REPORT AND CONSOLIDATED ACCOUNTS '18

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

Helena Isabel Nunes Menúria Neves Francisco

Paula Alexandra Silva dos Santos Viegas

Board of Directors

Charmain

Afonso Ribeiro Pereira de Sousa

Deputy Charmain

António Miguel Rendeiro Ramalho Branco Amaral

Members

Francisco Manuel Ribeiro

Luís Miguel da Rocha Barradas Ferreira

Marília Boavida Correia Cabral

Alexandre Wende Dias da Cunha

Carlos António Antolin da Cunha Ramalho

Miguel Alves Ribeiro Fontão de Carvalho

Audit Board

Charmain

AJean-éric Gaign

Members

José Manuel Lopes Neves de Almeida

Luis Alberto Monsanto Póvoas Janeiro

Statutory Auditor

KPMG, SROC, SA, represented by Miguel Afonso

2. Mail Financial indicators

2. Main Financial Indicators

Indicators (Euros)	2015	2016	2017	2018
Net interest income	12,251,235	12,991,062	16,433,483	20,415,619
Net income from financial operations	7,350,129	4,424,794	4,321,877	-689,976
Net fees and commissions income	1,711,339	2,298,047	5,393,738	6,986,101
Other operating income / (losses)	-2,856,559	-186,345	134,391	1,993,808
Net operating revenue	**18,456,144**	**19,527,558**	**26,283,489**	**28,705,552**
Staff costs	-5,396,517	-6,716,762	-8,386,236	-10,153,804
Other administrative costs	-4,643,361	-5,068,711	-6,285,362	-7,692,853
Overheads	**-10,039,878**	**-11,785,473**	**-14,671,598**	**-17,846,657**
Amortisations and depreciations	-455,811	-712,616	-930,497	-945,379
Net provisions and impairments	-5,453,719	-703,718	-2,852,026	-577,270
Income before taxes	**2,506,736**	**6,325,751**	**7,829,368**	**9,336,246**
Income taxes	355,007	-2,250,712	-1,981,164	-248,955
Non-controlling interests	7,176	-69,961	-54,610	-54,216
Net income for the year	**2,868,919**	**4,005,078**	**5,793,594**	**9,033,075**
Comprehensive income	**-3,520,104**	**3,783,273**	**4,248,698**	**7,519,812**
Net credit extended (1)	246,931,130	229,029,588	328,848,647	545,042,001
Loans and advances to customers	137,356,950	144,158,935	257,045,291	312,163,551
Loans portfolio (2)	109,574,181	84,870,653	71,803,356	232,878,450
Funds attracted	495,123,016	394,658,209	497,241,828	643,052,322
Shareholders' equity	**100,054,973**	**103,082,651**	**106,391,777**	**112,896,361**
Net assets	**603,426,834**	**506,320,442**	**618,643,091**	**772,076,755**
Transformation ratio	40.6%	41.0%	57.0%	53.5%
Liquidity coverage ratio (LCR)	141.9%	205.7%	269.9%	220.4%
Cost-to-income ratio	56.9%	64.0%	59.4%	68.5%
Net interest income (as % of Net operating revenue)	66.4%	66.5%	62.5%	71.1%
Provisions and impairments (as % of Net operating revenue)	-29.5%	-3.6%	-10.9%	-2.0%
Common equity tier 1 ratio (CET1)	18.3%	23.7%	20.3%	17.3%
Total solvency ratio	18.5%	23.7%	21.8%	18.1%
RWAs (as % of Total assets)	85.4%	77.5%	71.2%	74.2%%

(1) Financial assets at amortised cost, in 2018
(2) Securities portfolio at amortised cost, in 2018

3. Banco Invest

3. Banco Invest

Who we are

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 monitoring, 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 Security, 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 2018, the Bank's solvency ratio stood at 18.1% and Resources from Customers reached 583.4 million euros, corresponding to an annual average growth of 20.3% since 2008. Last year, net operating revenue surged 2.4 million euros (9.2%) to 28.7 million euros.

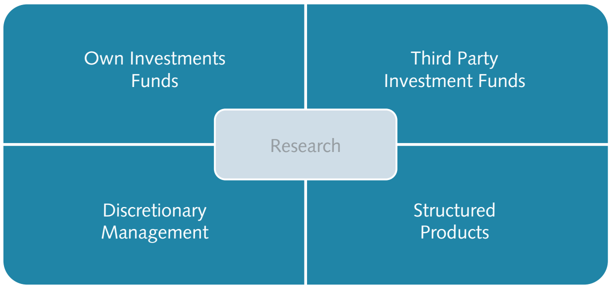
What we do

Banco Invest is specialised in the management of the 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 six main business areas: Asset Management, Brokerage, Specialised Credit, Institutional Custody, Corporate Finance 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. The first is mainly composed of bonds and the second invests in the Portuguese and Spanish stock markets.

For the remaining geographies and classes of assets, 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. The majority 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 32 thematic portfolios that reflect market trends and investment strategies that offer long term growth potential. The portfolios are exclusively composed of investment funds and constructed 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 structured deposits and others without guaranteed capital (notes). It is also responsible for the production of research and material supporting the sale of products on offer to Bank customers.

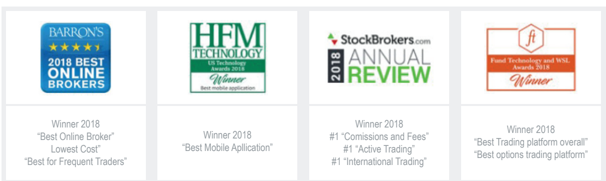
Structured Products

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, Invest BTrader Plus and Invest BTrader Next 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



The 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, Popular Economic Credit (CEP) and BI Credit.

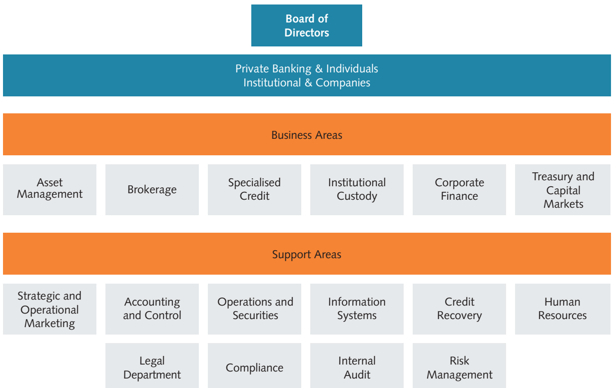
The Corporate Finance area, operating under the **Invest Corporate Finance** brand, is composed of a team with more than 25 years of experience in domestic and cross-border transactions. The services offered include Corporate Finance Advisory Services (e.g. Mergers and Acquisition Consultancy, Valuation of Companies, and Strategic and Financial Consulting, among others) and Capital Market Transaction Advisory Services (e.g. Bond Issuance, Syndicated Loans, Project Finance, and Commercial Paper, among others). Banco Invest is an exclusive member for Portugal of IMAP, an international network of merger and acquisition advisory services with a presence in 40 countries. In 2018, operations carried out by the IMAP network came to approximately 10 billion US dollars.

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. The definition of overall and partial risk limits is 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 the Financial Department to manage the Bank's exposure to each market risk within the defined risk limits.

Organisation of the Bank



Over the course of the year, the Bank reinforced its commercial capacity with the creation and development of an external network of **Private Financial Advisers**, with extensive professional experience in banking and financial services, distributed throughout the various regions of the country. At the end of 2018, 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, and of 14 Private Financial Advisers.

Awards

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

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), for the second consecutive year.

Also noteworthy was winning, for the third time, the Best Performance Portugal award, attributed by Structured Retail Products (SRP), a company of the prestigious Euromoney Institutional Investor PLC group, which assesses about 19 million structured products issued in 54 countries (values with reference to May 2018). The award ceremony was held in February 2019.

Highlights of the financial year

2018

March	Launch of the mergers and acquisitions, capital market, project finance, asset finance and acquisition finance advisory services business, under the Invest - Corporate Finance brand.
March	Launch of the new trading platform - BTrader Next, designed for both novice investors and more experienced traders. This new platform allows online access to more than 10,000 derivatives from a desktop, tablet or mobile phone.
December	Invest Gestão de Activos – SGFIM ended the year with a 34.2% growth of its assets under management.

4. Macroeconomic background

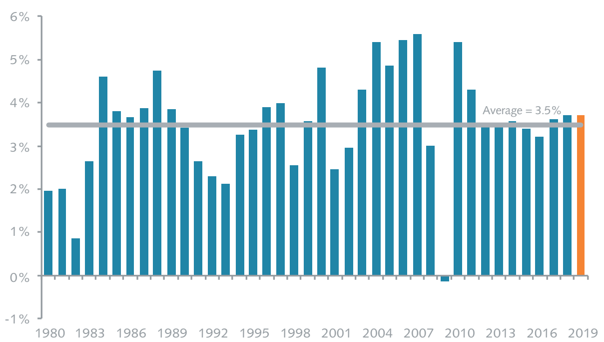
Global economy

The world economy grew 3.7% in 2018, up 0.1 percentage points (pp) over the previous year, according to the main official estimates. After a period marked by some synchronisation, global growth in 2018 was characterised by a greater dispersion of growth rates among the various geographies, a trend that is expected to continue in 2019.

In the United States, Gross Domestic Production (GDP) growth accelerated from 2.2% in 2017 to 2.9% in 2018. For 2019, the world's largest economy is expected to slow to 2.6%, as the effects of the fiscal stimuli of 2017 and 2018 begin to dwindle and the impact of fiscal policy on economic activity becomes more neutral. In turn, the annual inflation rate, in spite of the increase registered last Summer, slowed to 1.9% at the end of 2018, down a mere 0.2 pp relative to the end of the previous year. For 2019, the inflation rate is expected to rise slightly to the 2.4-2.5% range, reflecting the labour market conditions and the increase in discretionary consumption.

Economic growth in the eurozone reached a peak in 2017, having increased to 2.3%, and is expected to have decelerated to 2.0% in 2018, as a result of the decline in business confidence brought about by the trade protectionism of the United States, political uncertainty surrounding Brexit and the new Italian government. In spite of the expected slowdown, 2019 will be the sixth year of consecutive growth, with a GDP increase of 1.9%, underpinned by the growth of consumption and employment. The inflation rate increased during 2018, from 1.3% in January to 1.5% in December 2018, driven mainly by energy prices. In effect, excluding energy and food costs, the core inflation rate remained almost unchanged, at around 1%.

Growth of the world economy



Source: FMI

Emerging and developing economies, according to the IMF's latest estimates, are expected to grow 4.7%, on average, in 2019. The dispersion among these countries remains, however, high. China is expected to continue to slow down, from 6.6% to 6.2%, while India will maintain its current growth of 7.4% in 2019. The Brazilian economy is expected to accelerate from 1.2% this year to 2.1% in the following year. Russian GDP, in turn, is expected to maintain its rate of growth at about 1.8%. One of the areas of concern over the last few months has been the slowdown of the Chinese economy, which is based on two key factors. Firstly, credit growth has abated, dampening the growth of domestic demand. Over the last few years, indebtedness has increased considerably (for example, in the first quarter of 2018, household debt came to about 49% of GDP, compared with an average of 29% between 2006 and 2018), which is why the authorities have sought to reign in its growth to more sustainable levels. Secondly, concerns regarding the trade war with the United States weighed on investor and stock market sentiment, accentuating the contraction in domestic demand.

Portuguese economy

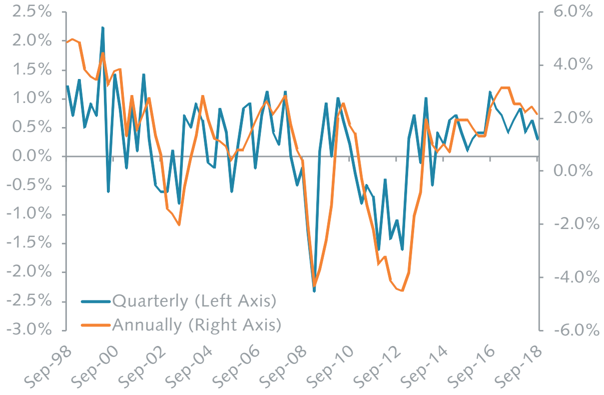
According to the latest official estimates, GDP growth is expected to remain at around 2% in 2019 (2.1% in 2018), buoyed by domestic demand and exports. More specifically, private consumption is expected to remain strong, in line with the fall in the unemployment rate, which is expected to decrease from 7.0% in 2018 to 6.2% in 2019. Private investment, which in 2018 increased 3.9%, is expected to accelerate in 2019 by 6.6%. In contrast, public consumption is expected to remain relatively stable, up 0.1% in 2019, after having increased 0.7% in 2018.

On the external side, exports are expected to register an average annual growth of around 3.7% in 2018 and 2019, which corresponds to a deceleration relative to the very high pace of growth recorded in 2017. The contraction in exports in the first half of 2018 was common to the eurozone, in the context of a slowdown in global activity and trade tensions between the United States and China. On the other hand, the slowdown in exports also reflects the slower growth of tourism over the course of 2018, which is common to other countries in the south of Europe, as a result, among other reasons, of the recovery of some rival destinations.

The inflation rate, which in December 2018 came to 0.7%, is expected to increase during 2019 to 1.4%. The gains in terms of employment and salaries, in a context of relatively stable economic growth, are expected to contribute to this increase.

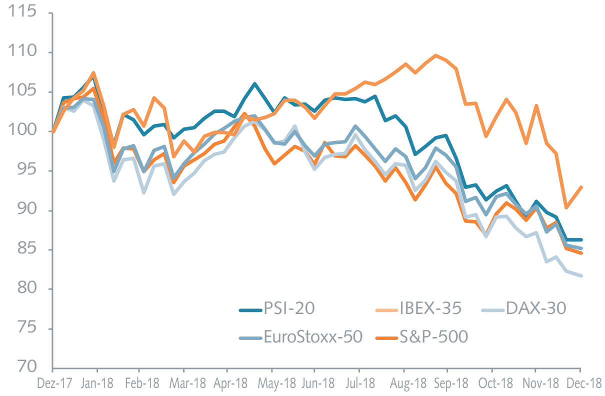
The main risks for this macroeconomic scenario include the effects of interest rate increases on national public debt, provoking stress in a financial system that is still grappling with a high level of non-performing loans, and the rise in oil prices, considering that Portugal is a net importing country of this raw material.

Domestic GDP Growth



Source: Bloomberg

Equity Markets



Source: Bloomberg. Local currency.

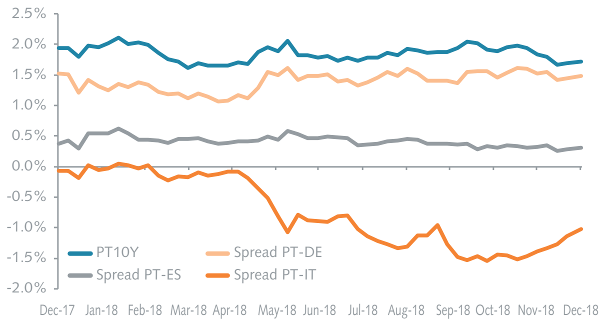
Financial Markets

The year of 2018 was marked by increased volatility and broad-based declines in global stock market indices, especially in the fourth quarter, where European political and social themes such as Brexit, the Italian budget and the opposition to the French president, in conjunction with the trade war between the United States and China added to instability in financial markets.

In the United States, after registering a new historical maximum last September, the S&P-500 index experienced its largest quarterly drop since 2011 (-14%), ending 2018 down 6.2% since the beginning of the year. In turn, the Nasdaq technological index lost 1% in total in 2018, following a correction of 17% in the last quarter of the year. In Europe, most indices registered significant annual losses, with emphasis on the German (DAX-30, -18.3%), Italian (MIB, -16.1%) and Spanish (IBEX-35, -15.0%) markets. The British FTSE-100 index lost 12.5%, penalised by the uncertainty resulting from Brexit. In turn, emerging markets corrected from their strong gains in 2017, with a drop of 16.6%, in USD, as measured by the MSCI Emerging Markets index.

As in equity markets, bond performance in 2018 was characterised by increased volatility and broad-based losses, particularly in the private debt segment. In effect, the Investment Grade bond credit spreads increased about 40 bps on average, and in the High Yield segment the increase reached 199 and 143 bps in Europe and in the United States, respectively. Both the increased volatility in equity markets and the significant widening of the risk premium of Italian debt following the tug-of-war between the new Italian government and the European Commission, surrounding the state budget for 2019, contributed to this increase in risk aversion. Indeed, the differential between 10-year Italian and German yields increased 91 bps to 250 bps at the end of the year, well above the national risk premium, which remained relatively stable in 2018 at around 150 bps.

10-year Portuguese yield



Source: Bloomberg

In 2018, in foreign exchange markets, the US dollar recovered from its strong decline in the previous year, having appreciated 4.4%, as measured by the Dollar Index. The good performance of the North American economy, driven, among other factors, by the growth in employment and consumption, as well as the increase in interest rates by the Federal Reserve to the current 2.25%-2.50% range, contributed to this appreciation. On the contrary, emerging currencies registered significant declines, with emphasis on the Turkish Lira and the Argentinian Peso with losses of 28% and 51% against the US Dollar, respectively.

5. Business

Balance Sheet and Net Income

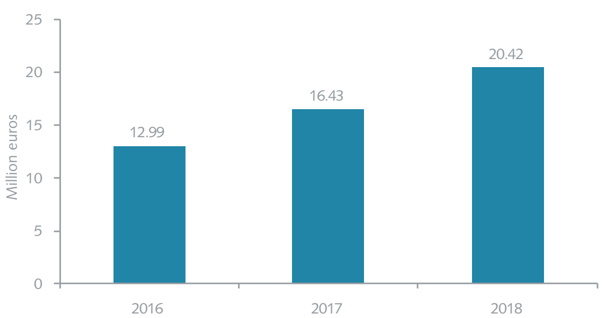
In 2018, the assets of the Portuguese banking system reversed its downward trajectory observed over the last few years, having increased 0.6% until the end of the third quarter of the year, according to the Portuguese Banking Association (APB). At the same time, the quality of the assets continued to improve, with a decline in the Non-Performing Loans (NPL) ratio to 11.3%, down 2 percentage points (pp) relative to the end of 2017. The decline of this ratio was more significant in the private customers segment (mortgages), whose NPL stock fell 1,237 million euros (-19.6%) over the same period. Another positive point is the average NPL coverage ratio of the sector which stood at 53.2% in September 2018, well above the 38.5% registered at the end of 2014.

In terms of profitability, in the first nine months of 2018, the profitability of the banking system increased significantly relative to the end of the previous year: the return on equity grew 5.4 pp to 8.7%, and the return on assets increased 0.5 pp to 0.8%. The positive performance of the profitability of the sector reflected, primarily, a reduction of the flow of provisions and impairments, from 31.5% to 14.2% of net operating revenue.

In this context of improvement of the quality metrics of assets and profitability, Banco Invest maintained the growth trajectory above the average of the national banking system. Net Income came to 9.0 million euros, up 55.9%, and Net Operating Income grew 2.4 million euros (9.2%) to 28.7 million euros.

Net Interest Income grew 4.0 million euros (24.2%) to 20.4 million euros, reflecting the increase of the portfolio of loans granted. The auto loans portfolio closed the year at 168.4 million euros, being responsible for most of the growth of loans granted.

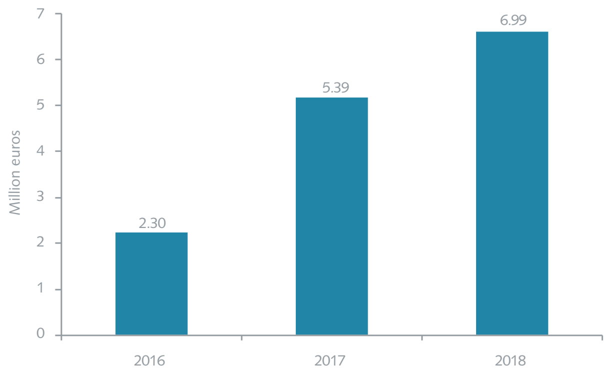
Net Interest Income



Source: Banco Invest

Net fees and commissions income increased by 1.6 million euros (29.5%) to 7.0 million euros. Commissions on credit operations and service rendered, which increased 12.7% and 64.7%, respectively, contributed the most to this increase.

Net Commissions



Source: Banco Invest

Net Income from Financial Operations came to -690 thousand euros, having been negatively impacted by the increase in credit spreads in financial markets in 2018.

Net impairments for the year increased by a total of 552.5 thousand euros, benefitting from a reduction of 331 thousand euros relative to loans and advances to customers, with impairments of securities and other assets having increased 249 and 635 thousand euros, respectively. The total value of impairments represented 1.9% of Net Operating Revenue, which is still far below the average for the sector (14.2% in September 2018).

Accumulated impairments (book value) for General Credit (Real Estate Non-Housing) and Lending Credit declined 4.3 million euros to 22.1 million euros at the end of 2018, broadly in line with changes in the portfolio. In turn, in Auto Loans, whose portfolio was recently set up and continues to grow, impairments increased 2.5 million to 4.3 million at the end of the year. In Lending Credit, impairments reached 748 thousand euros, remaining almost unchanged in relation to the previous year. Total credit impairments thus came to 26.3 million euros at the end of 2018, representing about 8.0% of the gross balance sheet value (10.1% in December 2017).

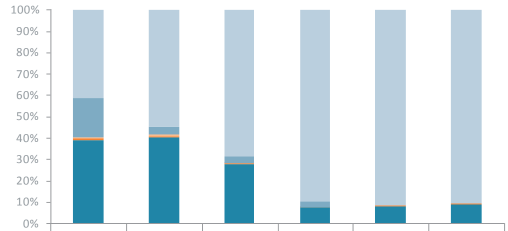
Regarding Non-current assets held for sale, impairments fell 924.4 thousand euros to 6.5 million euros, reflecting the decrease in balance sheet exposure.

Net Assets increased 153.4 million euros (24.8%) to 772 million euros. Financial assets at amortised cost registered a net increase of 217.3 million euros (65.8%), of which 55.1 million euros correspond to the increase in loans and advances to customers.

Liabilities grew 146.9 million euros (28.7%) to 659.2 million euros. This growth resulted mainly from the increase in Resources from Customers of 130.1 million euros (28.7%) to 583.4 million euros. Growth was significant both in Corporate and Private Customers, with increases of 54.5% and 33.4%, respectively, excluding interest payable. At the end of 2018, the Private Customers segment represented about 82% of Resources from Customers.

Resources from Central Banks increased 17.5 million euros (35,1%) to 56.7 million euros. The portfolio of liquid assets eligible for funding obtained from the Eurosystem increased by 13.2% to 174.0 million euros (net of valuations and haircuts), of which 91.4 million euros were not used and could therefore be converted into liquidity.

Structure of Resources



	2013	2014	2015	2016	2017	2018
Deposits	236.2	298.1	350.1	359.8	462.7	588.1
Securitisations	103.3	19.4	15.1	10.9	0.0	0.0
Bond issued	2.9	5.1	0.4	0.1	0.0	0.0
From other credit institutions	5.4	2.5	1.5	1.0	3.0	1.8
From Central Banks	221.6	216.7	141.0	29.0	39.2	56.7

Source: Banco Invest. Values in million euros

The **transformation ratio** increased from 57% in 2017 to 53.5% in 2018, which remains far below the average of the sector (89.4% in September 2018, according to APB) and which, in spite of the increase in loans granted, reflects the reduced degree of leverage of Banco Invest.

At the end of 2018, the **solvency ratio** of the Bank, calculated in accordance with the Bank of Portugal's rules, stood at 18.1%. The Common Equity Tier I ratio stood at 17.3%, compared with an average of 13.5% for the sector in September 2018.

In operating terms, in 2018, the distribution of income and of the main balance sheet items was as follows:

Distributions by Operating Segments

Indicators (Thousands of Euros)

	2018			2017		
	Commercial	Markets	Total	Commercial	Markets	Total
Net interest income	16,332	4,083	20,415	13,143	3,286	16,429
Income from equity instruments	-	71	71	-	-	-
Net fees and commissions income	6,986	-	6,986	5,151	(40)	5,111
Net gains / (losses) from financial operations at fair value through profit or loss	-	(2,151)	(2,151)	-	1,153	1,153
Income from financial assets at fair value through other comprehensive income	-	1,130	1,130	-	-	-
Net gains / (losses) from financial assets available for sale	-	-	-	-	3,642	3,642
Other operating income / (losses)	1,923	331	2,254	50	(473)	(423)
Net operating revenue	25,241	3,464	28,705	18,302	7,608	25,910
Staff costs and general administrative costs	(13,385)	(4,462)	(17,847)	(10,909)	(3,636)	(14,545)
Amortisations and depreciations	(709)	(236)	(945)	(698)	(233)	(931)
Provisions and impairment	405	(983)	(578)	(514)	(2,414)	(2,928)
Income before taxes	11,553	(2,217)	9,336	6,182	1,324	7,506
Taxes	42	(291)	(249)	(1,192)	(1,313)	(2,505)
Consolidated net income for the year	11,552	(2,519)	9,033	4,989	12	5,001
Financial assets held for trading	-	58,042	58,042	-	48,307	48,307
Financial assets not held for trading mandatorily at fair value through profit or loss	-	16,013	16,013	-	-	-
Financial assets at fair value through other comprehensive income	-	98,762	98,762	-	-	-
Financial assets available for sale	-	-	-	-	86,185	86,185
Investments held to maturity	-	-	-	-	101,903	101,903
Loans and advances to customers	312,164	-	312,164	257,045	-	257,045
Debt securities	-	232,878	232,878	-	71,803	71,803
Resources from Central Banks	-	56,680	56,680	-	39,180	39,180
Resources from other credit institutions	-	1,776	1,776	-	2,952	2,952
Resources from customers and other loans	583,371	-	583,371	462,740	-	462,740

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

Asset Management

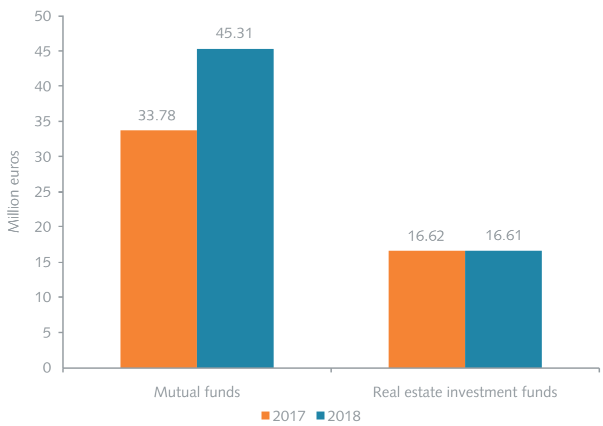
Own Investment Funds

The **Alves Ribeiro – Plano Poupança Reforma** Fund ended 2018 with a devaluation of 3.9%. The year of 2018 was marked by the return of volatility to financial markets. The longevity of the business cycle, the trade war between the United States and China, the political uncertainty in the eurozone with Brexit and Italy, in conjunction with the prospects of an increase in interest rates and a withdrawal of monetary stimulus, formed the basis of an extremely difficult year, characterised by broad-based declines and by the increased correlation between the various classes of assets, not leaving many alternatives in terms of refuge. Since the start of activity, in November 2001, the annualised return comes to 6.7%.

In turn, the **Invest Ibéria** Fund ended the year with a devaluation of 20.7%. Over the same period, the PSI-20 and IBEX-35 indices lost 12.2% and 15.0%, respectively. The Iberian markets, which fell in line with their European counterparts, ended up being penalised, particularly Spain, for its exposure to Latin America and its currencies, as well as for the heavy losses of the banking sector, through contagion of the uncertainty stemming from Brexit and the upward shift of Italian yields. Since the beginning of the new Iberian strategy, in December 2016, the Fund has registered a loss of 0.5%, which compares with the simple average fall (-2.2%) of the reference indices.

Over the past year, the Own Investment Funds managed by the subsidiary Invest Gestão de Activos - SGFIM increased 11.5 million euros (22.8%) to 61.9 million euros. As in the previous year, the main contributing factor to this growth was the Alves Ribeiro - PPR Fund, with a 47.7% increase in assets under management, while the Real Estate Investment Funds remained almost unchanged at 16.6 million euros.

Own Investment Funds under management

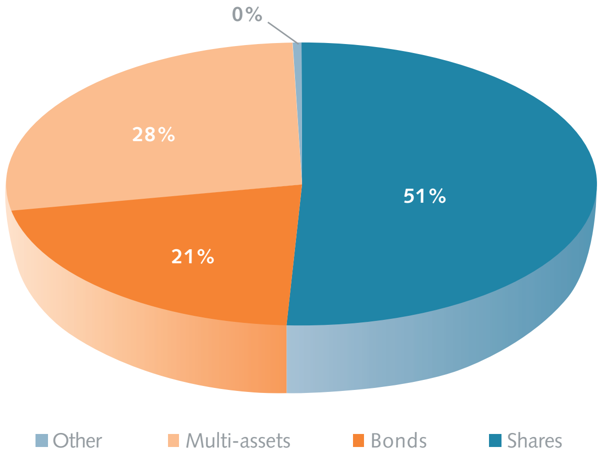


Source: Banco Invest

Third Party Investment Funds

In 2018, the amount distributed of investment funds managed by third parties registered an increase of 42%, in spite of the increased volatility in financial markets and the strong declines observed, particularly in the fourth quarter of the year. Of the amount placed, about 51% corresponds to equity funds, 28% to asset allocation funds and 21% to bond funds.

Distribution of Third-Party Investment Funds



Source: Banco Invest

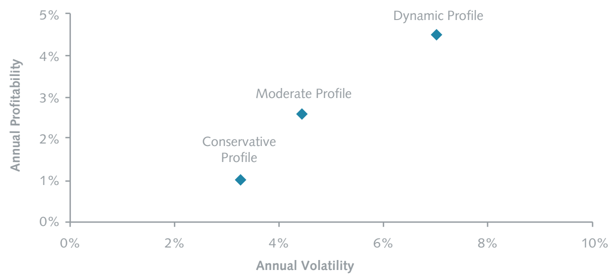
During the year, the Bank expanded its offer of multi-asset funds, using them as a strategic tool for the diversification of Customers' portfolios, with low-cost, active and professional management. At the end of the year, total strategic multi-asset funds came to about 12.5% of total third-party funds.

Within the scope of third party funds, the Bank has continued to develop new thematic portfolios - Invest Trends - , which represented approximately 11.5% of total funds at the end of the year, reflecting the very positive acceptance by Customers of thematic investment, in this first complete year since the creation of the Trends.

Discretionary Management

As already mentioned, 2018 was extremely difficult for financial markets, having been characterised by broad-based declines and by the increased correlation between the various classes of assets, not leaving many alternatives in terms of refuge. In this context, the portfolios under discretionary management registered losses in 2018. Notwithstanding the disappointment with the registered returns, in comparison with rival services and products the results were positive and, more importantly, the rigorous risk management implemented over the course of the year permitted containing the losses within the limits of the mandates of each investment profile.

Return and Risk



Source: Banco Invest. Median of the net returns and volatilities by risk profile, since the start of activity (except for the Dynamic Profile, last 10 years).

Structured Products

During 2018, the Bank continued its activity of issuance of structured products for Private Customers and financial derivatives for Institutional Customers.

In the Private Customers segment, in a context of increased volatility in equity markets and very low interest rates in term deposits, the amounts issued registered a remarkable growth of 39.1% in 2018. Indexed deposits remained the most used format, reflecting the conservative profile of the target customers, with the amount issued having increased 33.9% relative to 2017. Over the course of the year, 12 indexed deposits, with an annual average return of 0.8% (guaranteed capital), and 5 complex financial products, with an annual average return of 4.3% (risk up to 2.5% of the invested capital), were repaid.

Among the issues conducted, the following are noteworthy:

Feb-2018

Invest Leisure and Tourism

Index Benchmarks: Walt Disney, Easyjet, Carnival Corp, IAG, Las Vegas Sands

Maturity: 18 months

Guaranteed Capital: 100%

Structure: Indexed Deposit

Currency: EUR

Max AGNR: 3,580%

Min AGNR: 0,130%

BANCO INVEST

Mar-2018

Invest Fintech

Index Benchmarks: Banco Santander, JPM, Square, American Express, Paypal

Maturity: 18 months

Guaranteed Capital: 100%

Structure: Indexed Deposit

Currency: EUR

Max AGNR: 3,555%

Min AGNR: 0,129%

BANCO INVEST

May-2018

Invest Global

Index Benchmarks: Banco Santander, Glaxosmithkline, IBM, GM, Engie

Maturity: 18 months

Guaranteed Capital: 100%

Structure: Indexed Deposit

Currency: EUR

Max AGNR: 3,574%

Min AGNR: 0,130%

BANCO INVEST

Sep-2018

Invest PFC Nutricion

Index Benchmarks: Nestlé, Danone, DSM, Deere & Co, Compass

Maturity: 12 months

Guaranteed Capital: 97.5%

Structure: Participation

Currency: EUR

Max AGNR: 4.852%

Min AGNR: -2.5%

BANCO INVEST

Nov-2018

Invest Smart Cities

Index Benchmarks: Vodafone, Vonovia, Duke Realty, Schneider Electric, Paychex

Maturity: 18 months

Guaranteed Capital: 100%

Structure: Participation

Currency: EUR

Max AGNR: 2.604%

Min AGNR: 0.195%

BANCO INVEST

Dec-2018

Invest Premium Brands

Index Benchmarks: BMW, Hugo Boss, Lois Vuitton, Burberry, Moncler

Maturity: 17 months

Guaranteed Capital: 100%

Structure: Participation

Currency: EUR

Max AGNR: 2.655%

Min AGNR: 0,129%

BANCO INVEST

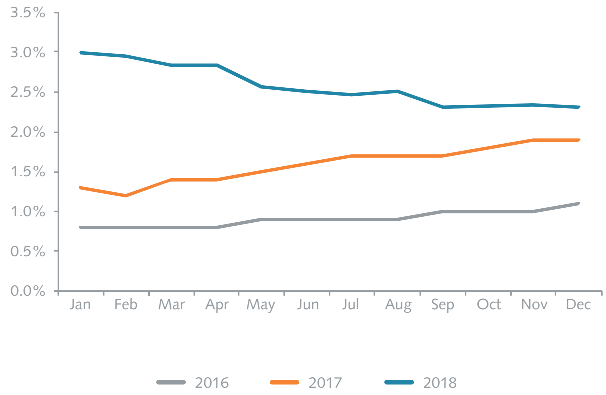
With regards to Institutional Customers, the Bank continued to serve national banks with risk coverages for their own issues. At the end of 2018, the portfolio under management came to 73 million euros, mostly composed of equity option swaps.

Brokerage

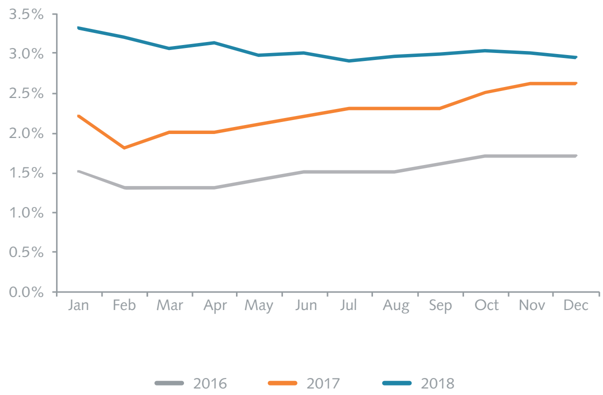
During 2018, online activity continued to gain relative weight in total turnover, representing about 86.5% of the volume traded in equities. In this channel, volumes traded continued to grow significantly, which enabled Banco Invest to increase its market share to about 3% in 2018, in accumulated terms.

Market shares of Banco Invest
Reception of orders

Shares



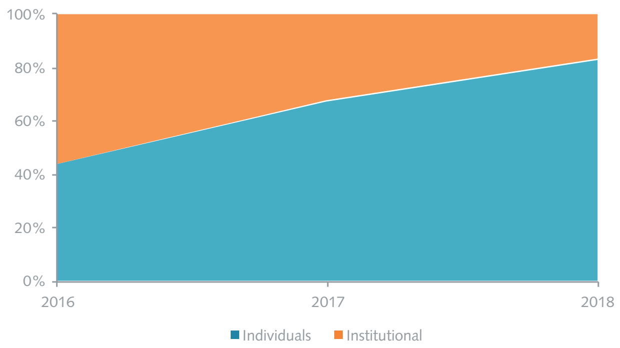
Online (spot market)



Source: CMVM. Values accumulated in the year.

By type of Customer, the Private Customers segment registered a 41% increase in 2018, representing about 83% of the total brokerage commissions of Customers. In the Institutional Customers segment, performance was less positive, once again due to the fall in the trading volumes of debt securities, as a result of the growing competition of trading platforms, following the entry into force of the new Markets in Financial Instruments Directive (MiFID II).

Distribution of brokerage commissions

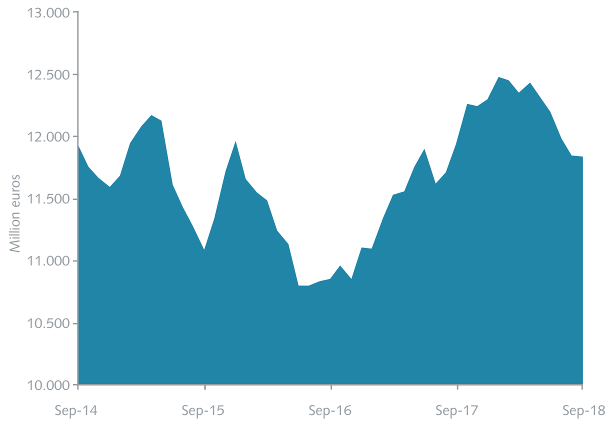


Source: Banco Invest

Financial Services and Institutional Custody

According to CMVM data, as at September 2018, assets under management in other credit institutions had fallen 3.0% to 28,084 million euros year-on-year. The number of management entities of UCITS and AIF ("Alternative Investment Funds") in operation fell from 15 to 13 and the number of UCITS and AIF in operation decreased from 161 in September 2017 to 150 in September 2018. On this date, total assets under management of UCITS and AIF came to 11,830 million euros, corresponding to a year-on-year decrease of 0.9%. The largest increases were registered in the categories of Shares (+13.5%) and Retirement Savings Funds (+10.3%), while AIFs registered a 43% decrease in their assets relative to September 2017.

Value under management in UCITS and AIF, in Portugal

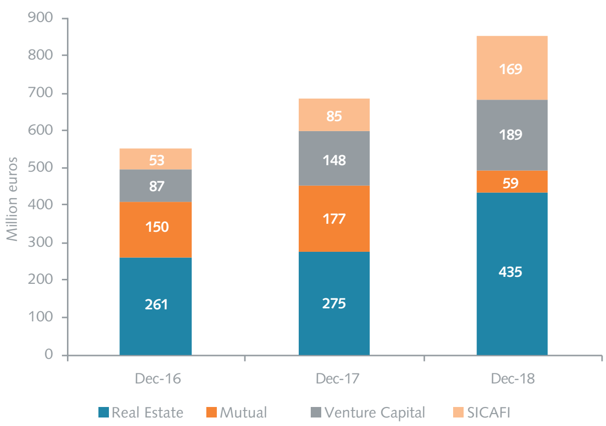


Source: CMVM

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 2018, the Bank provided custodian bank services to 37 investment funds, of 8 management companies, with a predominance of Real Estate investment funds (51%) and Venture Capital (22%). The real estate investment funds, in turn, represented 7% of the total number of funds under custody. The largest increase was registered in the assets of Self-managed fixed capital real estate investment companies (SICAFI), which rose 99% to 169 million euros.

In 2018, total assets of institutional customers under custody at the Bank grew 167 million euros (24.5%) to 852 million euros.

Assets under Custody



Source: Banco Invest

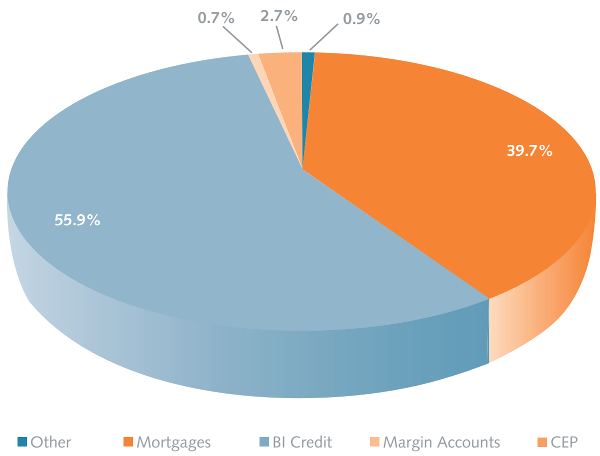
Financial assets at amortised cost
Loans and advances to customers

According to the Bank of Portugal, the amount of consumer credit came to 7.4 billion euros in 2018, representing a year-on-year increase of 10.1%. Of this total, loans for the acquisition of used vehicles represented 2.0 billion euros (27.5%), with an annual growth of 15.3%. In this context, the Bank, under the **BI Credit** brand, granted credit for the purchase of used vehicles in the amount of 103.3 million euros (new production), 19.4% more than the previous year, and representing about 5.0% of the total national production in 2018. At the end of the year, the portfolio of performing loans of BI Credit reached a total of 168.4 million euros, representing about 56% of the total portfolio of performing loans to customers.

In turn, **Mortgage** credit came to 119.5 million euros at the end of 2018. This portfolio was mainly composed of loans, guaranteed by real estate assets, to smaller companies. 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 criteria that reflect the evolution of the corresponding regional real estate markets, nature of properties, use and liquidity potential.

To a lesser extent, the amounts of performing loans of **CEP**, loans with precious metals as collateral, and of the **Margin Account** ended the year at 8.3 and 2.1 million euros, respectively.

Performing loans to customers



Source: Banco Invest

Financial assets at amortised cost
Debt securities

At the end of 2018, total gross performing loans came to 534.3 million euros, of which 43.7% was securitised. In effect, the Bank decided to give priority to the concession of loans to medium-sized and large companies through securitised loans, considering their greater liquidity and lower acquisition and attraction costs. Of this amount, about 37% was invested in public debt securities and the other 63% in shares of companies. The largest exposures were to the Industrial (10%), Utilities (9%) and Energy (9%) sectors.

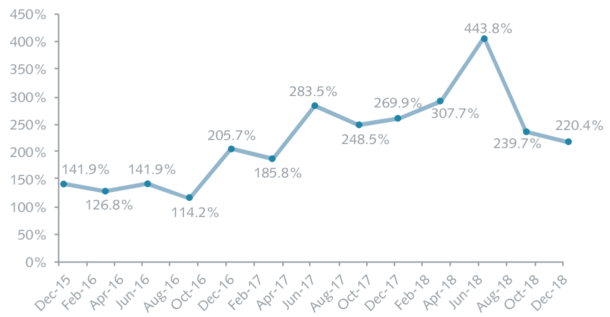
Treasury and Capital Markets

Over the course of 2018, customer deposits increased 130.1 million euros, a significant increase which allowed the production of credit granted by BI Credit to continue to be easily financed. In the capital markets, the year was marked by the significant increase in volatility, with broad-based declines in equity markets and an increase in the credit spreads of private debt, both in the United States and in Europe. In sovereign debt markets, the sharp rise in Italy's risk premium is noteworthy, with its yield having risen 73 bps to 2.74%. Among core debt, 10-year Bunds ended the year at 0.24% (-19 bps, in 2018) and 10-year Treasuries, after registering a maximum of 3.24% in November, ended the year at 2.68%, as a result of the search for refuge from the turbulence in equity markets and the prospects of an economic slowdown in 2019. In a panorama of negative yields in almost all asset classes, the major exception was the USD, with an appreciation of 4.7% against the EUR.

Liquidity and Funding

Since the entry into force of the Basel III standards in 2015, Banco Invest has continued to present a Liquidity Coverage Ratio clearly above the minimum required by law. Banco Invest's Liquidity Coverage Ratio fell from 269.9% in December 2018 to 220.4% in December 2018, a value which remains above twice the minimum legal level (100%) and of the average of the sector (185.0% in September 2018), confirming the high short-term liquidity and the large ability of the Bank to obtain funding from the European Central Bank.

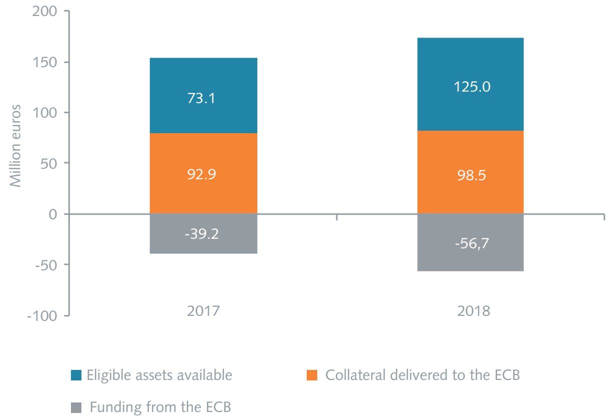
Liquidity coverage ratio (LCR)



Source: Banco Invest

In December 2018, Banco Invest held 197.1 million euros of liquid assets eligible for refinancing operations with the European Central Bank, which ensured the Bank's ability to obtain liquidity from that institution in the amount of 174.0 million euros. On that date, 56.7 million euros had been drawn, with 117.3 million euros of financing from the Eurosystem still available. For the Bank's liquidity, there are also 68.6 million euros of liquid securities which may be sold, at any time, in a secondary market. These available liquid assets which correspond to 24.0% of the Bank's total assets, and the high solvency ratio presented (18.1%), position Banco Invest as one of the most solid financial institutions in Portugal.

Eligible assets and funding from the ECB

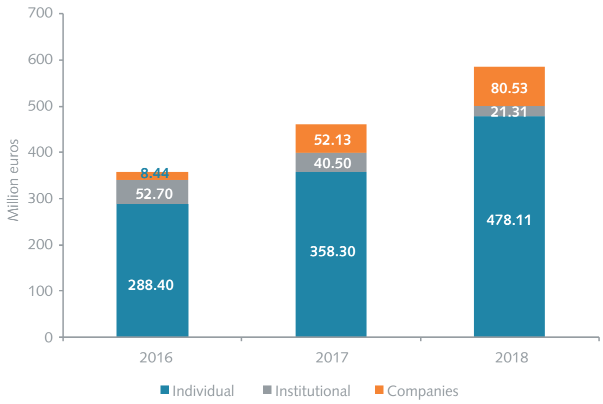


Source: Banco Invest

In 20017, the amount of funding obtained from the ECB (39.2 million euros) 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. In addition, during 2018, the Bank increased this amount to 56.7 million euros, through the normal liquidity-providing operations.

Excluding interest payable, Resources from Customers increased by 28.6% to 580.0 million euros. Growth was significant both in Corporate and Private Customers, with increases of 54.5% and 33.4%, respectively. At the end of 2018, the Private Customers segment represented about 82% of Resources from Customers (excluding interest payable).

Resources from Customers (excluding interest payable)



Source: Banco Invest

Capital Markets

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

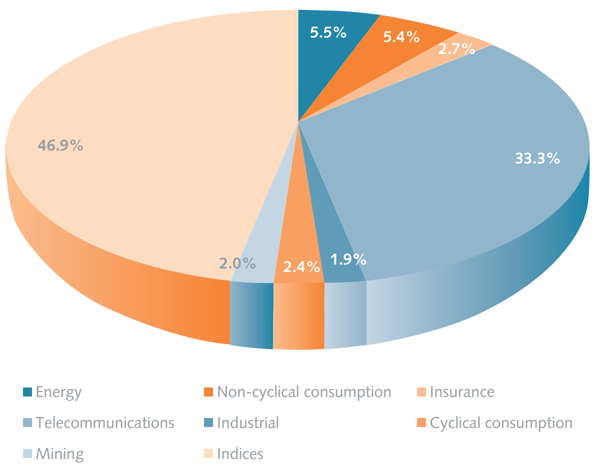
• Equity Risk

The Bank intervenes in equity markets through the Portfolio at Fair Value through Profit or Loss (FVPL), according to the two main approaches or strategies.

In the first approach, from a medium-term perspective, the operations undertaken 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.

In turn, the second approach is based on a short-term perspective, with a view to achieving a pre-established objective. In 2018, the management of this strategy focused primarily on European companies of the main stock market indices with a high market capitalisation and liquidity. 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

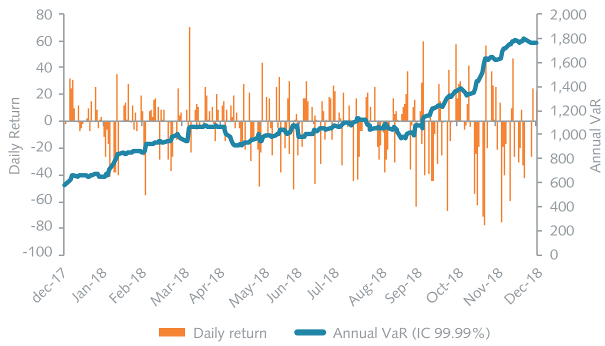


Source: Banco Invest

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 2018, the annual VaR (99.9%) of the Bank's equity portfolio oscillated between 582 and 1,796 thousand euros, closing the year at 1,766 thousand euros. The increase in the average VaR, relative to the previous year, reflects to a large extent the significant increase in volatility of equity markets during 2018.

Annual VaR of the Portfolio of Shares



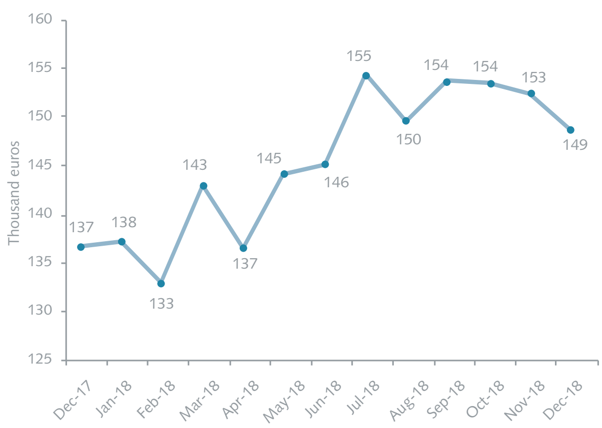
Source: Banco Invest. Values in thousand eur.

• Interest Rate Risk of the Securities Portfolio

Following the increase in exposure during the first half of the year, during the second half the Bank reduced the interest rate risk of the securities portfolio, in a context of very low interest rates and expected progressive normalisation of monetary policy in the eurozone. Therefore, according to the basis point value (BPV) measure, after a maximum of 155 thousand euros, registered in mid-2018, the exposure to the interest rate risk was reduced, ending the year at 149 thousand euros.

However, contrary to what happened in the United States, where the Federal Reserve increased interest rates on 4 occasions to the 2.25%-2.50% range, in the eurozone the inflation rate remains very far from the European Central Bank's target, which led to the maintenance of interest rates at 0%.

PVBP Interest Rate

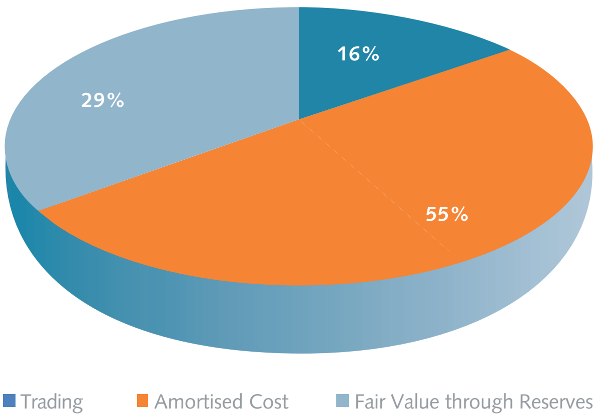


Source: Banco Invest

• **Bond Risk**

At the end of 2018, the Bank's bond portfolio came to 341 million euros, characterised by a high geographical and sectorial diversification. The weight of sovereign debt represented approximately 33.6% of the total portfolio, of which 14.2% were allocated to Spanish government debt and 9.1% to Italian government debt. The weight of Portuguese public debt, which in 2018 returned to positive territory, fell to 5.3% of the total portfolio.

Breakdown of the Bond Portfolio

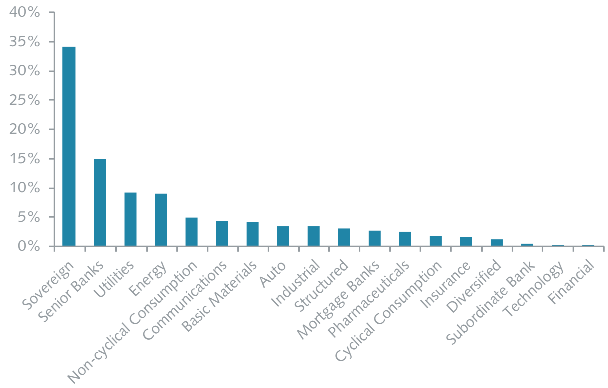


Source: Banco Invest

In geographic terms, European issuers represented 86.8% of the bond portfolio. The weight of the emerging issuers was 5.1% of the total, 7.2% was invested in North American issuers and 0.9% was invested in Asian issuers (Australia and Japan).

On a sectorial basis, excluding government debt, the largest exposures were to the Banking (senior debt, 14.7%), Utilities (9.0%) and Energy (8.9%) sectors.

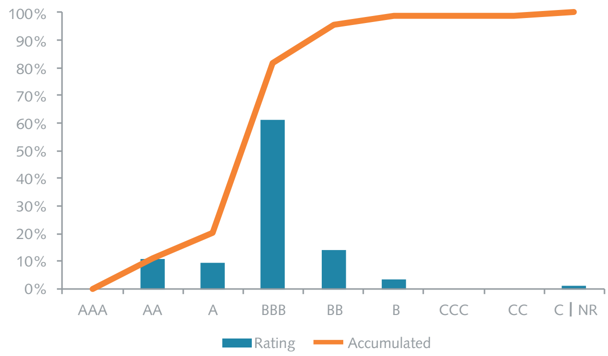
Sectorial allocation of the Bond Portfolio



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, 81.5% 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

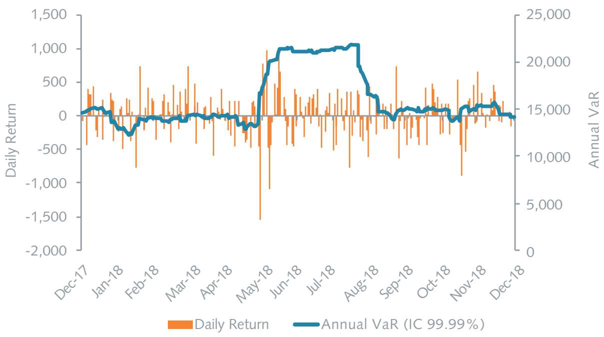
Distribution of the Bond Portfolio by credit rating and type of portfolio

Rating Bonds	Portofolio				Accumulated
	Trading	Amortised Cost	Fair Value	Total	
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	4.65%	8.46%	19.11%	10.98%	10.98%
A	16.29%	0.80%	21.81%	9.39%	20.37%
BBB	60.77%	67.84%	48.62%	61.10%	81.47%
BB	9.77%	20.23%	4.50%	13.98%	95.45%
B	1.08%	2.67%	5.95%	3.38%	98.83%
CCC	0.00%	0.00%	0.00%	0.00%	98.83%
CC	0.00%	0.00%	0.00%	0.00%	98.83%
C I NR	7.44%	0.00%	0.00%	1.17%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	

Source: Banco Invest

The Bank's bond portfolio ended the year with an annual VaR, with a confidence interval of 99.9%, of 14.2 million euros. During the year, VaR oscillated between 12.2 million euros and a maximum of 21.9 million euros.

Annual VaR of the Bond Portfoli



Source: Banco Invest. Values in thousand 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

The "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 limits of exposure 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 2018, the 10-day VaR of the Portfolio, with a confidence interval of 99.9%, came to 184 thousand euros, for a Notional of 129 million euros. The delta was approximately 5.1 million euros.

Volatility Portfolio

	Dec-18	Dec-17
VaR 10 days I 99,99%	184,314	272,424
Delta	(5,129,660)	(12.014,616)
Vega	(5,290)	(14,838)
Notional	129,025,827	149,349,349

Source: Banco Invest. Values in euros.

6. Transactions with Directors

The Legal Framework of Credit Institutions and Financial Companies forbids, as a general rule, the Banks from granting credit, under any form, including the provision of guarantees, whether directly or indirectly, to Related Parties.

On the contrary, the foregoing provisions are not applicable to transactions of a social nature or purpose or arising from personnel policy, as well as loans granted as a result of the use of credit cards associated to the deposit account, under similar conditions to those practised with other customers of analogous profile and risk.

The Bank granted loans, under the personnel policy, to two directors.

The members of the Board of Directors, executive offices, and other employees, consultants and authorised representatives of the Bank cannot intervene in the assessment and granting of loan operations in which they have a direct or indirect interest themselves, their spouses or unmarried partners, relatives by marriage related by consanguinity or by affinity in the first degree, or companies or other collective entities over which they have direct or indirect control.

Principles relative to transactions with related parties

The Bank applies the following rules in transactions with related parties:

a) The operations in question are always carried out under market conditions;

(b) The internal control procedures established by the Bank with respect to the compliance and risk management functions are fully observed, in particular these departments will closely monitor with particular caution this type of operations, issuing a written opinion on the same, when justified; and

(c) The prior opinion of the Audit Board, established as a prerequisite for the subsequent carrying out of the operation or this body may simply take note of the terms and conditions of the operation, if said operation is not material, i.e. it is of low value.

7. 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 still 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 Administration.

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.

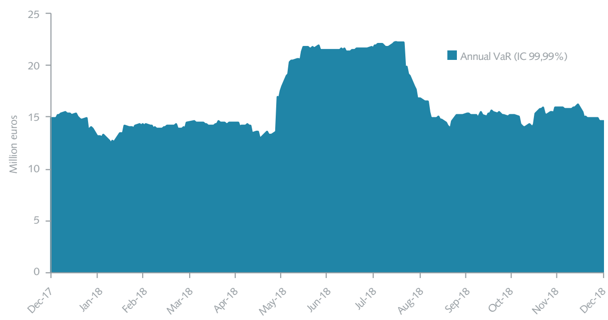
Management rules subject each portfolio to restrictions in terms of dimension, composition, assets and risk levels. Risk limits are defined for credit exposure - concentration by country, activity segment and rating - as well as in terms of market and liquidity.

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 on the basis of 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 liquidity management 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 Planning 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.

8. Future Prospects

The year 2019 will focus on the improvement of profitability levels, efficiency and business quality, always maintaining the proximity with customers and compliance with all the regulatory obligations.

9. Subsequent events

To date no relevant fact, considered material for the activity of the Bank, has occurred which has not been disclosed in the notes to the financial statements.

10. 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 13,745,534.28 euros. It is proposed that this amount be appropriated as follows:

Legal Reserve .... 1,374,553.43 Euros
Free Reserves .... 12,370,980.85 Euros

Lisbon, 24 April 2019

The Board of Directors

11. Acknowledgements

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

- 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.

4. Financial Statements

Consolidated Balance Sheet as at 31 December 2018

(Amounts in euros)

ASSETS	Notes	31 December 2018	31 December 2017 (*)
Cash and deposits at Central Banks	4	4,233,345	9,144,414
Demand deposits at credit institutions	5	11,713,894	6,424,253
Financial assets at amortised cost			
Loans and advances to credit institutions	6	2,535,337	1,400,055
Loans and advances to customers	7	312,163,551	257,045,841
Debt securities	8	232,878,450	71,803,356
Financial assets at fair value through profit or loss			
Financial assets held for trading		58,042,047	48,307,443
Financial assets not held for trading mandatorily at fair value through profit or loss	9	16,012,916	-
Financial assets at fair value through other comprehensive income	10	98,761,930	-
Financial assets available for sale	11	-	79,692,315
Investment held to maturity	12	-	101,902,862
Investments in subsidiaries, associated companies and joint ventures		12,500	12,500
Non-current assets held for sale	13	14,984,133	19,934,793
Investment properties	14	4,121,100	4,013,100
Other tangible assets	15	2,277,253	2,381,835
Intangible assets	16	305,096	318,732
Current tax assets	17	677,655	-
Deferred tax assets		7,378,470	7,148,582
Other assets	18	5,979,078	9,113,010
Total Assets		772,076,755	618,643,091
LIABILITIES			
Financial liabilities at amortised cost			
Resources from Central Banks	19	56,680,000	39,180,000
Resources from credit institutions	20	1,775,690	2,951,525
Resources from customers and other loans	21	583,371,296	453,271,575
Non-subordinated debt securities issued	22	214,620	-
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	23	1,010,716	1,838,728
Provisions	24	24,723	-
Current tax liabilities	17	72,345	151,018
Deferred tax liabilities		241,127	585,097
Other liabilities	25	15,789,877	14,273,371
Total Liabilities		**659,180,394**	**512,251,314**
SHAREHOLDERS' EQUITY			
Share capital	26	-	59,500,000
Revaluation reserves	27	(181,417)	1,647,520
Other reserves and retained earnings		43,523,229	38,483,405
Net income for the year attributable to the Bank's shareholders		9,033,075	5,793,594
Total shareholders' equity attributable to the Bank's shareholders		111,874,887	105,424,519
Non-controlling interests		1,021,474	967,258
Total Shareholders' Equity		112,896,361	106,391,777
Total Liabilities and Shareholders' Equity		772,076,755	618,643,091

(*) The balances relative to 31 December 2017, correspond to the statutory accounts on that date. These balances are presented exclusively for comparative purposes, not having been restated following the adoption of IFRS 9, with reference to 1 January 2018, as permitted in IFRS 9 (Note 46).

Consolidated income statement for the financial year ended 31 December 2018

(Amounts in euros)

	Notes	2018	2017 (*)
Interest and similar income	30	27,332,795	21,321,637
Interest and similar charges	31	(6,917,176)	(4,888,154)
Net interest income		**20,415,619**	**16,433,483**
Income from equity instruments	32	70,917	-
Net fees and commissions income	33	6,986,101	5,393,738
Gains / (losses) in financial operations at fair value through profit or loss	34	(2,151,212)	1,152,508
Net gains / (losses) from foreign exchange	35	331,092	(472,573)
Income from financial assets at fair value through other comprehensive income	36	1,130,145	-
Net gains / (losses) from financial assets available for sale	37	-	3,641,942
Income from sales of other assets	38	1,080,775	(27,968)
Operating income / (losses)	39	842,115	162,359
Total operating revenue		**8,289,933**	**9,850,006**
Staff costs	40	(10,153,804)	(8,386,236)
Other administrative costs	41	(7,692,853)	(6,285,362)
Depreciations and amortisations	15 and 16	(945,379)	(930,497)
Total operating costs		**(18,792,036)**	**(15,602,095)**
Operating income before provisions and impairments		9,913,516	10,681,394
Impairment pf financial assets at amortised costs		331,495	(514,224)
Impairment of financial assets at fair value through other comprehensive income	24	(173,909)	(668,928)
Impairment of other assets		(710,133)	(1,668,874)
Other provisions		(24,723)	-
Income before taxes		**9,336,246**	**7,829,368**
Taxes			
Current	17	(291,170)	(1,367,862)
Deferred		42,215	(613,302)
Income after taxes		**9,087,291**	**5,848,204**
Net income for the year attributable to:			
Bank's shareholders		9,033,075	5,793,594
Non-controlling interests		54,216	54,610
Net income for the year		**9,087,291**	**5,848,204**

(*) The balances relative to 31 December 2017, correspond to the statutory accounts on that date. These balances are presented exclusively for comparative purposes, not having been restated following the adoption of IFRS 9, with reference to 1 January 2018, as permitted in IFRS 9 (Note 46).

Consolidated comprehensive income statement for the financial year ended on 31 December 2018

(Amounts in euros)

	2018	2017
Consolidated net income before non-controlling interests	**9.087.291**	**5.848.204**
Items that may be reclassifed for the income statement		
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	-	926,917
Impact on taxes	-	(227,094)
Transfer to profit or loss due to impairment	-	668,928
Impact on taxes	-	(163,887)
Transfer to profit or loss due to disposal	-	(3,641,942)
Impact on taxes	-	892,276
Revaluation reserves of financial assets at fair value through other comprehensive income:		
Revaluation of financial assets at fair value through other comprehensive income	(1,109,629)	-
Impact on taxes	318,324	-
Transfer to profit or loss due to impairment	173,909	-
Impact on taxes	(42,608)	-
Transfer to profit or loss due to disposal	(1,130,145)	-
Impact on taxes	276,886	-
Result not recognised in the income statement	**(1,513,263)**	**(1,544,802)**
Consolidated comprehensive income before non-controlling interests	**7,574,028**	**4,303,402**
Non-controlling interests	**(54,216)**	**(54,703)**
Consolidated comprehensive income	**7,519,812**	**4,248,699**

The Notes are an integral part of the comprehensive income statement for the financial year ended on 31 December 2018.

Consolidated statement of changes in equity for the financial year ended on 31 December 2018

(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 attributable to the Bank's shareholders	Shareholders' equity attributable to the Bank's shareholders	Non-controlling interests (Note 28)	Total
Balances as at 31 December 2016	**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**	**102,170,095**	**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	-	4,248,791
Other	-	-	-	-	-	-	(154,367)	-	(154,367)	-	(154,367)	-	(154,367)
Distribution of reserves to the shareholders	-	-	-	-	-	(840,000)	-	-	(840,000)	-	(840,000)	54,703	(785,297)
Balances as at 31 December 2017	**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**	**105,424,519**	**967,258**	**106,391,777**
Adjustments - application IFRS 9	-	(356,564)	40,890	(315,674)	-	-	-	107,189	107,189	-	(208,485)	-	(208,485)
Distribution of profit for 2017													
Transfer to retained earnings	-	-	-	-	500,070	4,690,469	-	603,055	5,793,594	(5,793,594)	-	-	-
Comprehensive income for 2018	-	(2,065,865)	552,602	(1,513,263)	-	-	-	-	-	9,033,075	7,519,812	-	7,519,812
Other	-	-	-	-	-	-	-	(20,959)	(20,959)	-	(20,959)	-	(20,959)
Distribution of reserves to the shareholders	-	-	-	-	-	(840,000)	-	-	(840,000)	-	(840,000)	54,216	(785,784)
Balances as at 31 December 2018	**59,500,000**	**(240,283)**	**58,866**	**(181,417)**	**5,797,462**	**10,343,420**	**574,220**	**26,808,127**	**43,523,229**	**9,033,075**	**111,874,887**	**1,021,474**	**112,896,361**

The Notes are an integral part of these financial statements.

Consolidated cash flow statement for the financial year ended on 31 December 2018

(Amounts in euros)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Income from interest and commissions	35,743,760	25,582,598
Payment of interest and commissions	(11,749,659)	(10,068,218)
Payments to staff and suppliers	(17,410,356)	(12,852,084)
Income tax (payable)/receivable	(1,047,499)	132,531
Other payments related to the operating activity	606,187	(293,709)
Operating income before changes in operating assets	**6,142,433**	**2,501,118**
(Increases) / reductions in operating assets:		
Financial assets at fair value through profit or loss	(28,558,260)	-
Financial assets held for trading	-	(10,804,236)
Financial assets at fair value through other comprehensive income	(14,508,026)	-
Financial assets available for sale	-	16,632,835
Deposits at credit institutions	(1,000,000)	4,000,068
Financial assets at amortised cost	(109,750,255)	-
Loans and advances to customers	-	(96,273,197)
Investments held to maturity	681,035	(15,267,570)
Non-current assets held for sale	5,621,458	(5,171,214)
Other assets	3,321,558	(4,874,633)
	(144,192,490)	**(111,757,947)**
Increases / (reductions) in operating liabilities:		
Resources at central banks	17,500,000	10,180,000
Financial liabilities for trading	-	-
Resources from other credit institutions	(1,175,835)	1,962,613
Resources from customers	129,011,675	98,171,062
Liabilities represented by securities	213,524	(99,376)
Other liabilities	(5,439,268)	2,055,621
	140,110,096	**112,269,920**
Cash net of operating activities	**2.060.039**	**3.013.091**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase and sale of tangible and intangible assets	(841,467)	(169,817)
Dividends from financial holdings	-	-
Cash net of investment activities	**(841,467)**	**(169,817)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Distribution of reserves to shareholders (Note 26)	(840,000)	(840,000)
Cash net of financing activities	**(840,000)**	**(840,000)**
Net increase / (decrease) in cash and equivalents	378,572	2,003,274
Cash and equivalents at the start of the period	15,568,667	13,565,393
Cash and equivalents at the end of the period	15,947,239	15,568,667
	378,572	**2,003,274**

The Notes are an integral part of the cash flow statement for the financial year ended on 31 December 2018

5. Notes to the Financial Statem

1. INTRODUCTORY NOTE

Banco Invest, S.A. (Group, 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 consolidated financial statements as at 31 December 2018 were approved by the Board of Directors on 26 March 2019.

The financial statements of the Bank as at 31 December 2018 are pending approval from the General Meeting. However, the Board of Directors believes that these financial statements will be approved without significant changes.

2. ACCOUNTING POLICIES

2.1. Basis of presentation

The financial statements of the Bank were prepared on a going concern basis.

The consolidated financial statements as at 31 December 2018 were 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.

As at 31 January 2018 the Group adopted IFRS 9 – Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and measurement and establishes new rules for the recognition of financial instruments presenting significant changes namely at the level of classification and measurement, including impairment requirements for financial assets. On the same date the Group also adopted IFRS 15 - Revenue recognition.

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 (de facto power). 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.

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2.3. Comparability of information

The Group adopted the IFRS and interpretations of mandatory application for the financial years beginning on or after 1 January 2018. The accounting policies were applied in the Group, and are consistent with those used in the preparation of the financial statements of the previous year, except for the changes resulting from the adoption of the following standards with reference to 1 January 2018: IFRS 9 – Financial instruments and IFRS 15 – Revenue recognition.

The comparative financial years were restated. The differences in the book values of the financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves on 1 January 2018. In this context, the information presented for 2017 does not reflect the requirements of IFRS 9 and is therefore not comparable with the information presented for 2018 according to this standard.

The requirements presented by IFRS 9 are generally applied retrospectively by adjusting the opening balance sheet to the initial date of application (1 January 2018). The impacts arising from the implementation of IFRS 9 with reference to 1 January 2018 are detailed in Note 46. The financial instruments as at 31 December 2017 were recognised in accordance with IAS 39. There were no significant impacts on the individual financial statements related to the adoption of IFRS 15.

The balances included in the financial statements for 31 December 2017 are presented exclusively for comparative purposes.

The financial statements were prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities recognised at fair value through profit or loss and assets at fair value through other comprehensive income.

2.4. 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 or loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified at fair value through other comprehensive income, which are recorded under shareholders' equity until they are sold.

2.5. Financial instruments

a) Financial Assets

1. *Classification, initial recognition and subsequent measurement*

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortised cost;
ii) Financial assets at fair value through other comprehensive income; and
iii) Financial assets at fair value through profit or loss.

Since 1 January 2018, the classification is made taking into consideration the following aspects:
- the business model defined for the management of the financial asset; and
- the characteristics of the contractual cash flows of the financial assets.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which the financial instruments is held at the portfolio level, since this approach reflects the best way in which assets are managed and how that information is made available to the management bodies.

Financial assets held for trading and financial assets designated at fair value through profit or loss are measured at fair value through profit or loss because they are not held either for the collection of contractual cash flows nor for the collection of contractual cash flows and sale of these financial assets.

Evaluation of the contractual cash flows

For the purposes of this assessment:

- "principal" is defined as the fair value of the financial asset at initial recognition;
- "interest" is defined as the counterparty for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g.: liquidity risk and administrative costs), and as a profit margin ("spread").

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the Bank considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations in which the contractual terms can modify the periodicity and the amount of the cash flows so that theu don not fulfil the SPPI - Solely Payments of Principal and Interest condition. In the evaluation process, the Bank took into consideration:

- contingent assets that may change the periodicity and amount of the cash flows;
- characteristics that result in leverage;
- terms of prepayment and extension of maturity;
- terms that may limit the right of the Bank to claim cash flows in relation to specific assets (e.g. contracts with terms which prevent access to assets in case of default - "non-recourse asset"); and
- characteristics that may change the time value of money.

In addition, a prepayment is consistent with the SPPI criterion, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued contractual interest, but not paid (may include reasonable compensation for prepayment); and
- the prepaid value is insignificant at initial recognition..

i) *Financial assets at amortised cost;*

A financial asset must be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose primary objective is to hold financial assets to collect contractual cash flows; and
- The contractual cash flows arise on specific dates and correspond to solely payments of principal and interest on the principal amount outstanding (SPPI).

This category includes:

- Loans and advances to credit institutions;
- Loans and advances to customers;
- Debt securities - managed based on a business model whose objective is the receipt of contractual cash flows (government bonds, bonds issued by companies and commercial paper).

Financial assets at amortised cost are initially recognised at fair value, plus transaction costs directly attributable to the transaction, and are subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

ii) *Financial assets at fair value through other comprehensive income; or*

A financial asset must be measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets; and
- The contractual cash flows occur on specified dates and correspond to solely payments of principal and interest on the principal amount outstanding (SPPI).

Financial assets at fair value through other comprehensive income are initially recorded at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific income statement. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent retribution is recognised by an acquirer in a business combination which applies IFRS 3, the Group may irrevocably choose to classify it in the category of "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case basis, investment by investment and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made un der the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Equity instruments at fair value through other comprehensive income are initially recorded at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income. Dividends are recognised in profit or loss when the right to receive them is attributed.

Impairment is not recognised for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses recorded in fair value changes are transferred to retained earnings at the time of their derecognition.

iii) Financial assets at fair value through profit or loss.

A financial asset must be measured through profit or loss, unless measured at amortised cost or at fair value through other comprehensive income.

The Bank classified financial assets at fair value through profit or loss in the following captions:

- Financial assets held for trading

Financial assets classified under this caption are acquired with the purpose of short-term selling; at initial recognition they are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit taking; or are derivatives (except for hedging derivatives).

- Financial assets not held for trading mandatorily at fair value through profit or loss

This item classifies debt instruments whose contractual cash flows do not correspond only to repayments of principal and interest on the principal amount outstanding (SPPI).

Until 1 January 2018, financial assets were recorded on the date of acquisition at their fair value, plus costs directly attributable to the transaction. At initial recognition, these assets were classified in one of the following categories, established in IAS 39 - Financial instruments: recognition and measurement:

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

ii) Loans and advances to customers and other accounts receivable

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 and advances to 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 44). These assets were transferred by their fair value, calculated with reference to 1 July 2008.

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

The derecognition of these assets in the balance sheet occurs in the following situations: (i) the contractual rights of the Bank have expired, or (ii) the Bank transferred substantially all te associated risks and benefits.

iii) Financial assets available for sale

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

Financial assets available for sale were 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 were recorded directly in shareholders' equity, under "Fair value reserves". Once sold, or if impairment is determined, the accumulated changes in fair value were transferred to income or cost for the year.

Dividends from equity instruments classified in this category were carried as income in the profit and loss account when the Bank's right of receipt was 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 were carried at acquisition cost, less any commissions included in the effective rate, and plus all incremental costs directly attributable to the transaction. These assets were subsequently recognised on the balance sheet at amortised cost, less any impairment losses.

Any sale of assets that were classified as held to maturity implied 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 could not classify, once again, any financial assets as held to maturity if the entity had, 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:

- were 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;
- occurred after the entity had collected substantially all of the financial asset's nominal amount; or
- were 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 44). These assets were recorded at fair value with reference to 1 July 2008 and, subsequently, were valued at amortised cost, minus possible impairment losses.

Fair value

Even before 1 January 2018, as mentioned above, financial assets in the categories of "Financial assets held for trading" and "Financial assets available for sale" were carried at fair value, in accordance with the principles established by IAS 13 - 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, namely 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.

2. *Reclassification between categories of financial assets*

Financial assets should be reclassified to other categories only if the business model used in their management has changed. In this case, all affected financial assets are reclassified. Reclassification must be applied prospectively as of the reclassification date, and any gains, losses (including related to impairment) or interest previously recognised should not be restated.

Reclassifications of investments in equity instruments measured at fair value through other comprehensive income, or financial instruments designated at fair value through profit or loss, are not permitted.

3. *Impairment losses*

Under IFRS 9, the impairment model based on incurred losses is replaced by a model based on expected losses.

The Bank recognises impairment for expected credit losses ("ECLs") for the following financial instruments:

- Financial assets at amortised cost

Impairment losses on financial assets at amortised cost reduce the balance sheet value of these financial assets against the caption "Impairment of financial assets at amortised cost" - in the income statement.

- Debt instruments at fair value through other comprehensive income

Impairment losses for debt instruments at fair value through other comprehensive income are recognised in the income statement under "Impairment of financial assets at fair value through other comprehensive income", against other comprehensive income (do not reduce the balance sheet of these financial assets).

- Financial guarantees

Impairment losses associated to financial guarantees are recognised in liabilities, under the caption "Provisions for guarantees and other commitments", against the caption "Other provisions" (in the income statement).

4. Classification of financial instruments by stages

	Stage 1	Stage 2	Stage 3
Classification criteria	Initial recognition	Significant increase of credit risk since initial recognition	Impairment situation
Impairment losses	Expected credit losses for 12 months	"Lifetime" expected credit losses	

Significant increase in credit risk?

Objective evidence of loss?

The Bank determines the expected credit losses of each operation according to the deterioration of credit risk since its initial recognition. For this purpose, the operations are classified into one of the following three stages:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated to operations classified at this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the date of calculation.

- Stage 2: the operations in which there is no significant increase in credit risk since its initial recognition but are not impaired are classified in this stage. Impairment losses associated with operations at this stage correspond to the expected credit losses resulting from all the potential loss events until maturity, applied to the projection of the contractual cash flows - lifetime expected credit losses.

  The significant increase in credit risk is evaluated through qualitative and quantitative signs. The assessment of the significant increase in credit risk also involves the comparison of the level of current risk of an exposure with the level of existing risk at origination.

- Stage 3: the impaired operations are classified at this stage. Impairment losses associated with operations at this stage correspond to the expected credit loss resulting from the difference between the outstanding amount and the present value of the cash flows that are estimated to be recovered from the exposure (lifetime expected credit losses).

In operational terms, two complementary models to calculate impairments coexist at the Bank:
i) for General Credit and for Lending Activity, and
ii) for Auto Loans.

i) For General Credit and for Lending Activity:

The calculation process is autonomised for the exposures subject to Collective Analysis and for the exposures subject to Individual Analysis.

Values at risk (EAD) consider not only past due amounts (principal, interest and other charges) but also principal falling due and, in the case of active contracts, the respective interest accrued since the last payment, up to the date of calculation of the impairments.

The calculation of the Probability of Default (PD) for one year or until maturity (lifetime) is based on a logistical binomial linear regression model, using independent variables extracted from the portfolio management utility, covering the entire historical period on the system.

The Loss Given Default (LGD) is based on the historical record of the operations which generated a loss, and on the prediction of loss in operations considered unproductive (without regular payment of interest or amortisation of principal), taking into account the associated collateral, and its probable realisation time and value.

Three prospective analysis scenarios are considered: i) baseline, ii) favourable and iii) unfavourable, where the final result is weighted by the probability of occurrence estimated for each of the mentioned scenarios.

The exposures classified in stages 1 or 2 are subject to the calculation of impairments by Collective Analysis - in which PD and LGD are determinant -, unless they had previously been subject to calculation by Individual Analysis, which justifies the continued use of this method.

On the other hand, they are subject to the calculation of impairments by Individual Analysis - in which the following are determinant: a) the present value of the probable value of net realisation of the collaterals, as well as b) the probable time for its realisation – the exposures classified in Stage 3, which: i) are marked as non performing (NPL), ii) being performing have a value at risk of more than 500,000 euros; or iii) have surpassed the quarantine period and, during that period and as previously mentioned, have been subject to the calculation of impairments by Individual Analysis.

The probable value of realisation of collateral, in the case of General Credit, is determined by periodic and regular evaluations undertaken by external and CMVM accredited evaluators, whose final result will be subject to a hair cut according to the date of realisation and, in the case of the Lending Activity, by the precious metal content of the pledged objects and their official value, calculated at the time the loan was granted and in all monthly periods of impairment calculation.

If the process of calculating impairments through the Individual Analysis method does not determine the quantification of any impairment, a minimum impairment shall nonetheless be calculated through the application of the value at risk of a PD over a one-year period and its LGD.

ii) *For Auto Loans*

Taking into consideration the risk dispersion (granularity of the portfolio) and in line with the practice institutionalised by the other market operators, the calculation of impairments follows exclusively the Collective Analysis method.

In any case, since this is a portfolio that was recently set up and has been in existence a little over two years, there is as yet no consolidated statistical basis to conduct a consistent behavioural analysis.

As such and based on the professional judgement of its dedicated team - with a vast experience in the sector - a quite defensive impairment recognition model is followed, which leads the exposures classified in stage 3 to be considered with a PD of 100% and an LGD of 50% for arrears of up to 180 days and of 75% for arrears of more than 180 days.

Purchase or originated credit impairment assets

Purchase or originated credit impaired assets (POCI) are assets which present objective evidence of credit impairment on initial recognition. An asset is credit-impaired if one of more events have occurred that have a negative impact on the estimated future cash flows of the asset.

The following event leads to the origination of a POCI exposure: financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original contract, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred.

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of POCI is equal to the net book value before being recognised as POCI (difference between the initial balance and the total discounted cash flows).

Write offs

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.

The Credit Recovery Department monitors the past due exposures that comply with the requirements of classification as irrecoverable and drafts a classification proposal and prepares the corresponding dossiers.

An exposure to credit risk is classified as irrecoverable under the following conditions:

i. In Enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);

ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;

iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;

iv. Overdue loans for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathering available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following constitute objective indicators of uncollectability of a debt:

i. The circumstance of a debtor or Guarantors whose whereabouts are unknown;

ii. The fact that the extra-judicial initiatives undertaken by the Bank, duly confirmed and considered adequate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;

iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;

iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;

The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

Main adjustments in the calculation of impairments – IFRS 9

The main adjustments to the impairment calculation models, compared to the end of 2017, within the scope of the application of IFRS 9, are as follows:
- the consideration of the prospective scenarios (baseline, favourable and unfavourable) and the determination of the final result on a weighted basis;
- the determination and consideration of a lifetime PD, in the calculation of impairments of the exposures marked in stage 2;
- the alignment of the concepts of default, NPL and impaired;
- the implementation of the quarantine and probation periods, for the exposures considered cured.

b) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation at settlement to deliver cash or another financial assets, regardless of its legal form. Financial assets are derecognised when the underlying obligation is settled, expires or is cancelled.

At initial recognition, financial assets are classified into one of the following categories:
i) Financial assets at amortised cost; and
ii) Financial liabilities at fair value through profit or loss.

i) Financial liabilities at amortised cost

The financial liabilities that were not classified at fair value through profit or loss, nor correspond to financial guarantee contracts, are measured at amortised cost.

The category of "Financial liabilities at amortised cost" includes central bank resources, resources from credit institutions, resources from customers and other loans and non-subordinated debt securities.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. Interest from financial liabilities at amortised cost is recognised under the item "Interest and similar charges". Based on the effective interest rate method.

ii) Financial liabilities at fair value through profit or loss

Financial liabilities in the category of "Financial liabilities at fair value through profit or loss" refer to:
- Financial liabilities held for trading

The following liabilities are classified under this caption: liabilities issued with the objective of short-term repurchase; liabilities that are part of a portfolio of identified financial instruments and for which there is evidence of a recent pattern of short-term profit taking; or which are derivatives (except for hedging derivatives).

Considering that the transactions carried out by the Bank in the normal course of its activity were in market conditions, the financial liabilities at fair value through profit or loss are initially recognised at fair value, with the costs or income associated with the transactions recognised in profit or loss at inception.

The subsequent changes in fair value of these financial liabilities are recognised as follows:
- the change in the fair value attributable to changes in the credit risk of the liability is recognised in other comprehensive income;
- the remaining value of the change in fair value is recognised in profit or loss.

The accrual of interest and the premium/discount (when applicable) is recognised in "Interest and similar charges" based on the effective interest rate of each transaction.

Financial guarantees

The contracts that require the issuer to make payments to compensate the holder for incurred losses arising from breaches of the contractual terms of debt instruments, namely the payment of the respective capital and/or interest, are considered as financial guarantees.

Issued financial guarantees are initially recognised at fair value. Subsequently, these guarantees are measured at the highest of (i) the fair value initially recognised and (ii) the amount of any obligation arising from the guarantee contract, measured at the balance sheet date. Any change in the value of the obligations associated to issued financial guarantees is recognised in profit or loss.

If they are not designated at fair value through profit or loss at the time of initial recognition, the financial guarantee contracts are subsequently measured at the highest of the following amounts:
- the provision for losses determined according to the criteria described in the point relative to the impairment losses of financial assets;
- the amount initially recognised deducted, where appropriate, from the accumulated amount of income recognised according with IFRS 15 - Revenue from contracts with customers.

The ECL of the financial guarantee contracts that are not designated at fair value through profit or loss are presented under "Provisions".

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

c) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset, regardless of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of equity instruments are debited directly to equity as dividends, when declared.

Preference shares are considered equity instruments when redemption of the shares is solely at the discretion of the Group and dividends are paid at the discretion of the Group.

d) 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.

Subsequently, 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

An embedded derivative is a component of a hybrid agreement, which also includes a non-derived host instrument. If the main principal included in the hybrid contract is considered a financial asset, the classification and measurement of the entire hybrid contract is carried out in accordance with the criteria described for Financial assets at fair value through profit or loss.

Derivatives embedded in contracts that are not considered financial assets are treated separately where the economic risks and benefits of the derivative are not related to those of the main instrument, since the hybrid instrument is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent fair value changes recorded in profit or loss for the period and presented in the trading derivatives portfolio.

Trading derivatives

Derivatives for trading are those derivatives that are not associated with effective hedge relations, including:
- Derivatives acquired to manage risk in assets or liabilities recorded at fair value through profit or loss, rendering the use of hedge accounting unnecessary;
- Derivatives acquired to hedge risk that are not effective hedges;
- Derivatives acquired for trading purposes.

Trading derivatives are stated at fair value, with gains and losses being recognised daily in income and costs for the year. Trading derivatives with a positive fair value are included in the item "Financial assets held for trading", while trading derivatives with a negative fair value are included in the item "Financial liabilities held for trading".

2.6. Recognition of interest

Interest income and expense for financial instruments measured at amortised cost are recognised in the items of "Interest and similar income" or "Interest and similar costs" (net interest income), through the effective interest rate method. The interest, based on the effective interest rate method, related to financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate corresponds to the rate that discounts estimated future cash payments or receipts through the expected life of the instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (for example, early payment options) but without considering any impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction, with the exception of financial assets and liabilities at fair value through profit or loss.

Interest income recognised in profit or loss is calculated based on the effective interest rate of each contract on its gross balance sheet value. The gross balance sheet value of a contract is its amortised cost, before deducting the respective impairment.

For purchase or originated credit impairment assets (POCI) the effective interest rate reflects the expected credit losses in determining the expected future cash flows to be received from the financial asset.

2.7. *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.

2.8. *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.

2.9. *Other tangible assets*

Other tangible assets 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 item "General administrative costs".

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 usefull life
Premises	50
Leasehold expenses	4 - 10
Furniture and materials	8
Machines and tools	5 - 8
IT equipment	3 - 8
Fixtures and fittings	5 - 8
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.

2.10. 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.

2.11. Intangible assets

This item essentially includes costs incurred with the acquisition, development or preparation for use of software used in the Group'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.

2.12. Investments in subsidiaries, associated companies and joint ventures

This item includes investments in companies over whose current management the Bank has effective control in order to derive economic benefits from their operations, known as "subsidiaries". Control usually means a shareholding of more than 50% of the capital or voting rights.

The existence of significant influence by the Bank is normally demonstrated by one of more of the following forms:

- representation on the Board of Directors or equivalent management body;
- participation in policy definition processes, including the participation in decisions regarding dividends or other distributions;
- exchange of management staff;
- supply of essential technical information.

These assets are recorded at acquisition cost, being subject to periodic impairment analyses.

The recoverable amount of the investments in subsidiaries and associated companies is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable value of the investments in subsidiaries or associated companies and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed against results, in a subsequent period. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The dividends are recognised as income in the period when the decision to distribute dividends amongst subsidiaries is taken.

2.13. Income taxes

Alves Ribeiro – Investimentos Financeiros, SGPS, S.A., holds 99.68 % of the Group'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 on the basis of 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
- 9% for taxable profits of more than 35,000,000 euros;

Under article 51 of the Corporate Income Tax Code (in the version in force until the financial year of 2018), distributed profits and reserves, as well as the capital gains and losses realised by the Group 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, or were not deductible or taxable in previous 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 the value of financial assets at fair value through other comprehensive income.

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 2018 and 2017, 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 (for example, in the case of revaluation of financial assets at fair value through other comprehensive income). Here, the corresponding tax is also carried against shareholders' equity, and does not affect net income for the year.

2.14. 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, taking into account the principles defined in IAS 37.

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.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit or loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed. The provisions for credit commitments are recorded on the same ECL basis.

2.15. Employees' benefits

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

The Group 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 Group had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2018 and 2017.

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.

2.16. 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.

2.17. Amounts deposited

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

2.18. Cash and equivalents

For the preparation of the cash flow statements, the Group considers all the items of "Cash and balances at central banks" and "Claims on other credit institutions", with less than three months' maturity from the balance sheet date, as "Cash and equivalents".

Cash and equivalents exclude restricted balances with central banks.

2.19. Offsetting

Financial assets and liabilities are offset and recognised at their net book value in the balance sheet when the Bank has a legal right to offset the amounts recognised and the transactions can be settled at their net value.

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

The Group's Board of Directors has had to provide some estimates in the application of the accounting criteria described above. The estimates with the biggest impact on the Group's consolidated financial statements are listed below.

CLASSIFICATION AND MEASUREMENT – IFRS 9

The classification and measurement of the financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude if the same correspond solely to payments of principal and interest on the principal amount outstanding) and of the business model test.

The Bank determines the business model based on the way groups of financial assets are managed collectively to achieve a specific business objective. This assessment requires judgement, since the following aspects, among others, have to be considered:
- the way in which the performance of the assets is assessed;
- the risks that affect the performance of the assets and the way in which those risks are managed; and
- the way in which the asset managers are remunerated.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity, to understand the reasons underlying their disposal and determine if they are consistent with the objective of the business model defined for those assets. This monitoring is included in the Bank's continuous assessment process of the business model of the financial assets remaining in portfolio, to determine if the latter is adequate and, if not, whether there was a change in the business model and, as a result, a prospective change of the classification of those financial assets.

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS – IFRS 9

Impairment losses in loans granted are calculated in accordance with the method defined in Notes 2.5., 43 and 46. 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.

The determination of impairment losses for financial instruments involves judgements relative to the following aspects, among others:

Significant increase in credit risk:
Impairment losses correspond to the expected losses on a 12-month horizon for the assets in stage 1, and to the expected losses considering the probability of a default event occurring at some point up to the maturity date of the financial instrument for the assets in stage 2 and 3. An asset is classified in stage 2 whenever there is a significant increase in credit risk since its initial recognition. In assessing the existence of a significant increase in credit risk, the Bank considers qualitative and quantitative, reasonable and sustainable information.

Business model evaluation:
The classification and measurement of the financial assets depends on the characteristics of the contractual cash flows of the financial asset and the definition of the business model. The Bank determines the business model according to the way in which it wants to manage the financial assets and the business objectives. The Bank monitors whether the classification of the business model is appropriate based on the analysis of the early derecognition of the assets at amortised cost or at fair value through equity, evaluating whether a prospective change of the classification is necessary.

Definition of groups of assets with common credit risk characteristics:
When expected credit losses are measured on a collective basis, the financial instruments are grouped based on common risk characteristics. The Group monitors the adequacy of the credit risk characteristics in order to ensure that the reclassification of assets is carried out appropriately, in the event of a change in the credit risk characteristics.

Models and assumptions used:
The Group uses various models and assumptions to measure the estimated expected credit losses. Judgement is applied in the identification of the most appropriate model for each type of assets, as well as to determine the assumptions used in these models, including the assumptions related to the main credit risk drivers.

Probability of default:
The probability of default represents a determining factor in the measurement of the expected credit losses. The probability of default corresponds to an estimate of the probability of default in a certain time period, whose calculation is based on historical data, assumptions and expectations regarding future conditions.

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 2.7.

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 Group 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:

	2018			2017		
Company	Net assets	Net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	766,994,782	109,486,444	13,745,535	620,093,985	98,302,657	5,000,697
Invest Gestão de Ativos - SGFIM, S.A.	2,647,641	2,557,598	249,189	2,372,456	2,308,410	189,843
Fundo Tejo	8,192,391	8,062,341	458,165	7,728,528	7,604,176	451,269
Saldanha Holdings	19,937	12,217	(102,361)	120,428	114,578	(18,913)
Saldanha Finance	16,750	5,914	(28,074)	5,241,245	5,233,989	(24,911)

As at 31 December 2018 and 2017, 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 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:

	31 December 2018	31 December 2017
Cash in hand	644,725	1,129,861
Demand deposits at the Bank of Portugal	3,588,620	8,014,553
	4,233,345	**9,144,414**

Demand 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:

	31 December 2018	31 December 2017
Cheques payable		
- In Portugal	502,392	494,818
Demand deposits		
- In Portugal	1,735,446	2,942,391
- Abroad	9,476,056	2,987,044
	11,713,894	**6,424,253**

The item Cheques payable represents essentially cheques drawn by third parties on other credit institutions that are due for collection. The balances of this item are settled in the first few days of the following month.

6. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CREDIT INSTITUTIONS

As at 31 December 2018 and 2017, this item was made up as follows:

	31 December 2018	31 December 2017
Loans and advances to credit institutions		
Credit institutions in Portugal	2,400,000	1,400,000
Interest receivable	135,337	55
	2,535,337	**1,400,055**

As at 31 December 2018 and 2017, the times to maturity of deposits at credit institutions were as follows:

	31 December 2018	31 December 2017
Up to 3 months	2,000,000	1,000,000
3 months to 1year	535,337	400,055
	2,535,337	**1,400,055**

Deposits at credit institutions are at stage 1.

7. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	31 December 2018	31 December 2017
Domestic loans		
Property leasing transactions	42,308,880	51,040,944
Medium and long-term loans	58,189,155	74,483,518
Current account loans	17,256,276	17,434,243
Consumption and auto loans	171,854,028	94,339,439
Equipment finance leasing transactions	336,298	602,722
Current account overdrafts	2,107,362	3,177,501
Other loans	8,270,538	11,896,272
	300,322,537	**252,974,639**
Foreign loans		
Current account overdrafts	663,865	8,913
	300,986,402	**252,983,552**
Interest receivable	**1,381,738**	**674,678**
Commissions associated to amortised cost		
Deferred charges	11,818,623	6,554,475
Deferred income	(5,010,275)	(2,841,242)
	6,808,348	**3,713,233**
Past due principal and interest	29,303,544	28,158,058
	338,480,032	**285,529,521**
Impairment (Note 24)		
Impairment for non-securitised loans	(26,316,481)	(28,483,680)
	(26,316,481)	**(28,483,680)**
	312,163,551	**257,045,841**

As at 31 December 2018, the holders of a qualified shareholding in the Group's capital, identified in the Board of Directors' report and in note 42, and to whom the Bank granted a loan, represented in aggregate terms 27% of the share capital (2017: 25%)

With reference to 31 December 2018, the loans that the Bank granted to qualifying shareholders and to companies controlled by the latter, came to 15,935,500 euros (2017: 16,455,419 euros), according to Note 42. 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. The impairment amount set up for these contracts comes to 163,335 euros as at 31 December 2018 (31 December 2017: 164,755 euros).

The movement under impairment in 2018 and 2017 is given in Note 24.

In September 2016 the Group initiated its auto loan concession activity. At the end of 2018 the amount of credit concession came to 171,854,028 euros (2017: 94,339,439 euros).

As at 31 December 2018 and 2017, the breakdown of times to maturity of loans and advances to customers, excluding past due loans, is as follows:

	2018	2017
Up to 3 months	9,250,635	13,460,813
3 months to 1 year	26,224,330	9,735,566
1 year to 5 years	42,818,218	40,832,011
More than 5 years	222,693,219	188,955,162
	300,986,402	**252,983,552**

As at 31 December 2018 and 2017, the breakdown of past due loans by age is as follows:

	2018	2017
Up to 3 months	1,087,650	257,019
3 months to 1 year	2,897,718	1,633,125
More than 1 year	25,318,176	26,267,914
	29,303,544	**28,158,058**

As at 31 December 2018, performing loans associated with past due loans (more than 3 months) amounted to 7,789,548 euros (2017: 14,150,651 euros).

As at 31 December 2018 and 2017, the breakdown of past due loans by type of guarantee was as follows:

	2018	2017
Mortgage guarantee or financial leasing (property)	19,485,957	21,563,722
Commercial pledge of pharmacies	2,936,726	3,466,392
Other real guarantees	3,515,882	883,104
Personal guarantee	706,850	643,211
No guarantee	2,658,129	1,601,629
	29,303,544	**28,158,058**

As at 31 December 2018 and 2017, the breakdown of performing loans and past due loans, and the fair value of the underlying guarantees by type of loan was as follows:

	2018			
	Performing	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Property leasing transactions	42,308,880	2,675,236	44,984,116	105,051,737
Medium and long-term loans	58,189,155	20,064,836	78,253,991	106,073,382
Current account loans	17,256,276	1,043,888	18,300,164	1,848,996
Consumption and auto loans	171,854,028	2,004,267	173,858,295	-
Equipment finance lease transactions	336,298	266,604	602,902	253,132
Current account overdrafts	2,771,227	-	2,771,227	3,236,911
Other loans	8,270,538	3,248,713	11,519,251	16,744,056
	300,986,402	**29,303,544**	**330,289,946**	**233,208,214**

	2017			
	Performing	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Property leasing transactions	51,040,944	3,091,123	54,132,067	121,373,315
Medium and long-term loans	74,483,518	22,227,760	96,711,278	81,268,468
Current account loans	17,434,243	1,202,973	18,637,216	453,689
Consumption and auto loans	94,339,439	572,229	94,911,668	-
Equipment finance lease transactions	602,722	15,651	618,373	49,025
Current account overdrafts	3,186,415	-	3,186,415	4,726,896
Other loans	11,896,271	1,048,322	12,944,593	17,758,502
	252,983,552	**28,158,058**	**281,141,610**	**225,629,895**

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 loan operations and medium and long-term loans, or to the legal property in the case of real estate leasing operations. 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, as at 31 December 2018 and 2017, by sector of activity, was as follows:

	2018		
	Performing loans	Past due loans	Total
Individuals	175,366,938	10,400,377	185,767,315
Wholesale and retail trade; repair of motor vehicles and motorbikes	34,813,198	5,644,655	40,457,853
Financial and insurance activities	18,624,161	247,217	18,871,378
Real estate activities	10,811,885	4,510,691	15,322,576
Public administration and defence; mandatory social security	-	-	-
Manufacturing industries	7,639,319	1,502,174	9,141,493
Construction	5,102,239	1,905,513	7,007,752
Agriculture, livestock, hunting, forestry and fishing	2,515,010	3,195,625	5,710,635
Administrative and support services activities	28,226,010	405,617	28,631,627
Consultancy, scientific, technical and similar activities	2,466,731	12,840	2,479,571
Human health and social support activities	1,589,903	267,192	1,857,095
Hotels, restaurants and similar	3,406,616	716,750	4,123,366
Water supply, sewerage, waste management and remediation activities	408,543	-	408,543
Other activities and services	5,924,578	2,266	5,926,844
Transportation and storage	1,424,248	183,313	1,607,561
Arts, entertainment, sports and recreational activities	1,892,695	242	1,892,937
Education	583,630	257,928	841,558
Electricity, gas, steam, hot and cold water and cold air	-	-	-
Information and communication activities	190,698	51,144	241,842
Total loans	**300,986,402**	**29,303,544**	**330,289,946**

	2017		
	Performing loans	Past due loans	Total
Individuals	117,472,176	8,374,945	125,847,121
Wholesale and retail trade; repair of motor vehicles and motorbikes	28,494,811	7,421,245	35,916,056
Financial and insurance activities	21,024,253	383,288	21,407,541
Real estate activities	12,848,543	5,557,191	18,405,734
Public administration and defence; mandatory social security	-	-	-
Manufacturing industries	9,651,664	838,693	10,490,357
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	39,272,271	405,063	39,677,334
Consultancy, scientific, technical and similar activities	3,220,144	142,305	3,362,449
Human health and social support activities	3,544,069	324,828	3,868,897
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	-	-	-
Information and communication activities	169,804	3,829	173,633
Total loans	**252,983,552**	**28,158,058**	**281,141,610**

To comply with the requirements for disclosure of IAS 17 – Leases, the Group prepared for the financial leasing portfolio, with reference to 31 December 2018 and 2017, the reconciliation between the minimum lease payments and their present value, for each one of the periods defined in the standard, presented in the following table:

	2018	2017
Minimum lease payments		
Up to 1 year	6,461,869	7,277,282
1 to 5 years	19,255,910 2	3,293,780
More than 5 years	26,218,018	33,225,730
	51,935,797	**63,796,792**
Unearned financial income	(9,290,619)	(12,153,126)
	42,645,178	**51,643,666**
Present value of minimum lease payments		
Up to 1 year	5,037,127	5,500,596
1 to 5 years	15,200,885	18,129,765
More than 5 years	22,407,166	28,013,305
	42,645,178	**51,643,666**

As at 31 December 2018 and 2017 the Bank´s financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents.

As at 31 December 2018, the total loan portfolio broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2018							31 December 2017	
	Stage 1		*Stage 2*		*Stage 3*		Total	Gross value	Impairment
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment			
Loans and advances to cusyomers									
Property leasing transactions	32,209,397	(536,624)	3,322,341	(448,961)	9,452,378	(2,881,627)	41,116,904	51,040,944	(5,418,525)
Medium and long-term loans	47,991,368	(2,421,051)	2,424,895	(551,095)	27,837,728	(13,101,454)	62,180,391	74,483,518	(18,481,271)
Current account loans	17,256,276	(190,508)	-	-	1,043,888	(966,207)	17,143,449	17,434,243	(1,532,309)
Consumption and auto loans	168,032,841	(1,341,439)	1,867,222	(393,573)	3,958,232	(2,552,872)	169,570,411	94,339,439	(1,797,135)
Equipment finance lease transactions	315,308	(1,773)	4,438	(23)	283,156	(106,735)	494,371	602,722	(107,954)
Current account overdrafts	2,771,227	(74,761)	-	-	-	-	2,696,466	3,177,501	(146,630)
Other loans	3,539,550	(51,585)	1,869,263	(60,803)	6,110,438	(635,390)	10,771,473	11,896,272	(999,856)
	272,115,967	**(4,617,741)**	**9,488,159**	**(1,454,455)**	**48,685,820**	**(20,244,285)**	**303,973,465**	**252,974,639**	**(28,483,680)**

As at 31 December 2017, 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, as defined in IAS 39, is as follows:

	2017
Total gross loans	353,918,991
Loans and advances to customers	281,816,288
Debt securities	72,102,703
Loans with impairment signs	
Individually significant	
Gross value	148,103,330
Impairment	(26,208,996)
	121,894,334
Collective analysis	
Gross value	13,764,563
Impairment	(1,196,997)
	12,567,566
Loans without impairment signs	
Gross value	192,051,098
Impairment IBNR	(1,377,034)
	190,674,064

The Total gross loans item includes loans directly granted to customers and indirect loans.

As at 31 December 2017, 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 29) in the amount of 71,540 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:

	2018			
	Performing loans	Past due loans	Total	Impairment
Arts, entertainment, sports and recreational activities	1,048,654	-	1,048,654	26,360
Human health and social support activities	310,769	-	310,769	97,554
Real estate activities	137,736	1,264	139,000	42,565
Agriculture, livestock, hunting, forestry and fishing	1,866,568	25,654	1,892,222	479,317
Hotels, restaurants and similar	574,060	7,369	581,429	36,554
Wholesale and retail trade; repair of motor vehicles and motorbikes	3,781,158	24,147	3,805,305	845,523
Construction	46,151	-	46,151	259
Education	236,938	5,703	242,641	131,160
Manufacturing industries	1,808,211	81,083	1,889,294	280,965
Other activities and services	48,945	-	48,945	8,004
Individuals	2,012,808	511,360	2,524,168	509,713
Transportation and storage	17,437	-	17,437	2,912
Total Loans	**11,889,435**	**656,580**	**12,546,015**	**2,460,886**

	2017			
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	1,072,090	-	1,072,090	13,777
Arts, entertainment, sports and recreational activities	1,153,593	91,535	1,245,128	59,449
Human health and social support activities	1,221,454	6,553	1,228,007	134,720
Real estate activities	2,941,869	3,970	2,945,839	468,209
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)	5,003,120	1,431,673
Construction	591,266	(2)	591,264	7,609
Education	32,510	3,370	35,880	462
Other activities and services	3,069,898	67,889	3,137,787	498,250
Transportation and storage	3,728,835	130,663	3,859,498	842,473
Total Loans	**23,682,595**	**365,630**	**24,048,225**	**5,208,397**

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 2,460,886 euros (31 December 2017: 5,208,397 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 13,505,100 euros (31 December 2017: 24,048,223 euros), which present an impairment of 2,567,916 euros (31 December 2017: 5,208,397 euros).

8. FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

This item was made up as follows:

	31 December 2018	31 December 2017
Debt securities		
Portuguese government debt or public companies	20,795,872	5,000,000
Other residents		
Credit Institutions	4,498,840	-
Companies	56,996,374	42,592,367
Commercial paper	37,641,207	17,700,002
Interest receivable	1,145,526	305,615
Non-residents		
Government debt	73,782,457	-
Credit institutions	2,492,061	-
Companies	33,798,145	6,474,114
Interest receivable	2,188,700	30,605
	233,339,182	**72,102,703**
Impairment (Note 24)		
Other loans and receivables - debt securities	(460,732)	(299,347)
	(460,732)	**(299,347)**
	232,878,450	**7,803,356**

The composition of the debt securities (non-residents, excluding the public issuers and the credit institutions, as at 31 December 2018 and 2017, by sector of activity, was as follows:

	31 December 2018	31 December 2017
Extractive industries	2,458,842	-
Manufacturing industries	15,086,017	3,614,197
Electricity, gas, steam, hot and cold water and cold air	12,223,151	2,532,099
Information and communication activities	2,518,338	-
Financial and insurance activities	1,511,797	327,818
	33,798,145	**6,474,114**

As at 31 December 2018, the debt securities portfolio, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2018							31 December 2017	
	Stage 1		*Stage 2*		*Stage 3*		Total	Gross value	Impairment
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment			
Debt securities	230,004,956	(460,732)	-	-	-	-	229,544,224	71,766,483	(299,347)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Financial assets at fair value through profit or loss item is analysed as follows:

	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	48,080,160	34,403,202
Interest receivable	405,084	218,034
Equity instruments	6,161,507	11,812,079
Derivatives	3,395,296	1,874,128
	58,042,047	**48,307,443**
Financial assets not held for trading mandatorily at fair value through profit or loss		
Equity instruments	16,012,916	-
	16,012,916	**-**

The Financial assets not held for trading mandatorily at fair value through profit or loss - equity instruments item resulted from the reclassification on 1 January 2018 of the investment units of the funds, since their characteristics did not permit their classification in comprehensive income under the accounting policy described in note 2.5.

Included under this heading are the investment units of the Fundo Inspirar, in the amount of 4,114,093 euros, according to Note 42.

These items were made up as follows:

	31 December 2018		31 December 2017	
	Financial assets held for trading	Financial assets not held for trading mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets not held for trading mandatorily at fair value through profit or loss
Debt instruments				
Other residents				
Other national public issuer	-	-	-	-
Credit institutions	1,007,010	-	2,016,210	-
Companies	5,628,018	-	-	-
Non-residents				
Foreign public issuers	1,363,806	-	7,123,908	-
Credit institutions	15,918,310	-	7,464,026	-
Companies	24,163,016	-	17,799,058	-
	48,080,160	**-**	**34,403,202**	**-**
Interest receivable	**405,084**	**-**	**218,034**	**-**
	48,485,244	**-**	**34,621,236**	**-**
Equity instruments				
Residents				
Shares	22,095	-	30,190	-
Investment units	-	15,939,737	-	-
Non-residents				
Shares	5,220,084	-	11,418,210	-
Investment units	919,328	73,179	363,679	-
	6,161,507	**16,012,916**	**11,812,079**	**-**
Derivatives				
Swaps				
Interest rate	521,638	-	264,956	-
Other	2,826,771	-	1,608,460	-
Options embedded in structured deposits	46,887	-	712	-
	3,395,296	**-**	**1,874,128**	**-**
	58,042,047	**16,012,916**	**48,307,443**	**-**

As at 31 December 2018, the portfolios are recorded at fair value through profit or loss, according to the accounting policy described in note 2.5.

The composition of the debt instruments (non-residents), excluding the public issuers and the credit institutions, as at 31 December 2018 and 2017, by sector of activity, was as follows:

	31 December 2018	31 December 2017
Extractive industries	483,432	710,708
Manufacturing industries	10,412,296	4,524,486
Electricity, gas, steam, hot and cold water and cold air	2,348,894	1,414,687
Water supply, sewerage, waste management and remediation activities	1,529,970	1,550,880
Wholesale and retail trade; repair of motor vehicles and motorbikes	398,152	2,658,001
Transportation and storage	2,045,990	2,105,720
Information and communication activities	2,943,581	1,572,155
Financial and insurance activities	3,527,015	2,037,555
Administrative and support services activities	473,686	1,224,866
	24,163,016	**17,799,058**

As at 31 December 2018 and 2017, the nominal value of the debt instruments is as follows:

	31 December 2018	31 December 2017
Other resident		
Other public issuers	-	-
Credit institutions	1,000,000	2,000,000
Companies	5,600,000	-
Non-residents		
Foreign public issuers	1,500,000	7,000,000
Credit institutions	20,100,000	9,200,000
Companies	25,028,000	17,556,000
	53,228,000	**35,756,000**

As at 31 December 2018 and 2017, the transactions with derivatives were valued in accordance with the criteria in Note 2.5. On these dates, the breakdown of the notional amount and book value was as follows:

	2018			
	Notional amount	Book value		
	Trading derivatives	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 23)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	65,855,869	521,638	(27,610)	494,028
Other	5,878,246	2,826,771	-	2,826,771
- Options embedded in structured deposits	54,764,787	46,887	(210,319)	(163,432)
- Options				
Equities	7,321,749	-	(772,787)	(772,787)
	133,820,651	**3,395,296**	**(1,010,716)**	**2,384,580**
Traded on the stock exchange				
- Futures				
Interest rate	56,510,489	-	-	-
Equities	1,468,755	-	-	-
Foreign exchange	1,880,198	-	-	-
	59,859,442	**-**	**-**	**-**
	193,680,093	**3,395,296**	**(1,010,716)**	**2,384,580**

	2017			
	Notional amount	Book value		
	Trading derivatives	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 23)	
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**

The distribution of derivative transactions as at 31 December 2018 and 2017, by times to maturity, was as follows (by notional amount):

	2018					
	<= 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	-	7,903,808	37,479,538	20,472,523	-	65,855,869
Other	-	-	-	-	5,878,246	5,878,246
	-	**7,903,808**	**37,479,538**	**20,472,523**	**5,878,246**	**71,734,115**
- Options embedded						
in structured deposits	6,583,927	5,939,615	20,785,518	21,455,727	-	54,764,787
- Options						
Equities and exchanges rates	500,000	2,564,749	3,257,000	1,000,000	-	7,321,749
- Futures						
Interest rate	18,064,312	12,636,414	16,293,250	9,516,513	-	56,510,489
Equities	1,468,755	-	-	-	-	1,468,755
Foreign exchange	1,880,198	-	-	-	-	1,880,198
	21,413,265	**12,636,414**	**16,293,250**	**9,516,513**	**-**	**59,859,442**
	28,497,192	**29,044,586**	**77,815,306**	**52,444,763**	**5,878,246**	**193,680,093**

	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
	31,967,272	**-**	**27,768,028**	**51,7784,862**	**5,878,247**	**117,398,409**
- 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	-	14,352,639
Traded on the stock exchange						
- 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**	**257,439,451**

The distribution of derivative transactions as at 31 December 2018 and 2017, by type of counterparty, was as follows:

	2018	2017
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	65,855,869	111,520,162
Other		
- Customers	5,878,246	5,878,247
Options embedded in structured deposits		
- Customers	54,764,787	37,140,868
Equity options		
- Financial institutions	-	-
- Customers	7,321,749	14,352,640
	133,820,651	**168,891,917**
Traded on the stock exchange		
Futures		
- Interest rate	56,510,489	82,175,822
- Equities	1,468,755	4,898,033
- Foreign exchange	1,880,198	1,473,680
	59,859,442	**88,547,535**
	193,680,093	**257,439,452**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item was made up as follows:

	31 December 2018	31 December 2017
Debt instruments		
Other residents		
Other national public issuers	2,265,092	-
Other	4,395,910	-
Non-residents		
Foreign public issuers	25,343,749	-
Other	66,260,379	-
	98,265,130	**-**
Interest receivable	496,800	-
	98,761,930	**-**
Impairment of other securities	-	-
	98,761,930	**-**

The composition of the debt instruments (non-residents), excluding the public issuers and the credit institutions, as at 31 December 2018 and 2017, by sector of activity, was as follows:

	31 December 2018	31 December 2017
Extractive industries	1,057,540	-
Manufacturing industries	11,293,405	-
Electricity, gas, steam, hot and cold water and cold air	13,216,545	-
Wholesale and retail trade; repair of motor vehicles and motorbikes	2,384,725	-
Information and communication activities	3,921,490	-
Financial and insurance activities	33,890,169	-
Administrative and support services activities	496,505	-
	66,260,379	**-**

As at 31 December 2018 and 2017, the nominal value of the debt instruments is as follows:

	31 December 2018	31 December 2017
Other residents		
Other national public issuers	2,100,000	-
Others	4,460,000	-
Non-residents		
Foreign public issuers	26,600,100	-
Other	66,800,000	-
	99,960,100	**-**

As described in the accounting policy referred in Notes 2.5 and 43, 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 (Note 27). As at 31 December 2018 and 2017, the unrealised gains and losses in financial assets available for sale were as follows:

	31 December 2018	31 December 2017
Debt instruments		
Other residents		
Portuguese public debt	(166,703)	-
Other bonds	49,915	-
Non-residents		
Foreign public issuers	(194,389)	-
Other bonds 535,693 -		
	224,516	**-**
Equity instruments	189,668	-
Net potential gains (Note 27)	**414,184**	**-**

As at 31 December 2018, the portfolio of Financial assets at fair value through other comprehensive income, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2018				31 December 2017
	Stage 1	*Stage 2*	*Stage 3*	Total	Gross value
	Gross value	Gross value	Gross value		
Financial assets at fair value through other comprehensive income	98,265,130	-	-	98,265,130	-

11. FINANCIAL ASSETS AVAILABLE FOR SALE

This item was made up as follows:

	31 December 2018	31 December 2017
Debt instruments		
Portuguese government debt	-	2,279,163
Other residents		
- Credit institutions	-	-
- Other bonds	-	12,951,260
Non-residents		
- Foreign public issuers	-	13,155,370
- Other bonds	-	47,307,099
	-	**75,692,892**
Interest receivable	-	688,310
	-	**76,381,202**
Equity instruments		
Issued by residents		
- Valued at fair value	-	7,230,483
Issued by non-residents		
- Valued at fair value	-	294,135
	-	**7,524,618**
	-	**83,905,820**
Impairments of other securities	-	(4,213,505)
	-	**79.692.315**

The composition of the Financial assets for sale (non-residents), excluding the public issuers and the credit institutions, as at 31 December 2018 and 2017, by sector of activity, was as follows:

	31 December 2018	31 December 2017
Manufacturing industries	-	10,440,406
Transportation and storage	-	519,185
Construction	-	978,139
Financial and insurance activities	-	1,013,530
	-	**12,951,260**

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 2018 and 2017:

	2018			2017		
Equity instruments	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
Issued by residents						
- Shares	-	-	-	146,000	(146,000)	-
- Investment units	-	-	-	7,084,483	(1,035,031)	6,049,452
Issued by non-residents						
- Shares	-	-	-	41,691	(41,691)	-
- Investment units	-	-	-	252,444	(252,444)	-
	-	**-**	**-**	**7.524.618**	**(1.475.166)**	**6.049.452**

In 2017, 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 43.

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 2018 and 2017 is given in Note 24.

As at 31 December 2017, 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, managed by Invest Gestão de Activos. The Bank signed a fixed-term contract to sell the investment units of the Fundo Inspirar with an entity of the Alves Ribeiro Group, for a value exceeding the acquisition cost.

As at 31 December 2018 and 2017, the nominal value of the debt instruments is as follows:

	31 December 2018	**31 December 2017**
Debt instruments		
Portuguese government debt	-	2,100,000
Other residents		
- Credit institutions	-	1,000,000
- Other bonds	-	11,350,0000
Non-residents		
- Foreign public issuers	-	13,100,100
- Other bonds	-	45,750,000
	-	**73,300,100**

As described in the accounting policy referred in Notes 2.5 and 43, 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 (Note 27). As at 31 December 2018 and 2017, the unrealised gains and losses in financial assets available for sale were as follows:

	31 December 2018	31 December 2017
Debt instruments		
Portuguese government debt	-	181,498
National public issuers		
- Credit institutions		
- Other bonds	-	550,182
Non-residents		
- Foreign public issuers	-	200,924
- Other bonds	-	1,408,380
	-	**2,340,984**
Equity instruments	-	(158,838)
Net potential gains (Note 27)	**-**	**2,182,146**

12. INVESTMENTS HELD TO MATURITY

This item was made up as follows:

	31 December 2018	31 December 2017
Residents		
- Portuguese government debt	-	19,661,348
- Other	-	5,395,819
Non-residents		
- Public debt	-	59,618,914
- Other	-	14,634,792
	-	**99,310,873**
Interest receivable	-	2,591,989
	-	**101,902,862**

The portfolio of Investments held to maturity of the Group essentially includes investment in Portuguese and other countries' government debt, as broken down in note 43, being essentially composed of Spanish government debt in the amount of 55,911,456 euros and Italian government debt in the amount of 5,175,589 euros.

As at 31 December 2017, the fair value of investments held to maturity, including accrued interest, came to 114,595,970 euros (Note 43).

As at 31 December 2017, the breakdown of investments held to maturity, by maturity, was as follows:

	31 December 2018	31 December 2017
One to five years	-	22,729,768
More than five years	-	79,173,094
	-	**101,902,862**

In 2008, under the alteration to IAS 39 (Note 44), the Group 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.

13. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	31 December 2018	31 December 2017
Real Estate	21,259,931	27,567,270
Impairment (Note 24)	(6,275,798)	(7,632,477)
	14,984,133	**19,934,793**

Changes in this item in 2018 and 2017 are shown below:

2018								
31 December 2017						31 December 2018		
Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements / (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
	(Note 24)			(Note 24)	(Note 24)		(Note 24)	
27,567,270	**(7,632,477)**	**2,064,490**	**(8,371,829)**	**(686,901)**	**2,043,580**	**21,259,931**	**(6,275,798)**	**14,984,133**

2017								
31 December 2016						31 December 2017		
Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements / (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
	(Note 24)			(Note 24)	(Note 24)		(Note 24)	
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**

As at 31 December 2018 and 2017, the breakdown of non-current assets held for sale is as follows, according to the date of acquisition by the Group:

	2018			2017		
Year of acquisition	Gross value	Impairment	Net value	Gross value	Impairment	Net value
prior to 2009	2,136,879	(546,038)	1,590,841	2,440,514	(796,521)	1,643,993
2009	1,213,742	(575,222)	638,520	1,672,422	(698,204)	974,218
2010	2,624,141	(1,255,749)	1,368,392	2,900,544	(1,241,729)	1,658,815
2011	1,785,529	(684,215)	1,101,314	3,807,995	(1,465,872)	2,342,123
2012	2,212,862	(1,037,131)	1,175,731	3,567,041	(1,545,672)	2,021,369
2013	3,581,161	(836,322)	2,744,839	4,885,894	(927,818)	3,958,076
2014	1,134,469	(70,530)	1,063,939	1,706,263	(92,260)	1,614,003
2015	1,252,920	(286,663)	966,257	1,856,423	(330,843)	1,525,580
2016	1,817,782	(185,988)	1,631,794	2,573,426	(69,558)	2,503,868
2017	1,938,763	(711,111)	1,227,652	2,156,748	(464,000)	1,692,748
2018	1,561,683	(86,829)	1,474,854	-	-	-
	21,259,931	**(6,275,798)**	**14,984,133**	**27,567,270**	**(7,632,477)**	**19,934,793**

The real estate held in portfolio for more than 1 year corresponds to real estate that in spite of 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 Bank continues to focus its efforts on selling the real estate in the short-term.

During 2018, the Group recorded net gains from the sale of real estate received in lieu of payment, totalling 1,426,082 Euros (2017: net gains of 324,973 euros) (Note 38), which were determined in some situations relative to the gross value of the real estate.

14. INVESTMENT PROPERTIES

This item was made up as follows:

	31 December 2018	31 December 2017
Gross value	5,389,235	5,320,851
Accumulated depreciation and impairment losses (Note 24)	(1,268,135)	(1,307,751)
	4,121,100	**4,013,100**

As at 31 December 2018 and 2017, 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 these dates the Group has registered an impairment of 1,268,135 euros (in 2017: 1,307,751 euros), arising from the updating of the assessments for these assets (Note 24).

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses. As at 31 December 2018 and 2017, the Group did not record depreciation for the year due to the fact that 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 2018. For the same reason, the balance sheet value of this real estate is similar to its fair value which at 31 December 2018 corresponds to 4,787,900 euros (31 December 2017: 4,604,450 euros).

During 2018 and 2017 the value of investment property rents charged by the Group came to 405,309 euros and 362,303 euros, respectively.

15. OTHER TANGIBLE ASSETS

Changes in the "Other tangible assets" items during 2018 and 2017 were as follows:

2018								
	31 December 2017					Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acqusitions	Depreciation for the year	Transfers	Gross value	Depreciation	Net value 31-12-2018
Real estate:								
- Premises	705,226	(228,043)	-	(10,302)	-	-	-	466,881
- Leasehold expenses	2,723,538	(2,037,326)	105,448	(208,067)	29,806	(6,544)	6,544	613,399
	3,428,764	**(2,265,369)**	**105,448**	**(218,369)**	**29,806**	**(6,544)**	**6,544**	**1,080,280**
Equipment:								
- Furniture and materials	460,283	(390,993)	11,961	(19,685)	-	-	-	61,566
- Machines and tools	88,956	(59,907)	705	(7,844)	-	(19,956)	19,848	21,802
- IT equipment	921,496	(792,193)	131,623	(101,805)	-	(204,872)	204,624	158,873
- Fixtures and fittings	581,991	(558,089)	2,924	(17,031)	-	(26,161)	26,129	9,763
- Vehicles	1,874,175	(960,118)	343,448	(440,626)	-	-	-	816,879
- Safety equipment	25,314	(22,780)	-	(981)	-	(15,736)	15,736	1,553
	3,952,215	**(2,784,080)**	**490,661**	**(587,972)**	**-**	**(266,725)**	**266,337**	**1,070,436**
Other tangible assets:								
- Artistic assets	41,364	-	-	-	-	-	-	41,364
- Under construction	8,942	-	106,037	-	(29,806)	-	-	85,173
	7,431,285	**(5,049,449)**	**702,146**	**(806,341)**	**-**	**(273,269)**	**272,881**	**2,277,253**

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**

16. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2018 and 2017 were as follows:

2018								
	31 December 2017				Disposals and write-offs			
Descripton	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2018
Intangible assets								
Software	2,359,188	(2,145,250)	32,798	119,508	(63,425)	63,425	(139,038)	227,206
Intangible assets in progress	104,794	-	92,604	(119,508)	-	-	-	77,890
	2,463,982	**(2,145,250)**	**125,402**	**-**	**(63,425)**	**63,425**	**(139,038)**	**305,096**

2017								
	31 de December de 2016				Disposals and write-offs			
Descripton	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2017
Intangible assets								
Software	2,332,395	(2,001,233)	33,017	-	(6,224)	6,224	(150,241)	213,938
Intangible assets in progress	36,104	-	68,690	-	-	-	-	104,794
	2,368,499	**(2,001,233)**	**101,707**	**-**	**(6,224)**	**6,224**	**(150,241)**	**318,732**

17. INCOME TAX

The asset and liability balances by income tax as at 31 December 18 and 2017 were as follows:

	2018	2017
Deferred tax assets		
- By temporary differences	7,378,470	7,148,582
Deferred tax liabilities		
- By temporary differences	(241,127)	(585,097)
	7,137,343	**6,563,485**
Current tax assets and liabilities		
- Tax assessed	(922,081)	(1,065,738)
- Tax benefit	929,039	-
- Surcharge	(65,863)	(72,187)
- State surcharge	-	(99,375)
- Autonomous taxation	(125,655)	(130,562)
	(184,560)	**(1,367,862)**
Payments on account	715,391	1,114,751
Tax withheld at source	74,479	102,093
	789,870	**1,216,844**
Income tax (payable) / receivable	**605,310**	**(151,018)**
Of which:		
- Income tax receivable	677,655	-
- Income tax (payable)	(72,345)	(151,018)

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 considered, except in the cases indicated above.

In 2018, the Bank acquired 2,955 investment units of the Fundo IBERIS BLUETECH FUND, for the amount of 2,999,325 euros, having obtained an immediate gain of 929,039 euros and having generated a deferred tax of 1,542,804 euros.

The breakdown of changes in deferred taxes in 2018 and 2017 was as follows:

	2018				
	Balance as at 31-12-2017	**Change in income**	**Change in reserves**	**Other**	**Balance as at 31-12-2018**
Deferred tax assets					
- Differential between impairment losses on loans accepted for tax purposes and those registered by the Bank	6,004,946	(1,117,134)	-	-	4,887,812
- Financial assets available for sale	50,471	-	249,522	-	299,993
- Valuation of trading derivatives	-	-	-	-	-
- Impairment of securities	548,441	(331,104)	-	(61,849)	155,488
- Impairment of non-current assets held for sale	544,724	(52,351)	-	-	492,373
Tax benefit	-	1,542,804	-	-	1,542,804
	7,148,582	**42,215**	**249,522**	**(61,849)**	**7,378,470**
Deferred tax liabilities					
- Financial assets available for sale	(585,097)	-	343,970	-	(241,127)
	6,563,485	**42,215**	**593,492**	**(61,849)**	**7,137,343**

	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**

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 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 year 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 2018 and 2017, 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:

	2018	**2017**
Current taxes		
For the year	(291,170)	(1,367,862)
Corrections from previous years	-	-
	(291,170)	**(1,367,862)**
Deferred taxes		
Entry and reversal of temporary differences	42.,215	(613,302)
Total tax recognised in profit or loss	**(248,955)**	**(1,981,164)**
Income before taxes and non-controlling interests	**9,336,246**	**7,829,368**
Tax burden	2.67%	25.30%

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 for the years 2015 to 2018 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 financial statements as at 31 December 2018.

The reconciliation between the nominal and effective rate of tax in 2018 and 2017 is given below:

	2018		2017	
	Rate	Tax	Rate	Tax
Income before taxes		9,336,246		7,829,368
Tax at nominal rate	22.50%	2,100,655	22.50%	1,761,608
State surcharge	0.83%	77,080	1.27%	99,375
		2,177,735	**1,860,983**	
Impairment not accepted for tax purposes	(11.98%)	(1,118,228)	0.74%	(57,894)
Costs not accepted for tax purposes:				
- Write-ups	0.19%	17,765	0.19%	14,959
Tax benefits	(10.01%)	(934,704)	0.06%	(4,649)
Gains and losses	0.00%	-	0.01%	675
Autonomous taxation	1.35%	125,655	1.67%	130,562
Banking sector contribution	0.52%	48,250	0.69%	54,247
Other	(0.72%)	(67,518)	0.23%	(17,719)
	2.67%	**248,955**	**25.30%**	**1,981,164**

18. OTHER ASSETS

As at 31 December 2018 and 2017, this item was made up as follows:

	31 December 2018	31 December 2017
Debtors and other financial investments		
Debtors by transactions on futures	1,767,862	3,892,049
Other sundry debtors	208,501	122,994
Impairment sundry debtors	(83,423)	(20,574)
	1,892,940	3,994,469
Other		
Gold and other precious metals	159,066	178,693
Income receivable		
Commissions	1,147,506	990,249
Deferred charges		
Rents	85,904	89,191
Insurance	44,465	186,805
Other	407,579	213,314
	537,948	**489,310**
Other accruals and deferrals		
Stock market transactions pending settlement	249,169	3,081,841
Lending operations pending settlement	1,992,449	378,448
	2,241,618	**3,460,289**
	5,979,078	**9,113,010**

The margin accounts of futures contracts of customers and of the Bank are included in the "Debtors by transactions on futures" item.

As at 31 December 18 and 2017, "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.

The change in "Stock market transactions pending settlement" is essentially due to the fact that the Bank initiated the activity of Telemarketing insurance solicitation associated to auto loans.

19. RESOURCES FROM CENTRAL BANKS

As at 31 December 2018 and 2017 this item was made up as follows:

	31 December 2018	31 December 2017
Resources from the Bank of Portugal	56,680,000	39,180,000
	56,680,000	**39,180,000**

As at 31 December 2018 and 2017, "Resources from Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2018 and 2017, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	31 December 2018	31 December 2017
Up to three months	17,500,000	-
More than one year	39,180,000	39,180,000
	56,680,000	**39,180,000**

Resources obtained from the Bank of Portugal as at 31 December 2018 and 2017 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 28).

20. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2018 and 2017, this item was made up of term deposits and resources from other credit institutions as follows:

	31 December 2018	31 December 2017
Term deposits and other resources		
Credit institutions in Portugal	1,775,690	2,951,525
	1,775,690	**2,951,525**

21. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2018 and 2017, this item was made up as follows:

	31 December 2018	31 December 2017
Deposits:		
- Demand	99,120,457	89,610,093
With agreed maturity dates:		
- Term deposits	426,065,655	324,188,265
- Structured deposits	54,764,787	37,140,865
	480,830,442	**361,329,130**
	579,950,899	**450,939,223**
Interest payable:		
- Interest on customer resources	3,420,397	2,332,352
	583,371,296	**453,271,575**

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 2018 and 2017, the times to maturity of customers' resources are as follows:

	31 December 2018	31 December 2017
Up to three months	107,650,764	79,899,328
Three months to one year	267,015,764	203,312,600
One to five years	82,083,915	42,437,202
More than five years	24,079,999	35,680,000
	480,830,442	**361,329,130**

22. LIABILITIES REPRESENTED BY SECURITIES

As at 31 December 2018 and 2017, this item was made up as follows:

	31 December 2018	31 December 2017
Debt securities - Customers	213,524	-
Interest payable	1,096	-
	214,620	-

The liabilities represented by securities correspond to a 7-month debt security, without guaranteed capital. The product mentioned is directed at all investors (professionals and non-professionals of level 3).

23. FINANCIAL LIABILITIES HELD FOR TRADING

As at 31 December 2018 and 2017, this item relates to derivatives recorded at fair value offset against profit and loss (Note 9) and is broken down as follows:

	31 December 2018	31 December 2017
Interest rate swaps	27,610	220,298
Options	983,106	1,618,430
	1,010,716	**1,838,728**

24. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2018 and 2017 were as follows:

	2018					
	Balances as at 31-12-2017	Net Charges	Use	Transfers	Transation adjustment	Balances as at 31-12-2018
Impairment of assets at amortised cost:						
- Loand and advances to customers (Note 7)	28,483,680	(490,832)	(1,884,852)	102,875	105,610	26,316,481
- Debt securities (Note 8)	299,347	159,337	-	(46,516)	48,564	460,732
	28,783,027	**(331,495)**	**(1,884,852)**	**56,359**	**154,174**	**26,777,213**
Impairment and provisions for other financial assets:						
- Impairment of financial assets available for sale (Note 11)	4,213,505	-	(4,213,505)	-	-	-
Impairment of financial assets at fair value through other comprehensive income (Notes 10 and 27):	-	173,909	-	(54,319)	54,311	173,901
Impairment of other assets:						
- Non-current assets held for sale (Note 13)	7,632,478	686,900	(2,043,580)	-	-	6,275,798
- Investment properties (Note 14)	1,307,751	(39,616)	-	-	-	1,268,135
- Other assets (Note 18)	20,574	62,849	-	-	-	83,423
	8,960,803	**710,133**	**(2,043,580)**	**-**	**-**	**7,627,356**
Other provisions:						
- Provisions for guarantees and other commitments	-	24,723	-	-	-	24,723
	41,957,335	**577,270**	**(8,141,937)**	**2,040**	**208,485**	**34,603,193**

	2017				
	Balances as at 31-12-2016	Net charges	Use	Transfers and settlements	Balances as at 31-12-2017
Impairment of loans and advances to customers:					
- Credit extended (Note 7)	28,412,726	568,449	(497,795)	-	28,483,680
- Loans and advances to customers - debt securities (Note 8)	353,796	(54,225)	(224)	-	299,347
	28,766,522	**514,224**	**(497,719)**	**-**	**28,783,027**
Impairment of financial assets available for sale (Note 11)	4,580,093	668,928	(1,029,772)	(5,744)	4,213,505)
Impairment in investments held to maturity (Note 12)	-	-	-	-	-
Impairment of other assets:					
- Non-current assets held for sale (Note 13)	7,931,998	1,648,300	(1,379,430)	(568,391)	7,632,478
- Investment properties (Note 14)	992,161	-	(252,801)	568,391	1,307,751
- Other assets (Note 18)	-	20,574	-	-	20,574
	42,270,774	**2,852,026**	**(3,159,722)**	**(5,744)**	**41,957,335**

The column "Transition adjustment" reflects the adjustments in impairment losses arising from the implementation of IFRS 9 with reference to 1 January, according to Note 46.

25. OTHER LIABILITIESS

As at 31 December 2018 and 2017, this item was made up as follows:

	31 December 2018	31 December 2017
Creditors and other resources		
- Creditors by operations on futures	999,063	1,890,592
Public Administration Sector:		
- Tax withheld at source	588,184	540,278
- VAT payable	128,929	136,963
- Social Security contributions	183,780	153,575
- Advances on account, third parties	2,276	5,463
Sundry creditors:		
- Other creditors	8,998,276	2,818,440
	10,900,508	**5,545,311**
Deferred income		
- Rents	34,080	30,260
- Commissions	506,967	-
	541,047	**30,260**
Charges payable		
Personnel costs:		
- Holiday pay and allowance	1,452,825	1,017,290
- General administrative costs	35,846	40,770
- Other	211,469	128,262
	1,700,140	**1,186,322**
Other accruals and deferrals		
- Stock market transactions pending settlement	233,944	5,698,510
- Other transactions pending settlement	2,414,238	1,812,968
	2,648,182	**7,511,478**
	15,789,877	**14,273,371**

The margin accounts of futures contracts of customers are carried against the "Debtors by transactions on futures" item.

The "Other creditors" item includes the insurance premium values relative to auto loans payable to the insurance companies in the amount of 1,069,565 euros (31 December 2017: 768,507 euros).

The "Stock market transactions pending settlement" item reflects transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

26. SHARE CAPITAL

As at 31 December 2018 and 2017, the Bank's shareholder structure is as follows:

	31 December 2018			31 December 2017		
Entity	Number of shares	Amount	%	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9,461,500	47,307,500	79.51%	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	38,500	192,500	0.32%	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%.

In 2018, the minority shareholder of the Bank sold 48,492 shares of a nominal value of 242,460 euros to Alves Ribeiro – IF, SGPS, S.A., which now has a shareholding of 99.68%.

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

As at 31 December 2018 and 2017, the breakdown of the reserves and retained earnings items is as follows:

	31 December 2018	31 December 2017
Revaluation reserves		
- Reserves arising from fair value valuation		
Of financial assets at fair value through other comprehensive income (Note 10)	(240,283)	2,182,146
- Reserves for deferred taxes		
Of financial assets available for sale	58.866	(534.626)
	(181.417)	**1.647.520**
Legal reserve	5,797,462	5,297,392
Free reserve	10,343,420	6,492,951
Merger reserve	574,220	574,220
Retained earnings	26,808,127	26,118,842
	43.523.229	**38.483.405**

Revaluation reserves

Fair value reserves

The fair value reserve reflects the potential gains and losses in financial assets at fair value through other comprehensive income (Note 10), net of the corresponding tax (Note 17). The change, during 2018 and 2017, in the fair value reserve is analysed as follows.

		Change in Fair Value			
	Balance 31 December 2017	Acquisition	Change in Fair Value	Disposal	Balance 31 December 2018
Miscellaneous bonds	1,958,562	(451,011)	(4,885,202)	2,600,363	(777,288)
Public debt securities	382,422	275,220	(63,724)	(230,814)	363,104
Investment units	(158,838)	-	-	158,838	-
Net potential gains (Note 10)	2,182,146	(175,791)	(4,948,926)	2,528,387	(414,184)
			(2,596,330)		
Miscellaneous bonds	-	82,152	(8)	-	82,144
Public debt securities	-	91,757	-	-	91,757
Provisions and impairment (Note 24)	-	173,909	(8)	-	173,901
	2,182,146	**(1,882)**	**(4,948,934)**	**2,528,387**	**(240,283)**
			(2,422,429)		

		Change in Fair Value			
	Balance 31 December 2016	Acquisition	Change in Fair Value	Disposal	Balance 31 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	(428,108)	-	269,270	-	(158,838)
Net potential gains (Note 11)	**4,228,243**	**451,891**	**1,146,935**	**(3,644,923)**	**2,182,146**
			(2,046,097)		

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 2 July 2018, 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.

Credit reserve

Due to the revocation of Notice 3/95 of the Bank of Portugal, in which provisions ceased and impairment losses were now set up, this situation generated a credit reserve of 8,628,717 euros. The value reflects the changeover of the credit provisions to credit impairments.

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.

Retained earnings

As at 31 December 2018, the Retained earnings item includes the adjustment of the transition of IFRS 9, in the amount of 107,189 euros, according to Note 46.

Net income for the year

In 2018 and 2017, the breakdown of the consolidated net income of the Bank was as follows:

	31 December 2018	31 December 2017
Individual net income:		
- Banco Invest	13,745,535	5,000,697
- Invest Gestão de Activos	249,189	189,843
- AR Finance 1, PLC	-	-
- AR Finance 1, FTC	-	-
- Fundo Tejo	458,165	451,269
- Saldanha Holdings	(102,361)	(18,913)
- Saldanha Finance	(28,074)	(24,911)
	14,322,454	**5 597,985**
Adjustments:		
- Annulment of the increase in value of Properties of Fundo Tejo	(56,965)	(77,354)
- Annulment of dividends received by the Bank	(5,200,000)	-
Other adjustments:		
- Annulment of impairment Fundo Tejo	-	30,200
- Reclassification of annulment of ID related to AR Finance	-	544,736
- Settlement of securitisation operation	-	(165,747)
- Other adjustments	21,802	(81,616)
Income before taxes and non-controlling interests	9,087,291	5,848,204
Income attributable to minority interests	-	(54,610)
Consolidated net income for the year	**9,087,291**	**5,793,594**

As of 1 January 2016, following the publication of Notice 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.

28. NON-CONTROLLING INTERESTS

As at 31 December 2018 and 2017, 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 2018 and 2017 were as follows:

	2018		
	Balances as at 31 December 2017	Net income	Balances as at 31 December 2018
Fundo Especial de Investimento Imobiliário Fechado Tejo	967,258	54,216	913,042

	2018		
	Balances as at 31 December 2016	Net income	Balances as at 31 December 2017
Fundo Especial de Investimento Imobiliário Fechado Tejo	912,555	54,703	967,258

29. GUARANTEES AND OTHER COMMITMENTS

	2018	2017
Guarantees and stand-by-letters of credit provided	101,456,200	95,224,417
Commitments to third parties	10,861,434	6,381,719
Amounts deposited	220,276,559	173,060,936
Assets under management and custody		
- Wealth management	66,601,566	55,761,6333

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.

The Assets under management and custody - Wealth management item includes the funds managed by Invest Gestão de Activos.

As at 31 December 2018 and 2017, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2018	2017
Guarantees and stand-by-letters of credit provided		
Guarantees and stand-by-letters of credit provided	2,906,621	2,373,480
Assets pledged as collateral	98,549,579	92,850,938
	101,456,200	**95,224,417**
Assets under management and custody		
Portfolio management	4,673,773	5,360,695
Fund management	61,927,793	50,400,938
	66,601,566	**55,761,633**

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 2018 and 2017, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal (Note 19).

Resolution Fund

Within the scope of a set of legislative changes which included the publication of Decree-Law 24/2013, the Resolution Fund ('RF') was created. The mission of this entity is to provide financial support to the resolution measures applied by the Bank of Portugal, as the national resolution authority, and to carry out all the other tasks entrusted by law within the scope of execution of such measures.

The following are participating institutions of the RF:
- The credit institutions with registered office in Portugal (with the exception of the associated mutual agricultural credit banks of the Central Mutual Agricultural Credit Bank);
- The investment companies that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;
- The branches in Portugal of credit institutions authorised in countries that are not members of the European Union or that do not belong to the European Economic Area;
- The branches of Portugal of financial institutions authorised in countries that are not members of the European Union and that undertake trading activities on own account of one or more financial instruments or the underwriting and placement of financial instruments on a firm commitment basis;
- The relevant companies for payment systems subject to the supervision of the Bank of Portugal.

Banco Invest is one of the participating entities of the RF. As provided for in Decree-Law 31-A/2012 which created the RF, 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.

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 regulatory framework, the capitalisation of Novo Banco was ensured by the Resolution Fund.

Following the resolution measure applied to Banco Espírito Santo, S.A. (BES), in August 2014, the Bank of Portugal determined capital requirements of Novo Banco, S.A. to the value of 4,900 million euros, which 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)..

Based on the exceptional nature of the resolution measure, and the need for the RF to have the necessary funds to implement said measure, the Management Commission of the RF, at a meeting held on 3 August 2014, decided to submit to the Ministry of Finance a proposal for the financing of that measure which foresaw (i) the obtainment of a loan granted by the State of 4,400 million euros, (ii) the collection of a special contribution from the participating institutions of the Fund, in the amount of 135 million euros, and (iii) the use of the RF's own resources, in the amount of 365 million euros.

However, a number of participating institutions of the RF expressed their willingness to, within a short period, grant a loan to the Fund, which permitted reducing the amount of the State loan by 500 million euros, replace the special contribution initially foreseen and provide the Fund with the means to cover the first interest payments due of the State loan. Subsequently, the Management Commission of the RF decided that the previous financing request submitted to the Ministry of Finance should be revised and that, alternatively, a State loan in the amount of 3,900 million euros should be requested.

In summary, the financial support granted by the RF for the paying-up of the share capital of Novo Banco, S.A., in the amount of 4,900 million euros resulted from:
- A loan granted by the State in the amount of 3,900 million euros;
- A loan granted by a group of participating credit institutions of the RF (Caixa Geral de Depósitos, S. A., Banco Comercial Português, S. A., Banco BPI, S. A., Banco Santander Totta, S. A., Caixa Económica Montepio Geral, Banco Popular, S. A., Banco BIC Português, S. A. and Caixa Central do Crédito Agrícola Mútuo, CRL), in the amount of 700 million euros; and

- Mobilisation of 365 million euros corresponding to available resources of the Fund, namely relative to revenue from contributions that have so far been paid by the financial sector, including the proceeds of the banking sector contribution.

In the interim, with the conclusion of the sales process of the shares held by the RF in Novo Banco, S.A. in October 2017, Lone Star, through the injection of 1 billion euros, acquired a 75% stake, with the RF maintaining the remaining 25% of the share capital.

The conditions agreed in the sales process of Novo Banco, S.A. also included a contingent capital mechanism, under which the Resolution Fund undertakes to make payments to Novo Banco, S.A. if certain cumulative conditions materialise, related to: i) the performance of a specific portfolio of assets and ii) the capital levels of the bank going forward.

The Resolution Fund announced that the amount to be paid to Novo Banco in 2019 and 2018 by the Resolution Fund, relative to the accounts of 2018 and 2017, came to 1,149 million euros and 792 million euros, respectively.

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 abovementioned 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 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 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 700,000 thousand 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 2018, 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.

30. INTEREST AND SIMILAR INCOME

In 2018 and 2017 this item was made up as follows:

	2018	2017
Interest from deposits at Central Banks and at credit institutions	143,642	3,714
Interest from investments in credit institutions	475	1,145
Interest from loans and advances to customers		
- Domestic loans	16,126,417	9,519,445
- Foreign loans	3,676	8,145
- Other loans and receivables - debt securities	6,008,535	1,921,195
Interest from past due loans	1,223,032	1,236,249
Interest from financial assets held for trading		
- Securities	914,009	573,465
- Derivatives	251,653	301,862
Interest from financial assets at fair value through other comprehensive income		
- Securities	952,788	-
Interest from financial assets available for sale		
- Securities	-	2,909,003
Interest from securitised assets not derecognised	-	315,412
Interest from investments held to maturity	-	3,853,195
Interest from debtors and other financial investments	58,310	15,558
Other interest and similar income	103,845	43,694
Comissions received associated to amortised cost		
- Credit operations	1,546,413	619,555
	27,332,795	**21,321,637**

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 2018 and 2017.

The Interest from loans and advances to customers item includes the amount of 3,271,168 euros (31 December 2017: 1,314,611 euros) relative to earnings from customers with impairment signs, with reference to 1,935,937 euros (31 December 2017: 1,186,174 euros) of past due interest and 55,844 euros (2017: 128,437 euros) of accrued interest.

The Interest from financial assets held for trading - Derivatives item includes the amount of 100,721 euros relative to the interest from the swap of the Fundo Inspirar.

31. INTEREST AND SIMILAR CHARGES

In 2018 and 2017 this item was made up as follows:

	2018	2017
Interest on resources from central banks	603	1,626
Interest on resources from other credit institutions		
- Abroad	46,835	29,378
Interest on resources from customers and other loans	4,617,749	3,596,906
Interest on financial liabilities for trading		
- Derivatives	-	20,038
Interest on liabilities resulting from assets not derecognised in securitisation operations	-	391,710
Other commissions paid		
- Commissions paid associated to amortised cost	2,251,989	848,496
	6,917,176	**4,888,154**

The change in the "Commissions paid associated to amortised cost" item corresponds to the commissions and other costs 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 2018 and 2017.

The balance of the "Interest on liabilities resulting from assets not derecognised in securitisation operations" item corresponds to the interest paid to the Fundo de Titularização de Créditos AR Finance 1 FTC, within the scope of the transactions undertaken by the Bank. The securitisation operations ended during 2017.

32. INCOME FROM EQUITY INSTRUMENTS

In 2018, the balance of 70,917 euros corresponds to income from equity instruments held by non-residents.

33. NET FEES AND COMMISSIONS INCOME

In 2018 and 2017 this item was made up as follows:

	2018	2017
Services and commissions received		
Guarantees provided	37,260	29,513
Services provided		
- Deposit and custody of securities	1,322,675	1,046,440
- Management of securities	364,757	254,086
- Collection of securities	77,900	77,982
- Credit management commission	-	56,559
- Setting up operations	40,600	13,985
- Transfer of securities	19,783	18,696
- Other services provided	1,951,503	843,347
Transactions carried out on behalf of third parties		
- Brokerage commissions	561,429	596,275
- Other	34,966	35,874
- Other commissions received	3,232,708	2,872,463
	7,643,581	**5,845,220**
Services and commissions paid		
Banking services provided by third parties		
- Bank commissions	(403,310)	(276,252)
- Charges on futures on behalf of third parties	(14,990)	(15,158)
- Bank of Portugal	(11,712)	(515)
- Transactions carried out on behalf of third parties	(175,602)	(141,199)
- Business procurement commissions	(40,247)	(3,739)
- Other commissions	(11,619)	(14,619)
	(657,480)	**(451,482)**
	6,986,101	**5,393,738**

The "Other services provided" item includes commissions associated to auto loans in the amount of 730,172 euros (2017: 229,558 euros). The change in this item, as previously mentioned, is due to the increase observed in the concession of auto loans.

The "Credit management commission" item corresponds to the remuneration of the Bank for the management of the credits assigned to the Fundo de Titularização de Créditos AR Finance 1 FTC, under the terms of the credit management contract concluded with the fund.

The change in the "Other commissions received" item during 2018 and 2017 is essentially due to the increase in the activity related to auto loans in the years indicated above.

The "Bank commissions" item includes the commissions paid to Euroclear which came to 236,933 euros in 2018 (2017: 208,857 euros).

34. GAINS / (LOSSES) IN FINANCIAL OPERATIONS AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2018 and 2017 this item was made up as follows:

	2018	2017
Income from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	156,531	62,558
- Shares	11,637	36,873
Issued by non-residents		
- Bonds	1,244,458	975,536
- Shares	1,479,658	2,376,437
- Investment units	68,021	92,106
Derivatives		
Swaps		
- Foreign currency swaps	1,118,907	-
- Interest rate swaps	403,167	132,680
Futures		
- On interest rates	665,872	1,042,194
- On equities	934,642	1,506,011
- On foreign currencies	1,362,411	2,008,672
Options		
- On equities	408,168	345,983
	7,853,472	**8,579,050**
Losses from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	(98,099)	-
- Shares	(4,472)	(30,613)
- Investment units	(1,285,860)	-
Issued by non-residents		
- Bonds	(2,674,405)	(142,552)
- Shares	(1,526,919)	(1,781,043)
- Investment units	(420,001)	(3,462)
Derivatives		
Swaps		
- Foreign currency swaps	-	-
- Interest rate swaps	(475,669)	(209,092)
Futures		
- On interest rates	(630,401)	(865,339)
- On equities	(1,243,247)	(1,461,604)
- On foreign currencies	(1,515,466)	(1,618,483)
Options		
- On equities	(130,145)	(1,314,353)
	(10,004,684)	**(7,426,542)**
	(2,151,212)	**1,152,508**

The losses in Securities issued by residents – Investment Units refer essentially to losses associated to the investment units of Inspirar – Fundo Especial de Investimento Imobiliário Fechado which occurred during 2018. Within the scope of the application of IFRS 9, the investment units are classified in the portfolio of Financial Assets at fair value through profit or loss, according to Note 46.

35. EXCHANGE RATE GAINS / (LOSSES)

The balance for this item in 2018 and 2017 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:

	2018	2017
Revaluation of the spot currency position	329,254	(468,282)
Revaluation of the forward currency position	1,838	(4,291)
	331,092	**(472,573)**

36. INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In 2018 this item was made up as follows:

	2018	2017
Debt instruments		
Residents		
- Other bonds	536,323	-
Non-residents		
- Foreign public issuers	231,500	-
- Other bonds	652,825	-
Equity instruments		
Residents		
- Investment units	(3,426)	-
Non-residents		
- Investment units	(287,077)	-
	1,130,145	**-**

37. NET GAINS / (LOSSES) FROM FINANCIAL ASSETS AVAILABLE FOR SALE

In 2017 this item was made up as follows:

	2018	2017
Debt instruments		
Residents		
- Other bonds	-	669,305
Non-residents		
- Foreign public issuers	-	2,009,043
- Other bonds	-	1,266,191
Equity instruments		
Residents		
- Shares	-	(302,597)
	-	**3,641,942**

38. INCOME FROM SALE OF OTHER ASSETS

In 2018 and 2017 this item was made up as follows:

	2018	2017
Non-current assets held for sale (Note 13)	1,426,082	324,973
Other tangible assets (Note 15)	(387)	-
Gold and precious metals	(446,306)	(306,369)
Other	101,386	(46,572)
	1,080,775	**(27,968)**

The Non-current assets held for sale item reflects the gains and losses from the sale of properties recovered by the Bank. During 2018, 35 properties were sold for 7,758,647 euros (2017: 2,636,500 euros), having generated gains totalling 1,426,082 euros (2017: 324,973 euros). The increase observed in this item is essentially due to the increase in the sale value of the properties recovered during 2018.

The Other item refers to gains on the disposal of securities from the portfolio of investments at amortised cost.

39. OPERATING INCOME / (LOSSES)

In 2018 and 2017 this item was made up as follows:

	2018	2017
Other operating income:		
- Reimbursement of expenses	144,495	123,676
- Recovery of loans	255,244	-
- Income from provision of sundry services	7,053	8,355
- Rents	752,543	839,117
- Other	215,353	(103,655)
	1,374,688	**867,493**
Other operating expenses:		
Other taxes		
- Special contribution on the banking sector	(214,447)	(241,097)
Other indirect taxes	(154,060)	(278,785)
Other operating expenses and losses		
- Contributions to the Resolution Fund	(88,006)	(100,865)
- Levies and donations	(60,015)	(70,811)
- Contributions to the Deposit Guarantee Fund	(676)	(275)
- Other operating expenses and losses	(15,369)	(13,301)
	(532,573)	**(705,134)**
Other operating results	**842,115**	**162,359**

The Rents item reflects the rents received from properties recovered by the Bank and properties that belong to the assets of the Fundo Tejo that are rented out.

With the publication of Law 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) The notional amount of off-balance sheet derivative financial instruments determined by taxpayers.

   The rates applicable to the bases defined by the previous sub-paragraphs a) and b) vary between 0.01% and 0.05% and 0.00010% and 0.00020%, respectively, according to the determined amount.

   During 2013, the Bank initiated its contribution to the Resolution Fund, which was created by Decree-Law 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 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 2018 and 2017 the Bank recorded a periodic contribution of 73,006 euros and 50,865 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 2018 and 2017 the contribution came to 15,000 euros and 50,000 euros, respectively.

40. STAFF COSTS

In 2018 and 2017 this item was made up as follows:

	2018	2017
Salaries and earnings		
- Governing Bodies	784,458	864,804
- Employees	7,389,794	5,862,559
	8,174,252	**6,727,363**
Social Security charges		
Charges related to remunerations:		
- Social Security	1,697,053	1,436,191
Other compulsory social charges:		
- Other	79,486	56,368
	1.776.539	**1.492.559**
Other staff costs		
- Others	203,013	166,314
	10,153,804	**8,386,236**

As at 31 December 2018 and 2017, the average number of employees at the service of the Bank, broken down by professional category, was as follows:

	2018	2017
Directors	6	7
Executives and managers	40	26
Technical staff	204	180
Administrative staf	6	6
	256	**219**

41. GENERAL ADMINISTRATIVE COSTS

In 2018 and 2017 this item was made up as follows:

	2018	2017
Water, electricity and fuel	347,613	321,129
Consumables	40,265	72,259
Publications	4,355	4,598
Hygiene and cleaning material	666	1,089
Other third party supplies	19,380	13,998
Leases and rentals	909,694	918,646
Communications	881,675	818,800
Travel and accommodation	340,587	314,046
Advertising and publications	1,140,443	698,834
Maintenance and repair	602,150	557,741
Transport	615	728
Staff training	23,845	7,303
Insurance	124,555	128,973
Specialised services	2,959,839	2,199,537
Other third party services	297,171	227,681
	7,692,853	**6,285,362**

The Specialised services item includes the fees of the Statutory Auditor for the legal certification of the accounts of the Bank with reference to the financial year ended on 31 December 2018, which came to 70,030 euros (2017: 49,101 euros). Over the course of the financial year ended on 31 December 2017, additional services in the amount of 119,845 euros (2017: 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.

The Specialised services item also includes the litigation and notary costs which in 2018 came to 596,646 euros (2017: 298.890 Euros), as well as IT costs which in 2018 came to 590,407 euros (2017: 502,144 euros).

42. 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 governing bodies.

Shareholders and entities controlled by the latter:
- AR France Invest (ARFI);
- ALRISA Sociedade Imobiliária, S.A.;
- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Alves Ribeiro Consultoria de Gestão, S.A.;
- Alves Ribeiro, S.A.;
- Amoreiras Center Soc. Imobiliária, SA
- Inspirar – Fundo Especial de Investimento Imobiliário Fechado (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, S.A.;
- SOTIF Soc. Invest. Consultoria Técnica, SA
- SOTIF, SGPS, S.A.;
- US Gestar – Gestão de imóveis, S.A. (US Gestar); e
- VALRI, SGPS, S.A..

Governing bodies - members of the Board of Directors:
- Afonso Ribeiro Pereira de Sousa (Chairman);
- António Miguel R. R. Branco Amaral (Deputy Chairman);
- Francisco Manuel Ribeiro (Member);
- Luís Miguel Barradas Ferreira (Member);
- Marilia Boavida Correia Cabral (Member);
- Carlos António A. da Cunha Ramalho (Non-executive member);
- Alexandre Wende Dias da Cunha (Non-executive member); and
- Miguel Alves Ribeiro F. de Carvalho (Non-executive member).

Governing bodies - members of the Audit Board:
- Jean-éric Gaign (Chairman);
- José Manuel L. Neves de Almeida (Member); and
- Luís Alberto M. Póvoas Janeiro (Member).

Governing bodies - alternate members of the Audit Board:
- Donato João Lourenço Viçoso (Alternate member).

Other related entities:
- Crest Capital Partners - Socidade de Capital de Risco, S.A.; and
- CREST I – FCR (Fundo Crest).

Balances with related entities, excluding governing bodies

As at 31 December 2018 and 2017, the main balances with related entities were as follows:

	31 December 2018	31 December 2017
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	2,826,771	1,608,460
Financial assets available for sale		
Fundo Inspirar	-	5,233,000
Financial assets at fair value through profit or loss		
Fundo Inspirar	4,114,093	-
Fundo Crest	1,368,874	-
Loans and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	14,949,250	15,069,967
US Gestar	518,570	800,000
Monvest, SGPS, S.A.	467,680	585,452
Resources from customers		
Alves Ribeiro, SA	24,749,844	37,509,870
VALRI, SGPS, S.A.	7,416,854	7,362,642
SOTIF, SGPS, S.A.	9,658,616	6,678,719
MS - Participações, SGPS, S.A.	3,843,172	2,313,431
Fundo Tejo	2,131,182	1,769,359
US Gestar	45,529	172,669
Fundo Inspirar	1,073,904	281,590
LERIMO, SGPS, S.A.	352,419	121,504
Alves Ribeiro Consultoria de Gestão, S.A.	1,102 1	7,475
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	9,403	7,789
Mundicenter, S.A.	485	400
Amoreiras Center Soc. Imobiliária	689	689
Alrisa Sociedade Imobiliária, SA	10,777	10,967
Var - Soc. Consultoria Técnica e Inv, SA	217,081	138,625
SCO - Sociedade investimento e consultoria	440,646	406,687
SOTIF - Soc. Invest Consultoria Técnica SA	240,565	138,625

Transactions with related entities, excluding governing bodies

In 2018 and 2017, the main balances in the income statement with related entities were as follows:

	2018	2017
Interest and similar income		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	186,878	198,577
Monvest - SGPS, SA	13,201	14,680
US Gestar	4,234	6,546
Interest and similar charges		
VALRI, SGPS, S.A.	62,152	64,822
SOTIF, SGPS, S.A.	66,194	38,526
MS - Participações, SGPS, S.A.	23,506	10,755
LERIMO, SGPS, S.A.	973	552
SCO - Sociedade investimento e consultoria	3,721	2,751
SOTIF - Soc. Invest Consultoria Técnica SA	1,357	1,430
Var - Soc. Consultoria Técnica e Inv, SA	1,066	1,059
Alves Ribeiro, SA	175,071	257,193
Income from services and commissions		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	835	835
General administrative costs		
Alrisa	428,270	401,831
Alves Ribeiro, SA	-	44,349

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

In 2008, Banco Invest subscribed investment units of the Fundo Inspirar, Real Estate Investment Fund, whose shareholding was subsequently increased via the subscription to an increase in the Fund's capital in 2013.

In 2012, and taking into consideration the real estate market situation in Portugal and the expected evolution and risks to which the Bank could be exposed, a fixed-term sales contract was concluded between Banco Invest and Alves Ribeiro CG for the acquisition, by this entity, until 26 March 2017, of the units of investment held at that date by Banco Invest in the Fundo Inspirar. This acquisition would be carried out at acquisition cost on the referred date, plus a remuneration value.

In 2013, a capital increase of 1,933,000 euros, corresponding to 9,665 investments units subscribed by Banco Invest, was deliberated at a general meeting of the fund's participants. On this basis, and considering the additional exposure and rationale underlying the first operation, a new fixed-term sales contract was concluded under the same terms as the previous contract and which defines the possibility of acquiring the investment units until 26 March 2017.

These contracts were subject to a series of addendums over the last few years due to interest rate adjustments. On 22 March 2017, and taking into consideration the initial deadline for the fixed-term sale operations that ended on 26 March 2017 and in view of the maintenance of interest in the operation, 2 specific addendums were singed related to the prorogation of the deadline for the exercise of the acquisition option until 22 March 2022.

Under the IFRS accounting framework, the investment units are recorded as Financial assets not held for trading mandatorily at fair value through profit or loss, as described in accounting policy note 2.5 a) iii). The fixed-term sale contracts are recorded as Financial assets at fair value offset against profit or loss - Trading derivatives, as described in accounting policy note 2.4 c)

As at 31 December 2018, the investment units are valued at 4,114,093 euros, which corresponds to the fair value of the investment units as at 31 December 2018. The fixed-term sale contracts are valued at 2,826,771 euros (which corresponds to 1,764,154 euros of fair value and 1,062,617 of interest).

Balances with the Governing Bodies

As at 31 December 2018, the amount of Resources from Customers of Governing Bodies came to 1,762,740 euros.

Employees that belong to the Governing Bodies

As at 31 December 2018, the amount of loans granted to members of the Board of Directors came to 684,318 euros (31 December 2017: 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 for approval to the General Meeting, following the proposal of the Remuneration Commission, in accordance with the following guidelines:

a) Obtainment of the desired alignment of the interests between the members of the governing bodies and the company;
b) Promotion and coherence with a sound and prudent risk management, which does not encourage excessive and reckless risk-taking that is incompatible with the long-term interests of the Bank; and
c) Compatibility with the risk profile, risk appetite, corporate strategy, objectives, values and long-term interests of Banco Invest.

The remuneration policy is summarised as follows:

a) The fixed remuneration of the identified employees should reflect their professional experience and organisational responsibility, and shall represent between 75% and 100% of the overall remuneration;
b) The fixed component of the remuneration should remunerate the executive members of the Board of Directors for the responsibilities inherent to their functions and for their specific competencies, and shall represent between 65% and 100% of the overall remuneration;
c) The variable remuneration should adjust appropriately to the variations in performance of the specific staff member in the preceding year, of the business unit and of the overall results of the Bank;
d) The variable remuneration of the employees identified as having a significant impact on the risk profile and executive members of the Board of Directors is subject to:
    1. Deferral of at least 40% of the variable remuneration for a minimum period of 3 years; and
    2. Mechanisms of reduction or reversal of up to 100% of the total variable remuneration.
e) The non-executive members of the Board of Directors and members of the Audit Board earn a fixed remuneration, not related, in any way, to the performance or results of the Bank;
f) The Remuneration Commission is solely responsible for assessing the performance of the members of the governing bodies, while the Board of Directors is responsible for assessing the performance of the identified employees and proposing to the Remuneration Commission their remuneration for each year.

In 2018, there was no share grant scheme or share options scheme in force that included members of the governing bodies;

The remuneration policy was approved by the General Meeting on 29 March 2018, which may be consulted at any time on the website of Banco Invest.

The annual amount of remuneration earned by the members of the governing bodies was as follows:

a) Board of Directors

    The remuneration earned by the executive members of the Board of Directors in 2018 came to 784,458 euros. This amount includes the variable remuneration (if any, as set out below) and the fixed remunerations received and paid in 14 instalments.

    It is important to mention that the non-executive members of the Board of Directors did not earn any remuneration in 2018.

b) Audit Board

    The members of the Audit Board did not earn any variable remuneration in 2018.

43. 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 2018 and 2017, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2018		
	Gross value	Provisions and impairment	Net value
Assets			
Cash and deposits at Central Banks	3,588,620	-	3,588,620
Amounts owed by other credit institutions	11,713,894	-	11,713,894
Financial assets held for trading:			
- Securities	48,485,244	-	48,485,244
- Derivatives	3,395,296	-	3,395,296
Financial assets at fair value through other comprehensive income	98,761,930	-	98,761,930
Financial assets at amortised cost:			
Deposits at credit institutions	2,535,337	-	2,535,337
Loans and advances to customers:			
- Loans not represented by securities	338,480,032	(26,316,481)	312,163,551
- Other loans and receivables (securitised)	233,339,182	(460,732)	232,878,450
Other assets:			
- Debtors and other financial investments	1,870,438	-	1,870,438
	742,169,973	**(26,777,213)**	**715,392,760**
Off-balance sheet			
Guarantees provided	2,906,621	-	2,906,621
	745,076,594	**(26,777,213)**	**718,299,381**

	2017		
	Gross value	Provisions and 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	281,816,289	(28,483,680)	253,332,609
- 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)**	**558,248,281**

Credit quality of financial assets without defaults or impairments

The Bank's loan portfolio, based on the information contained in the preceding Notes, 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 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 21 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 CC/2018/00000062, of 14-11 of the Bank of Portugal.

The Credit Recovery Department monitors the past due exposures that comply with the requirements of classification as irrecoverable and drafts a classification proposal and prepares the corresponding dossiers.

An exposure to credit risk is classified as irrecoverable under the following conditions:
i. In Enforcement proceedings, when the case is dismissed, due to a lack of seizable assets of the defendants (Debtor or Guarantors);
ii. In Insolvency proceedings, when of a limited nature (lack of seizable assets of the insolvent debtor), following a decision on the verification and ranking of claims;
iii. In Insolvency Plans or Credit Recovery Procedures when, based on the approved repayment plan, there is a full or partial writing off of the acknowledged debts;
iv. Overdue loans for more than two years in a scenario of total impairment, i.e. when the Bank, after undertaking all recovery efforts considered adequate and gathering available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following constitute objective indicators of uncollectability of a debt:
i. The circumstance of a Debtor or Guarantors whose whereabouts are unknown;
ii. The fact that the extra-judicial initiatives undertaken by the Bank, duly confirmed and considered adequate, proved ineffective in establishing a plan to restructure or recover the amounts at risk;
iii. The confirmation that the Debtor or Guarantors do not have a steady income to substantiate its seizure;
iv. Evidence, supported by the land register or vehicle registration, that the Debtor and Guarantors' assets, if any, has prior covenants or encumbrances that lead to conclude (in accordance with its probable realisation value) that their seizure, if carried out, would not enable the Bank to recover its credit;

The assessment that the enforcement of the debt, if possible, is not economically viable (unfavourable cost-benefit ratio) due to the cost and waiting time of court proceedings.

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:
    i) reduction of expected default, reduction of loss probability, in the case of calculation of impairment in a collective manner;
    ii) 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.

   In 2017, one of the criteria that the Bank used for credit risk analysis of its loan portfolio was the distribution of the portfolio according to the number of past due monthly instalments. The risk categories used were as follows:
   - [0,1] – Loans with zero or one past due monthly instalment;
   - [2,3] – Loans with two or three past due monthly instalments;
   - [4,5] – Loans with four or five past due monthly instalments;
   - [6,+[– Loans with six or more past due monthly instalments.

As at 31 December 2017, 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	-	-	100,076	17,132,896
Medium and long-term loans	64,617,382	907,189	450,624	12,340,698	78,315,893
Real estate leasing	42,489,613	989,121	1,133,100	4,181,696	48,793,529
Equipment leasing	354,477	-	-	156,993	511,470
Consumer credit and auto loans	92,444,306	688,290	314,923	146,777	93,594,296
Current account overdrafts	3,039,785	-	-	-	3,039,785
Other loans	5,506,286	2,088,623	1,183,509	3,166,321	11,944,738
	225,484,670	**4,673,223**	**3,082,156**	**20,092,561**	**253,332,608**

The commissions associated to loans were not considered in the preparation of these tables.

As at 31 December 2018, the Bank's loan portfolio according to the stages defined in note 2.5 is as follows:

	2018			
	Risk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	17,065,768	-	77,681	17,143,449
Medium and long-term loans	45,570,317	1,873,800	14,736,274	62,180,391
Real estate leasing	31,672,773	2,873,380	6,570,751	41,116,904
Equipment leasing	313,535	4,415	176,421	494,371
Other loans	3,487,965	1,808,460	5,475,048	10,771,473
Consumer credit and auto loans	166,691,402	1,473,649	1,405,360	169,570,411
Current account overdrafts	2,696,466	-	-	2,696,466
	267,498,226	**8,033,704**	**28,441,535**	**303,973,465**

The commissions associated to loans and accrued interest were not considered in the preparation 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 takes into account the general principles defined in the International Financial Reporting Standards (IFRS 9 as of 1 January 2018 and IAS 39 until 31 December 2017) and follows Bank of Portugal requirements stipulated in Circular Letter CC/2018/00000062 (which revokes Circular Letter CC/2018/00000006 and 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.

There is a well-defined practice of regular revaluation - based on objective and independent criteria - of the collaterals associated to credit operations with default, or recovered property when settling own credit, in order to guarantee that the records of the Bank reflect, at any moment, the realisation potential that is associated to them.

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 2018 and 2017, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

	2018								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
	2,502,044	8,208,785	32,535,810	4,665,345	519,730	-	-	53,530	48,485,244
	17,952,975	22,199,119	48,337,313	4,334,312	5,938,211	-	-	-	98,761,930
	15,648,424	14,997,714	139,913,402	57,294,290	5,024,620	-	-	-	232,878,450
	36,103,443	**45,405,618**	**220,786,525**	**66,293,947**	**11,482,561**	**-**	**-**	**53,530**	**380,125,624**

	2017								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
	-	5,591,537	27,327,052	1,192,196	414,251	-	-	96,200	34,621,236
	1,504,364	7,099,184	47,316,106	12,306,958	-	988,299	-	3,392,922	72,607,833
	-	4,587,495	86,034,592	11,280,775	-	-	-	-	101,902,862
	-	12,373,437	24,396,132	27,990,093	7,043,694	-	-	-	71,803,356
	1,504,364	**29,651,653**	**185,073,882**	**52,770,022**	**7,457,945**	**988,299**	**-**	**3,489,122**	**280,935,287**

N.R. – Not Rated

In preparation of this disclosure, relative to 2018 and 2017, 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 2018 and 2017, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2018				2017			
	Banks	Government Debt	Other	Total	Banks	Government Debt	Other	Total
Portugal	6,714,005	23,402,839	99,490,148	129,606,992	6,613,786	28,405,144	73,565,990	108,584,920
Spain	6,518,713	55,235,885	3,742,900	65,497,498	6,084,605	57,475,896	5,692,496	69,252,997
Holland	-	-	51,582,695	51,582,695	-	-	41,090,967	41,090,967
Italy	7,014,522	30,985,528	8,901,951	46,902,001	2,141,514	21,437,785	3,760,032	27,339,331
Great Britain	2,517,251	-	12,380,414	14,897,665	2,622,098	-	8,225,067	10,847,165
USA	9,789,313	9,413,794	981,747	20,184,854	4,435,717	489,522	1,016,357	5,941,596
Germany	7,696,941	-	5,861,017	13,557,958	2,056,018	-	3,124,739	5,180,757
Switzeland	6,004,899	-	-	6,004,899	1,028,561	-	-	1,028,561
France	3,002,773	1,005,640	1,357,011	5,365,424	-	1,014,842	-	1,014,842
Other	7,519,952	5,398,394	13,607,292	26,525,638	2,013,434	997,392	7,643,324	10,654,150
	56,778,369	**125,442,080**	**197,905,175**	**380,125,624**	**26,995,733**	**109,820,581**	**144,118,972**	**280,935,286**

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

As at 31 December 2018, the financial instruments subject to impairment requirements laid down in IFRS 9, analysed by stage, are detailed in the following table:

	2018			
	Risk category			
Category	*Stage* 1	*Stage* 2	*Stage* 3	Total
Financial assets at amortised cost				
Deposits at credit institutions	2,400,000	-	-	2,400,000
Loans and advances to customers	261,505,766	8,033,704	34,433,995	303,973,465
Debt securities	229,544,224	-	-	229,544,224
Financial assets at fair value through profit or loss				
Financial assets held for trading	57,636,963	-	-	57,636,963
Financial assets not held for trading mandatorily at fair value through profit or loss	9,881,790	-	-	9,881,790
Financial assets at fair value through other comprehensive income	98,265,130	-	-	98,265,130
	659,233,873	**8,033,704**	**34,433,995**	**701,701,572**

The commissions associated to loans and accrued interest were not considered in the preparation of these tables.

As at 31 December 2018, the main parameters used in the credit loss models of a real estate origin are detailed in the following table:

	Credit of a real estate origin			
	Probability of passing from............to............			
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
1	1.72%	5.55%	24.86%	PD over 1 year
2	5.09%	9.35%	25.56%	
3	8.68%	12.48%	27.52%	
4	12.38%	15.13%	27.79%	
5	15.15%	17.39%	30.59%	
6	17.34%	20.07%	33.51%	*PD lifetime*
7	20.22%	22.59%	34.69%	
8	21.18%	23.19%	35.77%	
9	35.14%	36.62%	46.30%	
10	40.69%	42.25%	52.02%	

As at 31 December 2018, the main parameters used in the popular economic credit loss models are detailed in the following table:

	Popular Economic Credit			
	Probability of passing from............to............			
# of months	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	19.21%	34.76%	42.45%	
13	14.85%	29.39%	37.51%	
14	21.60%	36.97%	44.57%	
15	17.79%	31.31%	39.51%	
16	18.13%	30.76%	38.67%	
17	18.14%	30.92%	38.93%	PD over 1 year
18	19.13%	31.54%	39.26%	
19	21.40%	33.54%	41.06%	
20	20.77%	36.32%	43.78%	
21	18.79%	32.85%	40.13%	
22	21.10%	34.19%	41.32%	

The Loss Given Default for credit of a real estate origin and for popular economic credit, as at 31 December 2018, is 32.69% and 7%, respectively.

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 December 2018 and 2017, the breakdown of the times to maturity of the financial instruments was as follows:

	2018							
	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	4,233,345	-	-	-	-	-	-	4,233,345
Amounts owed by other credit institutions	11,713,894	-	-	-	-	-	-	11,713,894
Financial assets held for trading	-	1,080,303	5,108,316	27,332,398	18,359,524	6,161,506	-	58,042,047
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	16,012,916	-	16,012,916
Financial assets at fair value through comprehensive income	-	-	9,970,460	54,280,756	34,510,714	-	-	98,761,930
Financial assets at amortised cost								
- Deposits at credit institutions	-	2,000,000	400,000	-	-	-	135,337	2,535,337
- Loans and advances to customers	2,696,466	2,959,000	26,034,613	43,071,967	225,506,145	11,895,360	-	312,163,551
- Debt securities	-	39,385,820	20,793,757	90,117,360	82,581,513	-	-	232,878,450
Debtors and other financial investments	-	-	-	-	-	1,767,862	-	1,767,862
	18,643,705	**45,425,123**	**62,307,146**	**214,802,481**	**360,957,896**	**35,837,644**	**135,337**	**738,109,332**
Liabilities								
Resources from Central Banks	-	17,500,000	-	39,180,000	-	-	-	56,680,000
Resources from other credit institutions	1,775,690	-	-	-	-	-	-	1,775,690
Resources from customers and other loans	99,120,416	105,205,942	269,458,764	82,083,915	24,079,999	-	3,422,260	583,371,296
Financial liabilities held for trading	-	36,648	881,060	93,008	-	-	-	1,010,716
Non-subordinated debt securities issued	-	213,524	-	-	-	-	1,096	214,620
	100,896,106	**122,956,114**	**270,339,824**	**121,356,923**	**24,079,999**	**-**	**3,423,356**	**643,052,322**
Liquidity gap	**(82,252,401)**	**(77,530,991)**	**(208,032,678)**	**93,445,558**	**336,877,897**	**35,837,644**	**(3,288,019)**	**95,057,010**

	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 owed by 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	-	48,307,442
Financial assets not held for trading mandatorily at fair value through profit or loss	-	1,437,310	1,014,842	47,214,551	22,941,129	13,577,282	-	86,185,114
Deposits at credit institutions	-	1,000,000	400,000	-	-	-	55	1,400,055
Loans and advances to customers:								
- Loans not represented by secutiries	3,039,785	8,937,127	9,772,174	41,370,648	183,015,515	10,910,041	-	257,045,290
- Other loans and receivables (securitised)	-	22,225,965	10,528,071	24,974,202	14,075,118	-	-	71,803,356
Investments held to maturity	-	-	-	22,729,769	79,173,093	-	-	101,902,862
Debtors and other financial investments	-	-	-	-	-	3,892,049	-	3,892,049
	18,608,452	**33,696,602**	**22,758,342**	**153,732,800**	**317,117,132**	**40,191,452**	**55**	**586,104,834**
Liabilities								
Resources from Central Banks	-	-	-	39,180,000	-	-	-	39,180,000
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	453,271,575
Financial liabilities held for trading	-	112,316	204,634	1,521,779	-	-	-	1,838,729
	92,561,619	**80,011,643**	**203,517,234**	**83,138,981**	**35,680,000**	**-**	**2,332,352**	**497,241,829**
Liquidity gap	**(73,953,167)**	**(46,315,041)**	**(180,758,892)**	**70,593,818**	**281,437,132**	**40,191,452**	**(2,332,297)**	**88,863,005**

(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.

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.

As at 31 December 2018 and 2017, the breakdown of financial instruments by currency was as follows:

	2018 Currency				
	Euros Gross	US Dollars	Pound	Other	Total
Assets					
Cash and deposits at Central Banks	4,233,345	-	-	-	4,233,345
Amounts at other credit institutions	8,426,159	1,582,439	1,002,500	702,796	11,713,894
Financial assets held for trading	54,663,126	2,825,532	384,112	169,277	58,042,047
Financial assets not held for trading mandatorily at fair value through profit or loss	16,012,916	-	-	-	16,012,916
Financial assets at fair value through other comprehensive income	89,348,136	9,413,794	-	-	98,761,930
Financial assets at amortised cost	535,178,477	8,798,343	3,600,483	35	547,577,338
Debtors and other financial investments	1,412,227	315,781	20,597	19,257	1,767,862
	709,274,386	**22,935,889**	**5,007,692**	**891,365**	**738,109,332**
Liabilities					
Resources from Central Banks	56,680,000	-	-	-	56,680,000
Financial liabilities held for trading	1,036,884	(26,168)	-	-	1,010,716
Resources from other credit institutions	1,481,874	293,816	-	-	1,775,690
Resources from customers and other loans	570,872,697	11,647,299	806,025	45,275	583,371,296
Non-subordinated debt securities issued	214,620	-	-	-	214,620
	630,286,075	**11,914,947**	**806,025**	**45,275**	**643,052,322**
Net exposure (Currency Position)	**78,988,311**	**11,020,942**	**4,201,667**	**846,090**	**95,057,010**

	2017 Currency				
	Euros Gross	US Dollars	Pound	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 held for sale	79,202,793	489,522	-	-	79,692,315
Deposits at credit institutions	1,400,055	-	-	-	1,400,055
Loans and advances to customers	328,574,531	(238,339)	168,394	344,060	328,848,646
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
	557,121,076	**16,163,015**	**5,327,720**	**1,002,095**	**579,613,906**
Liabilities					
Resources from 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	452,051,649	10,144,464	374,681	169,032	462,739,826
Liabilities represented by securities	-	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-	-
	493,597,951	**12,568,415**	**374,681**	**169,032**	**506,710,079**
Net exposure (Currency Position)	**63,523,125**	**3,594,600**	**4,953,039**	**833,063**	**72,903,827**

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 December 2018 and 2017.

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, which 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 December 2018 and 2017, the type of exposure to interest rate risk was summarised as follows:

	2018			
	Not subject to interest rate risk	**Fixed rate**	**Variable rate**	**Total**
Assets				
Cash and deposits at Central Banks	644,725	-	3,588,620	4,233,345
Amounts at other credit institutions	1,404,179	-	10,309,715	11,713,894
Financial assets held for trading:				
- Securities	6,161,507	43,846,742	4,638,502	54,646,751
- Derivatives	-	-	3,395,296	3,395,296
Financial assets not held for trading mandatorily at fair value through profit or loss	16,012,916	-	-	16,012,916
Financial assets at fair value through other comprehensive income	-	81,521,332	17,240,598	98,761,930
Financial assets at amortised cost				
- Deposits at credit institutions	-	-	2,535,337	2,535,337
- Loans and advances to customers	3,451,894	131,611,617	177,100,040	312,163,551
- Debt securities	-	153,515,558	79,362,892	232,878,450
Debtors and other financial investments	-	-	1,767,862	1,767,862
	27,675,221	**410,495,249**	**299,938,862**	**738,109,332**
Liabilities				
Resources from Central Banks	-	39,180,000	17,500,000	56,680,000
Financial liabilities held for trading	-	74,995	935,721	1,010,716
Resources from other credit institutions	-	-	1,775,690	1,775,690
Resources from customers and other loans	-	106,164,323	477,206,973	583,371,296
Non-subordinated debt securities issued	-	-	214,620	214,620
	-	**145,419,318**	**497,633,004**	**643,052,322**
	27,675,221	**265,075,931**	**(197,694,142)**	**95,057,010**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	71,734,115	71,734,115
- Options	62,086,536	-	-	62,086,536
- Futures	3,348,953	-	56,510,489	59,859,442
	65,435,489	**-**	**128,244,604**	**193,680,093**

	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	46,433,316
Derivatives	-	-	1,874,128	1,874,128
Financial assets available for sale	7,084,483	65,097,968	7,509,864	79,692,315
Deposits at 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**	**579,613,909**
Liabilities				
Resources from 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)**	**82,372,082**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	140,066,531	140,066,531
- Options	740,434,536	-	-	740,434,536
- Futures	4,798,236	-	90,009,255	94,807,491
	745,232,772	**-**	**230,075,786**	**975,308,558**

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 December 2018 and 2017, the exposure to interest rate risk was broken down into the following periods:

	2018						
	At sign	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	4,233,345	-	-	-	-	-	4,233,345
Amounts at other credit institutions	11,713,894	-	-	-	-	-	11,713,894
Financial assets held for trading:							
- Securities	6,161,507	38,080	4,584,971	23,374,629	20,487,564	-	54,646,751
- Derivatives	-	467,739	100,787	2,826,770	-	-	3,395,296
Financial assets not held for trading mandatorily at fair value through profit or loss	16,012,916	-	-	-	-	-	16,012,916
Financial assets at fair value through other comprehensive income	-	7,270,138	9,970,460	43,130,367	38,390,965	-	98,761,930
Financial assets at amortised cost							
- Deposits at credit institutions	-	2,000,000	400,000	-	-	135,337	2,535,337
- Loans and advances to customers	6,148,359	118,080,421	44,115,459	52,342,228	79,269,393	12,207,691	312,163,551
- Debt securities	-	51,728,972	27,633,920	75,002,166	78,513,392	-	232,878,450
Debtors and other financial investments	-	-	-	-	-	1,767,862	1,767,862
	44,270,021	**179,585,350**	**86,805,597**	**196,676,160**	**216,661,314**	**14,110,890**	**738,109,332**
Liabilities							
Resources from Central Banks	-	17,500,000	-	39,180,000	-	-	56,680,000
Financial liabilities held for trading	-	68,128	867,593	74,995	-	-	1,010,716
Resources from other credit institutions	1,775,690	-	-	-	-	-	1,775,690
Resources from customers and other loans	99,120,007	105,205,947	269,458,764	82,083,915	24,079,999	3,422,664	583,371,296
Non-subordinated debt securities issued	-	213,524	-	-	-	1,096	214,620
	100,895,697	**122,987,599**	**270,326,357**	**121,338,910**	**24,079,999**	**3,423,760**	**643,052,322**
	(56,625,676)	**56,597,751**	**(183,520,760)**	**75,337,250**	**192,581,315**	**10,687,130**	**95,057,010**

	2017						
	At sign	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	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:							
- Securities	11,812,080	96,200	1,036,349	17,164,869	16,303,817	-	46,413,315
- Derivatives	-	1,874,128	-	-	-	-	1,874,128
Financial assets available for sale	7,084,483	6,495,023	1,014,842	42,156,838	22,941,128	-	79,692,314
Financial assets at amortised cost							
- Deposits at credit institutions	-	1,000,000	400,000	-	-	55	1,400,055
- Loans and advances to customers	3,039,785	8,937,127	9,772,174	41,370,648	183,015,515	10,910,042	257,045,291
- Debt securities	-	31,920,545	26,346,099	7,327,103	6,209,609	-	71,803,356
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	**50,323,023**	**38,569,464**	**130,749,226**	**307,643,163**	**14,804,015**	**579,593,906**
Liabilities							
Resources from Central Banks	-	-	-	39,180,000	-	-	39,180,000
Financial liabilities held for trading	-	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
	92,561,618	**81,738,056**	**203,312,600**	**81,617,202**	**35,680,000**	**2,332,351**	**497,241,827**
	(55,056,603)	**(31,415,033)**	**(164,743,136)**	**49,132,024**	**271,963,163**	**12,471,664**	**82,352,079**

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

According to the methodology described in Instruction No. 34/2018 of the Bank of Portugal, the impact on own funds arising from a 200 bps shock to the interest rate curve comes to 17,688,777 euros.

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 and deposits at 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 item "Loans and advances to customers" would result in a decline in its value of approximately 2,520,214 euros (31 December 2017: 4,329,341 euros).

  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.

- "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 at amortised cost": 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 2018 and 2017, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

	2018					
		Financial instruments valued at fair value				
	Assets valued at acquisition cost	Prices in an active market (Level 1)	Valuation techniques based on: Market data (Level 2)	Others (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Note 9)						
- Securities	-	6,161,507	48,485,244	-	54,646,751	54,646,751
- Derivatives	-	-	3,395,296	-	3,395,296	3,395,296
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 9)	-	-	-	16,012,916	16,012,916	16,374,589
Financial assets at fair value through other comprehensive income (Note 10)	-	-	98,761,930	-	98,761,930	98,761,930
Debt securities (Note 8)	37,641,207	-	201,324,457	4,345,765	243,311,429	232,878,450
	37,641,207	**6,161,507**	**351,966,927**	**20,358,681**	**416,128,322**	**406,057,016**
Liabilities						
Financial liabilities held for trading (Note 23)						
- Derivatives	-	-	1,010,716	-	1,010,716	1,010,716

	2017					
		Financial instruments valued at fair value				
	Assets valued at acquisition cost	Prices in an active market (Level 1)	Valuation techniques based on: Market data (Level 2)	Others (Level 3)	Total	Book value
Assets						
Financial assets held for trading (Note 9)						
- Securities	-	11,448,401	34,621,235	363,679	46,433,315	46,433,315
- Derivatives	-	-	1,874,128	-	1,874,128	1,874,128
Financial assets available for sale (Note 11)	-	-	72,333,867	7,358,448	79,692,315	86,185,114
Investments held to mnaturity (Note 12)	-	-	114,595,970	-	114,595,970	101,902,862
Loans and advances to customers - debt securities (Note 8)	17,710,283	-	55,285,107	-	72,995,390	72,102,703
	17,710,283	**11,448,401**	**278,710,307**	**7,722,127**	**315,591,118**	**308,498,122**
Liabilities						
Financial liabilities held for trading (Note 23)						
- Derivatives	-	-	1,838,728	-	1,838,728	1,838,728

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 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;
- Derivative financial instruments not valued by the market.

Regarding the securities valued through the internal model, the assumptions used were those that the Bank considered to be adequate to reflect the market value of those financial assets at the balance sheet date, including the market base interest rate, a spread reflecting the risk of each security calculated based on the rating and an expected date of reimbursement.

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

44. 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, 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
Financial assets available for sale	-	-	-
Loans and advances to customers – debt securities	327,701	328,303	330,371
Investments held to maturity	-	-	-
	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**

The fair value was calculated based on the methodologies described in Note 42.

After the reclassification date with reference to 1 July 2008, 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, are as follows:

	2017				
	Gains / (losses) associated to changes in fair value not recognised in:			Other gains/ (losses) recognised in:	
	Retained earnings	Net income for the year	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
Investments held to maturity	-	-	-	-	-
	(1,919,224)	**-**	**(78,644)**	**-**	**105,418**

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.

45. OWN FUNDS

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

The Bank'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 2018 and 2017, the Bank presented a solvency ratio of 18.1% and 21.8%, respectively.

46. 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 October 2017, 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.

IFRS 9 establishes new rules for the recognition of financial instruments presenting significant changes namely in terms of impairment requirements.

The Bank applied IFRS 9, as issued in July 2014, in the period beginning on 1 January 2018, and anticipated the adoption of the amendments made to IFRS 9 on the same date. The total impact (net of taxes) of the adoption of IFRS 9 in the retained earnings of the Bank with reference to 1 January 2018 was negative - approximately 208,000 euros.

The accounting policies in force at the Bank relative to financial instruments following the adoption of IFRS 9 on 1 January 2018, are described in note 2.5.

Classification - 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 FVOCI 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.

Business Model Evaluation

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

- 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; 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, will be measured at FVTPL, as they are not held either for the collection of contractual cash flows or for the collection of contractual 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 considers:

- 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.

The impacts arising from the implementation of IFRS 9 on shareholders' equity with reference to 1 January 2018 are the following:

	Other items of shareholders' equity	Retained earnings	Total shareholdres' equity attributable to the Bank's shareholders
Shareholders' equity as at 31 December 2017 – Before the adoption of IFRS 9	**80,272,935**	**26,118,842**	**106,391,777**
Impairment:			
- Loans and advances to customers	-	(105,610)	(105,610)
- Debt securities	-	(48,564)	(48,564)
- Financial assets at fair value through other comprehensive income	-	(54,311)	(54,311)
Change of classification of securities	(356,564)	356,564	-
Deferred assets	40,890	(40,890)	-
Total impact	(315,674)	107,189	(208,485)
Shareholders' equity as at 1 January 2018 – After the adoption of IFRS 9	**79,957,261**	**26,226,031**	**106,183,292**

In 2018, the Bank adopted IFRS 9. However, regarding this matter there is no transitory regime in Portugal that establishes the tax treatment to be adopted for transition adjustments, such that the treatment considered resulted from the Bank's interpretation of the general rules of the Corporate Income Tax Code.

The impacts arising from the implementation of IFRS 9 on the Bank's balance sheet with reference to 1 January 2018 are detailed as follows:

	IAS 39 31 December 2017	Reclassifications	Remeasurement	IFRS 9 1 January 2018
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 at amortised cost				
- Deposits at credit institutions	1,400,055	-	-	1,400,055
- Loans and advances to customers	257,045,291	-	(105,610)	256,939,681
- Debt securities	71,803,356	101,902,862	(48,564)	173,657,654
Financial assets at fair value through profit or loss				
- Financial assets held for trading	48,307,443	-	-	48,307,443
- Financial assets not held for trading mandatorily at fair value through profit or loss	-	7,084,483	-	7,084,483
Financial assets at fair value through other comprehensive income	-	72,607,832	(54,311)	72,553,521
Financial assets available for sale	79,692,315	(79,692,315)	-	-
Financial assets held to maturity	101,902,862	(101,902,862)	-	-
- Investments in subsidiaries, associated companies and joint ventures	12,500	-	-	12,500
Non/current assets held for sale	19,934,793	-	-	19,934,793
Investment properties	4,013,100	-	-	4,013,100
Other tangible assets	2,381,835	-	-	2,381,835
Intangible assets	318,732	-	-	318,732
Current tax assets	-	-	-	-
Deferred tax assets	7,148,582	-	-	7,148,582
Other assets	9,113,010	-	-	9,113,010
Total Assets	**618,642,541**	**-**	**(208,485)**	**618,434,056**
LIABILITIES				
Financial liabilities at amortised cost				
- Resources at Central Banks	39,180,000	-	-	39,180,000
- Resources from credit institutions	2,951,525	-	-	2,951,525
- Customers- resources and other loans	453,271,575	-	-	453,271,575
- Non-subordinated debt securities issued	-	-	-	-
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	1,838,728	-	-	1,838,728
Provisions	-	-	-	-
Current tax liabilities	151,018	-	-	151,018
Deferred tax liabilities	585,097	-	-	585,097
Other liabilities	14,272,821	-	-	14,272,821
Total Liabilities	**512,250,764**	**-**	**-**	**512,250,764**
SHAREHOLDERS' EQUITY				
Share capital	59,500,000	-	-	59,500,000
Revaliuation reserves	1,647,520	-	(315,674)	1,331,846
Other reserves and retained earnings	38,483,405	-	107,189	38,590,594
Net income for the year attributable to the Bank's shareholders	5,793,594	-	-	5,793,594
Total Shareholders' Equity attributable to the Bank's shareholders	105,424,519	-	(208,485)	105,216,034
Non-controlling interests	967,258	-	-	967,258
Total Shareholders' Equity	**106,391,777**	**-**	**(208,485)**	**106,183,292**
Total Liabilities and Shareholders' Equity	**618,642,541**	**-**	**(208,485)**	**618,434,056**

The following table shows the changes to impairment losses occurred during 2018 and 2017:

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Impairment for loans					
Initial balance	5.248 545	3.317.652	19.917.483	28.483.680	28.412.726
IFRS 9 transition adjustment	-	-	105,610	105,610	-
Impairment for credit risk losses					
Changes in credit risk	(2,494,906)	(1,894,018)	4,126,385	(262,539)	-
Loans originated or acquired	1,349,899	161,325	477,122	1,988,346	568,673
Loan repayments and maturity	(1,225,368)	(130,502)	(2,642,746)	(3,998,616)	(497,719)
Transfers to					
- Bucket 1	4,345,097	(4,223,777)	(121,320)	-	n.a.
- Bucket 2	(2,216,994)	3,329,500	(1,112,506)	-	n.a.
- Bucket 3	(7,756,250)	(13,121,580)	20,877,830	-	n.a.
Impairment for loans	**(2,749,977)**	**(12,561,400)**	**41,627,858**	**26,316,481**	**28,483,680**

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 are not credit-impaired 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 are credit-impaired 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 derived 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.

There are three possible scenarios, Adverse, Favourable and Baseline. For credits of a real estate origin and lending credit the following economic probability is apploied for each scenario:
- Baseline: 60%;
- Adverse: 10%; and
- *Favorable:* 30%.

With reference to bank overdrafts, bank loans and other loans the favourable scenario is applied, with an economic probability of 100%.

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 recalculated 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 adoption of these requirements had an intangible impact on the Bank.

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.

Reclassification of Portfolios

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).

47. NOTES RECENTLY ISSUED

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

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 asset-by-asset 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.

There were no significant impacts on the consolidated financial statements related to the adoption of IFRS 15.

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 Bank did not record any significant changes 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 Bank does not anticipate any impact on the application of these changes in its financial statements.

The Bank decided against the early application of the following standards and/or interpretations adopted by the European Union.

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 Bank will adopt the new standard with effect from 1 January 2019. A survey of all the leasing contracts was undertaken and the impact of the adoption of the new standard on its consolidated and individual accounts was estimated. Banco Invest will apply IFRS 16 in accordance with the modified retrospective approach transition option.

Type of Leases

The Bank conducted a survey of all lease and service contracts that may include rights-of-use assets, and identified two major groups of leases:

a) **Real estate leases**
Real estate lease contracts that constitute, under IFRS 16, a right of use, having as lease period the initial periods of duration of the contracts and the renewal periods that depend exclusively on the Bank's decision and that the Bank is reasonably certain of exercising.

b) **Other leases**
Other lease contracts were also identified for printers, for instance.

The initial duration periods of the contracts and the renewal periods that depend exclusively on the Bank's decision and that the Bank is reasonably certain to exercise were assumed.

Transition Model

The Bank will opt to adopt the modified retrospective approach transition option. The expected range of impacts, net of taxes, on the Bank is shown below:

	Banco Invest
Assets	[6,700,000 ; 7,700,000[
Liabilities	[6,700,000 ; 7,700,000[

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 was adopted by Commission Regulation EU 2018/1595, of 23 October, and is of mandatory application for the financial years beginning on or after 1 January 2019, and can also be adopted early.

The Bank does not expect significant changes to result from the adoption of this interpretation.

Prepayment characteristics with negative compensation (amendment to IFRS 9).

Financial assets that have negative prepayment characteristics can now be measured at amortised cost or at fair value through comprehensive income (OCI) if they meet the relevant criteria of IFRS 9. The IASB also clarified that IFRS 9 requires preparers the recalculation of the amortised cost of the modification of financial liabilities by discounting the contractual cash flows using the original effective interest rate (EIR), and any allowance for the period is recognised through profit or loss (in line with the procedure already required for financial assets). This amendment was adopted by Commission Regulation EU 2018/498 and is of mandatory implementation for the financial years beginning on or after 1 January 2019 and can also be adopted early.

The Bank does not anticipate any impact from the application of these changes to its financial statements.

Standards, amendments and interpretations issued but not yet effective for the Bank

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).

Other changes made by the IASB expected to come into effect on or after 1 January 2019:

- Long-term interests in Associates and Joint Ventures (Amendment to IAS 28 issued on 12 October 2017) clarifying the interaction with the application of the impairment model under IFRS 9;
- Changes, cuts or settlements of the Plan (amendments to IAS 19, issued on 7 February 2018) where it is clarified that in accounting for changes, cuts or settlements of a defined benefit plan the company shall use updated actuarial assumptions to determine the past service costs and the net interest rate for the period. The effect of the asset ceiling is not taken into account for the calculation of the gain and loss on the settlement of the plan and is dealt with separately in the other comprehensive income (OCI);

- Changes to the definition of Business (amendment to IFRS 3, issued on 22 October 2018);
- Changes to the definition of Materiality (Amendments to IAS 1 and IAS 8, issued on 31 October 2018).

The Bank does not anticipate any impact from the application of these changes to its financial statements.

48. DISCLOSURES REQUIRED BY LEGAL DIPLOMAS

According to the information required by Article 66-A and by Article 508-F of the Portuguese Commercial Companies Code:

a) There are no operations that are not included in the balance sheet, such that there will be no financial impacts to report;
b) The total fees billed by the Statutory Auditor for the legal certification of the annual accounts (70,030 euros) and additional services (119,845 euros), with reference to the financial year ended on 31 December 2018, came to 189,875 euros, as mentioned in Note 41.

According to the information required by Article 21 of Decree-Law No. 411/91 and by Decree-Law No. 534/80:

a) The Company has no Social Security contributions outstanding;
b) The Company has no overdue taxes to the State.

49. SUBSEQUENT EVENTS

To date no relevant fact, considered material for the activity of the Bank, has occurred which has not been disclosed in the notes to the financial statements.

6. Certificação Legal de Contas

STATUTORY AUDITOR'S REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Banco Invest, S.A.** (the Entity), which comprise the consolidated balance sheet as at 31 December 2018 (showing a total of 772,076,755 euros and total equity of 112,896,361 euros, including non-controlling interests of 1,021,474 euros and a net profit for the year attributable to the Banco Invest shareholders of 9,033,075 euros), and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **Banco Invest, S.A.** as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by *Ordem dos Revisores Oficiais de Contas* (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the O*rdem dos Revisores Oficiais de Contas*' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit to the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of financial assets at amortised cost

As at 31 December 2018, impairment losses on financial assets at amortised cost (including securities and other assets recorded at amortised cost) and provisions for guarantees and commitments amount to 26,777,213 euros, as mentioned in notes 7 and 8 of the consolidated financial statements.

The Risk

For the purpose of determining impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) considering whether a significant deterioration of credit risk has been identified since its initial recognition or whether these are impaired assets. For the Group, determining this effect is a relevant process since it will have an impact on the related Expected Credit Loss (ECL) levels.

Impairment is calculated based on the expected loss that is estimated by the Group on an individual and collective basis, as mentioned in note 2.5 a) of the notes to the financial statements.

The individual analysis is based on the assessment of impairment losses on a case-by-case basis, considering the total exposure of a particular customer and the perception on the growth of the business performance and the market value of collaterals associated and the expectation regarding the development of future macroeconomic conditions.

Our response to the identified risk

Our audit procedures included, among others:

- Assessment of the design and implementation of the main controls defined by the Group associated to the process of identifying and determining impairment losses;
- Analysis of the alignment of the accounting policies with the definitions of IFRS 9;
- Analysis to the process of classifying financial assets based on their credit risk (Stage 1, 2 and 3);
- Assessment of the ECL estimation process;
- Analysis of individual credits, for a group of selected credits, in which the assumptions underlying the identification and measurement of impairment are assessed, including (i) the assessment of existing collateral and (ii) recovery estimates in the event of default;

Impairment of financial assets at amortised cost (cont.)

The Risk

The collective analysis is based on ECL estimates and assumptions that consider (i) the historical experience of losses on similar risk credit portfolios determined taking into account the category to which these are allocated, and (ii) the knowledge of economic and credit environment and its impact on the level of historical and future losses (forward looking)

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgments made by the Group. This process considers factors such as probability of default, credit ratings, amount of collateral associated with each operation, recovery rates and estimates of both future cash flows and the time of receipt.

The use of alternative methodologies and other assumptions and estimates could result in different levels of recognised impairment losses, with a consequent impact on the Group's results.

Our response to the identified risk

- For credits whose impairment losses are determined on a collective basis, test of the underlying models with the support of our experts in this area, including their approval and validation process. Additionally, test of the adequacy and accuracy of the significant assumptions used by the model including the key attributes for its classification;
- Review of disclosures made by the Group in accordance with applicable accounting standards, including those related to the transition.

Recognition and measurement of financial assets at fair value through profit or loss and other comprehensive income

As at 31 December 2018, the portfolios of financial assets held for trading, not held for trading mandatorily at fair value through profit or loss and at fair value through other comprehensive income amounted to 58,042,047 euros, 16,012,916 euros and 98,761,930 euros, respectively, as referred in notes 9 and 10 of the consolidated financial statements.

The Risk

The initial recognition and measurement of financial instruments (financial assets and derivatives) may include the need for a high level of judgment and complex estimates and may determine the applicable criterion for their future measurement.

The measurement of assets recorded in the portfolios of financial assets held for sale or to collect cash flows and held for trading is at fair value in accordance with the respective accounting policies as referred to in (i) and (iii) of the note 2.5 to the consolidated financial statements based on valuation techniques that include market prices or internal models (classified for measurement purposes as stage 1, 2 or 3). Fair value for most of the portfolio assets is determined either directly based on an active official market or through price providers. As mentioned in note 2.5 to the consolidated financial statements, valuations are obtained through market prices or valuation models which require the use of certain assumptions or judgment in making fair value estimates. Regarding the portfolios of available-for-sale financial assets, the Group determines impairment by the same methods as those applicable to financial assets at amortised cost pursuant to paragraph d) of note 2.5 to the consolidated financial statements.

Our response to the identified risk

Our audit procedures included, among others:

- Assessment of the design and implementation of the main controls performed by the Group on the measurement of financial assets. An assessment to the operating effectiveness of a set of key controls was also carried out;
- Analysis of the process of recognition and measurement of financial assets, namely regarding the selection of business models and analysis of contractual characteristics of products ('SPPI test');
- Analysis of the alignment of accounting policies with those defined in IFRS 9;
- Test, based on sampling, to the reasonableness of the recognition and measurement of the criterion applied;
- Test, based on sampling, to the valuation of the portfolio in order to assess the reasonableness of the fair value recognised by the Group;
- Review of disclosures made by the Group in accordance with applicable accounting standards.

Measurement of non-current assets held for sale

As at 31 December 2018, non-current assets held for sale net of impairment amounted to 14,984,133 euros, as referred to in note 13 of the consolidated financial statements.

The Risk

Non-current assets held for sale are classified as such, when there is an intention to sell. These assets are available for immediate sale and their sale is highly probable.

In accordance with the accounting policy referred to in note 2.7 to the financial statements, non-current assets held for sale are measured at the lower of their cost and fair value less costs to sell.

Fair value is based on market value, which is determined based on the expected sale price obtained through periodic valuations made by independent experts and incorporating several assumptions about the development of the real estate market and the Group's strategic guidelines for these assets.
This area involves a significant degree of judgment by the Group's Board of Directors.

The use of alternative methodologies and other assumptions and estimates could result in different valuations and consequently in their measurement and different levels of recognised impairment losses, with a consequent impact on the Group's results and equity.

Our response to the identified risk

Our audit procedures included, among others:

- Analysis of the design and implementation of key controls defined by the Group on the measurement of non-current assets held for sale. An assessment to the operating effectiveness of a set of key controls was also carried out;
- Analysis, for a set of selected items, of the reasonableness of the valuation allocated to non-current assets held for sale based on valuations made including assumptions used by independent experts, and analysis of the impairment loss recognised;
- Confirmation of ownership of non-current assets held for sale for a set of selected items;
- Review of disclosures made by the Group in accordance with applicable accounting standards.

Resolution Fund

As at 31 December 2018, the Group is exposed to risks resulting from its participation in the Resolution Fund (‘RF’).

The Risk	Our response to the identified risk
In 2012, as part of a series of legislative amendments, the Resolution Fund was created (“RF”). As a result of the resolution measures approved on 3 August 2014 and 19 December 2015 regarding Banco Espírito Santo, SA ('BES') and Banco Internacional do Funchal, SA: ('BANIF'), respectively, the RF became the holder of 100% of the share capital of the entities that resulted from these measures (Novo Banco, S.A. and Oitante, S.A.). The RF, in addition to funding obtained, has limited sources of income, being restricted to the participants' periodic contributions and contribution to the banking sector, which are also used to cover any other liabilities that the RF may assume. At the end of 2017, RF sold 75% of the shareholding in Novo Banco, SA to Lone Star. After this date and considering the evolution of Novobanco's performance, the RF had to make payments in 2018 under the contingent capitalization mechanism in the amount of 791 million euros, of which 430 million euros from a state loan. Considering the 2018 performance, payments will be required in 2019 for a total amount of 1,149 million euros and there is no information on the amount of an additional loan provided by the State.	Our audit procedures included, among others: ▪ Analysis of the public communications of the Resolution Fund and of the Office of the Minister of Finance regarding the changes that occurred in 2018 and 2019 in the RF situation, namely as a result of the sale of Novo Banco; ▪ Reading of the RF Financial Statements regarding the year 2017; ▪ Review of the accounting treatment of RF contributions; ▪ Review of disclosures made by the Group in accordance with applicable accounting standards.

Resolution Fund (cont.)

The Risk	Our response to the identified risk
Based on the available information and existing understanding, for the purposes of the preparation of the financial statements as of 31 December 2018, it was considered that the Group will not be required to make any other extraordinary contributions to this effect, in order to fund its liabilities, other than those resulting from ordinary contributions recognised in accordance with the applicable standard (IFRIC 21).	

Responsibilities of Management and the Supervisory Body for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and,
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditors’ 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 from material misstatements whether due to fraud or error, and to issue an auditors’ 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 in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditors’ report to the related disclosures in the consolidated 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 auditors’ 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;

- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Group in the general meeting held on 15 September 2017, for four-year mandate from 2017 to 2020.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on 24 April 2019.

- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the *Ordem dos Revisores Oficiais de Contas* statutes, and we have remained independent of the Group in conducting the audit.
- We inform that (I), in addition to the audit, we provided to the Group with the following services as permitted by law and regulations in force:
    - Issuance of the opinion defined pursuant to paragraph b) of no. 5 of article 25 of Notice no. 5/2008 of *Banco de Portugal*, regarding the Group's internal control system;
    - Issuance of reports on loan portfolio impairment pursuant to Instruction No. 18/2018 of *Banco de Portugal*;
    - Special audit of regulatory reporting as requested by *Banco de Portugal*.

24 April 2019

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Miguel Pinto Douradinha Afonso (ROC no. 1454)

BOARD OF AUDITOR'S REPORT

CONSOLIDATED ACCOUNTS

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

To the Shareholders

of Banco Invest, S.A.

In accordance with current legislation and the powers conferred on us, we hereby submit for your consideration our Report as well as our Opinion on the activity along with the documents rendering the consolidated accounts of Banco Invest, S.A. (Bank) relating to the financial year ending on 31 December 2018, which have been prepared by the Board of Directors.

We were appointed on 1 February 2019, and have been active since that date. In this context, contacts were developed with the Board of Directors, as well as clarifications obtained and information gathered from the competent services. We learned about the Entity's activity and the management and proceeded to verify the financial information as at 31 December 2018, and carried out analyzes deemed convenient since we were appointed, in order to develop reasonable understanding of Banco Invest, S.A.'s activity.

We verified the compliance with statutory and legal requirements in force and instructions issued, we verified the orderliness of its accounting entries and the supporting documentation, we verified that the accounting policies adopted by the Entity and the disclosures included in the notes attached to the consolidated financial statements lead to a correct presentation of the consolidated results and have carried out other procedures deemed necessary under the circumstances.

We have reviewed the consolidated financial statements, namely the Board of Director's Report, prepared by the Board of Directors, as well as the consolidated financial statements, which consist of the balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the comprehensive income statement and the respective notes.

We examined the content of the Statutory Auditor's Report relative to the consolidated accounts, which contains no reservations or emphasis , issued by KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., dated 24 April 2019, and with which we agree.

From the Board of Directors and competent services, we have always obtained the documentation and clarifications requested, which we appreciate, concluding that:

- The consolidated financial statements provide a fair understanding of the Entity's consolidated financial position and consolidated results;

- The accounting policies adopted and disclosures are appropriate; and

- The Board of Director's Report presents the evolution of the business and the Entity's situation in accordance with the legal and statutory provisions.

In light of the above, we are of the opinion that the Shareholders' General approves::

- The Board of Director's report and the consolidated accounts for the year ended as at 31 December 2018;

- The proposal for the appropriation of results set forth therein.

We would also like to thank the Board of Directors and the various departments of the Bank for their help and cooperation.

Lisbon, 24 April 2019

BANCO
INVEST

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