely low yields, which discouraged many customers from trading.

Distribution of brokerage commissions



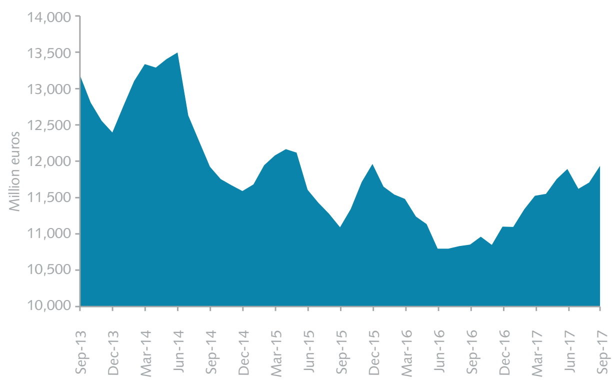
Source: Banco Invest

Financial Services and Institutional Custody

After 3 years in which the investment funds market contracted noticeably, 2017 was the year in which the market seems to have finally stabilised.

According to CMVM data as at September 2017, assets under management in other credit institutions had increased 1.6% to 28,933 million euros< the number of management entities of UCITS and AIF ("Alternative Investment Funds") in operation fell from 15 to 14 and the number of UCITS and AIF decreased from 175 in September 2016 to 161 in September 2017. On this date, total assets under management of UCITS and AIF came to 11,936 million euros, corresponding to a year-on-year increase of 10%.

Value under management in UCITS and AIF, in Portugal

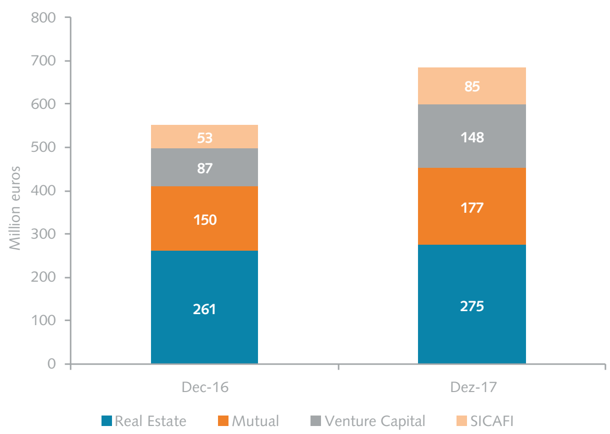


Source: CMVM

In this context, Banco Invest maintained its position as a reference custodian bank for the independent fund management companies operating in the domestic market. At the end of 2017, the Bank provided custodian bank services to 50 investment funds, of 9 management companies, with a predominance of Real Estate (44%) and Mutual (32%) investment funds. The Venture Capital funds, in turn, represented 24% of the total number of funds under custody.

In 2017, total assets of institutional customers under custody at the Bank grew 134 million euros (24%) to 685 million euros.

Assets under Custody



Source: Banco Invest

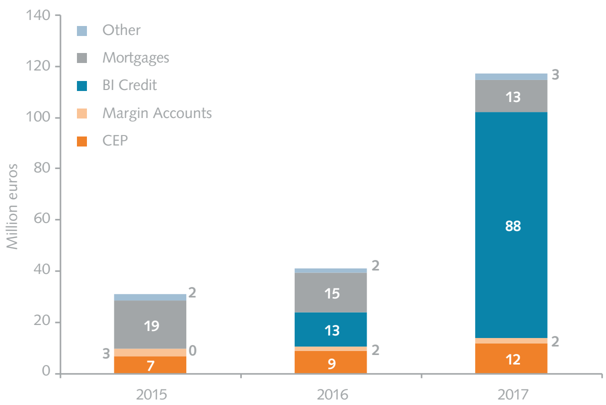
Specialised Credit

The year of 2017 was the first full year of activity of BI Credit. During the year, the consumer credit segment registered remarkable growth in Portugal, giving credence to the opportunity and timing of the investment made in this new product. According to the Bank of Portugal, in accumulated terms through to the end of 2017, new consumer credit operations came to 6.7 billion euros, representing a year-on-year increase of 12.6%. Among these, the auto loans segment grew 20.6% to 2.8 billion euros over the same period.

In this context, BI Credit achieved significant success in its first year of activity, with an amount of 94.3 million euros of loans granted, of which 88 to Private Customers, about 5.4% of total loans for used vehicles produced in Portugal, in 2017.

Over the course of the year, total gross performing loans granted by the Bank to **Private Customers** registered significant growth, having increased to 117 million euros. BI Credit's portfolio represented 75% of this amount, which compares with 32.5% registered in the previous year. In turn, CEP and Mortgages were responsible for 10.1% and 10.8%, respectively.

Performing Loans - Private Customers



Source: Banco Invest

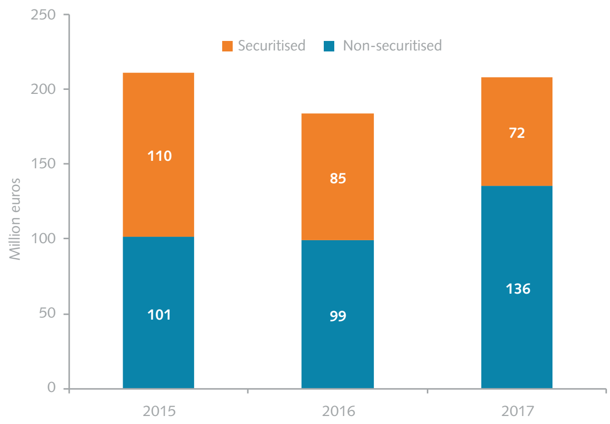
Regarding **Corporate Customers**, the Bank's loan portfolio is essentially composed of securitised loans, in the case of medium-sized and large companies, and of loans guaranteed by real estate assets, in the case of smaller companies. At the end of 2017, total gross performing loans came to 208 million euros (12.9% more than in 2016), of which 35% was securitised. Non-securitised loans grew 37.2% relative to the previous year to 136 million euros. The loans to small companies portfolio presents a high dispersion, being mainly composed of contracts validated by a notary and, in the majority of cases, subject to registration in the land register.

At the end of 2017, 92.1% of non-securitised loans to companies (excluding auto loans) had real guarantees associated. Of these loans with associated real guarantees, the average LTV (loan-to-value), weighted by the outstanding principal debt of each loan, was equal to 69,8%.

In addition, the Bank holds, in most operations, personal guarantees from debtors or guarantors.

Real estate guarantees are subject to periodic reassessments by certified and independent Technical Appraisers, in accordance with prudent standards that reflect the evolution of the corresponding regional real estate markets, nature of properties, use and liquidity potential. Other guarantees are composed of pledges that cover financial application portfolios.

Gross Performing Loans - Corporate Customers



Source: Banco Invest

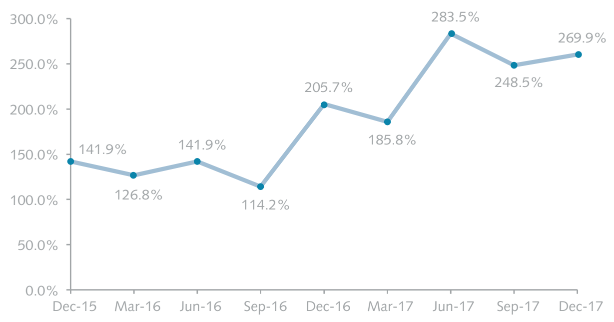
Treasury and Capital Markets

Over the course of 2017, the Bank's level of liquidity remained stable, with a significant increase of resources from customers (102.1 million euros) which allowed the new specialised loans granted by BI Credit to be easily financed. In the capital markets, the year was marked by a strong appreciation of the overall equity market, with the dollar losing ground to the euro, in a stable environment in terms of long-term interest rates. The positive performance of Portuguese debt, which recovered its investment grade category following the increase in rating by two of the major rating agencies as a result of the country's improved economic and fiscal performance.

Liquidity and Funding

Since the entry into force of the Basel III standards in 2015, Banco Invest has always presented a Liquidity Coverage Ratio above the minimum required by law. The Liquidity Coverage Ratio of Banco Invest increased by 205.7% in December 2016 to 269.9% in December 2017, more than twice the level required by law (100%), demonstrating the Bank's high short-term liquidity and the ability to obtain funding from the European Central Bank.

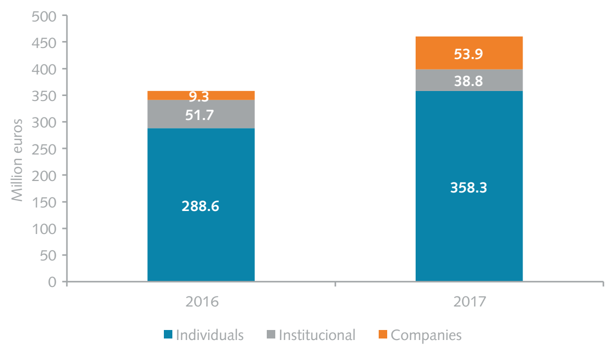
Liquidity coverage ratio (LCR)



Source: Banco Invest

Excluding interest payable, Resources from Customers increased by 29.0% to 450.9 million euros. Growth was significant both in Corporate and Private Customers, with increases of 478.0% and 24.2%, respectively. At the end of 2017, the Private Customers segment represented about 79.5% of Resources from Customers (excluding interest payable).

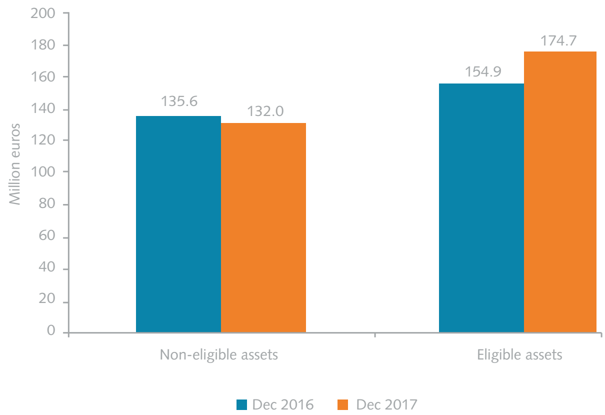
Resources from Customers (excluding interest payable)



Source: Banco Invest

In December 2017, Banco Invest held 174.7 million euros of liquid assets eligible for refinancing operations with the European Central Bank, allowing Banco Invest to obtain liquidity from that institution in the amount of 153.6 million euros. On that date, 39.2 million euros had been drawn, with 114.5 million euros still available of financing from the Eurosystem. For the Bank's liquidity, there are also 132.0 million euros of liquid securities which may be sold, at any time, in a secondary market. These available liquid assets which correspond to 39.8% of the Bank's total assets, and the high solvency ratio presented (21.82%), positioned Banco Invest as one of the most solid financial institutions in Portugal.

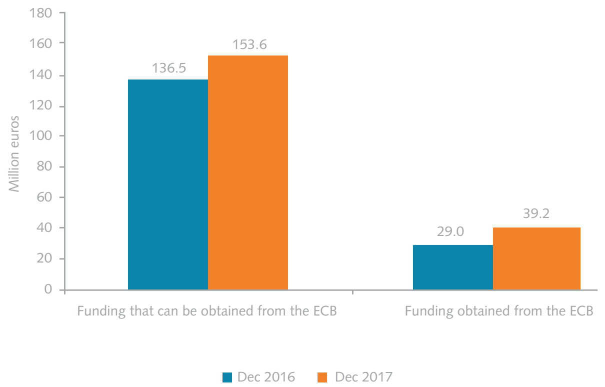
Eligible and non-eligible assets to obtain funding from the ECB



Source: Banco Invest

The amount of funding obtained from the ECB corresponds entirely to funds obtained within the scope of the TLTRO I and II, 4-year operations at a fixed interest rate, under special conditions, launched by the ECB to promote the financing of the economy.

Funding from the ECB



Source: Banco Invest

Capital Markets

The Bank proactively manages its exposure to the various market risks: equities, bonds, exchange rates and respective derivatives.

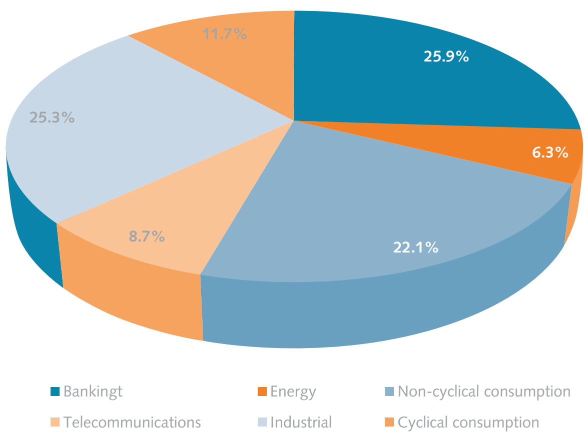
• Equity Risk

The Bank intervenes in equity markets through the Available for Sale Portfolio and the Trading Portfolio.

The operations undertaken within the scope of the management of the Available for Sale Portfolio are defined and approved by the Bank's investment Committee and are based on the combination of a fundamental analysis of sectors and companies. In addition to a battery of macroeconomic and sectoral indicators, share evaluation models are used, together with a comparison of expected returns on equities and bonds.

The investment in the Trading Portfolio is made from a short-term perspective, with a view to achieving a pre-established objective. In 2017, the management of this portfolio focused primarily on North American and European companies with a high market capitalisation. At the end of the year, the sectorial allocation of the trading portfolio, excluding the hedging positions of the structured products issued by the Bank, was as follows:

Sectorial allocation of the Equity Portfolio

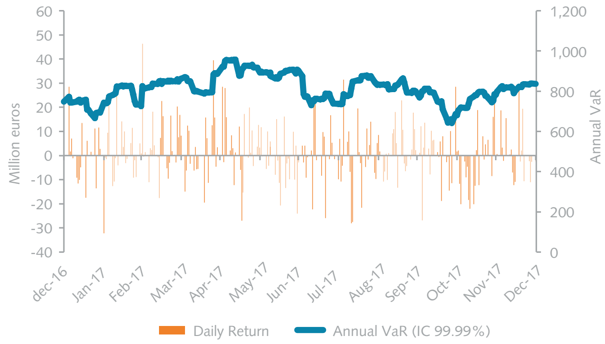


Source: Banco Invest

The strategies, risk limits and the trading portfolio budget are approved before the year commences by the Bank's Investment Committee, and the manager may intervene in the market, throughout the year, within the parameters previously defined.

In 2017, the annual VaR (99.99%) of the Bank's equity portfolio oscillated between 642 and 958 thousand euros, closing the year at 837 thousand euros.

Annual VaR of the Portfolio of Shares



Source: Banco Invest. Amounts in Thousands of Euros.

• Interest Rate Risk

In compliance with the interest rate risk management policy defined for 2017, the Bank maintained its exposure to this risk at low values, given the expected start of the normalisation of interest rates in the Eurozone.

In fact, the medium and long-term interest rates rose during the year, although very modestly (20 basis points) and only in the last month of the year. During 2017, interest rate volatility was minimal, with the exposure to interest rate risk having remained relatively constant over the course of the year, at about 132 thousand euros (basis points value).

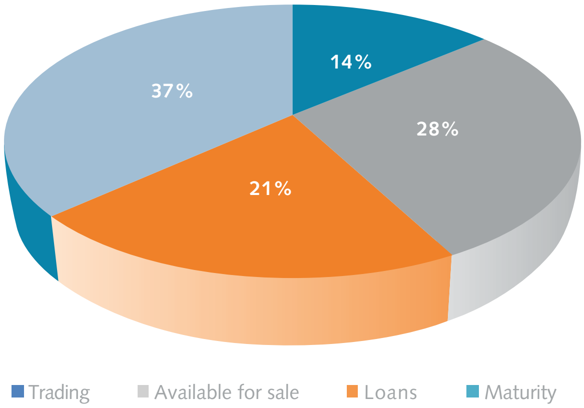
PVBP Interest Rate

Fonte: Banco Invest

• Bond Risk

At the end of 2017, the Bank's bond portfolio came to 258 million euros, characterised by a high geographical and sectorial diversification. The weight of sovereign debt represented approximately 37% of the total portfolio, of which 19.4% was allocated to Spanish government debt. Portuguese government debt, which performed strongly in 2017, driven by the improvement of its credit rating, represented 8.6% of the total portfolio.

Breakdown of the Bond Portfolio

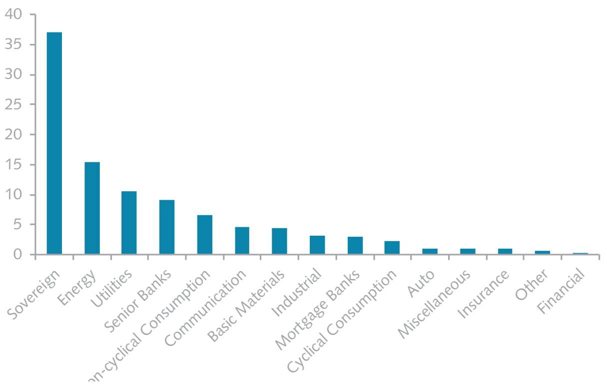


Source: Banco Invest

In geographic terms, European issuers represented 89% of the bond portfolio. The weight of the emerging issuers was 7% of the total, and the other 4% was invested in North American issuers.

On a sectorial basis, excluding government debt, the largest exposures were to the Energy (15%), Utilities (11%), and Banking (senior debt, 9%) sectors.

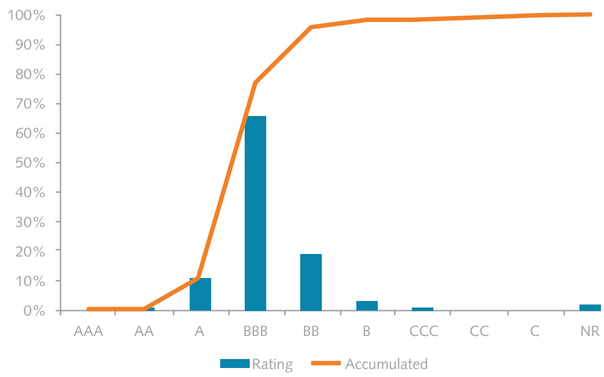
Sectorial allocation of the Bond Portfolio



Source: Banco Invest

Regarding the assessment of debt security portfolio risks, the Bank makes mainly use of external ratings. At the end of the year, 77.0% of the total portfolio presented a rating equal to or above BBB, with the distribution of the credit ratings being relatively similar between the various sub-portfolios.

Distribution of the Bond Portfolio by credit rating



Source: Banco Invest

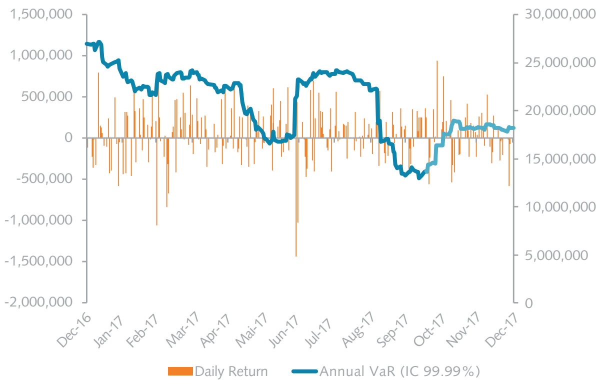
Distribution of the Bond Portfolio by credit rating and type of portfolio

Rating Bonds	Portfolio					Accumulated
	Trading	Available for Sale	Loans	Maturity	Total	
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.5%	0.0%	0.0%	0.5%	0.5%
A	2.0%	2.5%	4.4%	1.6%	10.6%	11.1%
BBB	9.7%	16.8%	8.7%	30.6%	65.9%	77.0%
BB	0.4%	4.4%	10.0%	4.0%	18.8%	95.8%
B	0.1%	0.0%	2.5%	0.0%	2.6%	98.4%
CCC	0.0%	0.4%	0.0%	0.0%	0.4%	98.7%
CC	0.0%	0.0%	0.0%	0.0%	0.0%	98.7%
C	0.0%	0.0%	0.0%	0.0%	0.0%	98.7%
NR	0.0%	1.2%	0.0%	0.0%	1.2%	99.9%
Total	12.3%	25.8%	25.6%	36.3%	100.0%	

Source: Banco Invest

The Bank's bond portfolio ended the year with an annual VaR, with a confidence interval of 99.99%, of 18.2 million euros. During the year, VaR oscillated between 12.9 million euros and a maximum of 27.2 million euros.

Annual VaR of the Bond Portfolio



Source: Banco Invest. Values in euros.

• Foreign Exchange Risk

Foreign exchange management is essentially centred on hedging the positions in dollars, sterling and Swiss francs. In terms of balance sheet exposure, the Bank's foreign exchange activity remained low-level.

• Volatility Risk

he "Volatility Portfolio" is part of Banco Invest's own portfolio investment policy aimed at managing the market risks arising from the issue of structured products and other financial derivatives for third parties. These products can take three main forms: Structured Products (term deposits issued by the Bank, with guaranteed capital and remuneration indexed to one of more financial assets), Notes (debt securities issued by Banco Invest, with or without guaranteed capital, and with remuneration indexed to one or more financial assets) and Financial Derivatives (swaps and options).

As a rule, the products issued by the Bank are managed internally, within the scope of the own portfolio. This means that the Bank assumes the risk of the remuneration to be paid for the products, such that the correct hedging of this risk is extremely important so as to preserve the estimated margin for the products. In other words, the portfolio management objective is the hedging of risk, ensuring that the expected margin of the products is not undermined.

The exposure limits are defined in terms of the amount used to hedge the structured and derivative products issued by the Bank, in the dynamic risk management process designated as Delta Hedging. These limits are defined by the Bank's Investment Committee and reviewed annually.

At the end of 2017, the 10-day VaR of the Portfolio, with a confidence interval of 99.99%, came to 272 thousand euros, for a Notional of 149 million euros. The delta was approximately 12 million euros.

Voilatility Portfolio

	Dec-17	Dec-16
10-day VaR I 99.99%	272,424	280,694
Delta	(12,014,616)	(9,156,238)
Vega	(14,838)	(11,030)
Notional	149,349,349	156,785,182

Source: Banco Invest. Values in euros.

6. Risk Control

Risk control is assumed at the highest levels at Banco Invest, with all risk limits – market, credit, liquidity and operational – defined and approved by the Bank's Board of Directors. Furthermore, there are four functional bodies - the Investment Committee, the Credit Division, the Accounting and Control Division and the Internal Audit Division - that work together to control approval processes, procedures and information circuits established in advance, ensuring compliance with the limits set by the Board of Directors.

Autonomously, according to the requirements set out in Notice 5/2008 of the Bank of Portugal, there is also the risk control function, regarding which the person responsible reports directly to the Board of Directors, focusing its activity, among others, on the elaboration of audits regarding the compliance of the risk models used by the Bank in different business areas and the verification of the adequacy of the same models in the valuation and mitigation of risks, according to the risk policies issued by the Board of Directors

The risk control system developed at Banco Invest allows monitoring and continually assessing the risk of each functional area through risk matrices that ensure the timely prevention of unwanted situations for the Bank and the immediate adoption of corrective measures, if any unwanted situations are detected at a later stage.

The aim of the implemented system is to cover all Bank products, activities, processes and systems in order to permit the identification and prioritisation of all the material risks and the documentation of the associated assessment, follow-up and control processes.

The Risk Management process also involves the systematic control of the dimension and composition of the assets and liabilities of the Bank, which can change according to the activities of the customers and market conditions.

Market Risk

Market risk control is designed to assess and monitor the potential devaluation of the Bank's assets, and the consequent reduction of profits, caused by an adverse movement of the market values of financial instruments, interest rates and/or exchange rates.

The Bank's securities portfolios are segmented according to investment objectives and their accounting treatment. The Bank calculates and monitors the market risk of all the portfolios it holds, defining risk limits per portfolio, considering the potential impacts of each one, both on results and on shareholders' equity.

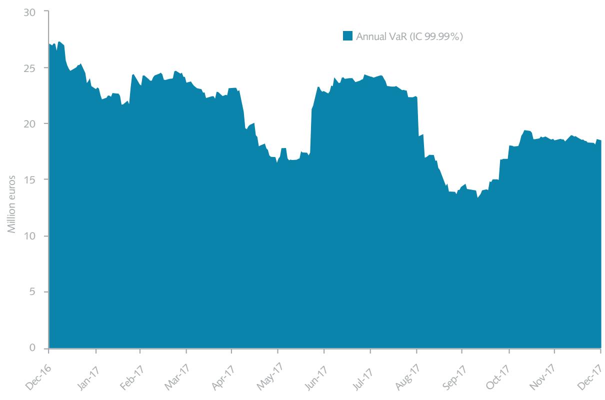
Management rules subject each portfolio to restrictions in terms of dimension, composition, and risk levels. Risk limits are defined for credit exposure - concentration by country, activity segment and rating - as well as in terms of market and liquidity.

For assessment and quantification of market risk the bank uses the following indicators:

– Value-at-Risk, estimating for each portfolio, with a confidence interval of 99.9%, the daily maximum potential loss stemming from adverse variations to the underlying assets. Value-at-Risk takes into account not only the volatility of financial assets but also the correlation between them and the distribution of return rates of each one. The risk assumed by each trader, by type of financial asset and by the Bank's global portfolio is calculated daily;

– Present Value of Basis Point (PVBP) calculation, which determines potential losses in the Bank's results caused by a one-basis point change in interest rates.

Annual VaR of the Total Portfolio subject to Market Risk



Source: Banco Invest

In addition, the Bank resorts to the periodic undertaking of stress tests and reverse stress tests, which involve the simulation of adverse historical or hypothetical scenarios for each portfolio and a sensitivity analysis based on changes in various factors, to measure the impact on assets, results and solvency. The stress tests are also an integral part of the annual assessment of the Internal Capital Adequacy Assessment Process (ICAAP), with a view to assessing the suitability of the same to the development of economic activity.

Overall trading risks are kept in check using diversification strategies by asset class, bearing in mind the correlation between several markets and assets.

Monthly VaR limits and concentration limits by market, by asset, by sector and by rating notation, proposed by the Investment Committee and approved by the Board of Directors, are monitored daily by the Accounting and Control Division. The Investment Committee also monitors each portfolio's mark to market and its Value-at-Risk on a daily basis.

Credit Risk

Credit risk control involves assessing the degree of uncertainty and monitoring the possibility of a loss caused by the customer/counterparty's breach of its contractual obligations towards the Bank. Credit risk assumes a special purpose in banking activity, not only due to its materiality but because of its connection with other risks as well.

In the loan concession activity, aimed at guaranteeing the correct determination of the risk profile of operations, the analysis and decision process passes through the autonomous opinions of the risk analysis area, the Credit Division and the Bank´s Board of Directors, being supported by a battery of external and internal information elements considered relevant to the substantiated decision of any loan proposal.

The consistency of the collateral is determined by systematic assessments conducted by duly certified external technicians, subject to regular periodic reassessments. The integrity of the said collateral is safeguarded by insurance policies, covering common risks, whose sufficiency in terms of capital and validity is permanently monitored by the Bank.

The impairments of the loan portfolio are calculated monthly, based on a collective analysis of the loan portfolio, and on the individual analysis of the larger loans and those that are in default. The impairment in the loans subject to collective analysis is calculated based on a proprietary model, duly validated by the external auditors, which estimates the probabilities of default and the amount of expected losses, based on information relative to the portfolio's past behaviour.

Effort tests, in accordance with the Bank of Portugal's rules, are also conducted periodically on the loan portfolio, with the aim of analysing the impact on the Bank's accounts of the adverse movement of some variables considered as sensitive, namely the default rate, interest rate and real estate market prices.

The credit risk of the securities portfolio is calculated and monitored based on the Credit Value-at-Risk methodology. Through this model, the maximum expected loss is calculated, with a certain confidence level, resulting from the occurrence of defaults in the portfolio. The maximum loss is calculated based on the historical probabilities of default and recovery rate (loss given default) obtained from the main rating agencies in securities with a similar credit risk rating to those held in portfolio.

Within the scope of the concentration of credit risk, overall analyses of the portfolio (securitised credit and non-securitised credit) are undertaken, measuring exposure by sector of activity and the greatest individual exposures.

Liquidity Risk

Liquidity risk control is designed to evaluate and monitor the possibility of a loss stemming from the Bank's inability, at a given time, to finance its assets in order to meet its financial commitments on the scheduled dates.

Liquidity risk is evaluated based on the assets and liability tables that allow the Bank's cash flow to be monitored and its cash requirements over a forecasting period of five years to be determined. Mismatch analyses and stress tests are undertaken to determine safe liquidity levels to cope with unexpected events.

To finance its short-term business and to ensure that liquidity is managed with adequate safety margins, the Bank has interbank money market lines and securities contango lines negotiated with several banks, in addition to its growing customer fund attraction capacity.

Operating Risk

The aim of controlling operating risk is to prevent possible failures in the Bank's internal control system that may give rise to fraud or unauthorised transactions, as well as avoid the possibility of the results of the Bank being negatively affected by the occurrence of an event that is not inherent to its activity.

Banco Invest's business is subject to several prevention and control mechanisms to mitigate the risk of the occurrence of losses of an operational nature, among which the following are worthy of mention:

- Code of Conduct and Internal Regulations of the Bank;
- Procedures Manuals;
- Physical and logical access control;
- Reports of exceptions;
- Contingency planning.

The Bank has internal procedures that define the scope of responsibility of each area involved in the daily operation of the institution, the circuits of information and deadlines to be met, mitigating the possibility of the occurrence of operating losses.

Internal audits are carried out periodically to evaluate the control systems implemented, so as to guarantee compliance with the Procedures Manuals and reduce the likelihood of mistakes in recording and accounting the various transactions.

On a daily basis, the Accounting and Control Division assesses the liabilities of each functional area towards its counterparties, compliance with established limits and the levels of authorisation employed in approving transactions.

7. Net Income and its Appropriation

The year's accounts reflect the business carried on by Banco Invest within the established guidelines and its effects on the balance sheet and on results. The financial statements have been externally audited by a prestigious firm of auditors which has issued an opinion thereon and is presented hereunder.

Individual net income came to 5,000,696.76 euros. It is proposed that this amount be appropriated as follows:

Legal reserve .... 500,069.68 Euros
Free Reserves....................................... 4,50,627.08 Euros

8. Acknowledgements

The Board of Directors of Banco Invest would like to take this opportunity to extend its appreciation and gratitude:

- To all our Customers for their preference and trust, which constitute the Bank's greatest encouragement in confronting the challenges it faces.

- To the Bank of Portugal and the Securities Market Commission for their attention given to the Bank;

- To the Board of the General Meeting, and its Chairman in particular, for the willingness shown in the performance of such important duties;

- To the Audit Board and the Firm of Statutory Auditors, for their cooperation and support in the management of the Bank's business;

- To those employees who, with a sense of responsibility and a spirit of dedication, have worked hard to achieve the established goals with full regard for the ethical, human and corporate values assumed and shared within the company.

Lisbon, 23 March 2018

The Board of Directors

4. Financial Statements

Consolidated Balance Sheets as at 31 December 2017 and 2016

(Amounts in euros)

ASSETS	Notes	2017	2016	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
Cash and deposits at central banks	4	9,144,414	7,479,406	Resources at Central Banks	17	39,180,000	29,000,000
Amounts at other credit institutions	5	6,424,253	6,085,987	Financial liabilities held for trading	18	1,838,728	1,478,437
Financial assets held for trading	6	48,307,443	35,990,875	Resources from other credit institutions	19	2,951,525	988,912
Financial assets available for sale	7	79,692,315	90,810,447	Resources from customers and other loans	20	453,271,575	351,153,153
Loans and advances to credit institutions	8	1,400,055	5,400,123	Liabilities represented by securities	21	-	12,037,707
Loans and advances to customers	9	328,848,647	229,029,588	Provisions	22	-	-
Investments held to maturity	10	101,902,862	86,496,783	Deferred tax liabilities	15	151,018	450,256
Non-current assets held for sale	11	19,934,793	25,106,007	Deferred tax liabilities	15	585,097	1,445,948
Investment properties	12	4,013,100	4,331,353	Other liabilities	23	14,272,821	6,683,378
Other tangible assets	13	2,381,835	3,044,931	**Total Liabilities**		**512,250,764**	**403,237,791**
Intangible assets	14	318,732	367,266				
Investments in associates		12,500	-	Capital	25	59,500,000	59,500,000
Deferred tax liabilities	15	-	-	Revaluation reserves	26	1,647,520	3,192,324
Deferred tax assets	15	7,148,582	8,189,624	Other reserves and retained earnings	26	38,483,405	35,472,693
Other assets	16	9,113,010	3,988,052	Profit and loss for the year attributable to the Bank's shareholders	26	5,793,594	4,005,079
				Minority interests	27	967,258	912,555
				Total Shareholders' Equity		**106,391,777**	**103,082,651**
Total Assets		**618,642,541**	**506,320,442**	**Total Liabilities and Shareholders' Equity**		**618,642,541**	**506,320,442**

To be read with the notes attached to the consolidated financial statements

Consolidated income statements for the financial years ended on 31 December 2017 and 2016

(Amounts in euros)

	Notes	2017	2016
Interest and similar income	28	21,321,637	16,814,474
Interest and similar charges	29	(4,888,154)	(3,823,412)
NET INTEREST INCOME		**16,433,483**	**12,991,062**
Income from services and commissions	30	5,845,220	2,687,712
Fees and commission expenses	31	(451,482)	(389,665)
Result of assets and liabilities assessed at fair value through profit and loss	32	1,152,508	1,747,436
Result of financial assets available for sale	33	3,641,942	3,520,605
Income from exchange revaluation	34	(472,573)	(843,247)
Income from sale of other assets	35	(27,968)	(560,791)
Other operating results	36	162,359	374,446
NET OPERATING REVENUE		**26,283,489**	**19,527,558**
Personnel costs	37	(8,386,236)	(6,716,762)
General administrative costs	38	(6,285,362)	(5,068,711)
Amortisations for the year	13 and 14	(930,497)	(712,615)
Provisions net of repositioning and cancellations	-	-	500,000
Impairment of loans, net of reversals and recoveries	22	(514,224)	(175,713)
Impairment of other financial assets, net of reversals and recoveries	22	(668,928)	(512,702)
Impairment of other assets, net of reversals and recoveries	22	(1,668,874)	(515,303)
INCOME BEFORE TAXES		**7,829,368**	**6,325,752**
Taxes			
Current	15	(1,367,862)	(1,500,393)
Deferred	15	(613,302)	(750,319)
		(1,981,164)	**(2,250,712)**
INCOME AFTER TAXES BEFORE NON-CONTROLLING INTERESTS		**5,848,204**	**4,075,040**
Net profit attributable to non-controlling interests	26	(54,610)	(69,961)
CONSOLIDATED NET INCOME FOR THE YEAR		**5,793,594**	**4,005,079**

To be read with the notes attached to the consolidated financial statements

Consolidated comprehensive income statements for the financial years ended on 31 December 2017 and 2016

(Amounts in euros)

	2017	2016
Consolidated net income before non-controlling interest	5,848,204	4,075,040
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	926,917	2,130,596
Impact on taxes	(227,094)	(514,669)
Transfer to results due to impairment	668,928	901,195
Impact on taxes	(163,887)	(220,793)
impairment Impact on taxes	(3,641,942)	(3,520,605)
Impact on taxes	892,276	862,548
Result not recognised in income statement	**(1,544,803)**	**(361,728)**
Comprehensive consolidated income before non-controlling interests	**4,303,401**	**3,713,312**
Non-controlling interests	(54,703)	69,961
Consolidated comprehensive income	**4,248,698**	**3,783,273**

To be read with the notes attached to the consolidated financial statements

Consolidated statements of changes in equity for the financial years ended on 31 December 2017 and 2016

(Amounts in euros)

		Revaluation reserves			Other reserves and retained earnings							
	Capital	Fair value reserves	Deferred taxes	Total	Legal reserve	Free reserve	Other reserves	Retained earnings	Total	Net income for the year	Non-controlling interests	Total
Balances as at 31 Dezember 2015	**59,500,000**	**4,717,057**	**(1,163,006)**	**3,554,051**	**3,529,128**	**8,172,951**	**574,221**	**21,013,108**	**33,289,408**	**2,868,919**	**842,594**	**100,054,972**
Distribution of profit for 2015												
Transfer to retained earnings	-	-	-	-	286,892	-	-	2,582,027	2,868,919	(2,868,919)	-	-
Comprehensive income for 2016	-	(488,814)	127,086	(361,728)	-	-	-	-	-	4,005,079	69,961	3,713,312
Distribution of dividends to preferential shares	-	-	-	-	-	(840,000)	-	-	(840,000)	-	-	(840,000)
Other changes	-	-	-	-	-	-	154,366	-	154,366	,	-	154,366
Balances as at 31.12.16	**59,500,000**	**4,228,243**	**(1,035,920)**	**3,192,323**	**3,816,020**	**7,332,951**	**728,587**	**23,595,135**	**35,472,693**	**4,005,079**	**912,555**	**103,082,650**
Distribution of profit for 2016												
Transfer to retained earnings	-	-	-	-	1,481,372	-	-	2,523,707	4,005,079	(4,005,079)	-	-
Comprehensive income for 2017	-	(2,046,097)	501,294	(1,544,803)	-	-	-	-	-	5,793,594	-	4,248,791
Distribution of dividends to preferential shares	-	-	-	-	-	(840,000)	-	-	(840,000)	-	54,703	(785,297)
Other changes	-	-	-	-	-	-	(154,367)	-	(154,367)	-	-	(154,367)
Balances as at 31.12.17	**59,500,000**	**2,182,146**	**(534,626)**	**1,647,520**	**5,297,392**	**6,492,951**	**574,220**	**26,118,842**	**38,483,405**	**5,793,594**	**967,258**	**106,391,777**

To be read with the notes attached to the consolidated financial statements

Consolidated cash flow statements for the financial years ended on 31 December 2017 and 2016

(Amounts in euros)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES::		
Income from interest and commissions	25,582,598	19,367,628
Payment of interest and commissions	(10,068,218)	(5,725,005)
Payments to staff and suppliers	(12,852,084)	(11,568,794)
Income tax payable/receivable	132,531	(1,095,836)
Other payments related to the operating activity	(293,709)	(438,498)
Operating income before changes in operating assets	**2,501,118**	**539,495**
(Increases) / reductions in operating assets:		
Financial assets held for trading	(10,804,236)	11,584,050
Financial assets held for trading	16,632,835	64,113,339
Deposits at credit institutions	4,000,068	(4,999,943)
Loans and advances to customers	(96,273,197)	21,121,281
Investments held to maturity	(15,267,570)	15,849,337
Non-current assets held for sale	(5,171,214)	(3,646,314)
Other assets	(4,874,633)	3,220,706
	(111,757,947)	**107,242,456**
Increases / (reductions) in operating liabilities:		
Resources at central banks	10,180,000	(112,000,000)
Resources from other credit institutions	1,962,613	(497,343)
Resources from customers	98,171,062	14,427,124
Liabilities represented by securities	(99,376)	(3,557,496)
Other liabilities	2,055,621	234,752
	112,269,920	**(101,392,963)**
Cash net of operating activities	**3,013,091**	**6,388,988**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase and sale of tangible and intangible assets	(169,817)	(1,715,702)
Cash net of investment activities	**(169,817)**	**(1,715,702)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Distribution of reserves to shareholders	(840,000)	(840,000)
Cash net of financing activities	**(840,000)**	**(840,000)**
Net increase / (decrease) in cash and equivalents	2,003,274	3,833,286
Cash and equivalents at the start of the period	13,565,393	9,732,107
Cash and equivalents at the end of the period	15,568,667	13,565,393
	2,003,274	**3,833,286**

To be read with the notes attached to the consolidated financial statements

5. Notes to the Financial Statements

1. INTRODUCTORY NOTE

Banco Invest, S.A. (Bank or Banco Invest) is a limited liability company with its registered office in Lisbon. The Bank was incorporated on 14 February 1997 under the name Banco Alves Ribeiro, S.A., and started trading on 11 March 1997. The incorporation of the Bank was authorised by the Bank of Portugal on 4 December 1996. The Bank changed its name to the current one on 16 September 2005.

The corporate object of the Bank is to undertake financial transactions and to provide related services with such latitude as the law allows. It is primarily engaged in the asset management, capital markets, and loan and development capital business. The Bank has six branches, located in Lisbon, Oporto, Leiria and Braga.

The Bank holds all the share capital of Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (Invest Gestão de Activos). This company was incorporated on 11 February 1998 and its corporate object is the management of mutual funds on behalf of the participants.

The Bank undertook two credit securitisation operations:

- AR Finance 1 - undertaken in 2003, under which the Fundo de Titularização de Créditos AR Finance 1 (AR Finance FTC) and the AR Finance 1, plc, were set up, the latter a limited liability company headquartered in the Republic of Ireland; This operation was completed in 2017.

- Invest Finance 1 – undertaken in 2008, under which the Fundo de Titularização de Créditos Invest Finance 1 Portugal (Invest Finance FTC) and the Invest Finance 1 Portugal BV were set up, the latter a limited liability company headquartered in Holland. This operation was completed in 2014.

In 2008, the Fundo Especial de Investimento Imobiliário Fechado Tejo (Fundo Tejo) was set up, managed by Invest Gestão de Activos, whose core business is the purchase of real estate for subsequent sale or rental.

In the financial year of 2013, Sociedade Saldanha Holdings Limited was acquired, being fully owned by the Bank. This Company, with registered office in Malta, was acquired to carry out the acquisition operation of the Variable Funding Notes (VFN), debt issued by Invest Finance 1 BV, within the scope of the InvestFinance 1 credit securitisation operation. The acquisition of the VFN was made through Sociedade Saldanha Finance, also headquartered in Malta, and 99.9% owned by Saldanha Holdings Limited. The remaining share capital of Saldanha Finance (0.1%) is held directly by the Bank.

The consolidated financial statements as at 31 December 2017 were approved by the Board of Directors on 28 March 2018.

The financial statements of Banco Invest and the entities included in its consolidation perimeter as at 31 December 2017, await approval by the General Meeting. Banco Invest's Board of Directors believes, however, that the financial statements used in the preparation of the consolidated accounts will be approved without any significant changes..

2. ACCOUNTING POLICIES

2.1. Basis of presentation

The consolidated financial statements as at 31 December 2017 have been prepared based on the International Financial Reporting Standards (IFRS) as adopted in the European Union, under Regulation (EC) 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into Portuguese law by Decree-Law 35/2005 of 17 February.

2.2. Consolidation principles

The consolidated financial statements include the accounts of Banco Invest and the entities it directly or indirectly controls (Note 3), including special purpose entities.

Under the requirements of IFRS 10, the Bank considers that it exercises control when it is exposed or holds rights to the variable returns generated by a specific entity (designated as a "subsidiary") and has the ability, through its power over and the ability to direct the relevant activities of the entity, to affect the amount of its returns. The Bank includes in its perimeter of consolidation the special purpose entities created within the scope of the securitisation operations referred to above, since control is exercised over these entities.

The consolidation of the accounts of subsidiaries employed the full integration method, with significant transactions and balances between the companies in the consolidation being eliminated. In addition, consolidation adjustments have been made where applicable to ensure the consistent application of the Group's accounting criteria.

Third party shareholdings in subsidiaries are recorded in the "Non-controlling interests" item under shareholders' equity.

The consolidated profit is the aggregation of the net income of Banco Invest and its subsidiaries, in proportion to the effective shareholding, after consolidation adjustments, that is, the elimination of dividends received and gains or losses arising from transactions between companies included in the consolidation.

2.3. Conversion of foreign currency balances and transactions

The Group's accounts are prepared in accordance with the currency used in the primary economic environment in which it operates (termed "operating currency"), namely the Euro.
Transactions in foreign currency are recorded based on exchange rates on the date of the transaction. Assets and liabilities expressed in foreign currency are converted into euros at the exchange rate displayed on each balance sheet date.
Exchange rate differences arising from currency conversion are shown in the profit/loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified as available for sale, which are recorded under shareholders' equity until they are sold.

2.4. Financial instruments

a) Financial Assets

Financial assets are recorded on the date of acquisition at their fair value, plus costs directly attributable to the transaction. On first entry, these assets are classified in one of the following categories, established in IAS 39 - Financial instruments: recognition and measurement:

i) Financial assets at fair value through profit and loss

This category includes financial assets held for trading, which basically include securities acquired in order to make a profit from short term price fluctuations. This category also includes derivatives, excluding those which meet the hedge accounting requirements.

Financial assets in this category are recorded at fair value, and gains and losses arising from their subsequent valuation are shown in profit and loss for the year in the items of "Result of assets and liabilities assessed at fair value through profit and loss". Interest is shown in the appropriate items of "Interest and similar earnings".

ii) Loans and receivables

These are financial assets with fixed or determinable payments, not quoted on an asset market and not included in any other financial asset category. This category includes loans to Group customers, receivables from other credit institutions and receivables through provision of services or sale of goods, which are recorded in "Other assets".

In addition, this item includes securities from the items "Financial assets held for trading" and "Financial assets available for sale" that were reclassified in 2008, following the application of the Amendment to IAS 39 (Note 41). These assets were transferred by their fair value, calculated with reference to 1 July 2008.

When first recognised, these assets are recorded at fair value, less any commissions included in the effective rate, and plus all incremental costs directly attributable to the transaction. These assets are subsequently recognised on the balance sheet at amortised cost, less any impairment losses.

Recognition of interest

Interest is recognised based on the effective rate method which allows the calculation of the amortised cost and spreading the interest over the operating period. The effective rate is that which, when used to discount estimated future cash flows associated with the financial instrument, allows its actual value to be matched to the value of the financial instrument on the date of its first recognition.

iii) Financial assets available for sale

This category includes variable and fixed yield securities not classified as assets at fair value through profit and loss, including stable financial shareholdings, as well as other financial instruments recorded here in the first recognition and which are not accommodated in the other categories established in IAS Standard 39, described above.

Financial assets available for sale are measured at fair value, apart from equity instruments not quoted on an asset market, whose fair value cannot be measured reliably, which remain carried at cost. Gains or losses from revaluation are recorded directly in shareholders' equity, under "Fair value reserves". Once sold, or if impairment is determined, the accumulated changes in fair value are transferred to income or cost for the year.

Dividends from equity instruments classified in this category are carried as income in the profit and loss account when the Bank's right of receipt has been established.

iv) Investments held to maturity

Investments held to maturity are fixed yield investments whose interest rate is known when it is issued and whose repayment date is established, with the Bank being able and intending to keep them until reimbursement.

When first recognised, these assets are carried at acquisition cost, less any commissions included in the effective rate, and plus all incremental costs directly attributable to the transaction. These assets are subsequently recognised on the balance sheet at amortised cost, less any impairment losses.

Any sale of assets that are classified as held to maturity implies the change of classification of the entire class, except for sales that are isolated, non-recurrent and take place under circumstances beyond the entity's control that could not have been reasonably anticipated.

An entity shall not classify, once again, any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity instruments before maturity, other than sales or reclassifications that:

- are so close to the maturity or early repayment date that changes in interest rates would not have a significant impact on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's nominal amount; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

This category includes a set of financial assets from the items "Financial assets held for trading" and "Financial assets available for sale" that were reclassified following the application of the Amendment to IAS 39 (Note 41). These assets were recorded at fair value with reference to 1 July 2008 and, subsequently, are valued at amortised cost, minus possible impairment losses.

Fair value

As mentioned above, financial assets in the categories of "Financial assets held for trading" and "Financial assets available for sale" are carried at fair value.

The fair value of a financial instrument corresponds to the amount by which a financial asset or liability can be sold or settled between independent, informed parties interested in concluding the transaction under normal market conditions.

The fair value of financial instruments is determined according to the following criteria:

- Closing price on the balance sheet date, for instruments transacted on asset markets;
- Prices supplied by independent entities (bid prices), divulged through the financial information media, viz. Bloomberg, including market prices available in recent transactions and the Bloomberg Generic index;
- Prices generated by internal valuation methods, which take market information that would be used to set a price for the financial instrument into account, reflecting market interest rates and volatility, as well as the liquidity and credit risk associated with the instrument.

Reclassification of financial assets

After the entry into force of the amendment to IAS 39 on 13 October 2008, it became possible for the Bank to reclassify some financial assets classified as "Financial assets held for trading" or "Financial assets available for sale" into other categories of financial assets. This reclassification may only be carried out under exceptional situations, of which the situation at the end of 2008, where the markets were characterised by a significant lack of liquidity, was an example.

The reclassification into the "Investments held to maturity" and "Loans and advances to customers" categories is only possible if the Bank has the ability and intent to hold the assets to their maturity or in the foreseeable future, respectively. The transfer into the "Loans and advances to customers" category is only allowed if the asset has fulfilled the requirements for classification in this category at initial recognition (among others, that it not be traded in an active market).

In the reclassification of assets classified as "Financial assets held for trading" into another category, the respective gains and losses of the assets previously recorded in profit and loss are not changed. The fair value at the reclassification date becomes the new amortised cost of the financial asset.

Following the reclassification of assets classified as "Financial assets held for trading" into the categories of " Investments held to maturity" and "Loans and advances to customers", the same are now measured at amortised cost. Their fair value at the reclassification date becomes their new amortised cost.

With the amendment to IAS 39, it is also possible for financial assets classified as "Financial assets available for sale" to be reclassified into the "Investments held to maturity" and "Loans and advances to customers" categories. In these cases, the previous accumulated gains and losses of the reclassified assets are maintained in the fair value reserve, being reclassified for profit and loss: (i) according to the effective rate method, in the case of financial assets with a set maturity, or (ii) at the moment the assets are sold or when an impairment loss associated with those assets is recorded. The fair value at the reclassification date becomes the new amortised cost of the assets.

b) Financial liabilities

Financial liabilities are recorded on the date of acquisition at their fair value, less costs directly attributable to the transaction. Liabilities are classified in the following categories:

i) Financial liabilities held for trading

Financial liabilities held for trading are those derivatives with negative revaluation, which are shown at fair value.

ii) Other financial liabilities

This category includes central bank resources, those of other credit institutions and of customers, liabilities represented by securities and liabilities incurred to pay for services rendered.

These financial liabilities are valued at amortised cost.

c) Derivatives

The Bank carries out derivative transactions as part of its business with a view to satisfying the needs of its customers and to reduce its exposure to prices, foreign exchange and interest rate fluctuations.

Derivatives are recorded at fair value on the date of acquisition. Furthermore, they are shown in off-balance sheet items for their notional value.

They are measured at their fair value. Fair value is calculated:
- Based on prices in asset markets (e.g. relating to the futures traded on organised markets);
- Based on models that incorporate valuation techniques accepted on the market, including discounted cash flows and option valuation models.

Embedded derivatives

Derivatives embedded in other financial instruments are separated from the basic contract and treated as autonomous derivatives under IAS Standard 39, whenever:

- The economic characteristics and risks of the embedded derivative are not closely related to the underlying contract, as defined in IAS 39; and
- The combined financial instrument as a whole is not carried at fair value, with changes in the fair value shown in the profit and loss.

Trading derivatives

Derivatives for trading are those derivatives that are not associated with effective hedge relations, under IAS 39, including:

- Derivatives acquired to hedge risk in assets or liabilities recorded at fair value through profit and loss, rendering the use of hedge accounting unnecessary;
- Derivatives acquired to hedge risk that are not effective hedges under IAS 39;
- Derivatives acquired for trading purposes.

Trading derivatives are recorded at fair value, and gains and losses calculated daily are recognised in profit and loss for the year in the items of "Income from assets and liabilities assessed at fair value through profit and loss". Upward and downward revaluations are recorded under the items Financial assets held for trading and Financial liabilities held for trading, respectively.

d) Impairment of financial assets

The Bank carries out periodic impairment analyses of its financial assets carried at amortised cost or recorded at fair value offset against fair value reserve, namely investments in credit institutions, loans and advances to customers (including debt securities), investments held to maturity and financial assets available for sale.

Identifying signs of impairment is done according to the nature of the assets:

Loans and advances to customers

Identifying signs of impairment is done on an individual basis for the financial assets where there is a significant amount of exposure and on a collective basis where similar assets whose debit balances are not individually relevant.

Under IAS Standard 39, the following events are analysed in the evaluation of the existence of signs of impairment in financial assets carried at amortised cost:

- Non-fulfilment of contract, such as arrears in payment of interest or capital;
- Occurrence of default in the financial system;
- Existence of current operations arising from loan restructuring or ongoing negotiations for loan restructuring;
- Difficulties at the level of shareholders and management capacity, especially in relation to the exit of reference shareholders or top management and shareholder disagreement;
- Significant financial difficulties of the debtor or debt issuer;
- Debtor or debt issuer highly likely to declare bankruptcy;
- Debtor's loss of competitive position;
- Historic behaviour of collections suggesting that the nominal value will not be fully recoverable.

The Bank defined in its credit impairment model, according to the type of credit, criteria for credit operations to be analysed individually. The defined criteria include loan operations in litigation proceedings, with instalments overdue for more than 90 days, which have been restructured, which are classified as healed credit and other loan operations which due to their amount or risk level are classified for individual analysis.

Whenever signs of impairment are identified in assets analysed individually, any loss through impairment corresponds to the difference between the current value of expected receivable future cash flows (recoverable amount), discounted based on the original effective interest rate of the asset, and the amount entered on the balance sheet at the time of the analysis.

Assets that do not undergo an individual analysis are included in a collective impairment analysis and are thus classified in homogeneous groups with similar risk characteristics (that is, based on the type of credit). Future cash flows are calculated based on historic information relating to default and recovery of assets with similar characteristics.

In addition, assets assessed individually, for which no objective signs of impairment are found, are also subject to collective impairment assessment, under the terms described in the preceding paragraph.

Impairment losses calculated in a collective analysis incorporate the temporal effect of the discount of the estimated receivable cash flows in each operation for the balance sheet date.

The amount calculated for impairment is recognised in costs, in the item "Loan impairment, net of reversals and recoveries", and is shown on the balance sheet separately as a deduction from the amount of the credit to which it relates.

Debt instruments

With reference to debt instruments, the Bank defined the following events as possible impairment signs:
- Price (or valuation through internal models) less than 70% of the nominal value;
- Rating below BBB-, in other words, Non-investment grade;
- Significant deterioration of the underlying assets in issues of Asset-backed Securities (ABS) without rating whenever they are valued through internal models, namely:
  - Increase in delinquencies;
  - Reduction of expected recover value;
  - Decrease in credit enhancement by more than 5 percentage points.

Impairment must be recorded whenever at least one of the following situations occurs:
- Evident financial difficulty of the issuer when one of the following events takes place:
  - Rating notation equal to or below CC at S&P and Fitch and Ca at Moody's.
  - Due to their particular nature, subordinated debt securities, preferential shares, or others, in which the suspension of interest or payments occurs, according to the terms and conditions of the issue, are excluded;
  - Debt restructuring or novation;
  - Non-fulfilment of any obligation contractually defined in the loan contract;
- Reduction of the credit enhancement by more than 50 percentage points, of the tranche held in ABS issues, when it comes to the second last tranche;

The Bank may also determine the existence of impairment in other situations, in the case of obtaining strong impairment signs from the issuer, and provided they are duly documented.

Equity instruments

There is impairment in equity instruments when some of the following events occur:
- Price (or valuation through internal models) less than 50% of the purchase value;
- Situations in which the fair value of the equity instrument remains below the respective acquisition cost over a period of more than 24 months;
- Nationalisation of the company;
- Bankruptcy process.

For equity instruments the following criteria for identification of securities with impairment signs were also defined:
- Fair value of less than 60% of the purchase value;
- Stop being listed on a Stock Exchange;
- Existence of a public takeover bid at less than the purchase price;
- Suspension of redemption of investment units;
- Existence of accounting fraud;
- Share capital decrease.

For securities with impairment signs, the Bank constitutes impairment when the Bank's Investment Committee (CIB), after analysing the securities with impairment signs, concludes that its recording is necessary.

Financial assets at amortised cost

Whenever impairment signs are identified in assets analysed individually, the possible impairment loss corresponds to the difference between the value recorded on the balance sheet at the moment of analysis and the present value of the expected future cash flows (recoverable value), discounted based on the original effective interest rate of the asset.

Financial assets available for sale

As mentioned in Note 2.4. a), financial assets available for sale are recorded at fair value, with changes in fair value recognised directly under shareholders' equity, in the "Fair value reserves" item.

Whenever there is objective evidence of impairment, the accumulated losses that have been recognised in Fair value reserves are transferred to costs in the year as impairment losses.

Impairment losses in equity instruments cannot be reversed, and so any potential gains arising after the recognition of impairment losses are shown under Fair value reserves until the asset is sold.

With respect to financial assets recorded at cost, that is, non-listed equity instruments, whose fair value cannot be reliably measured, the Group also conducts periodic impairment analyses. In this case, the recoverable amount corresponds to the best estimate of the asset's future receivable flows, discounted at a rate that adequately reflects the risk associated to holding it.

The amount of the impairment loss calculated is recognised directly in profit and loss for the year. Impairment losses in these assets cannot be reversed.

2.5 Non-current assets held for sale

Non-current assets, or groups of assets and liabilities to be sold, are classified as held for sale whenever it is likely that their balance sheet value may be recovered by selling rather than by their continued use. The following requirements must be met so that an asset (or group of assets and liabilities) can be classified under this item:
- High probability of sale;
- The asset is available for immediate sale in its current state at a reasonable price relative to its current fair value;
- The sale is expected to take place within one year of classifying the asset in this item.

In those cases, in which the asset is not sold within a year, the Bank assesses if the requisites continue to be fulfilled, namely the sale did not occur for reasons unconnected with the Bank, which undertook all the actions necessary for the sale to take place and that the asset continues to be actively publicised and at reasonable sales prices according to market circumstances.

Assets recorded under this item are valued at acquisition cost or fair value, whichever is lower, and adjusted by the costs incurred by the sale. The fair value of these assets is calculated based on assessment by independent experts, and the assets are not amortised.

2.6. Investment Properties

Correspond to real estate held with the objective of obtaining income through rental and/or its increase in value.

Investment properties are recorded at acquisition cost, less accumulated amortisation and impairment losses.

2.7. Other tangible assets

These are recorded at acquisition cost, less accumulated amortisation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs for the year, under the General administrative costs item.

Amortisation is calculated according to the straight-line method and recorded in costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to the period during which the asset is expected to be available for use, which is:

	Years of useful life
Premises	50
Leasehold	10
Furniture and materials	8 - 10
Machines and tools	5 - 8
IT equipment	3
Fixtures and fittings	5 - 10
Vehicles	4
Safety equipment	8 - 10

Land and artistic heritage are not depreciated/amortised.

Whenever the net accounting amount of tangible assets is greater than its recoverable value, under the terms of IAS 36 – "Impairment of assets", it is recognised as an impairment loss with effect on the profit and loss for the year. Impairment losses can be reversed, also with effect on the profit and loss for the period, if there is an increase in the recoverable amount of the asset in subsequent periods.

2.8. Financial leasing

Financial leasing operations are recorded as follows:

As lessor

Assets under finance leases are carried in the balance sheet as loans and advances to customers and are repayable through amortisation of the capital as established in the financial plan of the contracts. The interest included in the instalments is recorded as financial gains.

As lessee

The Bank did not carry out any financial leasing transactions as a lessee.

2.9. Intangible assets

This item essentially includes costs incurred with the acquisition, development or preparation for use of software used in the Bank's business operations. Intangible assets are recorded at acquisition cost, less accumulated amortisation and impairment losses.

Amortisation is recorded as costs in the year on a systematic basis over the estimated useful life of the asset, which corresponds to a period of 3 years.

Software maintenance costs are accounted as a cost in the year in which they are incurred.

2.10. Income taxes

Alves Ribeiro – Investimentos Financeiros, SGPS, S.A., holds 99.27% of the Bank's share capital, and the latter is subject to corporate income tax (IRC) under the Special Taxation of Groups of Companies Scheme, as provided for in Articles 63 et seq. of the respective tax code. The perimeter of the group covered by said tax scheme includes the following companies:

- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Banco Invest, S.A.;
- Invest Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.;
- US - Gestar – Gestão de Imóveis, S.A..

The taxable income of the Group of which Alves Ribeiro – Investimentos Financeiros, SGPS, S.A. is the controlling company is calculated based on the algebraic sum of the taxable profits and of the tax losses determined individually, taxed at a 21% rate. According to Article 14 of the Local Finances Law, the municipalities may deliberate an annual Municipal Surcharge, up to a maximum rate of 1.5% of taxable income subject and not exempt from corporate income tax (IRC).

In addition, taxable profits are also subject to a state surcharge as follows:
- 3% for taxable profits between 1,500,000 and 7,500,000 euros;
- 5% for taxable profits between 7,500,000 and 35,000,000 euros; and
- 7% for taxable profits of more than 35,000,000 euros;

Under article 51 of the Corporate Income Tax Code, distributed profits and reserves, as well as the capital gains and losses realised by the Bank through the sale of participations held in the share capital of companies, are not included in taxable profit, provided that the following cumulative requirements are met: (i) the Bank has holdings of not less than 10% of the share capital or of the voting rights in the entity that distributes profits, or in the entity whose participations held in the share capital of companies was sold, and provided the participation was held for a period of no less than 12 months (or, in the case of dividends, if held for a shorter period, that it be held for the time necessary to complete that period); (ii) the taxable person does not fall under the fiscal transparency scheme; (iii) the entity that distributes the profits or reserves, or whose capital is sold, is subject to and not exempt from corporate income tax (IRC), from a tax referred to in article 2 of Directive no. 2011/96/EU, of the Council, of 30 November, or from a tax of an identical or similar nature to corporate income tax and the applicable legal rate is not less than 60% of the corporate income tax rate; (iv) the entity that distributes profits or reserves, or the entity whose participations held in the share capital of companies were sold, do not reside in a tax haven.

Total taxes on the profits recorded include current and deferred taxes.

Current tax corresponds to the value payable calculated based on the taxable profits for the year. Taxable profits differ from the accounting result, since it excludes various costs and income that will only be deductible or taxable in subsequent financial years, as well as costs and income that will never be deductible or taxable according to the tax laws in force.

Deferred tax is related to the temporary differences between the amounts of the assets and liabilities for accounting reporting purposes and the respective amounts for taxation purposes, as well as results from tax benefits obtained and from differences between the taxable and the accounting result.

Deferred tax liabilities are generally recognised for all temporary taxable differences in the future.

As set out in the accounting standards, deferred tax assets are recognised for deductible temporary differences, conditioned by the existence of reasonable expectations of sufficient future taxable profits for those deferred tax assets to be used. At each reporting date, those deferred tax assets are reviewed and adjusted in accordance with the expectations relative to their future use.

The main situations for the Bank that give rise to temporary differences are impairments and provisions not accepted for tax purposes and increases in value of financial assets available for sale.

Deferred tax assets and liabilities are measured by using the tax rates that are expected to be in force at the date of the reversion of the corresponding temporary differences, based on the tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date. As at 31 December 2017 and 2016, the Bank used a rate of 24.5% to calculate the deferred taxes.

Corporate income tax (current or deferred) is shown in the profit and loss for the year, except where the transactions giving rise to it have been carried in other shareholders' equity items (in the case of revaluation of financial assets available for sale, for example). Here, the corresponding tax is also carried against shareholders' equity, and does not affect net income for the year.

2.11. Provisions and contingent liabilities

A provision is set up when there is a legal or constructive obligation, resulting from past events where it is likely that resources will be disbursed in the future, and this can be reliably established. The amount of the provision should match the best estimate of the amount to be disbursed to settle the liability on the balance sheet date.

If no future disbursement of resources is likely, then it is a contingent liability. Contingent liabilities are disclosed, unless the possibility of their occurrence is remote.

Provisions for other risks and liabilities are intended to cope with tax, legal and other contingencies.

2.12. Employees' benefits

Liabilities with employees' benefits are recognised in accordance with the principles established by IAS 19 - Employee Benefits.

The Bank has not subscribed to the Collective Bargaining Agreement in effect for the banking industry since its staff is covered by the General Social Security Scheme. For this reason, the Bank had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2017 and 2016.

Short-term benefits, including productivity bonuses paid to staff for their performance, are recorded in "Personnel costs" in the financial year to which they relate, in accordance with the accruals principle.

2.13. Commissions

Commissions received for credit operations and other financial instruments, especially commissions on the origination of transactions, are recognised as earnings over the transaction period.

Commissions for services provided are usually recognised as earnings over the period the service is provided or on a one-off basis, if they arise from single acts.

2.14. Amounts deposited

Amounts deposited, namely customers' securities, are recorded at fair value in off-balance sheet items.

2.15. Cash and equivalents

For the preparation of the cash flow statements, the Bank considers all the items of "Cash and balances at central banks" and "Balances in other credit institutions" as "Cash and equivalents".

2.16. Critical accounting estimates and issues of judgment most relevant to the application of the accounting policies

The Bank and its subsidiaries' Boards of Directors have had to provide some estimates in the application of the accounting criteria described above. The estimates with the biggest impact on the Bank's consolidated financial statements are listed below.

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS

Impairment losses in loans granted are calculated in accordance with the method defined in Notes 2.4. d) and 40. As such, the calculation of impairment in individually analysed assets results from a specific assessment carried out by Banco Invest, using its knowledge of customers' circumstances and the guarantees associated with the operations in question.

Impairment by collective analysis is calculated using historic parameters found for comparable operations, taking into account default of deposit and recovery.

Banco Invest believes that impairment calculated based on this method is a prudent and adequate reflection of the risk associated with its portfolio of credit extended, bearing in mind the rules established by IAS 39.

The Bank carries out periodic impairment analyses of the securities recorded in the items "Loans and advances to customers", "Investments held to maturity" and "Financial assets available for sale". The impairment analysis is carried out on an individual basis, through the identification of events that constitute impairment signs and, when applicable, the calculation of impairment to be recorded (Note 2.4 d)).

CALCULATION OF IMPAIRMENT LOSSES IN NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at acquisition cost or fair value, whichever is lower, less the costs incurred by the sale, as mentioned in Note 2.5.

The fair value of these assets is calculated based on evaluations carried out by independent entities specialised in this type of service. The evaluation reports are analysed internally, namely by comparing the sales values with the revalued real estate values in order to maintain updated the parameters and processes of assessment of market developments.

The use of alternative methodologies and of different assumptions may result in a different level of fair value with an impact on the recognised balance sheet value.

CALCULATION OF INCOME TAX

Current and deferred taxes are determined by the Bank using the rules established by the tax regulations in force. In certain situations, the tax law may not be sufficiently clear and objective, and more than one interpretation may arise. In such situations, the amounts recorded are the outcome of the best judgment of the Bank's administrative bodies regarding the correct context for its operations, which may be questioned by the tax authorities

3. GROUP COMPANIES

The main information on the business of the Bank's subsidiaries, as well as the consolidation method employed, may be summed up as follows:

	2017			2016		
Company	Net assets	Net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	620,093,985	98,302,657	5,000,697	511,838,017	95,559,166	10,446,275
Invest Gestão de Ativos - SGFIM, S.A.	2,372,456	2,308,410	189,843	2,156,620	2,118,567	116,359
Fundo de Titularização de Créditos AR Finance 1 Fundo	-	-	-	15,330,840	14,603,811	121,612
AR Finance 1, plc	-	-	-	17,592,882	(8,733,309)	245,635
Fundo Tejo	7,728,528	7,604,176	451,269	6,729,874	6,635,192	(1,307,035)
Saldanha Holdings	120,428	114,578	(18,913)	174,503	151,594	(40,037)
Saldanha Finance	5,241,245	5,233,989	(24,911)	10,321,126	10,287,083	(46,975)

As at 31 December 2017 and 2016, the more significant financial highlights of the respective individual financial statements can be summed up as follows:

Company	Business	Registered office	Shareholding (%)	Consolidation method
Banco Invest, S.A.	Banking Lisbon	n.a.	n.a.	
Invest Gestão de Ativos - SGFIM, S.A.	Mutual fund management	Lisbon	100%	Full
Fundo de Titularização de Créditos AR Finance 1	Credit securitisation fund	Lisbon	n.a.	Full
Fundo AR Finance 1, plc	Debt issueIreland	n.a.	Full	
Fundo Tejo	Real estate purchase and sale	Lisbon	86.5%	Full
Saldanha Holdings	Financial company	Malta	100%	Full
Saldanha Finance	Financial company	Malta	100%	Full

4. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows:

	2017	2016
Cash in hand	1,129,861	464,074
Sight deposits at the Bank of Portugal	8,014,553	7,015,332
	9,144,414	**7,479,406**

Sight deposits at the Bank of Portugal aim to comply with the minimum cash reserve requirements of the European System of Central Banks (ESCB). These deposits bear interest and correspond to 2% of Customers' deposits and debt securities maturing in up to 2 years, excluding deposits and debt securities of entities subject to the ECBS minimum cash reserves regime.

5. AMOUNTS AND DEPOSITS AT OTHER CREDIT INSTITUTIONS

This item was made up as follows:

	2017	2016
Cheques payable		
- In Portugal	494,818	157,000
Sight deposits		
- In Portugal	2,942,391	1,366,459
- Abroad	2,987,044	4,562,528
	6,424,253	**6,085,987**

6. FINANCIAL ASSETS HELD FOR TRADING

This item was made up as follows:

	2017	2016
Debt instruments		
Other residents		
- Other national public issuers	-	39,514
- Credit institutions	2,016,210	-
Non-residents		
- Foreign public issuers	7,123,908	914,292
- Credit institutions	7,464,026	10,463,947
- Companies	17,799,058	13,931,689
	34,403,202	**25,349,442**
Interest receivable	218,034	220,724
	34,621,236	**25,570,166**
Debt instruments		
Residents		
- Shares	30,190	94,614
Non-residents		
- Shares	11,418,210	8,183,741
- Investment units	363,679	232,352
	11,812,079	**8,510,707**
Derivatives		
Swaps		
- Interest rates	264,956	346,069
Other	1,608,460	1,509,660
Options	712	54,273
	1,874,128	**1,910,002**
	48,307,443	**35,990,875**

As at 31 December 2017 and 2016, the nominal value of the debt instruments is as follows:

	2017	2016
Other residents		
- Othere public issuers	-	43,000
- Credit institutions	2,000,000	-
- Companies	-	-
Non-residents		
- Foreign public issuers	7,000,000	900,000
- Credit institutions	9,200,000	12,200,000
- Companies	17,556,000	13,650,000
	35,756,000	**26,793,000**

The composition of the trading portfolio (non-residents, excluding the public issuers and the credit institutions, as at 31 December 2017 and 2016, by sector of activity, was as follows:

	2017	2016
Extractive industries	710,708	957,920
Manufacturing industries	4,524,486	1,128,180
Electricity, gas, steam, hot and cold water and cold air	1,414,687	904,766
"Water supply, sewerage, waste management and remediation activities"	1,550,880	1,045,900
Wholesale and retail trade; repair of motor vehicles and motorbikes	2.658.001	1.042.045
Transportation and storage	2,105,720	2,822,625
Information and communication activities	1,572,155	1,809,681
Financial and insurance activities	2,037,555	2,527,315
Real estate activities	-	1,025,875
Administrative and support services activities	1,224,866	514,785
Artistic, show, sport and recreational activities	-	152,598
	17,799,058	**13,931,689**

As at 31 December 2017 and 2016, the transactions with derivatives were valued in accordance with the criteria in Note 2.4. On these dates, the breakdown of the notional amount and book value was as follows:

	2017			
	Notional amount	Book value		
	Trading derivatives	Assets held for trading	Liabilities held for trading	Total
			(Note 18)	
Derivatives Over the counter (OTC)				
- *Swaps*				
Interest rate	111,520,162	264,956	(220,298)	44,658
Other	5,878,247	1,608,460	-	1,608,460
- Options embedded in structured deposits	37,140,868	712	(445,564)	(444,852)
- Options				
Equities	14,352,640	-	(1,172,866)	(1,172,866)
	168,891,917	**1,874,128**	**(1,838,728)**	**35,400**
Traded on the stock exchange				
- Futures				
Interest rate	82,175,822	-	-	-
Equities	1,473,680	-	-	-
Foreign exchange	4,898,033	-	-	-
	88,547,535	**-**	**-**	**-**
	257,439,452	**1,874,128**	**(1,838,728)**	**35,400**

	2016			
	Notional amount	Book value		
	Trading derivatives	Assets held for trading	Liabilities held for trading	Total
			(Nota 18)	
Derivatives Over the counter (OTC)				
- *Swaps*				
Interest rate	144,675,305	346,069	(431,112)	(85,044)
Other	5,878,247	1,509,660	-	1,509,660
- Options embedded in structured deposits	32,528,809	54,273	(369,442)	(315,168)
- Equity options	7,905,727	-	(677,883)	(677,883)
	190,988,088	**1,910,002**	**(1,478,437)**	**431,564**
Traded on the stock exchange				
- Futures				
Interest rate	90,009,255	-	-	-
Equities	1,922,872	-	-	-
Foreign exchange	2,875,364	-	-	-
	94,807,491	**-**	**-**	**-**
	285,795,579	**1,910,002**	**(1,478,437)**	**431,564**

As at 31 December 2016, the notional amount of interest rate swaps includes 20,974,041 euros, relative to transactions within the scope of a credit securitisation set up by the Bank. As referred to in Note 9, during 2017, the same securitisation operation was concluded.

The distribution of derivative transactions as at 31 December 2017 and 2016, by times to maturity, was as follows (by notional amount):

	2017					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives Over the counter (OTC)						
- *Swaps*						
Interest rate	31,967,272	-	27,768,028	51,784,862	-	111,520,162
Other	-	-	-	-	5,878,247	5,878,247
- Options embedded						
in structured deposits	6,052,532	7,542,300	7,105,067	16,440,969	-	37,140,868
- Options						
Equities and exchange rates	1,000,000	1,785,702	9,002,189	2,564,749	-	14,352,640
	39,019,804	**9,328,002**	**43,875,284**	**70,790,580**	**5,878,247**	**168,891,917**
- Futures						
Interest rate	34,804,660	17,554,250	10,529,400	19,287,512	-	82,175,822
Equities	1,473,680	-	-	-	-	1,473,680
Foreign exchange	4,898,033	-	-	-	-	4,898,033
	41,176,373	**17,554,250**	**10,529,400**	**19,287,512**	**-**	**88,547,535**
	80,196,177	**26,882,252**	**54,404,684**	**90,078,092**	**5,878,247**	**257,439,452**

	2016					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives Over the counter (OTC)						
- *Swaps*						
Interest rate	25,514,000	4,950,000	26,100,448	67,136,815	20,974,041	144,675,305
Other	5,878,247	-	-	-	-	5,878,247
- Options embebbed						
in structured deposits	2,214,132	4,166,129	12,163,066	13,985,482	-	32,528,809
- Options						
Equities and exchange rates	2,564,749	529,001	1,004,545	3,807,432	-	7,905,727
	36,171,128	**9,645,130**	**39,268,059**	**84,929,729**	**20,974,041**	**190,988,088**
Traded on the stock exchange						
- Futures						
Interest rate	10,549,256	22,066,000	30,833,813	26,560,186	-	90,009,255
Equities	1,922,872	-	-	-	-	1,922,872
Foreign exchange	2,875,364	-	-	-	-	2,875,364
	15,347,492	**22,066,000**	**30,833,813**	**26,560,186**	**-**	**94,807,491**
	51,518,621	**31,711,130**	**70,101,872**	**111,489,915**	**20,974,041**	**285,795,579**

The breakdown by type of counterparty of the transactions with derivative financial instruments at 31 December 2017 and 2016 is as follows:

	2017	2016
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	111,520,162	144,675,305
Other		
- Customers	5,878,247	5,878,247
Options embebedded in structured deposit		
- Customers	37,140,868	32,528,809
Equity Options		
- Financial institutions	-	33,546
- Customers	14,352,640	7,872,181
	168,891,917	**190,988,088**
Traded on the stock exchange		
Futures		
- Interest rate	82,175,822	90,009,255
- Equities	1,473,680	1,922,872
- Foreign exchange	4,898,033	2,875,364
	88,547,535	**94,807,491**
	257,439,452	**285,795,579**

7. FINANCIAL ASSETS AVAILABLE FOR SALE

This item was made up as follows:

	2017	2016
Debt instruments		
Portuguese government debt	2,279,163	108,080
Other residents		
Credit institutions	-	-
Other bonds	12,951,260	14,702,194
Non-residents		
Foreign public issuers	13,155,370	15,486,714
Other bonds	47,307,099	55,944,473
	75,692,892	**86,241,460**
Interest receivable	688,310	1,125,768
	76,381,202	**87,367,228**
Equity instruments		
Issued by residents		
Valued at fair value	7,230,483	7,722,829
Issued by non-residents		
Valued at fair value	294,135	300,483
	7,524,618	**8,023,312**
	83,905,820	**95,390,540**
Impairment (Note 22)	(4,213,505)	(4,580,093)
	79,692,315	**90,810,447**

The movement under impairment is given in Note 22.

The composition of the financial assets available for sale portfolio, as at 31 December 2017 and 2016, by sector of activity, was as follows:

	2017	2016
Non-residents		
Extractive industries	-	7,647,115
Manufacturing industries	10,440,406	-
Transportation and storage	519,185	6,145,435
Construction	978,139	909,644
Financial and insurance activities	1,013,530	-
	12,951,260	**14,702,194**
Non-residents		
Extractive industries	1,092,190	4,169,225
Manufacturing industries	5,746,225	4,405,528
Electricity, gas, steam, hot and cold water and cold air	16,660,170	19,034,938
Wholesale and retail trade; repair of motor vehicles and motorbikes	2,542,550	2,671,475
Information and communication activities	6,069,258	8,562,190
Financial and insurance activities	15,196,706	16,601,117
	47,307,099	**55,444,473**

The following table presents a breakdown of the equity instruments, showing amounts both gross and net of impairment, of the portfolio as at 31 December 2017 and 2016:

	2017			2016		
Equity instruments	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Issued by residents						
- Shares	146,000	(146,000)	-	968,196	(146,000)	822,196
- Investment Units	7,084,483	(1,035,031)	6,049,452	6,754,633	(1,035,031)	5,719,602
Issued by non-residents						
- Shares	41,691	(41,691)	-	48,039	(47,434)	605
- Investment Units	252,444	(252,444)	-	252,444	(252,444)	-
	7,524,618	**(1,475,166)**	**6,049,452**	**8,023,312**	**(1,480,909)**	**6,542,403**

The value of shares issued by residents in the amount of 146,000 euros represents the position that the Bank has in portfolio of Banif shares, which are in default.

As established in IFRS 13, the financial instruments are measured in accordance with the valuation levels described in note 40.

The Bank recognises impairment in the financial assets available for sale whenever there is a prolonged or significant decline in their fair value or when there is an estimated impact on the future cash flows of the assets. This assessment implies a judgement by the Bank, which takes into consideration, among other factors, the volatility of the share prices. The movement under impairment in 2017 and 2016 is given in Note 22.

As at 31 December 2017 and 2016, the "Equity instruments – Issued by residents" item includes the shareholding in the Fundo Especial de Investimento Imobiliário Fechado - Inspirar, in the amount of 5,233,000 euros. Regarding this shareholding, the Bank signed a fixed-term sales contract with an entity of the Alves Ribeiro Group, for a value exceeding the acquisition cost.

At 31 December 2017 and 2016, the nominal value of the debt instruments was as follows:

	2017	2016
Debt instruments		
Portuguese government debt		
Other residents	2,100,000	100,000
- Credit institutions	1,000,000	-
- Other bonds	11,350,000	13,750,000
Non-residents		
- Foreign public issuers	13,100,100	13,100,100
- Other bonds	45,750,000	54,111,00
	73,300,100	**81,061,100**

As described in note 40, the portfolio of financial assets available for sale is presented at its market value, with the respective recorded fair value offset against fair value reserves, according to note 25.

As at 31 December 2017 and 2016, the unrealised gains and losses in financial assets available for sale were as follows:

	2017	2016
Debt instruments		
Portuguese government debt		
Other residents	181,498	11,338
- Other bonds	550,182	921,257
Non-residents		
- Foreign public issuers	200,924	2,304,535
- Other bonds	1,408,380	1,723,368
	2,340,984	**4,960,498**
Equity instruments	(158,838)	(732,255)
Net potential gains (Note 26)	2,182,146	4,228,243

8. DEPOSITS AT CREDIT INSTITUTIONS

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Deposits at credit institutions:		
- Credit institutions in Portugal	1,400,000	5,400,000
Interest receivable	55	123
	1,400,055	**5,400,123**

As at 31 December 2017 and 2016, the times to maturity of deposits at credit institutions were as follows:

	2017	2016
Up to 3 months	1,000,000	5,000,000
3 months to 1 year	400,055	400,123
	1,400,055	**5,400,123**

9. LOANS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	2017	2016
Securitised domestic loans:		
- Property leasing transactions	-	7.035.628
- Medium and long-term loans	-	5.462.920
	-	**12.498.548**
Non-securitised domestic loans		-
- Property leasing transactions	51,040,944	47,726,077
- Medium and long-term loans	74,483,518	37,273,584
- Current account loans	17,434,243	16,707,967
- Consumption and auto loans	94,339,439	14,375,383
- Real estate leasing	602,722	565,060
- Current account overdrafts	3,177,501	1,879,244
Other loans	11,896,272	8,664,956
	252,974,639	**127,192,271**
Foreign loans		
- Current account overdrafts	8,913	401,905
	252,983,552	**140,092,724**
Interest receivable	**674,678**	**233,030**
Other loans and receivables – debt securities		
- Portuguese government debt or public companies	5,000,000	10,000,000
Other residents		
- Companies	42,592,367	46,273,756
- Commercial paper	17,700,002	17,947,418
- Interest receivable	305,615	420,759
Non-residents		
- Companies	6,474,114	10,523,555
- Interest receivable	30,605	58,961
	72,102,703	**85,224,449**
Commissions associated to amortised cost:		
- Deferred charges	6,554,475	1,108,528
- Deferred income	(2,841,792)	(505,513)
	3,712,683	**603,015**
Past due principal and interest	28,158,058	31,642,892
	357,631,674	**257,796,110**
Impairment (Note 22)		
- Impairment for non-securitised loans	(28,483,680)	(28,412,726)
- Other loans and receivables – debt securities	(299,347)	(353,796)
	(28,783,027)	**(28,766,522)**
	328,848,647	**229,029,588**

The movement under impairment in 2017 and 2016 is given in Note 22.

As at 31 December 2017, the holders of a qualified shareholding in the Bank's capital, identified in the Board of Directors' report and in note 39, and to whom Banco Invest granted a loan, represented in aggregate terms 25% of the share capital (same percentage value as at 31 December 2016).

With reference to 31 December 2017, the loans that the Bank granted to qualifying shareholders and to companies controlled by the latter, came to 16,455,419 euros (27,680,705 euros as at 31 December 2016), according to note 39. Business between the Group and qualifying shareholders or natural persons or legal entities related to the latter under the terms of article 20 of the Portuguese Securities Code, regardless of the amount, is always subject to assessment and deliberation by the Board of Directors.

In September 2016 the Bank initiated its auto loan concession activity, which as at 31 December 2016 had registered an amount of credit concession of 14,375,383 euros. At the end of 2017, the amount of credit concession came to 94,339,439 euros.

In December 2017 the credit securitisation operation of AR Finance was paid, having Banco Invest exercised that option taking into consideration the defined strategic objectives and the period already elapsed. Given the impacts already recognised on that date in the financial statements, the settlement had no material impact. As at 31 December 2016, the "Securitised domestic loans" item refers to the securitisation operation undertaken by the Bank in force on that date.

As at 31 December 2016 the "Securitised domestic loans" item refers to the securitisation operation undertaken by the Bank in force on that date and whose loan portfolio details are as follows:

	2017	2016
Securitisation operation - AR Finance	-	12,498,548
Impairment for securitised loans	-	(1,571,262)
	-	**10,927,286**

As at 31 December 2017, the breakdown of times to maturity of loans and advances to customers, securitised loans and past due loans, is as follows:

	2017	2016
Up to three months	13,460,813	8,305,019
Three months to one year	9,735,566	4,846,818
One to five years	40,832,011	30,407,525
More than five years	188,955,162	96,533,362
	252,983,552	**140,092,724**

As at 31 December 2017 and 2016, the breakdown of past due loans by age is as follows:

	2017	2016
Up to three months	257,019	184,938
Three months to one year	1,633,125	6,495,408
More than one year	26,267,914	24,962,546
	28,158,058	**31,642,892**

As at 31 December 2017 and 2016, performing loans associated with past due loans (more than 3 months) amounted to 14,150,651 euros and 14,905,173 euros, respectively.

As at 31 December 2017 and 2016, the breakdown of past due loans by type of guarantee was as follows::

	2017	2016
Mortgage guarantee or financial leasing (property)	21,563,722	24,575,393
Commercial pledge of pharmacies	3,466,392	4,245,766
Other real guarantees	883,104	734,144
Personal guarantee	643,211	1,121,553
No guarantee	1,601,629	966,036
	28,158,058	**31,642,892**

As at 31 December 2017 and 2016, the breakdown of performing loans and past due loans, and the fair value of the underlying guarantees by type of loan was as follows:

	2017			
	Outstanding	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Real estate leasing	51,133,302	3,091,123	54,224,425	121,373,315
Medium and long-term loans	74,581,929	22,227,760	96,809,689	81,268,468
Current account loans	17,462,233	1,202,973	18,665,206	453,689
Real estate leasing	603,094	15,651	618,745	49,025
Other loans	11,896,273	1,048,322	12,944,595	17,758,502
Other loans and receivables – debt securities	72,102,704	-	72,102,704	-
Consumption and auto loans	98,507,584	572,229	99,079,813	-
Current account overdrafts	3,186,497	-	3,186,497	4,726,896
	329,473,616	**28,158,058**	**357,631,674**	**225,629,895**

	2016			
	Outstanding	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Real estate leasing	54,761,705	3,974,391	58,736,096	133,371,594
Medium and long-term loans	42,736,504	25,582,556	68,319,060	94,813,035
Current account loans	16,707,967	1,215,078	17,923,045	453,689
Real estate leasing	565,060	3,170	568,230	49,025
Other loans	8,664,956	865,062	9,530,018	13,333,354
Other loans and receivables – debt securities	85,224,449	-	85,224,449	-
Consumption and auto loans	14,375,383	2,635	14,378,018	-
Current account overdrafts	2,281,149	-	2,281,149	7,714,381
	225,317,173	**31,642,892**	**256,960,064**	**249,735,078**

The Group uses physical and financial collaterals as instruments to mitigate credit risk. Physical collaterals correspond mainly to mortgages on residential properties within the scope of real estate leasing operations or medium and long-term loans. So as to reflect their market value, these collaterals are reviewed regularly based on evaluations conducted by certified, independent appraisers. The financial collaterals are re-evaluated based on market values of their assets, when available, and certain depreciation coefficients are applied to reflect their volatility.

The breakdown of the loan portfolio, excluding securitised credit, as at 31 December 2017 and 2016, excluding securitised credit, by sector of activity, was as follows:

	2017		
	Performing loans	Past due loans	Total
Individuals	118,737,762	8,378,331	127,116,093
Wholesale and retail trade; repair of motor vehicles and motorbikes	28,430,798	7,539,051	35,969,849
Financial and insurance activities	34,810,761	383,288	35,194,049
Real estate activities	12,426,553	5,557,191	17,983,744
Public administration and defence; mandatory social security	5,000,972	-	5,000,972
Manufacturing industries	35,492,565	717,500	36,210,065
Construction	3,954,228	3,469,103	7,423,331
Agriculture, livestock, hunting, forestry and fishing	5,215,115	122,035	5,337,150
Administrative and support services activities	42,989,899	405,063	43,394,962
Consultancy, scientific, technical and similar activities	23,630,336	142,305	23,772,641
Human health and social support activities	2,769,069	324,828	3,093,897
Hotels, restaurants and similar	2,206,210	382,339	2,588,549
Other activities and services	1,963,086	-	1,963,086
Transportation and storage	2,138,147	372,802	2,510,949
Arts, entertainment, sports and recreational activities	1,663,122	107,676	1,770,798
Education	145,909	252,716	398,625
Electricity, gas, steam, hot and cold water and cold air	3,005,700	-	3,005,700
Information and communication actties	169,804	3,830	173,634
Total loans	**324,750,036**	**28,158,058**	**352,908,094**

	2016		
	Performing loans	Past due loans	Total
Individuals	42,267,500	8,408,797	50,676,297
Wholesale and retail trade; repair of motor vehicles and motorbikes	26,025,297	8,061,401	34,086,698
Financial and insurance activities	22,594,807	128,575	22,723,382
Real estate activities	13,270,838	6,650,619	19,921,457
Manufacturing industries	10,828,549	1,764,100	12,592,649
Construction	3,785,688	3,453,006	7,238,694
Agriculture, livestock, hunting, forestry and fishing	5,316,196	47,151	5,363,347
Administrative and support services activities	3,418,963	548,227	3,967,190
Consultancy, scientific, technical and similar activities	1,881,796	1,357,191	3,238,987
Human health and social support activities	3,103,117	88,931	3,192,048
Hotels, restaurants and similar	1,815,903	412,201	2,228,104
Other activities and services	2,071,863	-	2,071,863
Transportation and storage	1,673,126	385,165	2,058,291
Arts, entertainment, sports and recreational activities	1,689,122	85,037	1,774,159
Education	180,654	252,491	433,145
Information and communication activities	169,305	-	169,305
Total loans	**140,092,724**	**31,642,892**	**171,735,616**

To comply with the requirements for disclosure of IAS 17 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2017 and 2016, the reconciliation between the minimum leasing payments and their present value, for each one of the periods defined in the standard, presented in the following table:

	2017	2016
Minimum lease payments		
Up to 1 year	7,277,282	8,007,468
1 to 5 years	23,293,780	25,800,635
More than 5 years	33,225,730	35,643,173
	63,796,792	**69,451,276**
Unearned financial income	(12,153,126)	(13,290,037)
	51,643,666	**56,161,239**
Present value of minimum lease payments		
Up to 1 year	5,500,596	6,069,584
1 to 5 years	18,129,765	20,142,404
More than 5 years	28,013,305	29,949,251
	51,643,666	**56,161,239**

As at 31 December 2017 and 2016 the Bank´s financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents.

The loan portfolio of the Group which includes, in addition to loans and advances to customers, the guarantees and standby letters of credit with and without impairment signs, is as follows:

	2017	2016
Total gross loans	**353,908,626**	**257,173,950**
Loans with impairment signs		
- Individually significant		
Gross Value	148,103,330	118,710,441
Impairment	(26,208,996)	(27,396,467)
	121,894,334	**91,313,974**
- Collective analysis		
Gross Value	13,754,198	5,819,593
Impairment	(1,196,996)	(182,292)
	12,557,202	**5,637,301**
Loans without impairment signs		
Gross Value	192,051,097	132,643,915
Impairment IBNR	(1,377,035)	(1,187,763)
	190,674,063	**131,456,152**

The Total loans item includes loans directly granted to customers and indirect loans, recorded in the Guarantees and other commitments item (see note 28), in the amount of 251,850,105 euros (31 December 2016: 126,625,248 euros).

The Impairment and Impairment - IBNR items were calculated in accordance with the accounting policy described in note 2, including the provision for Guarantees and other commitments (see note 27) in the amount of 71,540 euros (31 December 2016: 497.860 euros). The loans and advances to customers portfolio includes contracts which resulted from a formal restructuring with customers and consequent granting of new funding to replace the previous loans. The restructuring can result from a reinforcement of guarantees and/or settlement of part of the loan and imply an extension of maturities or change in interest rate. The analysis of restructured loans, by sectors of activity, is as follows:

	2017			
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	1,072,090	-	1,072,090	13,777
Artistic, show, sport and recreational activities	1,153,593	91,535	1,245,128	59,449
Consultancy, scientific, technical and similar activities	-	-	-	-
Information and communication activities	-	-	-	-
Human health and social support activities	1,221,454	6,553	1,228,007	134,720
International bodies and other institutions activities	-	-	-	-
Financial and insurance activities	-	-	-	-
Real estate activities	2,941,869	3,970	2,945,839	468,209
Public Administration and defence; mandatory social security	-	-	-	-
Agriculture, livestock, hunting, forestry and fishing	4,677,294	87,908	4,765,202	1,745,123
Hotels, restaurants and similar	164,468	(58)	164,410	6,652
Wholesale and retail trade; repair of motor vehicles and motorbikes.	5,029,318	(26,198)	5,003,119	1,431,673
Construction	591,266	(2)	591,263	7,609
Education	32,510	3,370	35,880	462
Electricity, gas, steam, hot and cold water and cold air	-	-	-	-
Manufacturing industries	3,069,898	67,889	3,137,786	498,250
Other activities and services	-	-	-	-
Individuals	3,728,835	130,663	3,859,498	842,473
Transportation and storage	-	-	-	-
Total loans	**23,682,594**	**365,629**	**24,048,223**	**5,208,397**

2016				
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	1,104,351	-	1,104,351	23,324
Artistic, show, sport and recreational activities	1,088,212	-	1,088,212	23,006
Consultancy, scientific, technical and similar activities	-	(162)	(162)	-
Information and communication activities	-	-	-	-
Human health and social support activities	1,544,309	16,864	1,561,172	237,066
International bodies and other institutions activities	-	-	-	-
Financial and insurance activities	243,215	-	243,215	121,976
Real estate activities	3,013,995	(823)	3,013,172	497,261
Public Administration and defence; mandatory social security	-	-	-	-
Agriculture, livestock, hunting, forestry and fishing	4,738,452	10,706	4,749,159	1,898,931
Hotels, restaurants and similar	-	-	-	-
Wholesale and retail trade; repair of motor vehicles and motorbikes.	5,089,376	19,984	5,109,360	1,452,970
Construction	814,437	82	814,519	76,999
Education	37,980	3,127	41,107	869
Electricity, gas, steam, hot and cold water and cold air	-	-	-	-
Manufacturing industries	2,624,567	56,857	2,681,424	318,671
Other activities and services	-	-	-	-
Individuals	4,102,207	193,734	4,295,941	794,991
Transportation and storage	277,760	18,652	296,412	6,268
Total loans	**24,678,861**	**319,021**	**24,997,882**	**5,452,333**

The renegotiated loans are also subject to an impairment analysis that results from the reassessment of expectations regarding the new cash flows, inherent to the new contractual conditions, updated at the effective original interest rate taking into consideration the new collaterals presented.

Regarding the performing restructured loans, the impairment amount associated to these operations comes to 5,208,397 euros (31 December 2016: 5,452,333 euros).

In addition, the portfolio includes loans which due to financial difficulties of the customer, were subject to changes to the initial conditions of the contract in the amount of 24,048,223 euros (31 December 2016: 24,997,882 euros), which present an impairment of 5,208,397 euros (31 December 2016: 5,452,333 euros).

10. INVESTMENTS HELD TO MATURITY

This item was made up as follows:

	2017	2016
Debt instruments		
Residents		
- Portuguese government debt	19,661,348	14,716,011
- Other	5,395,819	5,300,532
Non-residents		
- Public debt	59,618,914	47,973,894
- Other	14,634,792	16,052,866
	99,310,873	84,043,303
Interest receivable	2,591,989	2,453,480
	101,902,862	**86,496,783**

The Investments held to maturity portfolio essentially includes investment in Portuguese and other countries' government debt, as broken down in note 40, being essentially composed of Spanish government debt in the amount of 55,911,456 euros (31 December 2016: 44,167,634 euros) and Italian government debt in the amount of 5,175,589 euros (31 December 2016: 5,201,129 euros).

As at 31 December 2017 and 2016, the fair value of investments held to maturity, including accrued interest, came to 114,595,970 euros and 98,305,584 euros, respectively (Note 40)..

On these same dates, the breakdown of investments held to maturity, by maturity, was as follows:

	2017	2016
One to five years	22,729,769	20,639,236
More than five years	79,173,093	65,857,547
	101,902,862	**86,496,783**

In 2008, under the alteration to IAS 39 (Note 41), the Bank transferred a set of securities that were recorded in the financial assets available for sale portfolio, as well as financial assets held for trading into the investments held to maturity portfolio. In addition, since 2010 the Bank has been acquiring a series of additional securities, within the scope of the internally defined investment policy.

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	2017	2016
Non-current assets held for sale		
Real estate	27,567,270	33,038,005
Impairment (Note 22)	(7,632,477)	(7,931,998)
	19,934,793	**25,106,007**

Changes in this item in 2017 and 2016 are shown below:

	2017								
	31 December 2016						31 December 2017		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements / (Appropriations	Use of Impairment	Gross value	Impairment	Net value
		(Note 22)			(Note 22)	(Note 22)		(Note 22)	
Real Estate	33,038,005	(7,931,998)	1,964,638	(7,435,373)	(1,648,300)	1,947,821	27,567,270	(7,632,477)	19,934,793

	2016								
	31 December 2015						31 December 2016		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements / (Appropriations	Use of Impairment	Gross value	Impairment	Net value
		(Note 22)			(Note 22)	(Note 22)		(Note 23)	
Imóveis	36,682,061	(9,861,222)	4,049,190	(7,693,246)	(515,303)	2,444,527	33,038,005	(7,931,998)	25,106,007

As at 31 December 2017 and 2016, the breakdown of non-current assets held for sale is as follows, according to the Group acquisition date:

	2017			2016		
Year of acquisition	Gross value	Impairment	Net value	Gross value	Impairment	Net value
prior to 2008	2,196,843	(684,882)	1,511,961	2,258,145	(715,533)	2,080,077
2008	243,671	(111,639)	132,032	558,962	(366,206)	192,756
2009	1,672,422	(698,204)	974,218	2,659,352	(1,070,921)	1,588,431
2010	2,900,544	(1,241,729)	1,658,815	3,014,124	(1,079,576)	1,934,548
2011	3,807,995	(1,465,872)	2,342,123	5,347,977	(1,367,675)	3,980,302
2012	3,567,041	(1,545,672)	2,021,369	4,440,685	(891,914)	3,548,771
2013	4,885,894	(927,818)	3,958,076	5,880,502	(1,059,327)	4,821,175
2014	1,706,263	(92,260)	1,614,003	2,241,230	(120,940)	2,120,290
2015	1,856,423	(330,843)	1,525,580	2,422,178	(336,335)	2,085,843
2016	2,573,426	(69,558)	2,503,868	4,214,850	(883,571)	3,331,279
2017	2,156,748	(464,000)	1,692,748	-	(40,000)	(40,000)
	27,567,270	**(7,632,477)**	**19,934,793**	**33,038,005**	**(7,931,998)**	**25,643,472**

The real estate held in portfolio for more than 1 year corresponds to real estate that despite the commercial efforts undertaken by the Group to proceed with its immediate sale, has still not been sold, due mainly to the current climate of the real estate market. The Group continues to focus its efforts on selling the real estate in the short-term.

During 2017 and 2016, the Group recorded net losses from the sale of real estate received in lieu of payment, totalling 982,338 euros and 430,075 euros, respectively (Note 35), which were determined in some situations relative to the gross value of the real estate.

12. INVESTMENT PROPERTY

This item was made up as follows:

	2017	2016
Gross value	5,320,851	5,323,514
Accumulated depreciation and impairment losses (Note 22)	(1,307,751)	(992,161)
	4,013,100	**4,331,353**

As at 31 December 2017 and 2016, the balance of this item corresponds to real estate which has been rented by the Group and for which there are no prospects of selling in the short term. On the these dates the Group has registered an impairment of 1,307,751 euros (in 2016: 992,161 euros), arising from the updating of the assessments for these assets (Note 22).

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses. As at 31 December 2017 and 2016, the Group did not record depreciation for the year since all real estate presented a valuation value lower than its acquisition value less depreciation that would be calculated from the date of its acquisition until 31 December 2017. For the same reason, the balance sheet value of this real estate is similar to its fair value. (4,604,450 euros as at 31 December 2017).

During 2017 and 2016 the value of investment property rents charged by the Group came to 362,303 euros and 311,330 euros, respectively.

13. OTHER TANGIBLE ASSETS

Changes in the "Other tangible assets" items during 2017 and 2016 were as follows:

	2017						
	31 December 2016						
					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Gross value	Depreciation	Net value 31-12-2017
Real estate							
- Premises	859,592	(217,741)	-	(10,302)	(154,366)	-	477,183
- Leasehold expenses	2,753,495	(1,865,854)	8,469	(209,898)	(38,426)	38,426	686,212
	3,613,087	**(2,083,595)**	**8,469**	**(220,200)**	**(192,792)**	**38,426**	**1,163,395**
Equipment:							
- Furniture and materials	479,761	(395,403)	6,241	(21,309)	(25,719)	25,719	69,289
- Machines and tools	79,596	(63,872)	21,023	(7,698)	(11,663)	11,663	29,049
- IT equipment	955,509	(795,401)	55,420	(86,225)	(89,433)	89,433	129,303
- Fixtures and fittings	613,848	(550,767)	3,916	(43,097)	(35,773)	35,775	23,902
- Vehicles	1,720,334	(573,045)	167,513	(400,745)	(13,672)	13,672	914,057
- Safety equipment	25,314	(21,799)	-	(981)	-	-	2,534
	3,874,362	**(2,400,287)**	**254,113**	**(560,056)**	**(176,260)**	**176,262**	**1,168,135**
Other tangible assets:							
- Artistic assets	41,364	-	-	-	-	-	41,364
- Under construction	-	-	8,942	-	-	-	8,942
	7,528,813	**(4,483,882)**	**271,524**	**(780,256)**	**(369,052)**	**214,688**	**2,381,835**

Description	31 December 2015 Gross value	31 December 2015 Accumulated depreciation	Acquisitions	Depreciation for the year	Disposals and write-offs Gross value	Disposals and write-offs Depreciation	Net value 31-12-2016
				2016			
Real estate							
- Premises	705,226	(207,439)	154,366	(10,302)	-	-	641,851
- Leasehold expenses	2,669,808	(1,656,687)	83,687	(209,167)	-	-	887,641
	3,375,034	**(1,864,126)**	**238,053**	**(219,469)**	**-**	**-**	**1,529,492**
Equipment:							
- Furniture and materials	459,976	(370,099)	19,785	(25,304)			84,358
- Machines and tools	79,078	(57,358)	518	(6,514)	-	-	15,725
- IT equipment	800,508	(734,332)	155,001	(61,069)	-	-	160,108
- Fixtures and fittings	613,621	(497,786)	227	(52,981)	-	-	63,081
- Vehicles	1,070,975	(619,039)	956,862	(261,510)	(307,504)	307,504	1,147,288
- Safety equipment	25,314	(20,819)	-	(980)	-	-	3,515
	3,049,472	**(2,299,433)**	**1,132,393**	**(408,358)**	**(307,504)**	**307,504**	**1,474,074**
Other tangible assets:							
- Artistic assets	41,364	-	-	-	-	-	41,364
	6,465,870	**(4,163,559)**	**1,370,446**	**(627,827)**	**(307,504)**	**307,504**	**3,044,931**

14. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2017 and 2016 were as follows:

Description	31 December 2016 Gross value	31 December 2016 Accumulated amortisations	Acquisitions	Transfers	Amortisations for the year	Net value
			2017			
Intangible assets						
Software	2,332,395	(2,001,233)	33,017	-	(150,241)	213,938
Intangible assets in progress	36,104	-	68,690	-	-	104,794
	2,368,499	**(2,001,233)**	**101,707**	**-**	**(150,241)**	**318,732**

Description	31 December 2015 Gross value	31 December 2015 Accumulated amortisations	Acquisitions	Transfers	Amortisations for the year	Net value
			2016			
Intangible assets						
Software	1,954,923	(1,916,444)	333,972	-	(84,789)	331,162
Intangible assets in progress	24,820	-	11,284	-	-	36,104
	1,979,743	**(1,916,444)**	**345,256**	**-**	**(84,789)**	**367,266**

The increase registered in the software item is mainly due to the assembly of the IT system associated to the launch and growth of the auto loans activity.

15. INCOME TAX

The asset and liability balances by income tax as at 31 December 2017 and 2016 were as follows:

	2017	2016
Deferred tax assts		
By temporary differences	7,148,582	8,189,624
Deferred tax liabilities		
By temporary differences	(585,097)	(1,445,948)
	6,563,485	**6,743,676**
Current tax assets and liabilities		
Tax assessed	(1,065,738)	(1,201,041)
State surcharge	(99,375)	(121,751)
Surcharge	(72,187)	(83,376)
Autonomous taxation	(130,562)	(94,224)
	(1,367,862)	**(1,500,392)**
Payments on account	1,114,751	959,887
Tax withheld at source	102,093	90,250
	1,216,844	**1,050,136**
Income tax (payable) / receivable	**(151,018)**	**(450,256)**

Current tax is calculated based on taxable income for the year, which differs from the accounting result due to adjustments to taxable income arising from costs or earnings not relevant for tax purposes, or which will only be considered in other reporting periods. The main situations that generate such adjustments are related with the Banking Sector Contribution and the difference between credit impairments and the relevant values for tax purposes.

Within the scope of article 28-C of the Corporate Income Tax Code, as of the financial year of 2017, of Regulating Decree no. 11/2017, of 28 December, among others, (i) impairment losses and other value adjustments for specific risk that exceed the value that corresponds to the application of the mandatory minimum limits established in Bank of Portugal Notice no. 3/95 as amended prior to its respective revocation by Bank of Portugal

Notice no. 5/2015 for the provisions for specific credit risk, and (ii) impairment losses and other value adjustments relative to credits covered by rights in rem in immovable property are not accepted as tax deductible for the year. As previously mentioned, the portfolio of loans granted is now subject to the constitution of impairment losses which replaces the recording of provisions for specific risk and for general credit risk and for country-risk, even though for tax purposes provisions are still onsidered, except in the cases indicated above.

The breakdown of changes in deferred taxes in 2017 and 2016 was as follows:

	2017				
	Balance as at 31-12-2016	Change in income	Change in reserves	Other	Balance as at 31-12-2017
Deferred tax assets					
- Differential between impairment losses on loans accepted for tax purposes and those registered by the Bank	6,315,162	(310,216)	-	-	6,004,946
- Financial assets available for sale	224,628	-	(174,157)	-	50,471
- Valuation of trading derivatives	1,973	(1,973)	-	-	-
- Impairment of securities	1,177,365	(298,195)	-	(330,729)	548,441
- Impairment of non-current assets held for sale	470,496	(2,918)	-	77,146	544,724
	8,189,624	**(613,302)**	**(174,157)**	**(253,583)**	**7,148,582**
Deferred tax liabilities					
- Financial assets available for sale	(1,445,948)	-	675,451	185,400	(585,097)
	6,743,676	**(613,302)**	**501,294**	**(68,183)**	**6,563,485**

	2016				
	Balance as at 31-12-2015	Change in income	Change in reserves	Other	Balance as at 31-12-2016
Deferred tax assets					
- Differential between impairment losses on loans accepted for tax purposes and those registered by the Bank	7,098,536	(582,451)		(200,923)	6,315,162
- Financial assets available for sale	-	-	224,628	-	224,628
- Valuation of trading derivatives	5,190	(3,213)	-	(4)	1,973
- Impairment of securities	1,015,278	(20,249)	-	182,336	1,177,365
- Impairment of non-current assets held for sale	614,902	(144,406)	-	-	470,496
	8,733,906	**(750,319)**	**224,628**	**(18,591)**	**8,189,624**
Deferred tax liabilities					
- Financial assets available for sale	(1,257,936)	-	(97,542)	(90,470)	(1,445,948)
	7,475,970	**(750,319)**	**127,086**	**(109,061)**	**6,743,676**

In 2014, the Bank adopted the special scheme applicable to deferred tax assets (REAID). The scheme, approved by Law no. 61/2014, of 26 August, covers the deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits, being applicable to realities of this nature accounted for in fiscal years beginning on or after 1 January 2015, as well as to deferred tax assets that are recorded in the annual accounts as at 31 December 2014. According to Law no. 23/2016, of 19 August, this special scheme is not applicable to expenses and negative variations in net worth accounted for in fiscal years beginning on or after 1 January 2016, as well as to deferred tax assets associated to the latter.

The deferred tax assets arising from the non-deduction of expenses and negative variations in net worth resulting from credit impairment losses and post-employment or long-term employment benefits are converted into tax credits when the taxpayer records a negative net income for the period in its annual accounts, after being approved by the governing bodies, in compliance with applicable legislation, or in the event of liquidation by voluntary dissolution, insolvency ordered by court decision or, when applicable, its authorisation for the exercise of the activity is revoked by the competent supervisory authorities. In a scenario of conversion arising from a negative net income, the amount of tax credit to be attributed will result from the proportion between the negative net income for the period and the total equity of the taxpayer (determined prior to the deduction of that result), applied to the eligible balance of the deferred tax assets. When the conversion arises from liquidation or insolvency or the taxpayer presents a negative equity, the conversion of the deferred tax assets into tax credit is conducted at full value.

The conversion into tax credit (not due to liquidation or insolvency) requires the creation of a special reserve in the amount of the respective credit increased by 10%, jointly with the issue of securities in the form of conversion rights to be assigned to the State. The exercise of the conversion rights results in the increase of the share capital of the taxpayer due to incorporation of the special reserve and the issue of new ordinary shares to be delivered to the State free of charge.

Regarding the deferred tax assets covered by REAID, their future deductibility is limited, in each financial year, to the value of the taxable profit calculated prior to the deduction of those expenses and negative variations in net worth, i.e. the deduction undertaken given that the conditions for the tax deductibility of those expenses and negative variations in net worth are met does not apply if it results in a tax loss or it only applies in proportion to the value required to obtain a nil tax result.

Given that a positive net income for the year was recorded in 2017 and 2016, there was no conversion of eligible assets into tax credit in the current financial year.

Tax costs recorded in profit and loss and the tax burden, measured by the relation between allocation for tax and the profit for the year before tax, is as follows:

	2017	2016
Current taxes		
For the year	(1,367,862)	(1,500,393)
Corrections from previous years	-	-
	(1,367,862)	**(1,500,393)**
Deferred taxes		
Entry and reversal of temporary differences	(613,302)	(750,319)
Total tax recognised in profit and loss	(1,981,164)	(2,250,712)
Income before taxes and non-controlling interests	7,829,368	6,325,752
Tax burden	25.30%	35.58%

Pursuant to current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years, except for financial years in which tax losses are carried forward, in which case the expiration period is the end of the period for which that right exists. In this way, therefore, the tax returns of the Bank and Invest Gestão de Activos for the years from 2014 to 2017 are still subject to review and the taxable amount may be corrected.

However, The Bank's Board of Directors does not think that there will be any correction with a significant impact on the consolidated financial statements as at 31 December 2017.

The reconciliation between the nominal and effective rate of tax in 2017 and 2016 is given below:

	2017		2016	
	Rate	Tax	Rate	Tax
Income before taxes		7,829,368		6,325,752
Tax at nominal rate	22.50%	1,761,608	22.50%	1,423,294
State surcharge	1.27%	99,375	1.56%	121,751
		1,860,983		**1,545,045**
Impairment not accepted for tax purposes	(0.74%)	(57,894)	0.00%	-
Costs not accepted for tax purposes:				
- Write-ups	0.19%	14,959	0.14%	10,868
- Other	0.00%	-	4.55%	356,495
Contribution on the banking sector	0.69%	54,247	0.90%	70,341
Tax benefits	(0.06%)(4,649)	(0.06%)	(4,748)	
Gains and losses	0.01%	675 (0.17%)	(13,270)	
Autonomous taxation	1.67%	130,562	1.20%	94,224
Other	(0.23%)	(17,719)	2.45%	191,757
	25.30%	**1,981,164**	**35.58%**	**2,250,712**

16. INVESTMENT PROPERTIES

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Debtors and other financial investments		
Debtors by transactions on futures	3,892,049	2,091,690
Other sundry debtors	1,869	
Sundry financial investments	-	38,100
	3,893,918	**2,129,790**
Other sundry debtors	121,125	105,200
Impairment sundry debtors	(20,574)	-
Other Assets		
Gold and other precious metals	178,693	417,802
Income receivable		
Commissions	990,249	710,534
Deferred charges		
Rents	89,191	80,512
Insurance	186,805	-
Other	213,314	114,026
	489,310	**194,538**
Other accruals and deferrals		
Stock market transactions pending settlement	3,081,841	326,804
Lending operations pending settlement	378,448	103,382
	3,460,289	**430,187**
	9,113,010	**3,988,052**

As at 31 December 2017 and 2016, "Stock market transactions pending settlement" and "Non-stock market transactions pending settlement" reflect transactions carried out on behalf of third parties, financial settlement of which took place After the balance sheet date.

17. RESOURCES FROM CENTRAL BANKS

As at 31 December 2017 and 2016 this item was made up as follows:

	2017	2016
Resources from the Bank of Portugal	39,180,000	29,000,000
	39,180,000	**29,000,000**

As at 31 December 2017 and 2016, "Resources from the Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2017 and 2016, the times to maturity of resources obtained from the Bank of Portugal were as follows:

	2017	2016
Up to three months	-	14,000,000
More than one year	39,180,000	15,000,000
	39,180,000	**29,000,000**

Resources obtained from the Bank of Portugal as at 31 December 2017 and 2016 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 27).

18. FINANCIAL LIABILITIES HELD FOR TRADING

As at 31 December 2017 and 2016, this item relates to derivatives recorded at fair value offset against profit and loss and is broken down as follows:

	2017	2016
Interest rate swaps	220,298	431,112
Options	1,618,430	1,047,325
	1,838,728	**1,478,437**

19. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Term deposits and other resources		
Credit institutions in Portugal	2,951,525	988,912
	2,951,525	**988,912**

20. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Deposits:		
- Sight	89,610,093	93,130,143
With agreed maturity dates:		
- Term deposits	324,188,265	223,978,567
- Structured deposits	37,140,865	32,431,539
	361,329,130	**256,410,106**
	450,939,223	**349,540,248**
Interest payable:		
- Interest on customers' resources	2,332,352	1,612,905
	453,271,575	**351,153,153**

Under the terms of the law, the Deposit Guarantee was established to guarantee the reimbursement of funds deposited in Financial Institutions. The criteria that apply to the calculation of the annual contributions to said Fund are defined in Bank of Portugal Notice no. 11/94.

As at 31 December 2017 and 2016, the times to maturity of customers' resources are as follows:

	2017	2016
Up to three months	79,899,328	68,873,091
Three months to one year	203,312,600	160,801,451
One to five years	42,437,202	26,735,563
More than five years	35,680,000	-
	361,329,130	**256,410,105**

21. LIABILITIES REPRESENTED BY SECURITIES

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Customer debt securities	-	97,270
"Floating rate notes" AR Finance 1, plc		
-Class B	-	11,938,331
	-	**12,035,601**
Interest payable	-	2,106
	-	**12,037,707**

The securitisation operation was settled (Note 9) in 2017.

22. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2017 and 2016 were as follows:

	2017				
	Balances as at 31-12-2016	Net charges	Use	Transfers	Balances as at 31-12-2017
Impairment of loans and advances to customers (Note 9):					
- Credit extended:	28,412,726	568,449	(497,495)	-	28,483,680
- Loans and advances to customers - debt securities	353,796	(54,225)	(224)	-	299,347
Impairment of financial assets available for sale (Note 7)	4,580,093	668,928	(1,029,772)	(5,744)	4,213,505
Impairment in assets held to maturity (Note 10)	-	-	-	-	-
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	7,931,998	1,648,300	(1,379,430)	(568,391)	7,632,477
- Investment properties (Note 12)	992,161	-	(252,801)	568,391	1,307,751
- Other assets	-	20,574	-	-	20,574
	42,270,774	**2,852,026**	**(3,159,722)**	**(5,744)**	**41,957,334**

	2016				
	Balances as at 31-12-2015	Net charges	Use	Transfers	Balances as at 31-12-2016
Provisions	500,000	(500,000)	-	-	-
Impairment of loans and advances to customers (Note 9):					
- Credit extended:	31,621,795	366,334	(3,575,401)	(2)	28,412,726
- Loans and advances to customers - debt securities	773,307	(190,621)	(228,890)	-	353,796
Impairment of financial assets available for sale (Note 7)	4,563,202	512,702	(499,327)	3,516	4,580,093
Impairment in investments held to maturity (Note 10)	2,230,831	-	(2,230,831)	-	-
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	9,861,222	515,303	(2,444,527)		7,931,998
- Investment properties (Note 12)	1,232,542	-	(240,381)	-	992,161
	50,782,899	**703,718**	**(9,219,357)**	**3,514**	**42,270,774**

During 2017, with the conclusion of the AR Finance securitisation operations, the Bank carried out a reversal of impairment, in the amount of 1,029,772 euros.

23. OTHER LIABILITIES

As at 31 December 2017 and 2016, this item was made up as follows:

	2017	2016
Creditors and other resources		
Creditors by operations on futures	1,890,592	1,252,664
Public Administration Sector		
- Tax withheld at source	540,278	494,274
- VAT payable	136,963	188,870
- Social Security contributions	153,575	155,334
Advances on account, third parties	5,463	1,818
Sundry creditors		
- Other creditors	2,818,440	1,276,301
	5,545,311	**3,369,260**
Charges payable		
Personnel costs		
- Provision for holiday pay and allowance	1,017,290	766,337
General administrative costs	40,770	74,336
- Other	128,262	172,338
	1,186,322	**1,013,011**
Deferred income		
Other	29,710	-
	29,710	**-**
Other accruals and deferrals		
Stock market transactions pending settlement	5,698,510	812,719
Other transactions pending adjustment	1,812,968	1,488,389
	7,511,478	**2,301,108**
	14,272,821	**6,683,379**

As at 31 December 2017 and 2016, "Stock market transactions pending settlement" reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

24. CAPITAL

31 December 2017 and 2016, the Bank's shareholder structure is as follows:

	2017			2016		
Entity	Number of shares	Amount	%	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9,413,008	47,065,040	79,10%	9,413,008	47,065,040	79.10%
Alves Ribeiro - IF, SGPS, S,A, (Preferential Shares)	2,400,000	12,000,000	20,17%	2,400,000	12,000,000	20.17%
Other	86,992	434,960	0,73%	86,992	434,960	0.73%
	11,900,000	**59,500,000**	**100%**	**11,900,000**	**59,500,000**	**100%**

As at 2 December 2008 the Bank carried out a share capital increase, through the issue of 2,400,000 redeemable preferential shares at the nominal value of 5 euros each, having been subscribed and fully paid up by the shareholder Alves Ribeiro – Investimentos Financeiros, SGPS, S.A..

The redeemable preferential shares without a set date may pay priority dividends to be deliberated at the General Meeting, which correspond to 7% of their nominal value. This dividend may only be paid if there are distributable funds according to the applicable regulations and if their payment does not imply the Bank's non-fulfilment of capital requirements. The priority dividend shall be paid annually in arrears on 30 June of each year.

In 2016, the minority shareholder of the Bank sold 1,000 shares of a nominal value of 5,000 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99.27%.

25. RESERVES, RETAINED EARNINGS AND NET INCOME FOR THE YEAR

As at 31 December 2017 and 2016, the breakdown of the reserves and retained earnings items is as follows:

	2017	2016
Revolution reserves		
Reserves arising from fair value valuation		
- Of financial assets available for sale	2,182,146	4,228,243
Reserves for deferred taxes		
- Of financial assets available for sale	(534,626)	(1,035,919)
	1,647,520	**3,192,324**
Legal reserve	5,297,392	3,816,020
Free reserve	6,492,951	7,332,951
Merger reserve	574,220	574,221
Other reserves	-	154,366
Retained earnings	26,118,842	23,595,135
	38,483,405	**35,472,693**
Net income for the year	**5,793,594**	**4,005,079**
	45,924,519	**42,670,097**

Revaluation reserves

Fair value reserves

The fair value reserve reflects the potential gains and losses in financial assets available for sale (Note 7), net of the corresponding tax (Note 15).

The main assets that contribute to changes in the fair value reserve are analysed as follows:

		Variation in Fair Value			
	Balance 1 of January 2017	Acquisition	Variation in Fair Value	Disposal	Balance 31 of December 2017
Shares	(304,146)	-	-	304,146	-
Miscellaneous Bonds	2,644,624	153,744	875,586	(1,715,392)	1,958,562
Public Debt Securities	2,315,873	298,147	2,079	(2,233,677)	382,422
Investment Units	(429,108)	-	269,270	-	(158,838)
	4,228,243	**451,891**	**1,146,935**	**(3,644,923)**	**2,182,146**

Legal reserve

Under current legislation, the Bank must allocate a sum of not less than 10% of net profits for each year to the constitution of a legal reserve, up to a limit equal to the value of the share capital or to the sum of the free reserves and the retained earnings, if greater. The legal reserve cannot be distributed, except in the event that the Bank is wound up and may only be used to increase share capital or offset losses, once other reserves have been used up.

Free reserve

By deliberation of the General Meeting held on 17.05.17, the Bank distributed free reserves in the amount of 840,000 euros to the shareholder Alves Ribeiro - IF, SGPS, S.A., as holder of the redeemable preferential shares, which corresponds to 7% of the nominal value of the respective shares. On 23 November 2017 the Bank distributed 840,000 euros as payment of the remuneration of the redeemable preference shares.

Merger reserve

The deed of merger by incorporation of Probolsa – Sociedade Corretora S.A. (Probolsa) into the Bank was executed on 22 December 2004. In the wake of this process, the merged company was wound up and all its rights and obligations were transferred to the Bank. For accounting purposes, the merger took effect on 1 January 2004, with the Probolsa assets and liabilities having been transferred to the Bank on the basis of their net book value as at that date. The difference between the accounting value of assets and liabilities transferred and the book value of the Bank's shareholding in Probolsa was recorded in the "Merger reserve" item. This reserve cannot be distributed, except in the event that the Bank is wound up and may only be used to increase share capital or offset losses, once other reserves have been used up.

Net income for the year

In 2017 and 2016, the breakdown of the consolidated net income of the Bank was as follows:

	2017	2016
Individual results:		
Banco Invest	5,000,697	10,446,276
Invest Gestão de Activos	189,843	116,358
AR Finance 1, PLC	-	(315,523)
AR Finance 1, FTC	-	(189,079)
Fundo Tejo	451,269	517,715
Saldanha Holdings	(18,913)	(18,103)
Saldanha Finance	(24,911)	(28,183)
	5,597,985	**10,529,461**
Adjustments:		
Provision for past due loans of AR Finance 1, FTC	-	315,523
Provision for financial assets AR Finance PLC	-	(1,753,952)
Annulment of the increase in value of Properties of Fundo Tejo	(77,354)	(97,315)
Elimination of impairment Fundo Tejo	30,200	-
Correction in the consolidation of the amortisation costs incurred in setting up the securitisation operation	-	68,291
Elimination of dividends received by the Bank	-	(5,000,000)
Elimination of ID related to securitisation operation	544,736	-
Settlement of securitisation operation	(165,747)	-
Other adjustments	(81,616)	13,032
	250,219	**(6,454,421)**
Net income before minority interests	**5,848,204**	**4,075,040**
Net profit attributable to non-controlling interests	**(54,610)**	**(69,961)**
Consolidated annual net income	**5,793,594**	**4,005,079**

As of 1 January 2016, following the publication of Notice no. 5/2015 of the Bank of Portugal, the Bank adopted the International Financial Reporting Standards as endorsed by the European Union in the preparation of its individual accounts.

26. NON-CONTROLLING INTERESTS

As at 31 December 2017 and 2016, the balance of this item refers entirely to third-party shareholdings in the Fundo Especial de Investimento Imobiliário Fechado Tejo.

Changes in this item during 2017 and 2016 were as follows:

	2017		
	Balances as at 31-12-2016	Net income	Balances as at 31-12-2017
Fundo Especial de Investimento Imobiliário Fechado Tejo	912,555	54,703	967,258

	2016		
	Balances as at 31-12-2015	Net income	Balances as at 31-12-2016
Fundo Especial de Investimento Imobiliário Fechado Tejo	842,594	69,961	912,555

27. GUARANTEES AND OTHER COMMITMENTS

The Bank provides custody, wealth management, investment management and advisory services which involve making buying and selling decisions regarding various types of financial instruments. For specific services rendered, objectives and yield levels for assets under management are established. These assets under management are not included in the financial statements.

	2017	2016
Guarantees and stand-by-letters of credit provided	95,224,417	100,061,815
Guarantees and stand-by-letters of credit received	251,850,105	126,625,248
Commitments to third parties	6,381,719	7,514,432
Commitments assumed by third parties	-	-
Amounts deposited	173,060,936	195,381,723
Assets under management and custody		
Wealth management	5,360,695	4,367,998
Deposit and custody of securities	562,017,685	507,204,772
Other off-balance sheet accounts	(68,113,322)	(89,478,685)
	1,025,782,235	**851,677,302**

As at 2 December 2008 the Bank carried out a share capital increase, through the issue of 2,400,000 redeemable preferential shares:

	2017	2016
Guarantees provided and other liabilities		
Guarantees and stand-by-letters of credit provided	2,373,480	3,660,674
Assets pledged as collateral	92,850,938	96,401,140
	95,224,417	**100,061,815**
Commitments to third parties		
Liabilities for provision of services		
Deposit and custody of securities		
- Customers	219,118,165	173,864,516
- Funds	31,931,815	17,132,230
Assets assigned in securitisation operations		
- Home loans	-	1,304,636
- Mortgages	-	4,158,284
- Property leasing	-	7,035,628
Other		
- Portfolio management	55,761,633	7,947,903
	306,811,613	**211,443,197**
	402,036,030	**311,505,012**

The "Assets pledged as collateral" item relates to securities delivered by the Bank as a guarantee of repurchase of funds pledged to Central Banks or other Credit Institutions. As at 31 December 2017 and 2016, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal (Note 17).

Resolution Fund

BES / Novo Banco

The Board of Directors of the Bank of Portugal decided, on 3 August 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), resulting in the transfer of the majority of the business and assets of BES to Novo Banco S.A.. In line with the Community regulation, the capitalisation of Novo Banco was ensured by the Resolution Fund, created by Decree-Law No. 31-A/2012, of 10 February. As provided for in the abovementioned Decree-Law, the resources of the Resolution Fund come from the payment of the contributions due by the institutions participating in the Fund and from the contribution on the banking sector. In addition, it is also foreseen that when such resources prove to be insufficient to meet its obligations, other means of funding may be used, namely: (i) special contributions from credit institutions; and (ii) borrowed funds.

Following the resolution measure, capital requirements of Novo Banco, S.A. to the value of 4,900 million euros were to be met by the Resolution Fund under existing legislation. Considering that the Resolution Fund only had own resources of approximately 377 million euros, the subscription of capital was made via two loans:
- 3,900 million euros from the Portuguese State; and
- 700 million euros from eight participating institutions in the Fund (not including the Bank).

On 15 September 2015 the Bank of Portugal announced the interruption of the sales process of the Resolution Fund's holding in Novo Banco, not having accepted any of the proposals received.

On 29 December 2015, the Board of Directors of the Bank of Portugal approved a set of decisions that completed the resolution measure applied to BES, including the re-transfer to BES of the responsibility for non-subordinated bonds issued by it and that were destined for institutional investors, with a nominal value of 1,941 million euros. It was further clarified that it is the responsibility of the resolution fund to neutralise the eventual negative effects of future decisions deriving from the resolution process which may result in liabilities or contingencies, by compensating Novo Banco.

In 2016, the Bank of Portugal resumed the sales process, defining the terms of the sale. The proposals were submitted until November 2016, with the Bank of Portugal subsequently entering into individual negotiations with the potential investors. In February 2017, the Bank of Portugal announced that it entered the definitive phase of negotiations with Lone Star.

On 31 March 2017, the Bank of Portugal issued a press release on the sale of Novo Banco, stating the following:

"Banco de Portugal today selected LONE STAR to complete the sale of Novo Banco. The Resolution Fund has consequently signed the contractual documents of the transaction.

Under the terms of the agreement, LONE STAR will inject a total of € 1,000 million in Novo Banco, of which € 750 million at completion and € 250 million within a period of up to 3 years.

Through the capital injection, LONE STAR will hold 75% of the share capital of Novo Banco and the Resolution Fund will maintain 25% of the share capital.

The terms agreed also include a contingent capital mechanism, under which the Resolution Fund, as a shareholder, undertakes to make capital injections in case certain cumulative conditions are to be met related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

Any capital injections to be carried out pursuant to this contingent mechanism benefit from a capital buffer resulting from the injection to be made under the terms of the agreement and are subject to an absolute cap.

The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.
The completion of the sale is conditional on the customary regulatory approvals (including by the European Central Bank and the European Commission) and on a liability management exercise covering the senior bonds of Novo Banco and subject to bondholders' acceptance having created CET1 of at least € 500 million. "

Banif - Banco Internacional do Funchal, S.A.

The Board of Directors of the Bank of Portugal deliberated, on 19 December 2015, the application of a resolution measure to Banif – Banco Internacional do Funchal, S.A ("Banif"), within the scope of which most of the activity of Banif and the majority of its assets and liabilities - with the exception of the assets identified as problematic that were transferred to an asset management vehicle called Oitante, S.A. (Oitante), created specifically for that purpose, and whose sole shareholder is the Resolution Fund - were transferred to Banco Santander Totta. To that end, Oitante issued bonds representative of the debt of this vehicle, amounting to 746 million euros, which were acquired in full by Banco Santander Totta, with a guarantee of the Resolution Fund and a counter-guarantee of the Portuguese State having been provided.

The operation involved an estimated amount of 2,255 million euros of public funds to cover future contingencies, of which 489 million euros was financed by the Resolution Fund and 1.766 million euros directly by the Portuguese State. The mentioned state support is deducted of the amount owed by Banco Santander Totta for the acquisition of the pool of assets, liabilities and activity of the former Banif. The 489 million euros secured by the Resolution Fund were financed through a State loan.

General aspects

To repay the loans received and other liabilities it may be required to assume relative to the above-mentioned resolution measures, the Resolution Fund is financed by from the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. Under article 153-I of Decree-Law No. 345/98, of 9 November, if the resources of the Resolution Fund are insufficient to meet its obligations, participating institutions may be called upon, via a separate statute, to make special contributions. The amounts, instalments, deadlines and other terms of those contributions shall also be defined by said statute.

Within the context of the entry into force of the Single Resolution Fund (Decree-Law No. 23-A/2015, of 26 March), the periodic and special contributions made are intended to safeguard obligations undertaken, or to be undertaken, by the Resolution Fund following the resolution measures adopted until 31 December 2014.

In a press release of 28 September 2016, the Resolution Fund announced that it reached an agreement with the Ministry of Finance to review the loan of 3,900 million euros originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan aimed to ensure its capacity to meet its obligations through its regular income, regardless of the contingencies that the Resolution Fund is exposed to. That same day, the Minister of Finance's Office also announced that increases in liabilities arising from the materialisation of future contingencies will determine the adjustment of the maturity of the loans of the State and of the Banks of the Resolution Fund, in order to maintain the contributory effort required from the banking sector at current levels.

According to the press release of the Resolution Fund of 21 March 2017:

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amount to 4,953 million euros, of which 4,253 million euros were granted by the Portuguese State and 700 million euros were granted by a syndicate of banks.
- "Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted so as to guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions."
- "The review of the loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable cost for the banking sector".
- "The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

On the date of approval of these financial statements, the Bank does not have information that allows it to reliably estimate the effects on the Resolution Fund arising from the sale of the shareholding in Novo Banco, S.A. or of the various contingent liabilities undertaken by the Fund.

Notwithstanding the possibility provided for in applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a syndicate of banks, CEMG included, and the public announcements made by the Resolution Fund and by the Minister of Finance which state that this possibility will not be used, the financial statements, as at 31 December 2016, reflect the expectation of the Bank's Board of Directors that the institutions participating in the Resolution Fund will not be required to make special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif.

28. INTEREST AND SIMILAR INCOME

In 2017 and 2016 this item was made up as follows:

	2017	2016
Interest from bank deposits	3,714	531
Interest from investments in credit institutions	1,145	1,897
Interest from loans and advances to customers:		
- Domestic loans	9,519,445	4,111,996
- Foreign loans	8,145	25,131
- Other loans and receivables – debt securities	1,921,195	2,732,575
- Securitised assets	315,412	465,777
Interest from past due loans	1,236,249	1,360,718
Interest from financial assets held for trading:		
- Securities	573,465	637,970
- Derivatives	301,862	427,604
Interest from financial assets available for sale:		
- Securities	2,909,003	2,990,221
- Interest from investments held to maturity	3,853,195	3,999,460
- Interest from debtors and other financial investments	15,558	631
- Other interest and similar income	43,694	22,604
Other commissions received:		
- Commissions associated to amortised cost	619,555	37,359
	21,321,637	**16,814,474**

The change in the "Commissions associated to amortised cost" item corresponds to the commissions and other earnings recorded according to the effective interest rate method as referred to in the accounting policies (note 2), including the effect of the business related to auto loans which recorded a significant increase over the course of 2017.

The Interest from loans and advances to customers item includes the amount of 1,314,611 euros (31 December 2016: 1,145,468 euros) relative to earnings from customers with impairment signs, with reference to 1,186,174 euros (31 December 2016: 1,047,019 euros) of past due interest and 128,437 euros (2016: 98,449 euros) of accrued interest.

29. INTEREST AND SIMILAR CHARGES

In 2017 and 2016 this item was made up as follows::

	2017	2016
Interest on resources from central banks	1,626	23,937
Interest on resources from other credit institutions		
In Portugal	-	-
Abroad	29,378	17,668
Interest on resources from customers and other loans	3,596,906	3,730,551
Interest on liabilities represented by securities of a	-	-
Interest on derivatives	20,038	7,171
Interest on liabilities resulting from assets not derecognised in securitisation operations.	391,709	-
Commissions paid associated to amortised cost	848,496	44,085
	4,888,154	**3,823,412**

The change in the "Commissions associated to amortised cost" item corresponds to the commissions and other earnings recorded according to the effective interest rate method as referred to in the accounting policies (note 2), including the effect of the business related to auto loans which recorded a significant increase over the course of 2017.

30. INCOME FROM SERVICES AND COMMISSIONS

In 2017 and 2016 this item was made up as follows:

	2017	2016
Guarantees provided	29,513	66,910
On services provided	2,311,095	1,707,383
On transactions carried out on behalf of third parties	632,149	913,419
Other commissions received	2,872,463	-
	5,845,220	**2,687,712**

31. FEES AND COMMISSION EXPENSES

In 2017 and 2016 this item was made up as follows:

	2017	2016
For loan operations	-	-
For banking services provided by third parties	291,925	368,543
Other commissions paid	159,557	21,122
	451,482	**389,665**

32. INCOME FROM ASSETS AND LIABILITIES ASSESSED AT FAIR VALUE THROUGH PROFIT AND LOSS

In 2017 and 2016 this item was made up as follows:

	2017	2016
Income from assets and liabilities assessed at fair value through profit and loss		
Securities		
Issued by residents		
- Bonds	62,558	181,552
- Shares		
Issued by non-residents	36,873	398
- Bonds	975,536	1,905,250
- Shares	2,376,437	1,692,308
- Investment units	92,106	134,683
Derivatives		
Swaps		
- Foreign currency	-	24,355
- Interest rate swaps	132,680	166,497
Futures		
- On interest rates	1,042,194	1,094,996
- On equities	1,506,011	2,429,201
- Foreign currency	2,008,672	1,795,020
Options		
- On equities	345,983	844,559
	8,579,050	10,268,819
Losses from assets and liabilities assessed at fair value through profit and loss		
Securities		
Issued by residents		
- Bonds	-	(21,014)
- Shares		
Issued by non-residents	(30,613)	(18,404)
- Bonds	(142,552)	(508,594)
- Shares	(1,781,043)	(1,376,736)
- Investment units	(3,462)	(83,431)
Derivatives		
Swaps		
- Foreign currency		
- Interest rate swaps	(209,092)	(521,145)
Futures		
- On interest rates	(865,339)	(957,645)
- On equities	(1,461,604)	(2,589,915)
- Foreign currency	(1,618,483)	(1,554,333)
Options		
- On equities	(1,314,353)	(896,210)
	(7,426,542)	**(8,527,425)**
	1,152,508	**1,741,394**

33. INCOME FROM FINANCIAL ASSETS AVAILABLE FOR SALE

In 2017 and 2016 this item was made up as follows:

	2017	2016
Profit from operations with financial assets available for sale		
Debt instruments		
Residents		
- Other bonds	669,305	364,040
Non-residents		
- Foreign public issuers	2,009,043	34,863
- Other bonds		
Loss from operations with financial assets available for sale		
Debt instruments		
Residents	1,279,186	2,832,923
- Shares		
Issued by non-residents	(302,597)	(22,952)
- Shares	-	311,732
- Other bonds	(12,995)	-
	3,641,942	**3,520,605**

34. INCOME FROM EXCHANGE REVALUATION

The balance for this item in 2017 and 2016 wholly corresponds to the income calculated in the revaluation of the forward positions in foreign currency carried by the Bank and is presented as follows:

	2017	2016
Revaluation of the spot currency position	(468,282)	(843,709)
Revaluation of the forward currency position	(4,291)	462
	(472,573)	**(843,247)**

35. INCOME FROM SALE OF OTHER ASSETS

In 2017 and 2016 this item was made up as follows:

	2017	2016
Investments held to maturity (Note 10)	-	46,812
Non-current assets held for sale (Note 11)	324,973	(430,075)
Gold and precious metals	(306,369)	(290,710)
Other	(46,572)	113,183
	(27,968)	**(560,791)**

36. OTHER OPERATING INCOME

In 2017 and 2016 this item was made up as follows:

	2017	2016
Other operating income:		
- Reimbursement of expenses	123,676	142,557
- Income from provision of sundry services	8,355	8,505
- Rents from real estate rented	839,117	984,433
- Other	(103,655)	724,274
	867,493	**1,859,769**
Other operating expenses		
Other taxes:		
- Special Contribution on the Banking Sector	241,097	312,625
- Direct taxes	-	3,490
- ndirect taxes	278,785	284,174
Other operating expenses and losses:		
- Subscriptions and donations	70,811	51,303
- Contributions to the Resolution Fund	100,865	146,971
- Contributions to the Deposit Guarantee Fund	275	182
- Other operating expenses and losses	13,302	686,578
	705,134	**1,485,323**
Other operating results	162,359	374,446

With the publication of Law No. 55 - A/2010, of 31 December, the Bank is subject to the banking sector contribution scheme. The banking sector contribution is levied on:

a) Liabilities deducted from tier 1 and tier 2 capital and from the deposits covered by the Deposits Guarantee Fund. The following are deducted from liabilities:

- Elements that according to the applicable accounting standards are recognised as shareholders' equity;
- Liabilities associated to defined benefit plans;
- Provisions;
- Liabilities resulting from the revaluation of derivatives;
- Deferred income, without considering that which results from borrowing operations; and
- Liabilities resulting from assets not derecognised in securitisation operations.

b) Notional amount of off-balance sheet derivative financial instruments determined by taxpayers, with the exception of hedge derivative financial instruments or with open symmetric risk positions.

The rates applicable to the bases defined by the previous sub-paragraphs a) and b) are 0.05% and 0.00015%, respectively, according to the determined amount.

During 2013, the Bank initiated its contribution to the Resolution Fund, which was created by Decree-Law No. 31-A/2012, of 10 February, and which introduced a resolution regime in the General Regime for Credit Institutions and Financial Companies, approved by Decree-Law No. 289/92, of 31 December.

The measures provided for in the new scheme seek to, on a case by case basis, recover or prepare ordered liquidation of credit institutions and certain investment companies undergoing financial difficulty and they provide for three phases of intervention by the Bank of Portugal, namely corrective intervention, interim administration and resolution phases.

Accordingly, the main mission of the Resolution Fund consists of providing financial support in the application of resolution measures adopted by the Bank of Portugal.

In 2017 and 2016 the Bank recorded a periodic contribution of 50,865 euros and 45,389 euros, respectively.

Under the terms of article 153-H of the General Regime for Credit Institutions and Financial Companies that transposed articles 100, no. 4, sub-paragraph a), and 103, no. 1, of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20, of the Delegated Regulation (EU) no. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation"), in 2016 the first ex-ante contribution to the Single Resolution Fund (FUR) in the amount of 101,582 euros was made. It is incumbent on the Bank of Portugal, as the resolution authority, to determine these contributions in proportion to the risk profile of the participating institutions, based on the information provided by those same institutions and on the methodology defined in the Delegated Regulation. In 2017 the contribution came to 50,000 euros.

37. PERSONNEL COSTS

In 2017 and 2016 this item was made up as follows:

	2017	2016
Salaries and earnings		
- Governing Bodies	864,804	812,230
- Employees	5,862,559	4,423,486
	6,727,363	**5,235,716**
Social Security charges		
- Charges related to remunerations:		
Social Security	1,436,191	1,218,124
- Other compulsory social charges:		
Other	56,368	33,993
	1,492,559	**1,252,117**
Other personnel costs:		
- Contractual indemnities	-	90,318
- Other	166,314	1 38,61 3
	166,314	**228,931**
	8,386,236	**6,716,762**

As at 31 December 2017 and 2016, the number of employees at the service of the Bank, broken down by professional category, was as follows:

	2017	2016
Directors	7	7
Executives and managers	26	27
Technical staff	180	150
Administrative staff	6	6
	219	**190**

The increase registered in personnel costs and in the number of employees is mainly justified by the launch of the new auto loan activity.

38. GENERAL ADMINISTRATIVE COSTS

In 2017 and 2016 this item was made up as follows::

	2017	2016
Supplies	413,072	281,041
Services	3,445,071	2,686,690
Specialised services	2,199,537	1,602,852
Other third party services	227,681	498,128
	6,285,362	**5,068,711**

The fees of the Statutory Auditor for the legal certification of the accounts of the Bank and its subsidiaries with reference to the financial year ended on 31 December 2017 came to 49,101 euros. Over the course of the financial year ended on 31 December 2017, additional services in the amount of 87,712 euros were also invoiced to the Bank, with reference to work arising from the function of statutory auditor required by the regulations of the supervisory entities.

39. RELATED ENTITIES

Entities related to Banco Invest are those entities in which the Bank exercises direct or indirect control or significant influence over its management and financial and operational policy (Subsidiaries or associates) and entities that exert significant influence over the Bank's management, namely shareholders or entities they control and staff belonging to the Bank's governing bodies:

Shareholders and entities controlled by the latter:

- Fundo Inspirar;
- ALRISA Sociedade Imobiliária, SA
- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Alves Ribeiro Consultoria de Gestão, S.A.;
- Alves Ribeiro, S.A.;
- Amoreiras Center Soc. Imobiliária, SA
- Fundo Inspirar;
- LERIMO, SGPS, S.A.;
- Monvest, SGPS, S.A.;
- Motor Park - Comércio de Veículos Automóveis, S.A.;
- MS - Participações, SGPS, S.A.;
- Mundicenter II - Gestão de Espaços Comerciais, S.A.;
- Mundicenter, SGPS, S.A.;
- SOTIF Soc. Invest. Consultoria Técnica, SA
- SOTIF, SGPS, S.A.;
- US Gestar; e
- VALRI, SGPS, S.A..

Governing bodies - members of the board of directors:

- Afonso Ribeiro Pereira de Sousa (Presidente)
- António Miguel R. R. Branco Amaral (Vice-Presidente)
- Francisco Manuel Ribeiro (Vogal)
- Luís Miguel Barradas Ferreira (Vogal)

Balances with related entities, excluding governing bodies

As at 31 December 2017 and 2016, the main balances with related entities were as follows:

	2017	2016
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	1,608,490	1,509,660
Financial assets available for sale		
Fundo Inspirar	5,233,000	5,233,000
Loans and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	15,069,967	15,097,967
Motor Park - Comércio de Veículos Automóveis, S.A.	2,070,267	2,070,267
Imparidade Motor Park - Comércio de Veículos Automóveis, S.A.	(2,070,267)	(2,070,267)
US Gestar	800,000	1,070,000
Monvest, SGPS, S.A.	585,452	585,452
Resources from customers		
VALRI, SGPS, S.A.	7,362,642	6,164,025
SOTIF, SGPS, S.A.	6,678,719	3,799,824
MS - Participações, SGPS, S.A.	2,313,431	1,171,049
Fundo Inspirar	136,484	136,484
US Gestar	172,669	60,002
LERIMO, SGPS, S.A.	121,504	19,195
Alves Ribeiro Consultoria de Gestão, S.A.	17,475	9,644
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	7,789	1,143
Alves Ribeiro – S.A.	37,509,870	-
Mundicenter, SGPS, S.A.	400	400
Other	138,626	149,174

Transactions with related entities, excluding governing bodies

In 2017 and 2016, the main balances in the consolidated income statement with related entities are as follows:

	2017	2016
Interest and similar income		
Monvest - SGPS, S.A.	14,680	15,817
US Gestar	6,546	8,791
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	198,577	191,134
Interest and similar charges		
VALRI, SGPS, S.A.	64,822	90,342
SOTIF, SGPS, S.A.	38,526	25,327
MS - Participações, SGPS, S.A.	10,755	14,488
Lerimo	552	2,911
Alves Ribeiro Consultoria de Gestão S.A.	12,437	7,166
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	-	1,143
Mundicenter	-	68,438
Income from services and commissions		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	835	835
General administrative costs		
Alrisa	401,831	384,159

Transactions with related entities are usually based on market values on the respective dates.

Employees that belong to the governing bodies

As at 31 December 2017, the amount of loans granted to members of the Board of Directors came to 451,500 euros, with the same conditions having been applied to the other employees.

Remuneration Policy

The Remuneration Commission, made up of three shareholder representatives and elected in General Assembly, determines the remuneration policy of the members of the governing bodies of Banco Invest, as well as the social security schemes and of other supplementary contributions.

The remuneration policy was submitted to the approval of the General Meeting, thus attempting to combine the interests of the members of the governing bodies with those of the company, and is summarised as follows:

a) The remuneration of the executive members of the Board of Directors is made up of a fixed component and a possible variable component;

b) The variable component, which may not exceed 5% of profits for the year, is dependent on the obtainment of suitable results, return on shareholders' equity and the effective creation of value, thus ensuring the sustainability of the business model in the medium and long term;

c) When attributed, the variable component is calculated based on the Bank's financial statements for the previous year;

d) In 2016, there was no share grant scheme or share options scheme in force that included members of the governing bodies;

e) The non-executive members of the Board of Directors and members of the Audit Board do not earn any remuneration, fixed or variable, and as such the previous paragraphs are not applicable.

The annual amount of remuneration earned by the executive members of the Board of Directors was 776,637 euros.

40. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Management policies for financial risks inherent to Banco Invest's business

Authorised risk limits and exposure levels are established and approved by the Board of Directors, bearing in mind the overall strategy of Banco Invest and its market positioning.

The institution's risk management procedure respects the due separation of functions and complementarity of operation of each of the areas involved. Proper cooperation between the Investment Committee, the Credit Division and the Planning and Control Division ensures compliance with the limits set by the Board of Directors.

The disclosures required by IFRS 7 – Financial instruments: Disclosures are presented below, regarding the main types of risks inherent to the Bank's business.

Credit risk

Credit risk is the possible loss of value of the Bank's assets through the non-fulfilment of a contract, insolvency or the inability of individuals or corporate persons to honour their commitments with Banco Invest.

The identification, assessment, follow-up and permanent control of credit risk leads to prompt monitoring. This permits the anticipation of a potential default, with the risks arising from all the Institution's activities being covered, at both the individual credit level and in terms of the Bank's entire portfolio.

Maximum exposure to credit risk

As at 31 December 17 and 2016, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2017		
	Gross value	Impairment	Net value
Assets			
Cash and deposits at Central Banks	8,014,553	-	8,014,553
Amounts owed by other credit institutions	6,424,253	-	6,424,253
Financial assets held for trading:			
- Securities	34,621,236	-	34,621,236
- Derivatives	1,874,128	-	1,874,128
Financial assets available for sale	76,381,202	(3,773,369)	72,607,833
Deposits at credit institutions	1,400,055	-	1,400,055
Loans and advances to customers:			
- Loans not represented by securities	281,816,288	(28,483,680)	253,332,608
- Other loans and receivables (securitised)	72,102,703	(299,347)	71,803,356
Investments held to maturity	101,902,862	-	101,902,862
Other assets:			
- Debtors and other financial investments	3,893,918	-	3,893,918
	588,431,198	**(32,556,396)**	**555,874,802**
Off-balance sheet			
Guarantees provided	2,373,480	-	2,373,480
	590,804,678	**(32,556,396)**	**558,248,282**

	2016		
	Gross value	Impairment	Net value
Assets			
Cash and deposits at Central Banks	7,015,332	-	7,015,332
Amounts owed by other credit institutions			
Financial assets held for trading:	*6,085,987*	-	*6,085,987*
- Securities	25,570,166	-	25,570,166
- Derivatives	1,910,002	-	1,910,002
Financial assets available for sale	87,367,228	(4,134,215)	83,233,013
Deposits at credit institutions	5,400,123	-	5,400,123
Loans and advances to customers:			
- Loans not represented by securities	171,735,616	(28,412,727)	143,322,888
- Other loans and receivables (securitised)	85,224,449	(353,796)	84,870,653
Investments held to maturity	86,496,783	-	86,496,783
Other assets:			
- Debtors and other financial investments	2,234,990	-	2,234,990
	479,040,676	**(32,900,738)**	**446,139,937**
Off-balance sheet			
Guarantees provided	3,660,674	-	3,660,674
	482,701,350	**(32,900,738)**	**449,800,611**

Credit quality of financial assets without defaults or impairments

The Bank's loan portfolio includes three major homogeneous groups:

- A more significant group, consisting of real estate financing operations for acquisition or own construction, directed at corporate customers, with long-term maturities and having as collateral legal property (in real estate leasing operations) or a first-degree mortgage (in the case of mortgage loans) on the financed properties;
- The second group of loans, comprising vehicle leasing/loan operations, directed at corporate and private customers, with medium-term maturities, is a business with potential growth over the next few years;
- A third less significant group, formed by financing operations for margin accounts, with the pledge of securities portfolios, listing on an official market and liquidity, and also very short-term operations with pledging of precious metals.

This third group of loans, due to its short- term and very short-term nature, has an excellent turnover, allowing for a quick portfolio revitalisation. Rigorous risk monitoring policy and very prudent collateral eligibility policy, limited by a regulated market that is fluid, lead to significantly reduced exposure to risk.

The same cannot be said for real estate loans, which because of their long-term maturity lead to a portfolio marked by operations that originate in different periods of time and therefore have different degrees of exposure to risk.

As such, while it is true that the policy for granting new loans has adapted to successive economic climate scenarios, in line with more prudent policies, with regard to the existing portfolio, the main challenge that the Bank faced was implementing effective means for managing the portfolio in terms of monitoring, managing and evaluating risk.

Notwithstanding, the Bank will maintain and continue to reinforce the measures required to preserve the quality and integrity of its loan portfolio.

1. Regarding the risk management policy:

   With an experienced team, consolidated policies and over 18 years of operation, the Bank boasts a series of resources that allows for:

   - Real time monitoring of impairment or risk signs;
   - Daily control of non-compliance situations (total or partial) regarding contractual obligations, whether of a monetary nature or other nature;
   - Automatic adjustment of the internal risk rating;
   - Automatic issue of alerts sent to the Customer Managers and Credit Department, Recovery Department and Legal Department;
   - Issuing and sending to Holders and their Guarantors, notifications related to non-compliance with explanation of origin, maturity date, charges owed, means of settlement and consequences of non-compliance;
   - Historic record of all events, diligences taken and their results.

   In terms of managing credit risk, the Bank undertakes to do the following in accordance with the Procedures Manual in effect:

   - constantly monitor greatest risks, in terms of value;
   - follow/up on sectorial risk, acting to safeguard its legitimate rights and the integrity of the credit guarantees, while respecting applicable legislation and seeking out means that always, as much as possible, favour negotiable solutions that do not involve the courts.

   Practical application of specific legislation aimed at protecting bank customers that are in a difficult economic situation, within the scope of the PARI or PERSI scheme, always and when applicable, constitutes regular procedure for the Bank.

2. Loan write-off policy:

   When considering risk of non-fulfilment, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP of the Bank of Portugal.

   However, the Bank has not yet decided to implement a non-performing loan write-off policy. Instead it has decided to keep it on the books and follow provisioning procedures and recognise impairments until all legal action for recovery of outstanding loans has been exhausted against the Holders and Guarantors, as legally certified by the courts.

   Accordingly, it is important to note that the amount of provisions and recognised impairments has not been reduced by regular write-offs.

3. Impairment reversal policy:

Reversal of impairments that have already been recognised in the loan portfolio shall only occur in specific justified situations of reduction of potential risk of loss, namely:

- Upon full or partial payment of values at risk;
- Upon reinforcement of loan collateral;
- Following justified alteration of impairment calculation parameters:
- reduction of Expected Default, reduction of Loss Probability, in the case of calculation of impairment in a collective manner;
- increase of the market value of the collateral, reduction of the effective costs of maintaining and/or realising collateral, reduced market rates applied to the updating of the probable value of realising collateral, in the event of calculating impairment via individual analysis.

4. *Description of the restructuring measures applied to past due loans, control and monitoring mechanisms:*

Credit restructuring measures are defined on a case by case basis in accordance with the risk analysis in question. They shall be based on a specific credit dossier to be submitted for approval in accordance with the applicable Manual.

They may include: i) extension of the repayment deadline; ii) granting of a grace period for the principal; iii) deferral of repayment of part of the financed amount toward the end of maturity or iv) capitalisation of the overdue amount.

Whenever possible, the Bank seeks to obtain reinforcement of loan guarantees and/or payment of past due interest.

Restructured credit is marked and monitored pursuant to Bank of Portugal terms and depending on the difficulties of the Debtor, the corresponding credit impairments are then calculated via individual analysis.

One of the criteria that the Bank uses for credit risk analysis of its loan portfolio is the distribution of the portfolio according to the number of past due instalments. The risk categories used are as follows:

- [0,1] - Loans with zero or one past due instalment;
- [2.3] - Loans with two or three past due instalments;
- [4.5] - Loans with four or five past due instalments;
- [6,+ [- Loans with six or more past due instalments.

As at 31 December 2017 and 2016, the Bank's loan portfolio according to the risk categories identified above is as follows:

	2017				
	Risk category				
Type of contract	[0,1]	[2,3]	[4,5]	[6,+[	Total
Current accounts	17,032,821	-	-	100,075	17,132,896
Residential Mortgage Loans	22,371,592	845,865	160,232	11,374,176	34,751,865
Mutual Loans	42,245,790	61,324	290,392	966,522	43,564,028
Real Estate leasing	42,489,613	989,121	1,133,100	4,181,695	48,793,529
Equipment leasing	354,477	-	-	156,993	511,470
Other loans	5,506,286	2,088,623	1,183,509	3,166,321	11,944,739
Consumer credit	92,444,306	688,290	314,923	146,777	93,594,296
Current Account Overdrafts	3,039,785	-	-	-	3,039,785
	225,484,670	4,673,223	3,082,156	20,092,559	253,332,608

	2016				
	Risk category				
Type of contract	**[0,1]**	**[2,3]**	**[4,5]**	**[6,+[**	**Total**
Current accounts	16,608,065	-	29,967	1,285,013	17,923,045
Residential Mortgage Loans	31,968,771	261,741	1,071,138	22,716,309	56,017,959
Mutual Loans	6,540,834	338,423	60,421	5,361,423	12,301,101
Real Estate leasing	48,083,237	2,337,969	968,440	7,346,450	58,736,096
Equipment leasing	469,238	98,992	-	-	568,230
Other loans	3,943,800	1,577,614	1,086,241	2,922,363	9,530,018
Consumer credit	14,363,266	14,752	-	-	14,378,018
Current Account Overdrafts	2,281,149	-	-	-	2,281,149
	124,258,360	**4,629,491**	**3,216,207**	**39,631,558**	**171,735,616**

Securities recorded in loans and advances to customers, accrued interest and commissions associated with the loan portfolio and credit impairment were not considered in the elaboration of these tables.

The main collaterals received by the Bank relative to the financial assets identified above are as follows:

- In the case of real estate leasing transactions, the effective guarantee is comprised by the legal title of the property.

- In the case of medium and long-term loans, the collateral is generally comprised by a first mortgage of urban real property, a situation that is also common in loans associated with a current account regime.

- In one-off situations, the Bank also obtains commercial liens on financial assets, composed by liquid assets or securities quoted in official markets, as well as net intangible assets subject to current market valuation such as, for example, goodwill rights over pharmacy establishments.

- In general, and considering the maturity date of the operations, independently of the form of ownership, the obtainment of personal guarantees (acceptances or sureties) is common practice.

The assets purchased for financial leasing operations, or received as mortgage guarantee, are covered in the event of an accident or act of God, via multi-risk insurance with the corresponding rights in favour of the Bank.

The Bank's loan portfolio is segmented according to nature, specific characteristics and types of collateral, as stated above.

As such, the following are submitted to a process of evaluation and calculation by homogeneous and autonomous groups: i) loans of a real estate nature and origin, ii) credit in margin accounts, guaranteed by securities portfolios, and, iii) loans with precious metals as collateral.

When calculating impairments, Banco Invest follows Bank of Portugal requirements stipulated in Circular Letter 02/2014/DSP. Definition of the exposures to analyse collectively and individually respects the aforementioned precepts and it should be mentioned that the Bank submits the following for individual analysis, in addition to those determined by the Bank of Portugal: i) all exposures considered relevant (which according to Banco Invest involve values at risk that exceed 500,000 euros), ii) exposures to some sectors in which risk concentration is considered relevant, (even without non-fulfilment, signs of impairment or risk); iii) restructured loans; iv) healed loans; and also, v) possible exposure to Group companies or companies that are directly and indirectly related.

It should be pointed out that when calculating impairments, not only are past due and unpaid amounts considered at risk when they exist, but also maturing principal and accrued interest that has not yet matured.

However, when calculating the execution amount of collateral, i.e. the probable amount of the realisation of the credits, the costs related to their realisation are considered, as regulated by the Bank of Portugal. In the particular case of real estate, said realisation value, less probable expenses related to maintenance and sale, is updated at the interest rate of the associated contract for the amount of time estimated for its recovery and sale.

Because real estate guarantees have a relevant impact on the overall Bank loan portfolio, it is important to note that properties are subject to multi-risk insurance, this practice being in fact implemented and effectively applied with the aim of maintaining the integrity of the collateral, safeguarding rights in case of indemnity; the Bank preventively acquires these insurance policies by its own initiative whenever the financing contracts enter into a situation of continuous non-fulfilment, litigation or the properties are recovered to settle own credit.

Maintenance of the recovered property when settling own credit is also assured by the Bank as a means of preserving its realisation amounts.

Pursuant to the stipulations established in Circular Letter No. 2/2014-DSP of the Bank of Portugal, we break down the Bank's loan portfolio as at 31 December 2017 and 2016:

a) Details of exposures and established impairment:

	Exposure 31-12-2017						Impairment 31-12-2017		
Segment	Total exposure	Loans due	Of which healed	Of which restructured	Loans Overdue	Of which restructured	Total impairment	Loans due	Loans Overdue
Construction and CRE	26,489,151	8,746,243	798,509	579,910	17,742,908	4,719,098	7,205,292	231,887	6,973,405
Corporate	61,599	24,008	-	-	37,591	-	37,900	308	37,591
Auto Loans	95,391,431	94,214,025	-	-	1,177,406	-	1,797,135	1,086,422	710,714
Loans secured by Pledges	12,763,725	7,126,783	-	-	5,636,942	-	819,431	77,614	741,817
Securitised loans	72,092,422	72,092,422	-	-	-	-	299,347	299,347	-
Traditional Loans	132,757,902	86,496,151	2,332,894	9,376,671	46,261,751	16,536,912	15,403,097	4,769,068	10,634,029
Current Account Overdrafts	231,684	-	-	-	231,684	-	146,604	-	146,604
Residential Mortgage Loans	9,932,506	4,743,470	188,264	312,189	5,189,036	1,140,484	2,937,739	87,351	2,850,388
Provision of Services	139,802	12,364	-	-	127,438	-	136,482	124	136,358
Total	**349,860,222**	**273,455,466**	**3,319,667**	**10,268,770**	**76,404,756**	**22,396,494**	**28,783,027**	**6,552,121**	**22,230,906**

	Exposure 31-12-2016						Impairment 31-12-2016		
Segment	Total exposure	Loans due	Of which healed	Of which restructured	Loans Overdue	Of which restructured	Total impairment	Loans due	Loans Overdue
Construction and CRE	29,175,399	11,723,380	1,241,045	704,011	17,452,019	3,140,807	(7,554,484)	(558,174)	(6,996,310)
Corporate	89,484	51,893	-	-	37,591	-	(38,686)	(1,095)	(37,591)
Auto Loans	14,434,655	14,434,655	-	-	-	-	(147,607)	(147,607)	-
Loans secured by Pledges	9,361,513	5,065,810	-	-	4,295,703	-	(917,123)	(157,211)	(759,912)
Traditional Loans	103,651,291	50,731,815	2,213,740	7,640,480	52,919,476	12,333,814	(16,270,416)	(3,324,571)	(12,945,845)
Current Account Overdrafts	57,234	-	-	-	57,234	-	(65,821)	-	(65,821)
Residential Mortgage Loans	12,149,040	5,841,459	160,407	251,502	6,307,581	1,001,701	(3,282,167)	(124,446)	(3,157,721)
Provision of Services	127,438	-	-	-	127,438	-	(136,422)	-	(136,422)
Total	**169,046,053**	**87,849,011**	**3,615,193**	**8,595,993**	**81,197,042**	**16,476,323**	**(28,412,726)**	**(4,313,104)**	**(24,099,622)**

Segment	Total Exposure	Of total exposure 31-12-2017 — Loans due — Delay < 30 days — without indication	with indication	Delay between 30 and 90 days	Sub Total	Loans overdue — Delay <= 90 days	Delay >90 days
Construction and CRE	26,489,151	8,215,889	363,513	166,841	8,746,243	5,651,629	12,091,279
Corporate	61,599	24,008	-	-	24,008	-	37,591
Auto Loans	95,391,431	93,323,337	-	890,688	94,214,025	-	1,177,406
Loans secured by Pledges	12,763,725	3,631,995	1,639,017	1,855,771	7,126,783	523,500	5,113,442
Securitised Loans	72,092,422	72,092,422	-	-	72,092,422	-	-
Traditional Loans	132,757,902	71,075,017	12,672,230	2,748,905	86,496,152	26,413,116	19,848,634
Current Account Overdrafts	231,684	-	-	-	-	-	231,684
Residential Mortgage Loans	9,932,506	4,317,100	305,174	121,196	4,743,470	74,611	5,114,425
Provision of Services	139,802	33		12,331	12,364	-	127,438
Exposure	**349,860,222**	**252,679,801**	**14,979,934**	**5,795,732**	**273,455,467**	**32,662,856**	**43,741,899**

Segment	Total Exposure	Of total exposure 31-12-2016 — Loans due — Delay < 30 days — without indication	with indication	Delay between 30 and 90 days	Sub Total	Loans overdue — Delay <= 90 days	Delay >90 days
Construction and CRE	29,175,399	9,441,441	437,692	1,844,246	11,723,380	5,599,473	11,852,545
Corporate	89,484	51,893	-	-	51,893	-	37,591
Auto Loans	14,434,655	14,410,696	-	23,958	14,434,655	-	-
Loans secured by Pledges	9,361,513	2,774,405	980,000	1,311,404	5,065,810	409,940	3,885,763
Traditional Loans	103,651,291	36,311,032	10,355,419	4,065,364	50,731,814	32,235,913	20,683,563
Current Account Overdrafts	57,234	-	-	-	-	-	57,234
Residential Mortgage Loans	12,149,040	5,276,390	432,202	1 32,867	5,841,459	87,690	6,219,892
Provision of Services	127,438	-	-	-	-	-	127,438
	169,046,053	**68,265,858**	**12,205,313**	**7,377,840**	**87,849,011**	**38,333,016**	**42,864,026**

Segment	Impairment Exposure	Of total impairment 31-12-2017 — Loans due — Delay < 30 dias — without indication	with indication	Delay between 30 and 90 days	Loans overdue — Delay <= 90 days	Delay >90 days
Construction and CRE	7,205,292	213,373	4,668	13,847	775,330	6,198,075
Corporate	37,900	308	-	-	-	37,591
Auto Loans	1,797,135	903,605	-	182,817	-	710,714
Loans secured by Pledges	819,431	19,860	14,879	42,874	26,639	715,178
Securitised Loans	299,347	299,347	-	-	-	-
Traditional Loans	15,403,097	1,968,076	2,189,509	611,483	2,095,431	8,538,598
Current Account Overdrafts	146,604	-	-	-	-	146,604
Residential Mortgage Loans	2,937,739	55,559	4,692	27,100	1,099	2,849,289
Provision of Services	136,482		-	123	-	136,359
	28,783,027	**3,460,128**	**2,213,748**	**878,244**	**2,898,499**	**19,332,408**

Segment	Impairment Exposure	Of total impairment 31-12-2016 — Loans due — Delay < 30 dias — without indication	with indication	Delay between 30 and 90 days	Loans overdue — Delay <= 90 days	Delay >90 days
Construction and CRE	(7,554,484)	(360,824)	(16,214)	(181,137)	(650,905)	(6,345,405)
Corporate	(38,686)	(1,095)	-	-	-	(37,591)
Auto Loans	(147,607)	(146,163)	-	(1,444)	-	-
Loans secured by Pledges	(917,123)	(52,116)	(22,382)	(82,714)	(17,243)	(742,669)
Traditional Loans	(16,270,416)	(1,793,457)	(566,476)	(964,637)	(3,385,424)	(9,560,421)
Current Account Overdrafts	(65,821)	-	-	-	-	(65,821)
Residential Mortgage Loans	(3,282,167)	(111,473)	(10,169)	(2,804)	(2,086)	(3,155,635)
Provision of Services	(136,422)		-	-	-	(136,422)
	(28,412,727)	**(2,465,128)**	**(615,240)**	**(1,232,736)**	**(4,055,658)**	**(20,043,964)**

b) Details of the loan portfolio by segment and year of production:

2017:

	Construction and CRE			Corporate			Auto Loans			Loans secured by Pledges			Traditional Loans		
Year of Production	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number ofe Operations	Amount	Impairment Constituted
2004 and previous	50	3,940,942	931,986	1	37,591	37,591	-	-	-	-	-	-	130	7,400,909	762,414
2005	22	2,323,572	325,088	-	-	-	-	-	-	-	-	-	42	2,369,127	75,691
2006	32	7,117,308	1,792,953	-	-	-	-	-	-	1	144	17	52	7,628,785	1,113,690
2007	22	1,926,835	825,629	1	24,008	308	-	-	-	5	1,333	82	65	8,395,304	1,302,170
2008	20	3,684,500	1,097,482	-	-	-	-	-	-	3	1,573	276	62	14,529,094	3,133,530
2009	10	780,053	262,793	-	-	-	-	-	-	8	3,766	1,910	38	6,360,232	878,584
2010	15	1,795,364	1,043,109	-	-	-	-	-	-	40	203,672	204,343	25	2,135,695	228,817
2011	16	2,322,096	376,891	-	-	-	-	-	-	416	322,260	66,158	20	9,726,747	373,686
2012	2	136,466	23,214	-	-	-	-	-	-	1178	848,407	221,144	28	3,489,148	493,788
2013	5	505,124	306,802	-	-	-	-	-	-	1124	617,105	58,949	33	13,094,963	1,936,166
2014	3	25,380	7,500	-	-	-	-	-	-	1204	615,723	50,929	36	5,242,311	1,559,161
2015	5	284,179	21,858	-	-	-	-	-	-	1352	868,061	63,664	35	3,829,672	559,676
2016	5	724,050	19,071	-	-	-	1088	11,571,160	446,571	4999	2,835,186	88,700	28	5,815,415	473,231
2017	4	923,282	170,916	-	-	-	7508	83,820,271	1,350,564	11884	6,446,495	63,259	39	42,740,500	2,512,493
Total	**211**	**26,489,151**	**7,205,292**	**2**	**61,599**	**37,899**	**8,596**	**95,391,431**	**1,797,135**	**22,214**	**12,763,725**	**819,431**	**633**	**132,757,902**	**15,403,097**

	Securitised Loans			Current Account Overdrafts			Residential Mortage Loans			Provision of Services		
Year of Production	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted
2004 and previous	-	-	-	-	-	-	65	2,174,528	341,955	-	-	-
2005	-	-	-	-	-	-	16	403,007	16,710	-	-	-
2006	-	-	-	-	-	-	19	1,054,749	44,317	-	-	-
2007	-	-	-	-	-	-	10	2,752,960	2,233,459	-	-	-
2008	-	328,303	1,363		-	-	16	1,154,499	164,146	-	-	-
2009	-	-	-	-	-	-	5	130,061	10,526	-	-	-
2010	-	-	-	-	-	-	3	250,359	3,215	-	-	-
2011	-	-	-	-	-	-	2	184,680	2,371	6	67,500	72,225
2012	-	-	-	-	-	-	-	-	-	4	29,958	32,055
2013	-	-	-		-	-	1	120,220	1,544	4	29,979	32,078
2014	5	10,068,335	41,806	17	37,645	43,292	9	1,026,916	110,754	-	-	-
2015	7	26,730,516	110,992	-	-	-	2	221,622	2,846	-	-	-
2016	3	7,083,107	29,411	-	-	-	4	390,350	5,017	-	-	-
2017	13	27,882,161	115,774	16	194,038	103,312	1	68,554	880	2	12,364	124
Total	**28**	**72,092,422**	**299,347**	**33**	**231,683**	**146,604**	**153**	**9,932,505**	**2,937,739**	**16**	**139,802**	**136,482**

2016:

	Construction and CRE			Corporate			Auto Loans			Loans secured by Pledges			Traditional Loans		
Year of Production	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number ofe Operations	Exposure	Impairment Constituted
2006 e anteriores	114	15,452,064	(3,182,247)	1	37,591	(37,591)	-	-	-	-	-	-	266	21,237,206	(2,840,999)
2007	23	2,191,137	(938,129)	2	51,893	(1,095)	-	-	-	-	-	-	74	9,872,533	(1,545,408)
2008	20	3,953,116	(1,094,427)	-	-	-	-	-	-	2	393	(268)	63	16,754,124	(4,078,330)
2009	11	1,200,305	(475,911)	-	-	-	-	-	-	2	1,748	(1,644)	37	6,579,395	(882,788)
2010	15	1,808,267	(1,025,127)	-	-	-	-	-	-	11	172,813	(184,220)	28	3,364,060	(696,739)
2011	16	2,598,307	(431,238)	-	-	-	-	-	-	430	353,704	(88,998)	21	10,248,240	(499,360)
2012	4	363,176	(33,711)	-	-	-	-	-	-	1,274	873,863	(240,634)	33	4,686,745	(945,393)
2013	5	488,350	(271,909)	-	-	-	-	-	-	1,259	714,001	(75,955)	35	13,703,689	(1,949,041)
2014	3	86,515	(64,068)	-	-	-	-	-	-	1,355	739,552	(66,459)	42	5,862,883	(1,783,324)
2015	4	290,113	(12,572)	-	-	-	-	-	-	2,035	1,108,075	(74,974)	36	4,142,141	(642,310)
2016	6	744,049	(25,145)	-	-	-	1,213	14,434,655	(147,607)	10,231	5,397,364	(183,971)	28	7,200,275	(406,724)
Total	**221**	**29,175,399**	**(7,554,484)**	**3**	**89,484**	**(38,686)**	**1,213**	**14,434,655**	**(147,607)**	**16,599**	**9,361,513**	**(917,123)**	**663**	**103,651,291**	**(16,270,416)**

Year of Production	Securitised Loans			Current Account Overdrafts			Residential Mortage Loans			Provision of Services		
	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number ofe Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted
2006 and previous	-	-	-	118	5,113,139	(586,956)	-	-	-	499	41,840,000	(6,647,793)
2007	-	-	-	10	2,785,524	(2,233,962)	-	-	-	109	14,901,087	(4,718,594)
2008	-	-	-	16	1,208,900	(196,466)	-	-	-	101	21,916,533	(5,369,491)
2009	-	-	-	5	304,001	(81,258)	-	-	-	55	8,085,449	(1,441,601)
2010	-	-	-	4	278,078	(20,243)	-	-	-	58	5,623,218	(1,926,329)
2011	-	-	-	5	518,498	(10,942)	6	67,500	(72,259)	478	13,786,249	(1,102,797)
2012	-	-	-	-	-	-	4	29,958	(32,070)	1,315	5,953,742	(1,251,808)
2013	-	-	-	1	125,708	(2,653)	4	29,980	(32,093)	1,304	15,061,728	(2,331,651)
2014	19	41,010	(47,163)	10	1,222,282	(137,166)	-	-	-	1,429	7,952,242	(2,098,180)
2015	-	-	-	2	230,779	(4,870)	-	-	-	2,077	5,771,108	(734,726)
2016	6	16,224	(18,658)	4	362,131	(7,651)	-	-	-	11,488	28,154,698	(789,756)
Total	**25**	**57,234**	**(65,821)**	**175**	**12,149,040**	**(3,282,167)**	**14**	**127,438**	**(136,422)**	**18,913**	**169,046,053**	**(28,412,726)**

c) Details of the amount of gross credit exposure and individual and impairment assessed collectively and individually by segment, sector of activity and geographic location:

c.1) By segment:

31 December 2017:

Segment	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Construction and CRE	21,706,886	4,782,265	26,489,151	7,143,884	61,408	7,205,292
Corporate	37,591	24,008	61,599	37,591	308	37,900
Auto Loans	1,432,412	93,959,020	95,391,431	810,275	986,860	1,797,135
Loans secured by Pledges	5,636,942	7,126,783	12,763,725	741,817	77,614	819,432
Traditional Loans	110,669,395	22,088,507	132,757,902	15,119,490	283,607	15,403,097
Current Account Overdrafts	231,684	-	231,684	146,604	-	146,604
Residential Mortgage Loans	5,689,488	4,243,017	9,932,505	2,883,251	54,488	2,937,739
Provision of Services	127,438	12,364	139,802	136,358	124	136,482
Securitised Loans	-	72,092,422	72,092,422	-	299,347	299,347
	145,531,836	**204,328,385**	**349,860,221**	**27,019,271**	**1,763,756**	**28,783,027**

31 December 2016:

Segment	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Construction and CRE	24,391,304	4,784,094	29,175,399	(7,453,526)	(100,958)	(7,554,484)
Corporate	37,591	51,893	89,484	(37,591)	(1,095)	(38,686)
Auto Loans	-	14,434,655	14,434,655	-	(147,607)	(147,607)
Loans secured by Pledges	4,295,703	5,065,810	9,361,513	(759,912)	(157,211)	(917,123)
Traditional Loans	80,203,641	23,447,650	103,651,291	(15,775,607)	(494,809)	(16,270,416)
Current Account Overdrafts	57,234	-	57,234	(65,821)	-	(65,821)
Residential Mortgage Loans	6,719,491	5,429,550	12,149,040	(3,167,589)	(114,578)	(3,282,167)
Provision of Services	127,438	-	127,438	(136,422)	-	(136,422)
	115,832,401	**53,213,652**	**169,046,053**	**(27,396,468)**	**(1,016,258)**	**(28,412,726)**

c.2) By sector of activity:

31 December 2017:

	Exposure			Impairment		
Segment	Individual	Collective	Total	Individual	Collective	Total
Administrative and support services activities	38,901,941	593,053	39,494,995	1,248,987	7,019	1.256.007
Artistic, show, sport and recreational activities	1,401,139	513,944	1,915,083	79,088	6,003	85.091
Activities of head offices	-	20,410,192	20,410,192	-	84,749	84.749
Activities of holding companies	-	4,069,411	4,069,411	-	16,897	16.897
Consultancy, scientific, technical and similar activities	2,758,853	873,316	3,632,169	1,067,748	10,276	1.078.023
Information and communication activities	49,993	124,022	174,015	30,468	1,435	31.903
Human health and social support activities	3,188,528	451,935	3,640,463	850,502	5,339	855.841
Trading activities on behalf of third parties in securities	-	328,303	328,303	-	1,363	1.363
Financial and insurance activities	21,223,982	185,694	21,409,676	594,299	2,384	596.684
Real estate activities	2,396	374,657	377,053	31	4,403	4.434
Public Administration and defence; mandatory social security	-	5,000,972	5,000,972	-	20,765	20.765
Agriculture, livestock, hunting, forestry and fishing	4,801,933	793,488	5,595,422	1,775,640	9,489	1.785.129
Hotels, restaurants and similar	1,470,160	2,160,941	3,631,102	502,291	27,038	529.329
Renting and leasing of other machinery and equipment	-	3,717,629	3,717,629	-	15,437	15.437
Wholesale and retail trade; repair of motor vehicles	23,710,540	11,819,813	35,530,353	5,682,561	137,897	5.820.458
Construction	21,706,886	5,512,589	27,219,475	7,143,884	68,585	7.212.469
Education	529,099	113,634	642,733	362,058	1,397	363.454
Manufacture of cement	-	922,543	922,543	-	3,831	3.831
	119.745.450	**57,966,136**	**177,711,586**	**19,337,556**	**424,307**	**19,761,863**

31 December 2016:

	Exposure			Impairment		
Segment	Individual	Collective	Total	Individual	Collective	Total
Administrative and support services activities	3,300,201	303,910	3,604,111	(678,919)	(5,745)	(684.664)
Artistic, show, sport and recreational activities	1,437,420	492,229	1,929,648	(83,992)	(10,207)	(94.199)
Consultancy, scientific, technical and similar activities	1,620,701	1,345,240	2,965,942	(764,154)	(27,946)	(792.100)
Information and communication activities	-	169,686	169,686	-	(2,845)	(2 845)
Human health and social support activities	3,431,784	330,722	3,762,506	(695,605)	(6,979)	(702.584)
Financial and insurance activities	22,518,602	203,218	22,721,820	(574,939)	(4,288)	(579.227)
Real estate activities	1,081,646	374,015	1,455,661	(262)	(7,705)	(7.967)
Public Administration and defence; mandatory social security	-	-	-	-	-	-
Agriculture, livestock, hunting, forestry and fishing	4,789,827	667,371	5,457,198	(1,932,998)	(13,972)	(1.946.970)
Hotels, restaurants and similar	2,111,938	1,288,296	3,400,234	(632,829)	(26,983)	(659.812)
Wholesale and retail trade; repair of motor vehicles	25,893,000	8,970,557	34,863,557	(7,067,340)	(185,043)	(7.252.383)
Construction	24,391,289	4,981,978	29,373,267	(7,453,509)	(102,937)	(7.556.446)
Education	544,853	142,651	687,504	(276,113)	(2,873)	(278.986)
Electricity, gas, steam, hot and cold water and cold air	-	-	-	-	-	-
Manufacturing industries	7,511,144	5,347,210	12,858,354	(1,958,360)	(112,307)	(2.070.667)
Other activities and services	1,925,685	518,383	2,444,069	(55,175)	(10,854)	(66.029)
Individuals	14,614,455	26,681,363	41,295,817	(5,121,386)	(468,136)	(5.589.522)
Transportation and storage	659,857	1,396,823	2,056,680	(100,887)	(27,438)	(128.325)
	115.832.401	**53,213,652**	**169,046,053**	**(27,396,468)**	**(1,016,258)**	**(28,412,726)**

c.3) By geography:

31 December 2017:

Segment	Exposure Individual	Exposure Collective	Exposure Total	Impairment Individual	Impairment Collective	Impairment Total
Spain	-	3,644,318	3,644,318	-	15,132	15,132
France	220,326	-	220,326	40,050	-	40,050
Portugal	145,311,510	200,253,041	345,564,551	26,979,220	1,745,942	28,725,162
Switzerland	-	80,576	80,576	-	1,035	1,035
United Kingdom	350,451	-	350,451	1,648	-	1,648
	145,882,286	**203,977,935**	**349,860,221**	**27,020,918**	**1,762,108**	**28,783,027**

31 December 2016:

Segment	Exposure Individual	Exposure Collective	Exposure Total	Impairment Individual	Impairment Collective	Impairment Total
France	-	217,904	217,904	-	(4,598)	(4,598)
Portugal	115,793,756	52,909,819	168,703,575	(27,395,652)	(1,009,847)	(28,405,499)
Switzerland	-	85,928	85,928	-	(1,813)	(1,813)
United Kingdom	38,645	-	38,645	(816)	-	(816)
	115,832,402	**53,213,652**	**169,046,053**	**(27,396,468)**	**(1,016,258)**	**(28,412,726)**

d) Details of the restructured loan portfolio via applied restructuring:

As clearly stated in the preceding notes and information, the Bank's loan portfolio is structured as follows: (i) financing applied during the acquisition of real estate property for professional or corporate use; (ii) collateral made up of the legal ownership of the financed property (in the case of leasing) or first degree mortgage (in the case of mortgage loans); and (iii) it has a repayment structure that almost entirely has long term maturities (over 10 years).

Because of the nature of the credit operations in question, out of court resolution of situations of difficult compliance with repayment plans or non-fulfilment (as long as it can be overcome), involves traditional solutions that seek to adapt the Repayment Plan to the reality of the Customers' cash flow.

Accordingly, restructuring processes that can, as has been already stated, occasionally include capitalisation of past due amounts that have not yet been paid at the date of implementation involve attempting to reduce pressure on the Customers' cash flow, which can be attained, as has also already been stated, by extending the overall repayment time period or possibly by repaying part of the principal at the end of the contract.

Implementation of grace periods for principal, which are only considered for situations that are deemed to be transition periods and therefore comprise time periods that do not exceed 12 months, are only marginally used and when they are adopted, they do not lead to total suspension of the principal that is to be repaid periodically, given current low interest rates.

Although at the date of drafting these Notes restructured contracts have not yet been fully identified with a breakdown according to type or combination of the type of restructuring, we can safely say that individually: (i) adopting grace periods for principal (total or partial) as a means of restructuring contracts does not account for 15% of the total; and (ii) consolidated restructuring measures (involving full reformulation of the Repayment Plan) do not account for less than 85% of the total.

e) Changes in the restructured loan portfolio:

	31-12-2017	31-12-2016
Initial balance of the restructured loan portfolio (gross of impairment)	25,072,316	29,186,271
Loans restructured in the period	4,962,885	3,289,040
Accrued interest from the restructured portfolio	37,272	38,045
Settlement of restructured loans (partial or full)	1,493,684	3,826,398
Loans reclassified from 'restructured' to 'performing'	4,422,020	3,614,641
Other	-	-
Final balance of the restructured loan portfolio (gross of impairment)	24,118,725	25,072,316

f) Details of the fair value of the collaterals underlying the loan portfolio for the Corporate, Construction and Commercial Real Estate (CRE) and Residential Mortgage Loans segments:

31-12-2017												
	Construction CRE				Corporate				Residential Mortgage Loans			
	Real estate		Other Real Collaterals		Real Estate		Other Real Collaterals		Real Estate		Other Real Collaterals	
Fair Value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0.5 M€	116	9,585,462	4	664,250	-	-	-	-	116	7,739,030	-	-
>=0.5 M€ e <1 M€	22	6,001,673	-	-	-	-	-	-	9	1,982,219	-	-
>=1 M€ e <5 M€	7	7,052,584	-	-	-	-	-	-	1	11,487	-	-
	145	**22,639,719**	**4**	**664,250**	**-**	**-**	**-**	**-**	**126**	**9,732,737**	**-**	**-**

31-12-2016												
	Construction CRE				Corporate				Residential Mortgage Loans			
	Real estate		Other Real Collaterals		Real Estate		Other Real Collaterals		Real Estate		Other Real Collaterals	
Fair Value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0.5 M€	131	11,678,283	2	355,161	-	-	1	27,884	1	23,580	138	9,059,555
>=0.5 M€ e <1 M€	28	5,684,770	-	-	-	-	-	-	11	2,840,357	-	-
>=1 M€ e <5 M€	8	8,263,079	-	-	-	-	-	-	-	-	-	-
	167	**25,626,132**	**2**	**355,161**	**-**	**-**	**1**	**27,884**	**12**	**2,863,937**	**138**	**9,059,555**

g) LTV ratio for the Corporate, Construction and CRE and Residential Mortgage segments:

31-12-2017			
Segment / Ratio	Number of Properties	Fair Value of the Asset	Book Value
Land			
Urban	14	1,124,100	826,807
Rural	42	2,151,900	1,442,308
Properties under development			
Commercial	-	-	-
Residential	-	-	-
Other	-	-	-
Built Properties			
Commercial	103	9,341,540	8,133,110
Residential	22	4,093,766	3,435,741
Other	23	5,856,934	4,750,444
Total	**204**	**22,568,240**	**18,588,411**

31-12-2016				
Segment / Ratio	Number of Properties	Fair Value of the Asset	Book Value	Impairment
Construction and CRE				
With no collateral	n.a.	61,999	3,132,106	1,437,751
<60 %	119	9,042,581	2,787,139	960,033
>=60% and <80%	20	2,164,719	4,693,535	1,061,856
>=80% and <100%	11	273,008	2,327,196	1,207,977
>=100%	19	181,073	4,512,043	2,886,867
Corporate				
With no collateral	n.a.	24,009	37,591	38,098
<60 %	1	27,884	-	588
Residential				
With no collateral	n.a.	185	225,363	290,930
<60 %	115	3,548,407	1,859,556	118,195
>=60% and <80%	21	1,833,341	372,844	86,531
>=80% and <100%	7	459,527	681,087	230,969
>=100%	7	-	3,168,731	2,555,542

[1] These loans classified without associated collateral include loans that are associated with other loan contracts for the same customer, allocated to other segments, but in which the collateral was only associated with the other loan on an IT basis. Notwithstanding, for the purpose of determining impairment, the impairment model jointly takes into account the collateral associated with the contracts.

h) Details of the fair value and net book value of properties received in lieu of payment, by type of asset and time elapsed:

	31-12-2017			31-12-2016		
Assets	Number of Properties	Fair Value of the Asset	Book Value	Number of Properties	Fair Value of the Asset	Book Value
Land						
Urban	14	1,124,100	826,807	34	2,540,425	2,213,258
Rural	42	2,151,900	1,442,308	32	3,110,369	2,692,081
Built Properties						
Commercial	103	9,341,540	8,133,110	125	12,791,350	10,570,306
Residential	22	4,093,766	3,435,741	27	4,678,819	3,955,172
Other	23	5,856,934	4,750,444	34	8,235,775	5,675,190
	204	**22,568,240**	**18,588,411**	**252**	**31,356,738**	**25,106,007**

The time elapsed since lieu of payment/execution for the real estate in portfolio as at 31 December 2017 and 2016 can be presented as follows:

Time elapsed since repossession / disclosure	< 1 year	>= 1 year and < 2,5 years	>= 2,5 year and < 5 years	>= 5 years	Total
Land					
Urban	-	18,875	-	807,933	826,807
Rural	273,454	206,593	386,861	575,401	1,442,308
Built Properties					
Commercial	653,496	2,076,073	3,079,579	2,323,962	8,133,110
Residential	110,481	232,746	1,892,634	1,199,880	3,435,741
Other	473,316	-	1,606,787	2,670,342	4,750,444
	1,510,748	**2,534,287**	**6,965,860**	**7,577,516**	**18,588,411**

i) Breakdown of the loan portfolio by degrees of internal risk:

	31-12-2017					
	Low DR	Average DR		High DR		
	A	B	C	D	E	nd
Construction and CRE	7,397,997	9,001,315	4,405,431	522,280	5,121,038	41,090
Corporate	24,008	37,591	-	-	-	-
Auto Loans	-	-	-	-	-	95,391,431
Loans secured by Pledges	-	964	-	-	3,469	12,759,292
Securitised Loans	-	-	-	-	-	72,092,422
Traditional Loans	83,093,996	29,587,194	8,097,124	5,372,790	6,606,798	-
Current Account Overdrafts	-	-	-	-	-	231,684
Residential	3,799,634	4,125,243	913,542	152,070	942,016	-
Provision of Services	-	-	-	-	-	139,802
Total	**94,315,636**	**42,752,306**	**13,416,097**	**6,047,140**	**12,673,321**	**180,655,721**

	31-12-2016					
	Low DR	Average DR		High DR		
	A	B	C	D	E	nd
Construction and CRE	11,081,745	8,444,404	5,066,511	372,109	4,169,547	41,082
Corporate	51,893	37,591	-	-	-	-
Auto Loans	-	-	-	-	-	14,434,655
Loans secured by Pledges	-	-	-	-	1,773	9,359,740
Securitised Loans	-	-	-	-	-	85,205,409
Traditional Loans	51,005,651	35,838,168	8,500,963	1,284,750	6,969,118	-
Current Account Overdrafts	-	-	-	-	-	57,234
Residential	4,477,811	5,049,625	1,902,188	133,152	586,264	-
Provision of Services	-	-	-	-	-	127,438
Total	**66,617,100**	**49,369,788**	**15,469,663**	**109,225,558**	**11,726,703**	**109,225,558**

j) Disclosure of risk parameters associated to the collective impairment model by segment:

	Impairment			
	PD(%)			
31-12-2017	**< 30 days with no sign of default**	**< 30 days with signs of default**	**Between 30-90 Days**	**LGD**
Segments				
Construction and CRE	3.445%	14.589%	46.871%	31.433%
Corporate	3.445%	-	-	31.433%
Auto Loans	4.000%	-	8.000%	0.000%
Loans secured by Pledges	11.810%	20.082%	41.292%	7.724%
Traditional Loans	3.445%	14.589%	46.871%	31.433%
Residential	3.445%	14.589%	46.871 %	31.433%

31-12-2016	Impairment			
	PD(%)			
	< 30 days with no sign of default	< 30 days with signs of default	Between 30-90 Days	LGD
Segments				
Construction and CRE	5.837%	11.058%	61.599%	30.573%
Corporate	5.837%	-	-	30.573%
Auto Loans	1.000%	-	3.000%	n.d.
Loans secured by Pledges	19.520%	32.299%	50.282%	13.164%
Traditional Loans	5.837%	11.058%	61.599%	30.573%
Residential Mortgage	5.837%	11.058%	61.599%	30.573%

In relation to the credit risk control associated with capital markets, derivative product and exchange rate transactions, the Bank maintains procedures established through the investment approval process, the control of the fulfilment of strategies defined by the Board of Directors and the Investment Committee and the regular follow-up of the composition and evolution of the securities portfolio, which permit the adequate monitoring of the credit risk associated with the securities held in portfolio.

As of September 2016, the Bank began to grant loans for the acquisition of vehicles. Loans are granted in this segment for the acquisition of new and used vehicles, with financing maturities of up to 120 months.

The Bank undertakes a mark-to-market revaluation, at any moment, of its exposure to derivative, exchange rate and capital market products, thus evaluating its potential and global exposure and the fulfilment of the exposure limits defined by sector and by country.

As at 31 December 2017 and 2016, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

	2017							
	At sight	Up to 3 months	3 months to 1 year	1 to 5 yearss	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	9,144,414	-	-	-	-	-	-	9,144,414
Amounts at other credit institutions	6,424,253	-	-	-	-	-	-	6,424,253
Financial assets held for trading	-	96,200	1,043,255	17,443,630	17,912,277	11,812,080	-	48,307,443
Financial assets available for sale	-	1,437,310	1,014,842	47,214,551	22,941,129	7,084,483	-	79,692,315
Loans and advances to credit institutions	-	1,000,000	400,000	-	-	-	55	1,400,055
Loans and advances to customers:								
- Loans not represented by securities	3,039,785	8,937,127	9,772,174	41,370,648	183,015,515	10,910,041	-	257,045,291
- Other loans and receivables (securitised)	-	22,225,965	10,528,071	24,974,202	14,075,119	-	-	71,803,357
Investments held to maturity	-	-	-	22,729,769	79,173,093	-	-	101,902,862
Debtors and other financial investments	-	-	-	-	-	3,893,918	-	3,893,918
	18,608,452	**33,696,602**	**22,758,343**	**153,732,801**	**317,117,133**	**33,700,522**	**55**	**579,613,907**
Liabilities								
Resources at Central Banks	-	-	-	39,180,000	-	-	-	39,180,000
Financial liabilities held for trading	-	112,316	204,634	1,521,779	-	-	-	1,838,728
Resources from other credit institutions	2,951,525	-	-	-	-	-	-	2,951,525
Resources from customers and other loans	89,610,093	79,899,327	203,312,600	42,437,202	35,680,000	-	2,332,352	453,271,574
	92,561,618	**80,011,643**	**203,517,234**	**83,138,981**	**35,680,000**	**-**	**2,332,352**	**497,241,827**
Liquidity gap	**(73,953,166)**	**(46,315,041)**	**(180,758,891)**	**70,593,820**	**281,437,133**	**33,700,522**	**(2,332,297)**	**82,372,081**

	2016							
	Ratings							
	AA	A	BBB	BB	B	C	N.R.	Total
Assets								
Financial assets held for trading	-	3,850,985	17,278,144	3,320,374	-	-	1,120,665	25,570,167
Financial assets available for sales	1,589,985	3,478,847	57,682,517	4,341,715	1,055,179	-	15,084,769	83,233,012
Investments held to maturity	-	4,492,362	54,452,312	17,891,561	9,660,547	-	-	86,496,783
Other loans and amounts receivable (securitised)	1,545,735	18,620,687	24,907,824	36,244,069	3,552,338	-	-	84,870,653
	3,135,719	**30,442,882**	**154,320,797**	**61,797,719**	**14,268,064**	**-**	**16,205,433**	**280,170,614**

N.R. – NotRated

In preparation of this disclosure, relative to 2017 and 2016, the internal rating attributed by the Bank and the rating attributed by an external company specialised in risk assessment was considered.

As at 31 December 2017 and 2016, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2017				2016			
	Banks	Government Debt	Others	Total	Banks	Government Debt	Others	Total
Portugal	6,613,786	28,405,144	73,565,990	108,584,920	-	29,469,911	80,680,579	110,150,490
Spain	6,084,605	57,475,896	5,692,496	69,252,997	517,340	58,151,562	12,116,759	70,785,661
Netherlands	-	-	41,090,967	41,090,967	523,298	-	40,824,436	41,347,734
Italy	2,141,514	21,437,785	3,760,032	27,339,331	9,342,522	5,201,129	3,806,975	18,350,626
Great Britain	2,622,098	-	8,225,067	10,847,165	4,114,717	-	7,422,394	11,537,111
USA	4,435,717	489,522	1,016,357	5,941,596	6,126,355	-	805,453	6,931,809
Germany	2,056,018	-	3,124,739	5,180,757	5,431,642	-	557,143	5,988,785
Luxembourg	-	-	2,126,556	2,126,556	4,449,552	-	1,071,288	5,520,841
France	-	580,983	1,039,738	1,620,721	-	-	3,252,979	3,252,979
Other	3,041,995	1,431,250	4,477,030	8,950,276	1,017,091	1,973,098	9,440,749	12,430,938
	26,995,733	**109,820,581**	**144,118,972**	**280,935,286**	**31,522,516**	**94,795,700**	**159,978,756**	**286,296,972**

Equity instruments and derivatives were not considered in the elaboration of these tables.

Liquidity risk

Liquidity risk is the possibility that an entity may not be able to meet its commitments through an inability to access the market in a sufficient amount and at a reasonable cost.

The risk control policy is subordinate to the overall strategy of the Bank, and aims to adequately finance its assets, increase them and detect any loss of liquidity.

The policies and procedures that control and limit liquidity risk regularly review the limits of the liquidity positions for different time frames, analysing simulations using different scenarios to permit effective liquidity management.

The Financial Department is responsible for the effective implementation of the risk strategy and all the liquidity policies established and approved by the Board

Times to maturity

As at 31.12.17 and 2016, the breakdown of the times to maturity of the financial instruments was as follows:

2017								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	9,144,414	-	-	-	-	-	-	9,144,414
Amounts at other credit institutions	6,424,253	-	-	-	-	-	-	6,424,253
Financial assets held for trading	-	96,200	1,043,255	17,443,630	17,912,277	11,812,080	-	48,307,443
Financial assets available for sale	-	1,437,310	1,014,842	47,214,551	22,941,129	7,084,483	-	79,692,315
Loans and advances to credit institutions	-	1,000,000	400,000	-	-	-	55	1,400,055
Loans and advances to customers:								
- Loans not represented by securities	3,039,785	8,937,127	9,772,174	41,370,648	183,015,515	10,910,041	-	257,045,291
- Other loans and receivables (securitised)	-	22,225,965	10,528,071	24,974,202	14,075,119	-	-	71,803,357
Investments held to maturity	-	-	-	22,729,769	79,173,093	-	-	101,902,862
Debtors and other financial investments		-	-	-	-	3,994,469	-	3,994,469
	18,608,452	**33,696,602**	**22,758,343**	**153,732,801**	**317,117,133**	**33,801,073**	**55**	**579,714,459**
Liabilities								
Resources at Central Banks				39,180,000				39,180,000
Financial liabilities held for trading		112,316	204,634	1,521,779				1,838,728
Resources from other credit institutions	2,951,525							2,951,525
Resources from customers and other loans	89,610,094	79,899,327	203,312,600	42,437,202	35,680,000		2,332,352	453,271,574
	92,561,619	**80,011,643**	**203,517,234**	**83,138,981**	**35,680,000**		**2,332,352**	**497,241,827**
Liquidity gap	**(73,953,167)**	**(46,315,041)**	**(180,758,891)**	**70,593,820**	**281,437,133**	**33,801,073**	**(2,332,297)**	**82,472,632**

2016								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	7,479,406							7,479,406
Amounts at other credit institutions	6,085,987							6,085,987
Financial assets held for trading		347,191	1,031,860	14,562,984	11,538,134	8,510,706		35,990,875
Financial assets available for sale		5,482,230	1,055,179	37,026,923	41,738,744	5,507,372		90,810,447
Loans and advances to credit institutions		5,000,000	400,000				123	5,400,123
Loans and advances to customers:								
- Loans not represented by securities	2,281,150	7,026,215	8,365,681	22,584,762	79,364,826	24,536,300	1	144,158,934
- Other loans and receivables (securitised)		18,326,641	9,608,365	35,114,338	21,821,311			84,870,654
Investments held to maturity				22,547,808	63,948,975			86,496,783
Debtors and other financial investments					38,100	2,196,890		2,234,990
	15,846,543	**36,182,277**	**20,461,084**	**131,836,814**	**218,450,090**	**40,751,267**	**124**	**463,528,200**
Liabilities								
Resources at Central Banks		15,000,000		14,000,000				29,000,000
Financial liabilities held for trading		154,501	384,152	939,263	521			1,478,437
Resources from other credit institutions	988,912							988,912
Resources from customers and other loans	93,130,143	68,873,091	160,801,451	26,735,563			1,612,905	351,153,153
Liabilities represented by securities		105,804	624,236	4,039,726	7,267,941			12,037,707
	94,119,055	**84,133,396**	**161,809,839**	**45,714,552**	**7,268,462**		**1,612,905**	**394,658,209**
	(78,272,513)	**(47,951,118)**	**(141,348,755)**	**86,122,263**	**211,181,628**	**40,751,267**	**(1,612,781)**	**68,869,991**

(1) - The Column “Other” includes interest receivable and payable, and deferred sums already received and paid.

The main assumptions used to draw up the tables above are the following:

- the projected contractual cash flows of interest associated with financial assets and liabilities were not considered;
- the column "Other" corresponds to values already received or paid that are being deferred;
- for equity instruments their maturity was considered indeterminate, having been included in the "Indeterminate" column;
- in financial assets held for trading and available for sale it was considered that the instruments were only settled on their maturity date; and
- in loans and advances to customers it was considered that the principal repayment was made in full on the date of the last credit instalment.

The short-term liquidity gap is financed by resorting to the interbank monetary market, where the Bank has access to credit lines that allow it to finance this gap, and through discounts on securities issued by the ECB, which allows it to have access to immediate liquidity.

After a significant growth of deposits in 2015 (17% increase relative to the end of 2014), in 2016 the Bank's deposit base grew once again, although at a weaker pace (4% in relation to December 2015).

The short-term liquidity gap is associated to the funding of the Bank's bond portfolio. The total value of the securities portfolio is greater than the short-term gap. The Bank may at any moment reduce it by selling securities in the market. The said gap thus results from a strategic decision of the Bank to finance its securities portfolio in an efficient manner in economic terms and not from a structural deficiency of liquidity. The portfolio has been essentially financed through repurchase operations at the European Central Bank, although Banco Invest has repurchase contracts with different banking institutions.

Market risk

Banco Invest's business through financial instruments entails the assumption or transfer of one or several kinds of risk.

Market risks are those which arise from keeping financial instruments whose value can be affected by market fluctuations. Market risks include:

a) Exchange rate risk: this arises from fluctuations in foreign currency exchange rates;
b) Interest rate risk: this arises from fluctuations in market interest rates;
c) Price risk: this arises from changes in market prices, either due to factors specific to the instrument or to factors that affect all the instruments traded on the market.

The control of market risk aims to assess and monitor the potential losses associated with changes in the price of the Bank's assets, discretionary portfolio management and the consequent loss of profits from an adverse movement of market prices. This assessment is conducted by defining procedures and limits for global portfolios and product categories. Strategies, positions and limits are assessed daily to generate income through trading and asset and liability management, while simultaneously controlling exposure to market risk.

Exchange risk

Exchange risk is the result of fluctuations in exchange rates, whenever there are "open positions" in these currencies.

The exchange rate activity of Banco Invest is of secondary importance and residual. The daily foreign currency balances and transactions carried out in foreign currency are controlled on a daily basis by the Operations Department and the Market Room.

Only US dollar and pound transactions have any relevance, with transactions in other currencies being almost non-existent.

At 31 December 2017 and 2016, the financial instruments have the following currency breakdown:

	2017 Currency				
	Euros Gross	US Dollars	Pund	Other	Total
Assets					
Cash and deposits at Central Banks	9,144,414	-	-	-	9,144,414
Amounts at other credit institutions	4,108,374	2,732,321	(464,901)	48,459	6,424,253
Financial assets held for trading	42,806,778	3,645,826	1,533,590	321,249	48,307,443
Financial assets available for sale	79,202,793	489,522	-	-	79,692,315
Loans and advances to credit institutions	1,400,055	-	-	-	1,400,055
Loans and advances to customers	328,574,533	(238,339)	168,394	344,060	328,848,648
Investments held to maturity	89,663,105	8,492,627	3,747,130	-	101,902,862
Debtors and other financial investments	2,221,026	1,041,058	343,507	288,327	3,893,918
	557,121,078	**16,163,015**	**5,327,720**	**1,002,095**	**579,613,908**
Liabilities					
Resources at Central Banks	39,180,000	-	-	-	39,180,000
Financial liabilities held for trading	1,835,861	2,867	-	-	1,838,728
Resources from other credit institutions	530,441	2,421,084	-	-	2,951,525
Resources from customers and other loans	442,583,398	10,144,464	374,681	169,032	453,271,574
Liabilities represented by securities Financial liabilities associated to assets	-	-	-	-	-
transferred	-	-	-	-	-
	484,129,700	**12,568,415**	**374,681**	**169,032**	**497,241,827**
Net exposure (Currency Position)	**72,991,378**	**3,594,600**	**4,953,039**	**833,063**	**82,372,081**

	2016 Currency				
	Euros Gross	US Dollars	Pund	Other	Total
Assets					
Cash and deposits at Central Banks	7,479,406	-	-	-	7,479,406
Amounts at other credit institutions	5,212,596	346,249	556,306	(29,164)	6,085,987
Financial assets held for trading	32,851,835	1,572,930	1,398,743	167,368	35,990,875
Financial assets available for sale	90,252,699	557,748	-	-	90,810,447
Loans and advances to credit institutions	5,400,123	-	-	-	5,400,123
Loans and advances to customers	228,612,364	259,511	-	157,713	229,029,588
Investments held to maturity	72,836,233	9,660,547	4,000,003	-	86,496,783
Debtors and other financial investments	1,179,206	790,027	53,447	212,310	2,234,990
	443,824,461	**13,187,012**	**6,008,498**	**508,228**	**463,528,199**
Liabilities					
Resources at Central Banks	29,000,000	-	-	-	29,000,000
Financial liabilities held for trading	1,466,114	12,324	-	-	1,478,437
Resources from other credit institutions	887,270	101,642	-	-	988,912
Resources from customers and other loans	340,800,542	10,230,551	114,986	7,073	351,153,153
Liabilities represented by securities	12,037,707	-	-	-	12,037,707
	384,191,632	**10,344,517**	**114,986**	**7,073**	**394,658,210**
Net exposure (Currency Position)	**99,466,445**	**2,842,495**	**5,893,512**	**501,154**	**68,869,989**

The Bank considers that a 5% increase in the market exchange rates of the main currencies that the Bank is exposed to would not have a significant impact on the financial statements as at 31.12.17 and 2016.

Interest-rate risk

Interest rate risk relates to the impact that interest rate changes have on income and on the entity's asset value. This risk arises from the varying times to maturity or re-appreciation of assets, liabilities and off-balance sheet positions with respect to the entity, in light of changes in the interest rate curve slope. Interest rate risk therefore corresponds to the risk that the current worth of future cash flows of a financial instrument may fluctuate through changes in market interest rates.

Management of the interest rate risk is subordinate to the overall strategy of the Bank and aims to minimise the impact of interest rate changes on the Bank's overall profits.

The short-term interest rate risk basically arises from the mismatch of payments between the institution's liabilities and its loan assets.

As at 31.12.17 and 2016, the type of exposure to interest rate risk was summarised as follows:

	2017			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	1,129,861	-	8,014,553	9,144,414
Amounts at other credit institutions	1,330,501	-	5,093,752	6,424,253
Financial assets held for trading:				
- Securities	11,812,080	33,488,687	1,132,549	46,433,315
- Derivatives	-	-	1,874,128	1,874,127
Financial assets available for sale	7,084,483	65,097,968	7,509,864	79,692,315
Loans and advances to credit institutions	-	-	1,400,055	1,400,055
Loans and advances to customers:				
- Loans not represented by securities	-	-	257,045,291	257,045,291
- Other loans and receivables (securitised)	-	40,636,006	31,167,351	71,803,357
Investments held to maturity	-	101,902,862	-	101,902,862
Debtors and other financial investments	-	-	3,893,918	3,893,918
	21,356,925	**241,125,523**	**317,131,461**	**579,613,907**
Liabilities				
Resources at Central Banks	-	-	39,180,000	39,180,000
Financial liabilities held for trading				
- Derivatives	-	-	1,838,728	1,838,728
Resources from other credit institutions	-	-	2,951,525	2,951,525
Resources from customers and other loans	-	78,117,202	375,154,372	453,271,574
Liabilities represented by securities	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-
	-	**78,117,202**	**419,124,625**	**497,241,827**
	21,356,925	**163,008,321**	**(101,993,164)**	**82,372,080**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps			140,066,531	140,066,531
- Options	40,434,536	-	-	40,434,536
- Futures	4,798,236	-	90,009,255	94,807,491
	45,232,772	**-**	**230,075,786**	**275,308,558**

	2016			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	464,074	-	7,015,332	7,479,406
Amounts owed by other credit institutions	841,218	-	5,244,769	6,085,987
Financial assets held for trading:				
- Securities	8,510,706	20,121,911	5,448,256	34,080,873
- Derivatives	-	-	1,910,002	1,910,002
Financial assets available for sale	5,507,372	82,544,634	2,758,441	90,810,447
Loans and advances to credit institutions	-	-	5,400,123	5,400,123
Loans and advances to customers:				
- Loans not represented by securities	-	-	144,158,935	144,158,935
- Other loans and receivables (securitised)	-	32,840,157	52,030,496	84,870,653
Investments held to maturity	-	86,496,783	-	86,496,783
Debtors and other financial investments	-	-	2,234,990	2,234,990
	15,323,369	**222,003,485**	**226,201,345**	**463,528,199**
Liabilities				
Resources at Central Banks	-	-	29,000,000	29,000,000
Financial liabilities held for trading				
- Derivatives	-	-	1,478,437	1,478,437
Resources from other credit institutions	-	-	988,912	988,912
Resources from customers and other loans	-	26,735,563	324,417,590	351,153,153
Liabilities represented by securities	-	-	12,037,707	12,037,707
	-	**26,735,563**	**367,922,647**	**394,658,209**
	15,323,369	**195,267,922**	**(141,721,301)**	**68,869,990**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	129,579,510	129,579,510
- Options	40,434,536	-	-	40,434,536
- Futures	4,798,236	-	90,009,255	94,807,491
	45,232,772	**-**	**219,588,765**	**264,821,537**

The variable rate concept includes all transactions with maturity times of less than one year, and all others whose rate can be redefined in terms of market indicators, including the swaps whose remuneration is indexed to the performance of certain underlying assets (shares and market indices, among others).

As at 31.12.17 and 2016, the breakdown of financial instruments by currency was as follows::

	2017						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 yars	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	9,144,414	-	-	-	-	-	9,144,414
Amounts owed by other credit institutions							
Financial assets held for trading	6,424,253	-	-	-	-	-	6,424,253
- Securities	11,812,080	96,200	1,036,349	17,184,869	16,303,817	-	46,433,315
- Derivatives	-	1,874,127	-	-	-	-	1,874,127
Financial assets available for sale	7,084,483	6,495,023	1,014,843	42,156,838	22,941,128		79,692,315
Deposits at credit institutions	-	1,000,000	400,000			55	1,400,055
Loans and advances to customers							
- Loans not represented by securities	3,039,785	8,937,127	9,772,174	41,370,648	183,015,515	10,910,042	257,045,291
- Other loans and receivables (securitised)	-	31,920,545	26,346,099	7,327,104	6,209,609	-	71,803,357
Investments held to maturity	-	-	-	22,729,768	79,173,094	-	101,902,862
Debtors and other financial investments	-	-	-	-	-	3,893,918	3,893,918
	37,505,015	**50,323,022**	**38,569,465**	**130,769,227**	**307,643,163**	**14,804,015**	**579,613,907**
Liabilities							
Resources at Central Banks	-	-	-	39,180,000	-	-	39,180,000
Financial liabilities held for trading							
- Derivatives	-	1,838,728	-	-	-	-	1,838,728
Resources from other credit institutions	2,951,525						2,951,525
Resources from customers and other loans	89,610,093	79,899,328	203,312,600	42,437,202	35,680,000	2,332,351	453,271,574
	92,561,619	**81,738,056**	**203,312,600**	**81,617,202**	**35,680,000**	**2,332,351**	**497,241,827**
	(55,056,603)	**(31,415,034)**	**(164,743,135)**	**49,152,025**	**271,963,163**	**12,471,664**	**82,372,080**

	2016						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 yars	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	7,479,406	-	-	-	-	-	7,479,406
Amounts owed by other credit institutions	6,085,987	-	-	-	-	-	6,085,987
Financial assets held for trading							
- Securities	8,510,706	5,560,756	-	11,083,937	8,925,474	-	34,080,873
- Derivatives	-	1,910,002	-	-	-	-	1,910,002
Financial assets available for sale	-	5,482,230	1,055,179	37,026,923	47,246,114	-	90,810,447
Deposits at credit institutions	-	5,000,000	400,000			123	5,400,123
Loans and advances to customers							
- Loans not represented by securities	2,281,150	80,219,373	37,409,952			24,248,459	144,158,934
- Other loans and receivables (securitised)	-	46,721,807	23,631,527	4,992,700	9,524,620	-	84,870,654
Investments held to maturity	-	-	-	22,547,808	63,948,975	-	86,496,783
Debtors and other financial investments	-	-	-	-	38,100	2,196,890	2,234,990
	24,357,249	**144,894,167**	**62,496,658**	**75,651,368**	**129,683,283**	**26,445,472**	**463,528,198**
Liabilities							
Resources at Central Banks							
Financial liabilities held for trading	-	14,000,000	-	15,000,000	-	-	29,000,000
- Derivatives	-	1,478,437	-	-	-	-	1,478,437
Resources from other credit institutions	988,912	-	-	-	-	-	988,912
Resources from customers and other loans	93,130,143	68,873,091	160,801,451	26,735,563	-	1,612,905	351,153,153
Liabilities represented by securities	-	-	12,035,601	-	-	2,106	12,037,707
	94,119,055	**84,351,528**	**172,837,052**	**41,735,563**		**1,615,011**	**394,658,209**
	(69,761,806)	**60,542,639**	**(110,340,394)**	**33,915,805**	**129,683,283**	**24,830,461**	**68,869,989**

(1) - The Column "Other" includes interest receivable and payable, and deferred sums already received and paid.

The Bank considers that the impact of a 0.5% increase in market interest rates does not have a significant impact on the financial statements as at 31 December 2017 and 2016.

Fair value

The Bank calculates the fair value of financial instruments based on market prices. Where there is no market price, fair value is calculated using in-house models based on specific assumptions that vary in accordance with the financial instruments to be valued. Under exceptional circumstances, when it is not possible to reliably determine the fair value, assets are valued at historical cost.

The main considerations in the calculation of the fair value of financial assets and liabilities are:

- "Cash and deposits at Central Banks" and "Amounts owed by other credit institutions": Given the short-term nature of these assets, the accounting value is considered a reasonable estimate of their fair value;

- "Amounts owed by and resources from other credit institutions" and "Resources from Central Banks": The calculation of fair value assumes that transactions are settled on the maturity dates and are updated in the "cash flows", using the rates curve created in the closing days of the year. Bearing in mind the maturity dates of the transactions and type of interest rate, Banco Invest estimates that the difference between the fair value and the book value is not significant;

- "Loans and advances to customers". Almost all loans and advances to customers bear interest at rates linked to the Euribor rate, the majority being re-fixed in the short-term. Regarding the portfolio spreads in force, the Bank considers that the current loan business takes place at a residual pace (and values) relative to the dimension of the portfolio, and that the transactions undertaken, as well as the respective spreads attributed, are affected by the specific characteristics of each transaction, not being representative of the remaining loan portfolio.

Based on the fact that the current spreads in force exceed the average spread of the loan portfolio, the Bank calculated the fair value of the portfolio considering an additional spread of 1%. Based on this analysis, application of the fair value in the "Loans and advances to customers" item would result in a decline in its value of approximately 4,329,341 euros (4,863,732 euros on 31 December 2016).

It is important to point out that loan operations with pledges on financial assets and loans attributed to employees and Group companies were not included in this analysis.

In addition, debt securities are recorded in the item "Loans and advances to customers", whose fair value is calculated in accordance with the methodology defined for the "Financial assets and liabilities held for trading" (see below).

- "Resources from customers and other loans": For term deposits of less than a year, the accounting value is considered a reasonable estimate of fair value. For other deposits, the contracted spreads do not differ much from those practised in the most recent operations;

- "Financial assets and liabilities held for trading" and "Financial assets available for sale": These instruments are already recorded at fair value, calculated according to:
    - Prices in an active market;
    - Indicative prices provided by the financial information media, namely Bloomberg, largely through the Bloomberg Generic index;
    - Valuation methods and techniques, where there is no active market, supported by:
        - mathematical calculations based on recognised financial theories; or,
        - prices calculated based on similar assets or liabilities traded in active markets or based on statistical estimates or other quantitative methods;
    - Indicative prices provided by issuers, essentially for those cases in which, given the specific characteristics of the security, it was not possible to use the valuation methods described above; or
    - Acquisition cost when it is considered to be similar to the fair value.

A market is considered active and therefore liquid when transactions take place regularly.

As at 31 December 2017 and 2016, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

2017						
		Financial instruments valued at fair value				
	Assets	Prices in as	Valuation techniques based on:			
	valued at acquisitions cost	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading						
- Securities	-	11,448,401	34,621,236	363,679	46,433,316	46,433,315
- Derivatives	-	1,874,127	-	-	1,874,127	1,874,127
Financial assets available for sale	-	-	72,333,867	7,358,448	79,692,315	79,692,315
Investments held to maturity	-	-	114,595,970	-	114,595,970	101,902,862
Loans and advances to customers - debt securities	177,102,823	-	55,285,107	-	232,387,930	72,102,703
	177,102,823	**13,322,528**	**276,836,180**	**7,722,127**	**474,983,658**	**302,005,323**
Liabilities						
Financial liabilities held for trading						
- Derivatives	-	-	1.838.728	-	1.838.728	1.838.728

2016						
		Financial instruments valued at fair value				
	Assets	Prices in as	Valuation techniques based on:			
	valued at acquisitions cost	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading						
- Securities	-	8,278,353	25,570,167	232,352	34,080,872	34,080,872
- Derivatives	-	-	1,910,002	-	1,910,002	1,910,002
Financial assets available for sale	-	812,801	83,233,013	5,729,602	89,775,416	89,775,416
Investments held to maturity	-	-	98,305,584	-	98,305,584	86,496,783
Loans and advances to customers - debt securities	17,969,041	-	67,512,058	-	85,481,099	85,224,449
	17,969,041	**9,091,154**	**276,530,823**	**5,961,955**	**309,552,972**	**297,487,522**
Liabilities						
Financial liabilities held for trading						
- Derivatives	-	-	1,478,437	-	1,478,437	1,478,437

The main assumptions used to draw up the tables above are the following:

- The values relative to prices in an active market correspond to equity instruments listed on a Stock Exchange (Level 1);
- The portfolio securities whose valuation corresponds to indicative bids supplied by contributors external to the Bank or prices divulged through the financial information media, namely Bloomberg, were also considered in "Valuation Techniques – Market data" (Level 2);
- The securities valued based on the Bank's internal models are presented in "Valuation techniques - Other" (Level 3). In addition, the financial assets and liabilities are classified at Level 3 if a significant proportion of its balance sheet value results from non-observable market inputs, namely:
  - Unlisted shares, bonds and derivative financial instruments that are valued based on internal models, with there being no general consensus in the market regarding which parameters to use; and
  - Bonds listed though indicative bids disclosed by third parties, based on theoretical models;
  - Closed Real Estate Investment Funds valued in accordance with the asset value disclosed by the respective Management Company; and
  - Derivative financial instruments not valued by the market.

Short-term investments in commercial paper, recorded in the trading portfolio, are valued at amortised cost, which does not differ significantly from fair value.

41. RECLASSIFICATION OF FINANCIAL ASSETS

IAS 39 (Amendment) and IFRS 7 (Amendment) – "Reclassification of financial assets" – With this amendment, approved by the IASB on 13 October 2008, it became possible to reclassify some financial assets classified as financial assets held for trading or available for sale into other categories. The reclassification of financial assets made up to 31 October 2008, benefitted from a transitional period, within the scope of which its application was permitted with retroactive effect to 1 July 2008.

As a result of the amendments to IAS 39 described above, Banco Invest reclassified bonds, with reference to 1 July 2008 (reclassification date), from "Financial assets held for trading", "Financial assets available for sale", "Loans and advances to customers" and "Investments held to maturity", as follows:

	Balance sheet value before reclassification	Reclassifications		Balance sheet value after reclassification
		Increases	Decreases	
Financial assets held for trading	106,016,910	-	(75,830,272)	30,186,638
Financial assets available for sale	206,991,461	18,822,059	(106,921,893)	118,891,628
Loans and advances to customers - debt securities	-	59,946,307	-	59,946,307
Investments held to maturity	10,278,861	103,983,798	-	114,262,659
	323,287,233	**182,752,165**	**(182,752,165)**	**323,287,233**

As at 31 December 2017 and 2016, the book value and fair value of the reclassified financial assets with reference to 1 July 2008 are as follows:

	2017		
	Balance sheet value on the reclassification date	Balance sheet value as at 31-12-2017	fair value as at 31-12-2017
Loans and advances to customers - debt securities	327,701	328,303	330,371
	327,701	**328,303**	**330,371**
Securities sold until 31 December 2008	-	n.a.	n.a.
Securities sold in 2009	-	n.a.	n.a.
Securities sold in 2010	-	n.a.	n.a.
Securities sold in 2011	-	n.a.	n.a.
Securities sold in 2012	-	n.a.	n.a.
Securities sold in 2013	182,752,165	n.a.	n.a.
Securities sold in 2014	-	n.a.	n.a.
Securities sold in 2015	12,585,879	n.a.	n.a.
Securities sold in 2016	1,029,264	n.a.	n.a.
Securities sold in 2017	(13,942,844)	n.a.	n.a.
	182,752,165	**328,303**	**330,371**

	2016		
	Balance sheet value on the reclassification date	Balance sheet value as at 31-12-2017	fair value as at 31-12-2017
Loans and advances to customers - debt securities	356,846	357,600	328,977
	356,846	**357,600**	**328,977**
Securities sold until 31 December 2008	1,046,135	n.a.	n.a.
Securities sold in 2009	31,918,772	n.a.	n.a.
Securities sold in 2010	53,293,236	n.a.	n.a.
Securities sold in 2011	28,197,278	n.a.	n.a.
Securities sold in 2012	13,574,736	n.a.	n.a.
Securities sold in 2013	23,660,808	n.a.	n.a.
Securities sold in 2014	17,089,211	n.a.	n.a.
Securities sold in 2015	12,585,879	n.a.	n.a.
Securities sold in 2016	1,029,264	n.a.	n.a.
	182,752,165	**357,600**	**328,977**

The fair value was calculated based on the methodologies described in Note 41.

After the reclassification date with reference to 01.07.08, the accumulated gains / (losses) associated to the change in the fair value not recognised in profit and loss and the other gains / (losses) recognised in reserves and in net income for 2017 and 2016, are as follows:

	2017				
	Gains / (losses) associated to changes in fair value not recognised in:			Other gains / (losses) recognised in:	
	Retained transitados	Annual do exercício	Reserves	Reserves	Net income
Financial assets available for sale	(1,840,580)	-	-	-	99,236
Loans and advances to customers - debt securities	(78,644)	-	(78,644)	-	6,182
	(1,919,224)	**-**	**(78,644)**	**-**	**105,418**

	2016				
	Gains / (losses) associated to changes in fair value not recognised in:			Other gains / (losses) recognised in:	
	Retained transitados	Annual do exercício	Reserves	Reserves	Net income
Financial assets available for sale	(1,065,439)	(1,039,500)	-	(31,189)	45,726
Loans and advances to customers - debt securities	-	408,531	-	-	-
	(1,065,439)	**(630,969)**	**-**	**(31,189)**	**45,726**

The values relative to gains / (losses) associated to the change in the fair value not recognised in net income for the year or in reserves correspond to gains / (losses) that would affect net income or reserves if the bonds were maintained in the "Financial assets held for trading" portfolio or "Financial assets available for sale" portfolio, respectively.

The values presented in Other gains / (losses) recognised in reserves and net income for the year include the amounts relative to interest, premiums / discounts and other expenses. The values presented in other gains / (losses) recognised in reserves refer to the change in the fair value of the financial assets available for sale after the reclassification date.

42. OWN FUNDS

The Group maintains a conservative policy with respect to own funds management, maintaining a solvency ratio above the minimum levels required by the regulatory authorities. The Group maintains a capital base composed exclusively by shareholders' equity, in addition to the capacity to issue several debt instruments.

The Group's own funds are monitored monthly to assess the institution's degree of solvency, with variations in relation to previous periods and the existing margin between real values and minimum capital requirements being analysed.

The procedures adopted to calculate the Bank's prudential ratios and limits are based on the regulations issued by the Bank of Portugal, the same being applicable to all the matters that fall within the scope of the supervisory functions of the banking system. Those standards represent the legal and regulatory framework of the various matters of prudential nature.

According to the calculation method indicated above and considering the net income for the year, as at 31 December 2017 and 2016, the Group presented a solvency ratio of 21.82% and 25.09%, respectively.

43. IFRS 9

Financial Instruments IFRS 9

In July 2014, the issued the final version of IFRS 9 - Financial Instruments. IFRS 9 enters into force for periods beginning on or after 1 January 2018, with permission for early adoption, and replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October2017, IASB issued "Advance Payments with Negative Compensation" (amendments to IFRS 9). The amendments are effective for annual periods beginning on 1 January 2019, with earlier application permitted.

The Bank will apply IFRS 9, as issued in July 2014, in the period beginning on 1 January 2018, and will anticipate the adoption of the amendments made to IFRS 9 on the same date. According to the evaluations made to date, the total estimated impact (net of taxes) of the adoption of IFRS 9 in the retained earnings of the Bank with reference to 1 January 2018 is approximately 335,000 million euros, representing:

- Decrease of, approximately, 208,000 euros related to impairment requirements (see (ii));
- Reduction of, approximately, 127,000 euros related to the changes in classification and measurement, which are not related to impairment (see (i) and (ii));

This evaluation is preliminary since the transition has not been finalised yet. The current impact of the adoption of IFRS 9 as at 1 January 2018 can still change due to the following reasons:

- IFRS 9 requires that the Bank review its accounting and internal control processes and these processes have not been finalised;
- The changes to the associated systems and controls have not yet reached a state of advanced maturity;
- The Bank has not yet completed the testing period, the evaluation of the existing controls in its IT system, as well as the changes to its Governance structure;
- The Bank is currently fine-tuning and finalising the ECL calculation model; and
- The new policies, assumptions, decisions and calculation methods applied are subject to changes until the Bank finalises its first financial statements that include the initial date of application.

Rating - Financial Instruments

IFRS 9 contains a new approach for classification and measurement of financial assets that reflects the business model used in the management of assets, as well as the characteristics of their cash flows.

IFRS 9 includes 3 main categories of classification of financial assets: measured at amortised cost, measured at fair value with changes in comprehensive income (FVOCI) and measured at fair value with changes in profit and loss (FVTPL). As a result, the "Held to Maturity", "Loans and Receivables" and "Available for Sale" categories in IAS 39 are eliminated.

A financial asset is measured at amortised cost if it complies with the following characteristics, and is not designated as FVTPL (use of the Fair Value Option):

- It is held in a business model whose main objective is the holding of financial assets to collect their contractual cash flows; and
- The contractual cash flows occur on specific dates and correspond solely to payments of principal and interest (SPPI) of the amount owed.

A financial asset is measured at amortised cost if it complies with the following characteristics, and is not designated as FVTPL (use of the Fair Value Option):

- It is held in a business model in which the objective is the collection of contractual cash flows and the sale of financial assets; and
- The contractual cash flows occur on specific dates and correspond solely to payments of principal and interest (SPPI) of the amount owed.

On initial recognition of an equity instrument which is not held for trading, the Bank can irrevocably designate it as FVOCI. This designation is conducted instrument by instrument.

All the financial assets that are not measured at Amortised Cost or FVOCI are measured at FVTPL. In addition, on initial recognition, the Bank can irrevocably designate a financial asset which otherwise complies with the requirements to be measured at amortised cost or at FVOCI, such as FVTPL if the designation significantly eliminates the accounting mismatch which would otherwise exist (Fair Value Option).

Under IFRS 9, derivatives embedded in financial assets are not separated for classification purposes, and the hybrid instrument is valued as a whole.

Assessment of Business Model

The Bank evaluated the business model at the portfolio level, which reflects how assets are managed and how information is made available to the management bodies. The information to be considered in this evaluation includes:

- The policies and objectives established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, on maintaining a specific interest rate profile, on matching assets and liabilities which finance them or in the realisation of cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Board of Directors;
- The evaluation of the risks that affect the performance of the business model (and of the financial assets managed under this business model), as well as the way these risks are managed;
- The remuneration of the business managers - e.g. the extent to which the compensation depends on the fair value of the assets under management or contractual cash flows received; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales, and expectations about future sales. However, sales information should be considered separately, but as part of an overall assessment of how the Bank establishes financial asset management objectives and how cash flows are obtained.

Financial assets held for trading and those that are managed and valued at fair value (Fair Value Option), will be measured at FVTPL, as they are not held either for the collection of contractual cash flows or for the collection of cash flows and sale of financial assets.

Assessment of contractual cash flows regarding exclusive receipt of capital and interest (SPPI)

In this assessment, "capital" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed, other risks and costs associated with the activity (e.g. liquidity risk and administrative costs) as well as a profit margin.

When evaluating the contractual cash-flows in relation to the receipt of capital and interest, the Bank considers the contractual terms of the instrument, which include the analysis of situations in which they may modify the timing and the amount of cash flows, so as not to meet this condition.

In the evaluation, the Bank will consider:
- Contingent events that will modify the timing and amount of cash flows;
- Characteristics that result in leverage;
- Advance payment and maturity extension clauses;
- Clauses that may limit the right to claim cash flows in relation to specific assets – e.g. contracts with clauses that prevent access to assets in case of default; and
- Characteristics that can change the compensation for the time value of money – e.g. periodic re-initiation of interest rates.

A prepaid contract is consistent with the SPPI criterion, if the prepayment amount represents unpaid principal and interest values of the amount of capital owed, which may include reasonable compensation for the anticipated payment.

Assessment of Impact

All the securities of the own portfolio were analysed with regards to compliance with the SPPI criterion, and some securities which did not comply with the criterion were reallocated to the fair value portfolio. The determined impact was not materially relevant.

II - Impairment - Financial Assets, Loans and Financial Guarantee Contracts

IFRS 9 replaces the "loss incurred" model in IAS 39 with an anticipated "expected loss" model.

This will require considerable decisions on how changes in economic factors will affect "ECLs", which will be determined on a probability-weighted basis.

The new impairment model is applicable to the following set of financial instruments that are not measured as FVTPL:
- Financial instruments that are debt instruments;
- Loans and contracts with financial guarantees issued (previously, the impairment was established in accordance with IAS 37 - Provisions, Liabilities and Contingent Assets).

Under IFRS 9, no impairment is recognised in equity investments.

IFRS 9 requires losses to be recognised in an amount of "ECLs" for a period of 12 months or "ECLs" for the entire duration of the contract. ECLs for the entire duration of the contract are the "ECLs" that result from all the possible defaults during the expected life of a financial instrument, while 12-month "ECLs" are the portion of ECLs that result from non-compliance events that are possible within 12 months after the reporting date.

The impairment requirements of IFRS 9 are complex and require judgement by management, forecasts and assumptions, particularly in the following areas, which are discussed in detail below:
- Verification of when the credit risk of an instrument has increased significantly since the initial recognition; and
- Incorporation of prospective information in the measurement of ECLs.

Measurement of ECLs

ECLs are an estimate of the probability of credit losses and will be measured as follows:

- Financial assets that hold credit impairment at the reporting date: the present value of all unpaid flows – i.e., the difference between the cash flows in debt to the entity according to the contract and the cash flows that the Bank expects to receive;
- Financial assets that hold credit impairment at the reporting date: the difference between the gross value held and the present value of the estimated future cash flows;
- Unused credit assets: the present value of the difference between contractual cash flows in debt to the Bank if the loan is paid in full, and the cash flows expected to be received by the Bank.

Definition of Default

Under IFRS 9, the Bank will consider its financial assets to be in default when:

- The debtor will not be able to pay its credit obligations in full, without the Bank's support in triggering the collateral (if any); or
- The debtor is in default for at least 90 days from any material obligation of the contract to be made with the Bank. Bank overdrafts are considered to be in default as soon as the client is in breach of a reported limit, or if it has been informed of a limit that is lower than the current amount held.

In verifying when the debtor is in default, the Bank will consider indicators that are:

- Qualitative: e.g. breaches of contractual clauses or covenants;
- Quantitative: e.g. default and non-payment of another obligation of the same issuer to the Bank;
- Based on data developed internally and obtained from external resources.

The evaluation of inputs, regarding default of a financial instrument and its significance, may vary over time in order to reflect changes in circumstances.

Significant increase in Credit Risk

Under IFRS 9, in determining that credit risk (i.e. default risk) has increased significantly in a financial instrument since its initial recognition, the Bank will consider reasonable and bearable information that is relevant and available at no great cost or effort, including both qualitative and quantitative information, and analysis based on the Bank's historical experience, technical credit analysis and forward-looking information.

The Bank will primarily identify how a significant increase in credit risk occurred by comparing:

- The probability of default (PD) for the remaining life of the contract at the reporting date; with
- The PD of the remaining contract life for the point in time which was estimated at initial recognition.

Assessing whether credit risk has increased significantly since the initial recognition of a financial instrument requires the identification of the initial recognition date of the instrument. For certain renewable credit instruments (e.g. credit cards and overdrafts), the date the credit was granted may have been a long time ago. Modification of the contractual terms of financial instruments may also affect the valuation, which is discussed below.

Determination of a significant increase in credit risk

The Bank has established a framework that incorporates qualitative and quantitative information to determine when the credit risk of the specific financial instrument has increased significantly since initial recognition. The structuring is aligned with the Bank's internal credit risk management. The criterion for determining when credit risk has increased significantly will vary between portfolios and will include a barrier based on the delinquency of the portfolios.

Under certain circumstances, using the judgment of experts and, where possible, relevant historical experience, the Bank shall determine that an exposure has experienced a significant increase in credit risk if the specific qualitative factors so indicate and if such indicators cannot be fully covered by the quantitative analysis carried out on a periodic basis. As a barrier, and as required by IFRS 9, the Bank will presumably consider that a significant increase in credit risk occurs at the maximum when an asset is in default after 30 days of delay. The Bank will determine the days of delay by counting the number of days elapsed since the due date, in respect of which the total payment has not been received:

- The criterion is capable of identifying significant increases in credit risk before an exposure is in default;
- The criterion is not aligned with the time during which the asset is in arrears at 30 days;
- The average time between identification and significant increase in credit and default risk appears reasonable;
- Exposures are not generally transferred directly from the 12-month ECL measurement to credit impairment;
- There are no unwanted volatilities in the loss adjustment, in ECL transfers from 12 months to ECLs for the remaining useful life.

Inputs in ECL measurement

The key inputs for measuring ECLs are predictably the following variables:

- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will derive from developed internal statistical models, and other historical data derived from regulatory models. They will be adjusted to reflect forward-looking information as described below.

Forward-looking Information

Under IFRS 9, the Bank incorporates forward-looking information both in assessing whether the credit risk of an instrument has increased significantly since initial recognition and in the measurement of ECLs.

The baseline scenario will represent the most likely outcome and will be aligned with the information used by the Bank for other purposes, such as strategic planning and budgeting. The remaining scenarios will represent scenarios of more optimistic or pessimistic results. The Bank will conduct periodic stress tests with more extreme shocks to calibrate and determine other representative scenarios.

iv. Modification and Derecognition of contracts

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and liabilities without significant changes.

However, it contains specific guidance for accounting when the modification of a financial instrument not measured to FVTPL does not result in derecognition. Under IFRS 9, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability), discounting modified contractual cash flows at the original effective interest rate and recognising any adjustment to gain or loss in profit or loss resulting from the modification. In accordance with IAS 39, the Bank did not recognise any gain or loss on results in the modification of financial liabilities and financial assets without signs of default that did not result in derecognition.

The Bank estimates an intangible impact arising from the adoption of these new requirements.

During 2017, the Bank established cross-cutting working groups, in conjunction with external consultants, for the development of new calculation methodologies, implementation of new procedures and analysis of impacts in the two major areas of IFRS 9: Reclassification of Portfolios and Credit Impairments.

Classification - Financial Instruments

The following own portfolio activities were developed:
- Impact on the financial statements from the reclassification of securities to the amortised cost portfolio, both at the moment of reclassification and at the level of impact on impairments;
- Development of the methodology to calculate impairments in terms of the portfolio recorded at amortised cost and fair value through reserves.

All the securities of the own portfolio were analysed with regards to compliance with the SPPI criterion, and some securities which did not comply with the criterion were reallocated to the fair value portfolio. The determined impact was not materially relevant.

Credit Impairments

Due to the profound changes arising from IFRS9, a decision was made to develop a totally new model to calculate credit impairment. To this end, a work group was established to develop the following tasks:
- New algorithm to calculate lifetime probabilities;
- Automatic application of lifetime PD to risk classes subject to collective analysis with delays of more than 30 days;
- Automatic determination of significant increase in risk;
- Definition of economic scenarios for estimated expected loss from a forward-looking perspective (in terms of PDs and LGDs).

Although an assessment of the impact of the adoption of the abovementioned standards and interpretations on the preparation of the Bank's financial statements is not yet available, the Board of Directors is of the opinion that their application shall not have a materially relevant impact.

The impact on the transition to IFRS 9 corresponds to an increase in impairments in a total amount of 208,485 euros and a loss of 127,478 euros, resulting from the reclassification of portfolios, according to the table below:

Impact IFRS 9 - Impairments	Dec-2017 (IAS 39)	Dec-2017 (IFRS 9)	Impact IFRS 9
General Credit	25,540,059.00	25,640,252.00	(100,193.00)
Credit with Guarantee Precious Metals	819,432.00	824,849.00	(5,417.00)
Auto Loans	1,797,135.00	1,797,135.00	-
Other Debtors	327,054.00	327,054.00	-
Portfolio Amortised Cost	299,347.00	347,911.49	(48,564.49)
Portfolio Fair Value by Reserves	-	54,310.52	(54,310.52)
			(208.485.01)

Impact IFRS 9 - Reclassification	Dec-2017	Dec-2017 (IFRS 9)	Impact IFRS 9
Reserves Portfolio Fair Value by Reserves	2,493,558.04	1,685,045.32	(808,512.72)
Transf. Securities Maturity by fair value (do not comply with SPPPI)			681,034.87
			(127,477.85)

44.NOTES RECENTLY ISSUED

The recently issued accounting standards and interpretations that entered into force and that the Group applied in the preparation of its financial statements are as follows:

IASB issued:
- On 19 January 2016 and applicable to periods beginning on, or after, 1 January 2017, amendments to IAS 12 aimed at clarifying the requirements for recognition of deferred tax assets for unrealised losses to resolve differences (adopted by the Regulation of the European Commission No. 1989/2017, of 6 November).
- On 29 January 2016 and applicable to periods beginning on, or after, 1 January 2017, amendments to IAS 7 - Disclosure Initiative, requiring companies to provide information on changes to their financial liabilities, making available information that assists investors in understanding companies' indebtedness (adopted by the Regulation of the European Commission No. 1990/2017, of 6 November).
- The annual improvements of the 2014-2016 cycle, issued by the IASB on 8 December 2016, introduce amendments to IFRS 12 (clarification of the scope of application of the standard), with effective date on or after 1 January 2017.

None of these amendments had an impact on the Group's financial statements.

IFRS 9 - Financial Instruments (issued in 2009 and amended in 2010, 2013 and 2014)

IFRS 9 was adopted by the Regulation of the European Commission No. 2067/2016, of 22 November 2016 (defining the entry into force at the latest as of the start date of the first financial year beginning on or after 1 January 2018).

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced the methodology of hedging. IFRS 9 (2014) made limited amendments to the classification and measurement contained in IFRS 9 and new requirements to deal with the impairment of financial assets.

The requirements of IFRS 9 represent a significant change of the current requirements set out in IAS 39, with respect to financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value offset against other comprehensive income (OCI) and fair value offset against profit and loss. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely related to the nominal amount and interest in force. If the debt instrument is held within a business model that both captures the contractual cash flows of the instrument and also captures them for sale, the measurement will be at fair value offset against other comprehensive income (OCI), with interest income continuing to affect results.

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable designation, on initial recognition, on an instrument-by-instrument basis, of presentation of the fair value movements through OCI. No amount recognised in OCI shall be reclassified to profit or loss at any future date. However, dividends generated by such investments are recognised as income in profit or loss rather than OCI, unless they clearly represent partial recovery of the investment cost. The remaining situations, both in cases in which the financial assets are held within a trading business model and in other instruments whose sole purpose is to receive interest and amortisation of capital, are measured at fair value offset against profit or loss.

This situation also includes investments in equity instruments, regarding which the entity fails to present the alterations of the fair value through OCI, which are therefore measured at fair value with the alterations recognised in profit or loss.

The standard requires that derivatives embedded in contracts whose master contract is a financial asset within the scope of application of the standard shall not be separated; on the contrary, the hybrid financial instrument is assessed in its entirety, and, if there are embedded derivatives, they will have to be measured at fair value through profit or loss.

The standard eliminates the existing categories currently in IAS 39, "held to maturity", "available for sale" and "accounts receivable and payable".

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, by option, and comes to enforce the separation of the change in fair value component attributable to the credit risk of the entity and its presentation in OCI rather than in profit or loss. With the exception of this change, IFRS 9 transposes in general the classification and measurement guidelines contained in IAS 39 for financial liabilities, with no substantial changes.

IFRS 9 (2013) introduced new requirements for hedge accounting that aligns the latter more closely with risk management. The requirements also establish a greater addressing of hedge accounting principles, resolving some weaknesses contained in the hedge model of IAS 39.

IFRS 9 (2014) establishes a new impairment model based on “expected losses” that will replace the current model based on “incurred loss” laid down in IAS 39.

Thus, the loss event no longer needs to exist before an impairment is constituted. This new model is intended to accelerate the recognition of losses through impairment applicable to debt instruments held, whose measurement is at amortised cost or at fair value, offset against OCI.

In the event that the credit risk of a financial asset has not increased significantly since its initial recognition, financial assets will generate a cumulative impairment equal to the expectation of the loss that can be expected over the next 12 months.

In the event that the credit risk has increased significantly, the financial asset will generate a cumulative impairment equal to the loss that can be expected up to maturity, thereby increasing the amount of impairment recognised.

Once the loss event occurs (currently known as “objective evidence of impairment”), the accumulated impairment is directly allocated to the instrument in question, its accounting treatment being similar to that laid down in IAS 39, including the treatment of respective interest.

IFRS 9 is applicable on or after 1 January 2018.

IFRS 15 - Revenue from contracts with customers

On 28 May 2014, the IASB issued the standard IFRS 15 - Revenue from Contracts with Customers. IFRS 15 was adopted by the Regulation of the European Commission No. 1905/2016, of 22 September 2016. It is of mandatory application in periods beginning on or after 1 January 2018.

Its early adoption is permitted. This standard revokes standards IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets from customers and SIC 31 - Revenue: Barter transactions involving advertising services.

IFRS 15 determines a model based on 5 steps of analysis in order to determine when the revenue must be recognised and for what amount. The model specifies that the revenue must be recognised when an entity transfers goods or services to the customer, measured as the amount which the entity expects to be entitled to. Depending on the fulfilment of certain criteria, revenue is recognised:

i) At the precise moment, when control of the goods or services is transferred to the customer; or
ii) Throughout the period, to the extent that it portrays the performance of the entity.

IFRS 16 - Leases

On 13 January 2016, IASB Issued the standard IFRS 16 - Leases, mandatory for periods beginning on or after 1 January 2019. The standard was endorsed in the European Union by the Regulation of the European Commission No. 1986/2017, of 31 October. Its early adoption is permitted provided that IFRS 15 is also adopted. This standard repeals IAS 17 - Leases.

IFRS 16 removes the classification of leases as operational or financial (for the lessor- the Client of the leasing service), treating all leases as financial.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from application of the requirements of the standard.

The Group has not yet carried out a full analysis of the impacts of applying this standard.

Standards, amendments and interpretations issued but not yet effective for the Group.

IFRS 14 - Regulatory Deferred Accounts

The IASB issued on 30 January 2014 a standard that defines provisional measures for first time adopters of IFRS standards and has a regulated rate activity.

The European Commission decided not to initiate the process of adoption of this interim standard and wait for the final standard.

This standard is not applicable to the Group.

IFRIC 22 - Transactions in foreign currency and consideration of advances

The interpretation of the new IFRIC 22 was issued on 8 December 2016 with a mandatory application date for periods beginning on or after 1 January 2018.

The new IFRIC 22 defines that, having occurred advance payments in foreign currency for asset acquisition, expense support or income generation, by applying paragraphs 21 to 22 of IAS 21, the transaction date that must be considered in assets, income (or part thereof) and liabilities' recognition is when the entity initially recognises the non-monetary asset or liability, resulting from the payment or receipt of the advance payment in foreign currency (or, if there were multiple advances, the rates in force in each advance).

The Group does not expect significant changes to take place in the adoption of this interpretation.

IFRIC 23 - Uncertainty about tax treatment of income tax

On 7 June 2017, an interpretation was issued on how to handle, for accounting purposes, uncertainties about tax treatment of income taxes, especially when tax legislation requires the payment to Authorities in the context of a tax dispute and the entity intends to appeal against the understanding behind such payment.

The interpretation has determined that the payment can be considered as a tax asset, if it is related to income taxes, in accordance with IAS 12, by applying the criterion of probability defined by the standard regarding the favourable outcome in favour of the entity on the matter concerned.

In this context, the entity may use the most probable amount method or, if the resolution can dictate ranges of values, use the expected value method.

IFRIC 23 is applied for years beginning on or after 1 January 2019 and may be adopted in advance. The Group does not expect significant changes to take place in the adoption of this interpretation.

Other changes

- On 20 June 2016 and applicable to periods beginning on or after 1 January 2018, amendments to IFRS 2 - Classification and Measurement of Share-based Share Transactions;

- On 8 December 2016 and applicable to periods beginning on or after 1 January 2018, amendments to IAS 40.

- Transfer of investment property clarifying the time at which the entity must transfer properties under construction or development from, or to, investment properties when there is a change in the use of such properties that is supported by evidence (other than that listed in paragraph 57 of IAS 40);

- The annual improvements of the 2014-2016 cycle, issued by the IASB on 8 December 2016, introduce changes with effective date of application for periods beginning on or after 1 July 2018 to IFRS 1 (elimination of the short-term exception for first-time IFRS applicants) and IAS 28 (measurement of an associate or joint venture at fair value).

- The improvements in the 2015-2017 cycle issued by the IASB on 12 December 2017 introduce changes, effective for periods beginning on or after 1 January 2019, to IFRS 3 (re-measurement of the holding previously held as a joint venture when it obtains control over the business), IFRS 11 (non-re-measurement of the holding previously held in the joint venture when it obtains joint control over the business), IAS 12 (accounting of all tax consequences of dividend payments consistently), IAS 23 (treatment as general loans any loan originally made to develop an asset when it becomes fit for use or sale).

The Group does not anticipate any impact on the application of this change in its financial statements.

6. Legal Certification of Accounts

6. Legal Certification of Accounts

KPMG

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LEGAL CERTIFICATION OF ACCOUNTS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the attached consolidated financial statements of Banco Invest, S.A. (Group), which consist of the consolidated balance sheet as at 31 December 2017, which reports total assets of 618,642,541 euros and total shareholders' equity attributable to the Bank's shareholders of 105,424,519 euros, including net income attributable to the Bank's shareholders of 5,793,594 euros, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement relative to the year ended on that date, and the notes attached to the consolidated financial statements which include a summary of the significant accounting policies.

In our opinion, the attached consolidated financial statements present a true and fair view, in all relevant material aspects, of the consolidated financial position of Banco Invest, S.A. on 31 December 2017 and its consolidated financial performance and cash flows relative to the year ended on that date, according to the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for our opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Association of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and have fulfilled our other ethical responsibilities in accordance with the code of ethics of the Portuguese Association of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Relevant audit matters

Relevant audit matters are those that, in our professional judgement, had the greatest importance in the audit of the consolidated financial statements of the current year. These matters were considered within the context of the audit of the consolidated financial statements as a whole, and in forming our opinion, but we did not issue a separate opinion on these matters.

Impairment for the risk of loans and advances to customers

As at 31 December 2017, impairment losses for the risk of loans and advances to customers and provisions for guarantees and commitments assumed come to 28,783,027 euros, as referred to in note 9 attached to the financial statements.

The risk	Our response to the identified risk
The Group assesses periodically whether there is objective evidence of impairment in its loan portfolio, following, as referred to in note 2.4.d) attached to the financial statements, two methods: (i) individual analysis and, (ii) collective analysis. Individual analysis is based on the assessment of the existence of impairment losses on a case-by-case basis, considering the total exposure of a specific client. Regarding loans for which no objective evidence of impairment is identified, these are grouped based on similar risk characteristics with the objective of determining impairment losses in collective terms. Collective analysis is based on estimates and assumptions that take into consideration (i) the historical experience of losses in loan portfolios with similar risk, (íi) knowledge of the economic and lending climate and of its influence on the level of historical losses and, (iii) the estimated period between the occurrence of loss and its identification. Based on the characteristics of the loan portfolio and the impairment determination methodology used, a significant part of customers is subject to individual impairment analysis.	Within the scope of our audit, we carried out, among others, the following procedures: * Assessment of the design and implementation of the main controls defined by the Group in terms of the process of identification and calculation of the impairment losses; * Analysis of individual loans, for a group of selected loans regarding which the assumptions underlying the identification and quantification of impairment, including (i) the evaluation of existing collateral and, (ii) the estimates of recovery in the event of non-performance, are assessed; * For loans whose impairment losses are determined on a collective basis, we tested, with the support of our specialists in this area, the underlying models, including the process of approval and validation of the latter. In addition, we tested the suitability and accuracy of the significant assumptions used by the model, including the key attributes for their classification; * Review of the disclosures of the Group, in accordance with the applicable accounting standard.

Impairment for the risk of loans and advances to customers

The risk	Our response to the identified risk
The impairment assessment process includes various estimates and judgements by the Group. This process takes into consideration factors such as the probability of default, credit ratings, the value of collaterals associated to each operation, recovery rates and estimates of both future cash flows and of the moment of their receipt. The use of alternative methodologies and of other assumptions and estimates could result in different levels of recognised impairment, with the consequent impact on the Group's net income.	

Measurement of the securities portfolio (including recognition of impairment)

As at 31 December 2017, the portfolios of financial assets available for sale, investments held to maturity and financial assets held for trading reached a total of 79,692,315 euros, 101,902,862 euros and 48,307,443 euros, respectively, in accordance with notes 7, 10 and 8 attached to the consolidated financial statements.

The risk	Our response to the identified risk
The measurement of the assets recorded in the portfolios of financial assets available for sale and held for trading is at fair value according to the respective accounting policies pursuant to sub-paragraphs i) and ii) of note 2.4 a) attached to the consolidated financial statements. The financial assets of the portfolio of investment held to maturity are recorded at amortised cost. For the portfolios of financial assets available for sale and investments held to maturity, the Entity determines the existence of impairment when there is a continued devaluation or a significant devaluation of its fair value pursuant to paragraph d) of note 2.4 attached to the consolidated financial statements. The fair value for the majority of assets that compose the portfolio is determined directly with reference to an official active market or through price providers. As referred to in note 2.4 attached to the consolidated financial statements, valuations are obtained through market prices or valuation models which require the use of specific assumptions or judgements in the establishment of fair value estimates.	Within the scope of our audit, we carried out, among others, the following procedures: * Assessment of the design and implementation of the main controls carried out by the Entity in terms of the measurement of its investment portfolio. Their operational effectiveness was also assessed for a number of key controls; * Testing the valuation of the investment portfolio, with a view to assessing the reasonability of the fair value recognised by the Entity; * Tests to assess impairment losses; and * Review of the disclosures of the Entity, in accordance with the applicable accounting standard.

Measurement of non-current assets held for sale

As at 31 December 2017, non-current assets held for sale, net of impairment, came to 19,934,793 euros, as referred to in note 11 attached to the consolidated financial statements.

The risk	Our response to the identified risk
Non-current assets held for sale are classified in this way when there is the intention of disposal, those assets are available for immediate sale and its sale is highly probable. According to the accounting policy referred to in note 2.5 attached to the consolidated financial statements, non-current assets held for sale are measured at the lower of their cost or fair value less the respective sales costs. The fair value of these assets is based on the market value, determined in accordance with the expected sale price obtained through periodic evaluations conducted by independent expert appraisers and includes various assumptions about the evolution of the real estate market and the strategic guidelines of the Group for those assets.	Within the scope of our audit, we carried out, among others, the following procedures: ■ Analysis of the design and implementation of the key controls defined by the Group associated to the process of measurement of the non-current assets held for sale. Their operational effectiveness was also assessed for a number of key controls; • Verification, for a number of selected items, of the reasonableness of the valuation attributed to the non-current assets held for sale based on the evaluations conducted, including assumptions used by independent experts, and analysis of the respective recognised impairment loss; - Confirmation, for a number of selected items, of the ownership of the non-current assets held for sale;

Measurement of non-current assets held for sale (continuation)

The risk	Our response to the identified risk
This area involves a significant degree of judgement by the Board of Directors of the Group. The use of alternative methodologies and of other assumptions and estimates could result in different evaluations and, consequently, in their measurement and levels different from the recognised impairment losses, with the consequent impact on the Group's net income and shareholders' equity.	* Review of the disclosures of the Group, in accordance with the applicable accounting standard.

Resolution Fund

The risk	Our response to the identified risk
In 2013 and within the scope of the legislative changes resulting from Decree-Law No. 24/2013, the Resolution Fund ('RF') was created. As a result of the resolution measures approved on 3 August 2014 and 19 December 2015 relative to Banco Espírito Santo, S.A. ('BES') and Banco Internacional do Funchal, S.A. ('BANIF'), respectively, the RF became the owner of 100% of the share capital of the entities that resulted from the mentioned measured (Novo Banco, S.A. and Oitante, S.A.). To carry out a capital injection and assume other responsibilities and contingent liabilities the RF obtained financing from the Portuguese State and from a bank syndicate (where the Group is included) i) in the amount of 3,900,000 euros and 700,000 euros, respectively for Novo Banco, S.A. and ii) 489,000 euros for Oitante, S.A. The financing for the resolution of BES was initially contracted with a maturity until 4 August 2016, with a subsequent extension to December 2017. The financing for the resolution of BANIF was initially contracted with a maturity until 2020.	Within the scope of our audit, we carried out, among others, the following procedures: Analysis of the public communications of the Resolution Fund and Office of the Finance Minister relative to the changes that took place in the RF's situation in 2017, namely as a result of the sale of Novo Banco. Reading of the Report and Accounts of the RF relative to 2016; Review of the accounting framework of the contributions to the RF; Review of the disclosures conducted by the Group, in accordance with the applicable accounting standard.

Resolution Fund (continuation

The risk	Our response to the identified risk
As at 21 March 2017 the renegotiation of the financing conditions granted by the Portuguese State and by the bank syndicate was completed, with a new maturity date of December 2046 and the updating of the conditions having been determined. The purpose of this change was to guarantee that the RF was able to comply with its responsibilities based on the annual contributions made by its participants and mitigate the risk of the need to resort to extraordinary contributions. According to the new contracts, the responsibilities of the RF towards the Portuguese State and the bank syndicate shall be treated pari passu. In spite of the adjustment of maturities with a view to mitigating the risk of the need for extraordinary contributions, it must be taken into consideration that the RF has limited sources of income, being limited to the periodic contributions of the participants and contribution on the banking sector, which are also used to meet any other responsibilities that the RF may assume. At the end of 2017, the RF sold 75% of the shareholding in Novo Banco, S.A. to Lone Star. There is, at this time, no additional information enabling the estimation of any future additional impacts of this operation on the RF. Based on the information available and existing positions, for the purposes of preparation of the financial statements as at 31 December 2017, it was considered that no other extraordinary contributions will be required from the Group for this purpose, to finance the respective responsibilities, beyond those that result from the ordinary contributions recorded in accordance with the applicable standard (IFRIC 21).	

Other matters

The financial statements with reference to the year ending 31 December 2016, presented for comparative purposes were examined by another Firm of Statutory Auditors, which issued a Legal Certification of Accounts dated 16 May 2017 without reservations or emphasis. Our acceptance as auditors occurred on 8 November 2017 to conduct the legal certification of the accounts of the year ended on 31 December 2017.

Responsibilities of management and of the supervisory body for the consolidated financial statements

Management is responsible for:
* the preparation of the consolidated financial statements that present a true and fair view of the financial position, financial performance and cash flows of the Group according to the International Financial Reporting Standards (IFRS) as adopted by the European Union;
* the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory rules;
* the creation and maintenance of an appropriate internal control system to permit the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
* the adoption of appropriate accounting policies and criteria under the circumstances; and
* the evaluation of the capacity of the Group to continue its operations, disclosing, when applicable, matters that may raise doubts about the continuity of its activities.

The supervisory body is responsible for the supervision of the process involving the preparation and disclosure of the financial information of the Group.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
* identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
* obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
* evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
* conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
* evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
* obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

* communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
* of the matters communicated to those charged with governance, including the supervisory body, we determine those that were most significant in the audit of the consolidated financial statements for the current year and that are the relevant audit matters. We describe those matters in our report, unless their public disclosure is prohibited by law or regulation; and
* declare to the supervisory board that we complied with the ethical requirements relative to independence and communicated all our relations and other matters that can be perceived as threats to our independence and, when applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the management report is consistent with the consolidated financial statements and the verifications set out in paragraphs 4 and 5 of article 451 of the Portuguese Commercial Companies Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Management report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Commercial Companies Code, it is our understanding that the management report has been prepared in accordance with applicable legal and regulatory requirements, that the information included in the management report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified. As foreseen in paragraph 7 of article 451 of the Portuguese Commercial Companies Code, this opinion is not applicable to the non-financial statement included in the management report.

Corporate governance report

In compliance with paragraph 4 of article 451 of the Portuguese Commercial Companies Code, it is our understanding that the corporate governance report includes the elements required from the Group in terms of article 245-A of the Portuguese Securities Code, with no material misstatements having been identified in the information disclosed therein, complying with sub-paragraphs c), d), f), h), i) and m) of the mentioned article.

Additional elements foreseen under article 10 of Regulation (EU) No. 537/2014

In compliance with article 10 of Regulation (EU) No. 537/2014 of the European and of the Council, of 16 April 2014, and in addition to the relevant audit matters indicated above, we also declare the following:

* We were appointed auditors of the Group for the first time at the general meeting held in September 2017 for a 4-year mandate from 2017 to 2020.
* Management has confirmed to us that it has no knowledge of the occurrence of any fraud or suspicion of fraud with a material impact on the financial statements. In the planning and performance of our audit in accordance with ISAs we maintained professional scepticism and designed audit procedures responsive to the possibility of material misstatement of the consolidated financial statements due to fraud. As a result of our audit, we have not identified any material misstatements in the consolidated financial statements due to fraud.
* We confirm that the audit opinion that we issued is consistent with the additional report that we prepared and submitted to the supervisory body of the Bank on 10 May 2018.
* We declare that we have not provided any forbidden services according to paragraph 8 of article 77 of the Statutes of the Portuguese Association of Statutory Auditors and that we maintained our independence relative to the Group during the performance of the audit.

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
representada por
Miguel Pinto Douradinha Afonso (ROC n.º 1454)

7. Board of Auditor's Report

7. Board of Auditor's Report

BOARD OF AUDITOR'S REPORT

CONSOLIDATED ACCOUNTS

To the Shareholders
of Banco Invest, S.A.

In compliance with current legislation and the powers conferred on us, we hereby submit for your consideration our Report and Opinion on our activity along with the documents rendering the consolidated accounts of Banco Invest, S.A. (Bank) relating to the financial year ending on 31 December 2017, which have been prepared by the Board of Directors.

We accompanied, with the frequency and to the extent we deemed appropriate, the operations of the Bank and of the main companies included in the consolidation, the management acts of the Boards of Directors, the orderliness of its accounting entries and their compliance with statutory and legal requirements in force and instructions issued by the Bank of Portugal, having received from the Board of Directors and the various departments of the Bank all the information and clarifications requested. We also verified the effectiveness of the risk management, internal control and internal audit systems.

Our examination included the consolidated financial statements of the Bank as at 31 December 2017, which consist of the balance sheet, the consolidated income statement, the income and comprehensive income statement, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the financial year ending on that date and the respective notes to the accounts, including the accounting policies and valuation criteria adopted. In addition, we conducted an analysis of the Management Report for 2017 prepared by the Board of Directors, which, in our opinion, clarifies the main aspects of the consolidated activity of the Bank in 2017.

We monitored the work conducted by the Bank's Audit Firm over the year and examined the content of the Legal Certification of Accounts relative to the consolidated accounts, dated 10 May 2018, which contains no reservations or emphasis and with which we agree.

In light of the above, we are of the opinion that the aforementioned consolidated financial statements and the Consolidated Management Report, as well as the proposal for the appropriation of results set forth therein, comply with the applicable accounting, legal and statutory provisions, for the purposes of their approval by the Shareholders' General Meeting.

We would also like to thank the Board of Directors and the various departments of the Bank for their help and cooperation.

Lisbon, 11 May 2018

The Board of Auditors

Artur Carmo Barreto
Chairman

Rosende José
Member

Vítor Hugo Moreira Ferréira Lemos Sousa
Member

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