REPORT AND CONSOLIDATED ACCOUNTS '19

BANCO INVEST

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GRUPO ALVES RIBEIRO

Table of Contents

Board of Director's Report

1. Governing Bodies

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	2019
Net interest income	12,251,235	12,991,062	16,433,483	20,415,619	25,287,536
Net income from financial operations	7,350,129	4,424,794	4,321,877	-689,976	4,470,718
Net fees and commissions income	1,711,339	2,298,047	5,393,738	6,986,101	8,896,965
Other operating income / (losses)	-2,856,559	-186,345	134,391	1,993,808	1,350,657
Net operating revenue	**18,456,144**	**19,527,558**	**26,283,489**	**28,705,552**	**40,005,876**
Staff costs	-5,396,517	-6,716,762	-8,386,236	-10,153,804	-11,381 855
Other administrative costs	-4,643,361	-5,068,711	-6,285,362	-7,692,853	-6,985,004
Overheads	**-10,039,878**	**-11,785,473**	**-14,671,598**	**-17,846,657**	**-18,366,858**
Amortisations and depreciations	-455,811	-712,616	-930,497	-945,379	-1,960,465
Net provisions and impairments	-5,453,719	-703,718	-2,852,026	-577,270	-4,979,188
Income before taxes	**2,506,736**	**6,325,751**	**7,829,368**	**9,336,246**	**14,699,365**
Income taxes	355,007	-2,250,712	-1,981,164	-248,955	-2,482,867
Non-controlling interests	7,176	-69,961	-54,610	-54,216	-31,181
Net income for the year	**2,868,919**	**4,005,078**	**5,793,594**	**9,033,075**	**12,185,316**
Comprehensive income	**-3,520,104**	**3,783,273**	**4,248,698**	**7,519,812**	**14,727,713**
Net credit extended (1)	246,931,130	229,029,588	328,848,647	545,042,001	619,806,814
Loans and advances to customers	137,356,950	144,158,935	257,045,291	312,163,551	392,573,397
Loans portfolio (2)	109,574,181	84,870,653	71,803,356	232,878,450	227,233,417
Funds attracted	495,123,016	394,658,209	497,241,828	643,052,322	685,196,634
Shareholders' equity	**100,054,973**	**103,082,651**	**106,391,777**	**112,896,361**	**126,815,255**
Net assets	**603,426,834**	**506,320,442**	**618,643,091**	**772,076,755**	**840,692,558**
Transformation ratio	40,6%	41,0%	57,0%	53,5%	60,9%
Liquidity coverage ratio (LCR)	141,9%	205,7%	269,9%	220,4%	166,6%
Cost-to-income ratio	56,9%	64,0%	59,4%	68,5%	51,0%
Net interest income (as % of Net operating revenue)	66,4%	66,5%	62,5%	71,1%	63,2%
Provisions and impairments (as % of Net operating revenue)	-29,5%	-3,6%	-10,9%	-2,0%	-12,4%
Common equity tier 1 (CET1) ratio	18,3%	23,7%	20,3%	17,3%	16,3%
Total solvency ratio	18,5%	23,7%	21,8%	18,1%	16,3%
RWAs (as % of Total assets)	85,4%	77,5%	71,2%	74,2%	79,6%%

(1) sFinancial assets at amortised cost, in 2019
(2) Securities portfolio at amortised cost, in 2019

3. Banco Invest

3. Banco Invest

Who we are

Banco Invest, S.A. (Banco Invest or the Bank) was incorporated in 1997 as Banco Alves Ribeiro, S.A., with head office in Lisbon and 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 meets 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 2019, the Bank's solvency ratio stood at 16.91% and Resources from Customer reached 645 million euros, corresponding to an annual average growth of 18.5% since 2008. Last year, net operating revenue surged 11.3 million euros (39.4%) to 40 million euros.

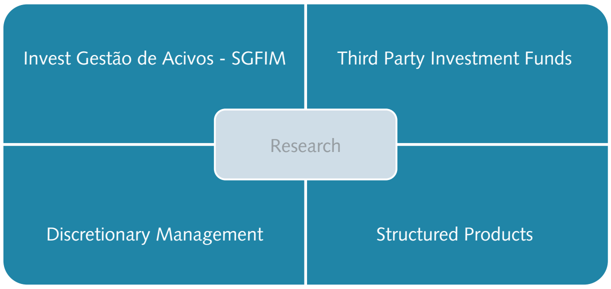
What we do

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.**

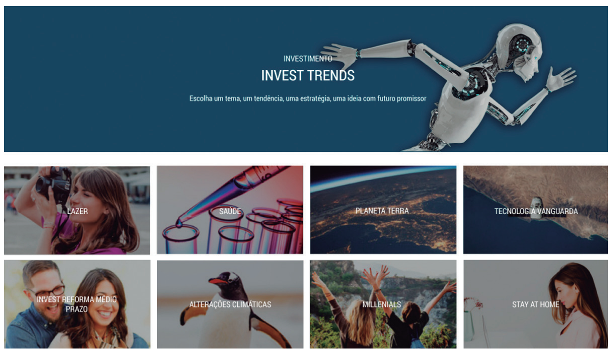
The **Asset Management** area includes the management of Own Investment Funds (mutual and real estate), the Distribution of Investment Funds managed by third parties, Discretionary Portfolio Management, Investment Consulting and the issue of Structured Products.

Gestão de Activos



The Bank's Asset Management department is responsible for the management of the Securities Investment Funds managed by Invest Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (Invest Gestão de Activos), a company wholly owned by the Bank. Under the terms of the existing Cooperation Protocol with Invest Gestão de Activos, signed on 17 October 2001 and successively amended, namely on 18 May and 5 September 2018, 6 May and 18 December 2019, the Alves Ribeiro - Plano Poupança Reforma (Retirement Savings Plan), mainly composed of bonds, and Invest Ibéria, which invests in the Portuguese and Spanish stock markets, are managed.

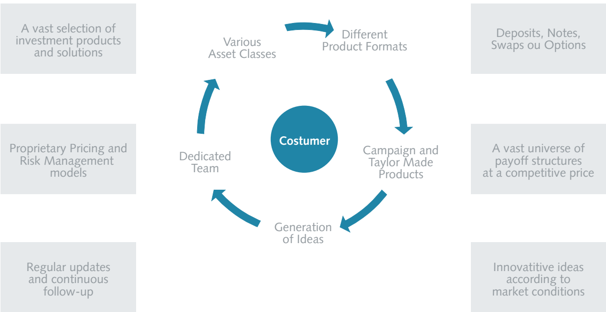
For the remaining geographies and asset classes, Banco Invest selects and distributes investment funds managed by other management companies (third party funds), offering its Customers around 1,000 investment funds managed by the most prestigious national and international management companies. The offer includes the various asset classes and geographical regions, providing a wide range of diversification alternatives for different risk profiles. Most of these investment funds are available on the Bank's website. Customers can search and compare products independently or subscribe to thematic portfolios. Banco Invest, through Invest Trends, offers 34 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 Banco Invest's Asset Management team.



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 other non-capital guaranteed deposits (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.

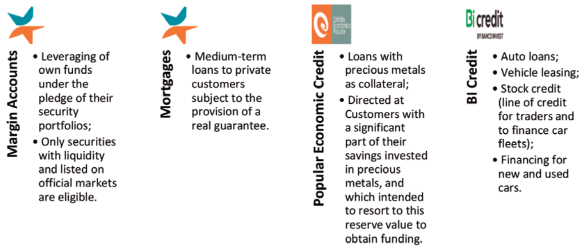
In the Prime Brokerage segment, the Bank offers a premium service, whereby Customers benefit from a direct relationship with traders. Traders' activity includes technical analyses, namely analyses of trends and of theoretically ideal levels of subscription and sale of securities, as well as the management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



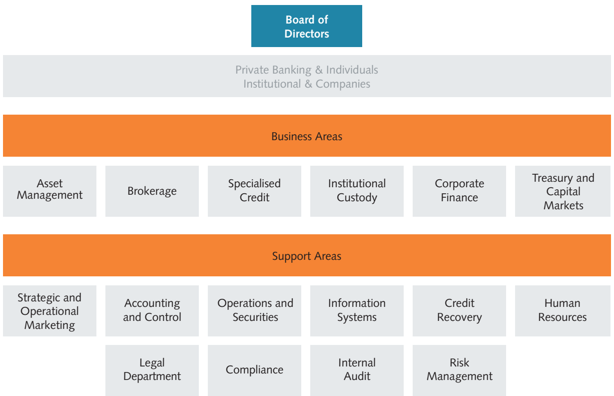
The Corporate Finance area, operating under the **Invest Corporate Finance** brand, is composed of a team with more than 25 years of experience in domestic and cross-border transactions. The services offered include Corporate Finance Advisory Services (e.g. Mergers and Acquisition Consultancy, Valuation 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 2019, operations carried out by the IMAP network came to approximately 13 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 in such a way as to keep pace with the growth of the Bank's assets and to ensure that cash requirements are met without incurring abnormal losses, while maintaining in the portfolio marketable assets that 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 2019, the physical distribution network of Private Banking was composed of the **Private Banking** unit, located at the Bank's head office, and 4 **Investment Centres**, located in Lisbon, Oporto, Leiria and Braga.

Awards

Banco Invest's good performance continued to be publicly acknowledged in several areas of financial activity by independent national and international 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 third 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 took place in February 2019.

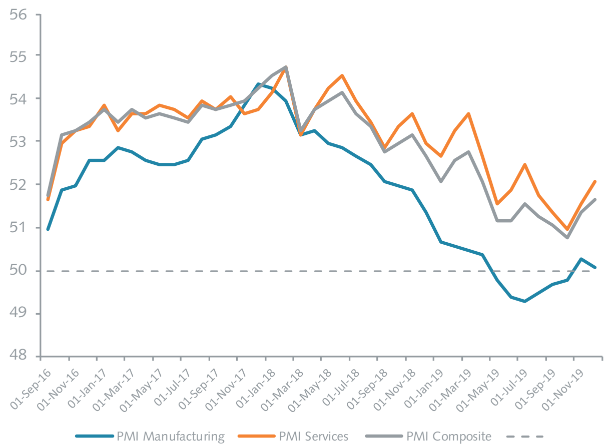
4. Macroeconomic background

Global economy

In 2019, the world economy registered its lowest growth rate in the last decade since the global financial crisis. Among the advanced economies, the economic downturn was widespread, affecting the main economies (United States and especially the eurozone). The slowdown in activity was even more marked in emerging markets and developing economies, including Brazil, China, India, Mexico and Russia, and in some economies with specific financial and social difficulties, such as Argentina.

The main factors behind the slowdown were the increase in trade barriers and the resulting uncertainty, which weighed on business sentiment by penalising investment and, in particular, the global industrial sector. In this context of deceleration, the main Central Banks (increased) pre-emptively resumed more expansionary monetary policies, contributing to an improvement in investor and entrepreneur sentiment in the second half of 2019, as measured by the Purchasing Managers' Index (PMI).

Global PMI



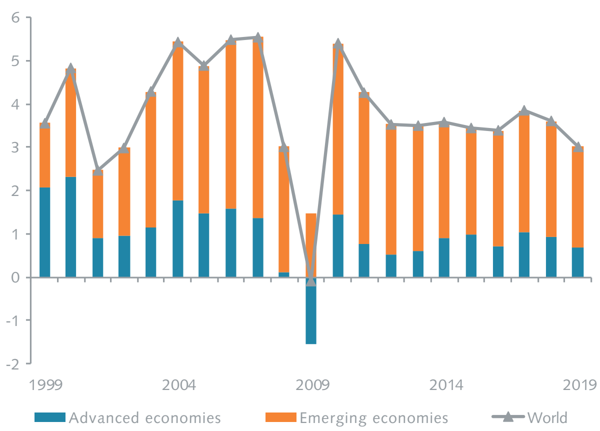
Source: Bloomberg. PMI - Purchasing Managers' Index.

In the United States, GDP is expected to grow 2.3% in 2019, 0.6 percentage points (pp) less than in the previous year. The current economic expansion in the United States is already the longest since records began, but it is slowing down mainly due to trade tensions with China and increased tariffs on imports of various products, as well as declining industrial activity. However, the service sector and employment remained relatively resilient throughout the year, supporting private consumption, a major driver of the US economy. The unemployment rate ended the year at 3.5%, the lowest since 1969 and well below the average of 5.7% since 1948. The labour market participation rate remains stable at 63.2% and slightly above the long-term average (62.9%). Reflecting the current good phase of the labour market, including a 5.2% annual growth in wages, the inflation rate registered a slight increase during the last quarter, closing the year at 2.3%.

Eurozone growth is expected to reach 1.2% in 2019, down 0.7 pp when compared to the previous year. Weak external demand, trade tensions and political uncertainty (e.g. Brexit) continued to weigh on investment and industrial activity, although monetary conditions remained accommodative. In fact, the maintenance of the inflation rate at around 1% led the European Central Bank (ECB) to cut interest rates again in 2019, while drawing attention to the need for governments to increase public investment in order to revitalise economic activity and prices.

Among the main emerging economies, the slowdown in China and India is noteworthy. In the first country, according to the IMF, the economy is estimated to have grown 6.1% in 2019, the lowest figure since 1992, penalised by trade tensions with the United States, a fall in global demand and an increase in local government debt. In India, the economy grew 4.8% in 2019, thus registering a significant slowdown compared to the previous year and below analysts' initial expectations.

Growth of the world economy



Source: IMF (January 2020)

Covid-19

The public health crisis caused by the rapid spread of the new Coronavirus (Covid-19) during the first quarter of 2020 will have significant economic consequences, reflecting the strong global supply and demand shocks. As the disease spreads and human costs increase, the world's economies are largely at a standstill. In the absence of a vaccine to contain the virus, countries have tried to limit its spread, with travel restrictions, school closures and quarantines for millions of people, trying to gain time and reduce the burden on their health systems.

Uncertainty is still very high, but the economic impact of this pandemic is already visible in the countries most affected by the outbreak. In China and Germany, for example, industry and services experienced sharp falls in activity in February and March. While the contraction in industry is comparable to that observed at the start of the global financial crisis, the decline in the services sector is greater now, reflecting the significant impact of the necessary social distancing.

This crisis, which started with a virus whose mortality rate is not very high but which spreads exponentially, puts enormous pressure on the world's health systems and raises uncertainty for economic agents, with consequences that are still difficult to quantify.

On the demand side, people's reaction to uncertainty is social distancing, which is strongly recommended (and in some cases imposed) by the authorities. This means that, for example, demand for services such as travel and leisure is falling sharply. But the decline in demand is not confined to these sectors, with the postponement of various consumption decisions, mainly discretionary, because people are simply locked in their homes. In this sense, the lower mobility also means that oil consumption is falling sharply, reflected in the abrupt fall in the price of a barrel of oil (which, in the meantime, the lack of agreement between OPEC and Russia has only worsened).

On the supply side, the shock is also high, as people cannot go to work as usual. Many are working from home while others continue commuting to work but taking precautionary measures. The contraction of industrial activity in China has had repercussions throughout the world, reflecting the current weight of the Chinese economy in global production and distribution chains, as well as in raw materials markets. The spread of the virus to the European and American economies is having similar effects in several industries and sectors, although on a smaller scale.

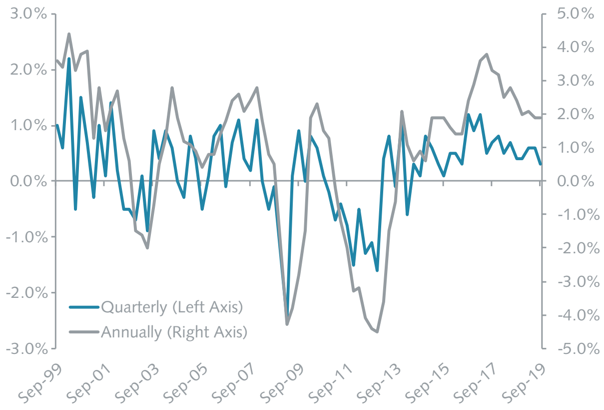
The economic outlook for 2020 is therefore extremely uncertain at the moment. At the beginning of March, the OECD revised world economic growth down from 2.9% to 2.4%. In this scenario, the projected GDP growth for the United States and the eurozone was 1.9% and 0.8%, down 0.1 and 0.3 percentage points from the November 2019 estimates, respectively. For China, this institution has lowered its growth forecast for 2020 from 5.7% to 4.9%. However, at the end of the quarter these estimates are already outdated, and there is a consensus that it will be very difficult for the world economy to avoid a recession this year, even considering the prompt reaction of central banks and governments, announcing measures never seen before to support their economies. The speed of recovery will, however, be inversely proportional to the duration of the lockdown of world economies: the longer companies and people take to get back to work, the slower the recovery will then be to pre-crisis levels.

Portuguese Economy

According to European Commission estimates, growth in the national economy is expected to have slowed from 2.4% in 2018 to 2.0% in 2019, with domestic demand remaining an important contributor to growth thanks to the recovery of investment and private consumption. On the external side, in 2019 there was an acceleration of imports, which increased more than exports for the second consecutive year. Thus, the external account balance deteriorates, and the current account balance is estimated to decrease from 0.1% of GDP in 2018 to -1.0% in 2021.

In terms of inflation, according to INE, the Consumer Price Index (CPI) recorded a year-on-year rate of change of only 0.4% in December 2019, bringing the annual average to 0.3% (1.0% in the previous year). Excluding energy and unprocessed food from the CPI, the average rate of change was 0.5% in 2019 (0.7% in the previous year).

Domestic GDP Growth



Source: Bloomberg

However, as in other world economies, the year 2020 will be much more challenging because of recent developments related to Covid-19. Considering the weight of tourism in the national economy, in the order of 15%, the contraction of demand and the need for social distancing will certainly have a strong negative impact on the economy. According to the latest estimates of the Bank of Portugal, in the baseline scenario the national economy should contract 3.7% in 2020, and grow 0.7% and 3.1% in 2021 and 2022, respectively. In this scenario, the unemployment rate increases from 6.5% at the end of 2019 to 10.1% this year. In a more adverse scenario, GDP will fall 5.7% this year, then rise 1.4% and 3.4% in 2021 and 2022. In turn, the unemployment rate soars to 11.7% in 2020, slowly recovering to 8.3% in 2022.

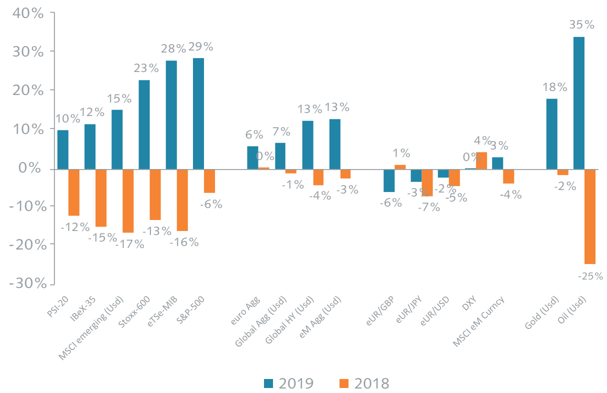
In response to this, the government also announced an economic support package, including loans to businesses and increased social benefits. More than 9 billion euros in total, almost 5% of GDP, although a part does not correspond to actual government expenditure but guarantees for loans to companies.

Financial markets

The year of 2019 was a year of strong recovery from the losses registered in the previous year in the different asset classes. If in 2018 there were practically no asset classes in positive ground, mainly due to a rather negative last quarter, in 2019 the narrative changed completely, with gains in most of the asset classes analysed and, in some cases, with very significant valuations.

In a context of global economic slowdown, the gains in the financial markets were catapulted mainly by the proactive action of Central Banks, in particular the Federal Reserve (FED), and by the easing of some risk factors, such as the trade war between the United States and China and the agreement between the United Kingdom and the European Union for an orderly Brexit.

Financial Markets in 2019

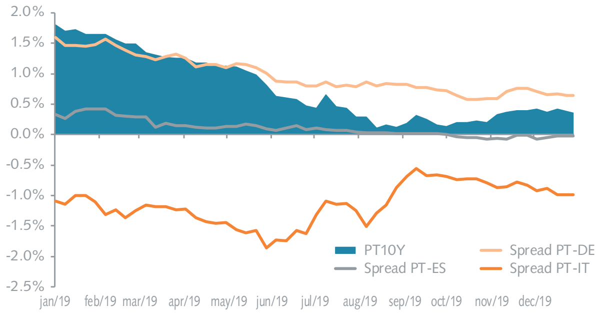


Source: Bloomberg. Local currency.

From a fundamental viewpoint, in equity markets the gains were obtained at the expense of the expansion of the valuation multiples, considering the weak growth of results expected for 2019, and supported by the decrease in government bond yields. In the private debt markets, the year was also marked by significant gains, both in the Investment Grade and High Yield segments, against a backdrop of a sharp reduction in credit spreads and central bank support.

In view of the above, MSCI World, the global equity index, gained around 27% in the year (in USD), the best result since 2009. In the other asset classes the gains were equally significant: in bonds the High Yield Global appreciated 13% (in USD) and the Investment Grade Global segment appreciated 7% (in USD). Among commodities, the recovery of the WTI oil price (35%) stands out, approaching the average price of the last few years and reflecting the increased instability in the Middle East. In turn, gold prices rose 18% (in USD), supported by increased demand for risk-off assets.

10-year Portuguese yield



Source: Bloomberg

Regarding peripheral European debt, 2019 was also a year of recovery. Spreads in peripheral countries narrowed against Germany, which happened despite the decrease in German yields. In a context of falling yields and demand for alternatives with higher profitability, the debt of peripheral countries showed strong demand, not unrelated to the decrease in political risk, namely in Italy and Greece, with more pro-European governments. In Portugal, the recent recovery of the economy and the perception of low political risk reduced the risk premium vis-à-vis Germany from 160 bps to 64 bps, and the spread vis-à-vis Spain from 33 bps to -3 bps , in the 10-year maturity of 2019.

5. Business

Balance Sheet and Net Income

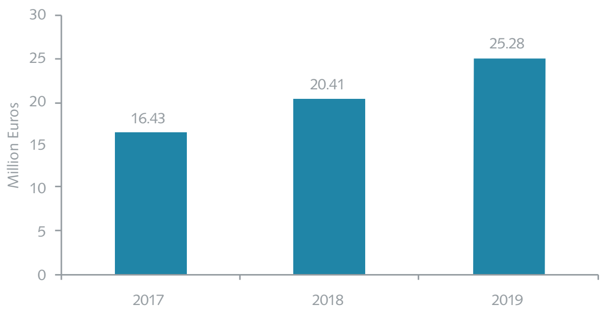
In 2019, according to the Portuguese Banking Association (APB), total assets of the national banking system increased 1.9%, continuing the growth seen in 2018, maintaining the inversion of the trend seen until 2017. This development was accompanied by an improvement in the quality of assets, with the Non-Performing Loans (NPL) ratio falling to 6.1.%, down 3.3 percentage points (pp) relative to the end of 2018. The reduction in the ratio was sustained mainly by the non-financial companies segment, whose NPL stock fell to 4,695 million euros (-37%). The NPL coverage ratio fell 0.6 pp to 51.3%.

The profitability of the banking sector evolved positively compared to 2018: return on equity (ROE) increased by 1 pp to 8.1% and return on assets remained stable at 0.7%. Net operating revenue grew 4.5% to 9,698 million euros and net income rose 51% to 1,892 million euros.

Against this backdrop, Banco Invest maintained a profitability above the sector average, with ROE reaching 9.6% and ROA 1.4%, while net operating revenue increased 39.4% to 40 million euros.

Net interest income increased 4.9 million euros (23.9%) to 25.3 million euros. This momentum is explained by the increase in the loan portfolio, which grew 74.4 million euros to 611 million euros.

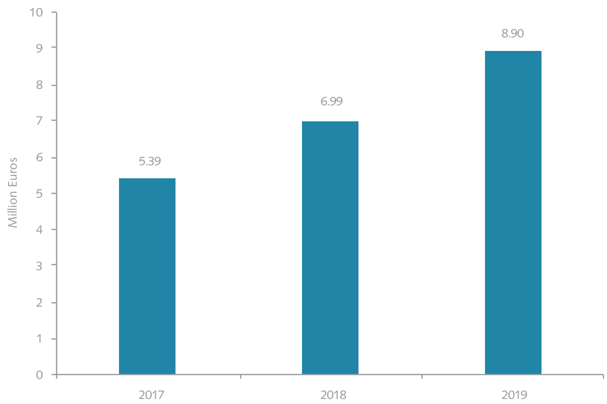
Net Interest Income



Source: Banco Invest

Net commissions increased 1.9 million euros (27.4%) to 8.9 million euros, as a result of the increase in commissions for services rendered that grew 2.3 million euros (61.5%).

Net Commissions



Source: Banco Invest

Net income from financial operations registered a remarkable growth, from -690 thousand euros in 2018 to 4.5 million euros in 2019. This performance was sustained mainly by the gains registered in the valuation of assets recorded in the portfolio at fair value, which amounted to 2.7 million euros, compared to -2.2 million euros in the previous year.

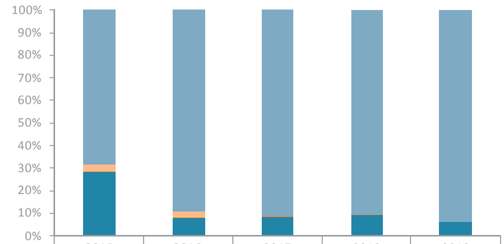
Impairments for the year reached a total of 5 million euros, compared to 577 thousand euros in the previous year. This increase was due to the rise in credit impairment resulting, on the one hand, from portfolio growth and, on the other hand, from the implementation of a more aggressive credit write-off policy classified as NPLs (non performing loans). The provisions of 1.6 million euros correspond to commitments made to partners in activities that are intended to be segregated in the future into the Bank's subsidiaries.

Net Assets increased 68.6 million euros (8.9%) to 841 million euros. Financial assets at amortised cost registered a net increase of 73 million euros (13.3%), of which 80.4 million euros correspond to the increase in loans and advances to customers.

Liabilities grew 54.7 million euros (8.3%) to 713.9 million euros, with Resources from Customers increasing 61.6 million euros (10.6%) to 644.9 million euros and Resources from Central Banks falling -17.5 million euros to 39.2 million euros. There was growth in both Corporate and Private Customers, with increases of 7.7 million euros and 47.7 million euros respectively, excluding interest payable. At the end of 2019, the Private Customers segment represented about 82.0% of Resources from Customers.

Resources from Central Banks decreased by 17.5 million euros to 39.2 million euros. The portfolio of assets eligible for net lending from the Eurosystem increased 14.7% to 199.0 million euros (net of haircuts and valuations), of which 113.7 million euros were not used and therefore likely to be converted into liquidity.

Structure of Resources



	2015	2016	2017	2018	2019
Deposits	336.7	351.2	453.3	583.4	644.9
Securitisations	15.6	12.0	0.0	0.0	0.0
Bonds issued	0.0	0.0	0.0	0.0	0.0
From other credit institutions	1.5	1.0	3.0	1.8	0.2
From Central Banks	141.0	29.0	39.2	56.7	39.2

Source: Banco Invest

The **transformation ratio** increased 7.4 p.p. to 60.9%, a figure that has been increasing and which reflects the Bank's strategy of expansion of its loan portfolio.

The **total capital ratio**, calculated in accordance with the Bank of Portugal's rules is 16.3%, while the Common Equity Tier I ratio was 16.3%, compared with 18.1% and 17.3% respectively in the previous year.

In operating terms, the distribution of income and of the main balance sheet items, in 2019 and 2018, was as follows:

Distribution by Operating Segments

Indicators (Thousands of Euros)

	2019			2018		
	Commercial	Markets	Total	Commercial	Markets	Total
Net interest income	20,231	5,057	25,288	16,332	4,083	20,415
Income from equity instruments	-	-	-	-	71	71
Net fees and commissions income	8,897	-	8,897	6,986	-	6,986
Net gains / (losses) from assets and liabilities assessed at fair value through profit or loss	-	2,697	2,697	-	(2,151)	(2,151)
Income from financial assets at fair value through other comprehensive	-	1,305	1,305	-	1,130	1,130
Net gains / (losses) from financial assets available for sale	-	-	-	-	-	-
Other operating revenue	1,351	468	1,819	1,923	331	2,254
Net operating revenue	30,478	9,528	40,006	25,241	3,464	28,705
Staff costs and general administrative costs	(13,775)	(4,592)	(18,367)	(13,385)	(4,462)	(17,847)
Amortisations and depreciations	(1,470)	(490)	(1,960)	(709)	(236)	(945)
Provisions and impairment	(4,202)	(777)	(4,979)	405	(983)	(578)
Income before taxes	11,030	3,669	14,699	11,553	(2,217)	9,336
Taxes	(1,819)	(664)	(2,483)	42	(291)	(249)
Consolidated net income for the year	9,186	2,999	12,185	11,552	(2,519)	9,033
Financial assets held for trading	-	44,767	44,767	-	58,042	58,042
Financial assets not held for trading mandatorily at fair value through profit or loss	-	16,013	16,013	-	16,013	16,013
Financial assets at fair value through other comprehensive income	-	80,789	80,789	-	98,762	98,762
Financial assets available for sale	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans and advances to customers	392,573	-	392,573	312,164	-	312,164
Debt securities	-	227,233	227,233	-	232,878	232,878
Resources from Central Banks	-	39,180	39,180	-	56,680	56,680
Resources from credit institutions	-	207	207	-	1,776	1,776
Resources from customers and other loans	644,921	-	644,921	583,371	-	583,371
Non-subordinated debt securities issued	-	-	-	-	215	215

Source: Banco Invest The 'Markets' segment includes the areas: Treasury and Capital Markets

Asset Management

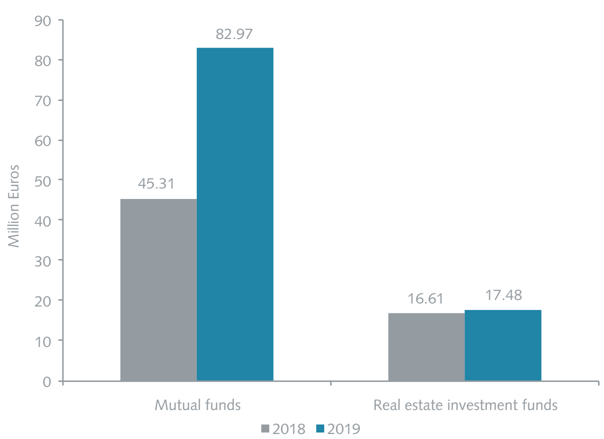
Investment Funds of Invest Gestão de Activos - SGFIM, S.A.

The **Alves Ribeiro - Plano Poupança Reforma** Fund ended 2019 with a gain of 15.1%. The year was marked by a strong recovery for most asset classes, in a context of several uncertainties counterbalanced by the proactive action of central banks, in particular the US Federal Reserve. The prospect of easing of trade tensions between the United States and China, the easing of fears about a disorderly Brexit and, above all, the maintenance of very low (and even negative) real interest rates catapulted the riskier assets. As a result, the Fund benefited from the good performance of Shares and High Yield and Hybrid bonds, three asset classes with a significant weight in the fund portfolio. Since the start of the portfolio's activity, in November 2001, the annualised return stands at 7.2%.

In turn, the **Invest Ibéria** Fund ended the year with a gain of 8.0%. Overall, the relative performance of the Fund was penalised by the poor performance of the Financial, Telecommunications and Materials sectors. The Iberian markets recorded an appreciation below the average of their European counterparts, penalised by political instability in Spain and poor liquidity in the national market. Since the start of the new Iberian strategy in December 2016, the Fund has recorded a gain of 7.5%, which compares with 3.6% and 13.3% of the IBEX-35 and PSI-20 indices, respectively, over the same period.

In the last year, the Investment Funds managed by Invest Gestão de Activos increased 38.6 million euros (62.2%) to 100.5 million euros. As in the previous year, the main contributor to this growth was the Alves Ribeiro - PPR Fund, with an 83.1% increase in assets under management, while Real Estate Investment Funds grew 5.2% to 17.5 million euros.

Own Investment Funds under management

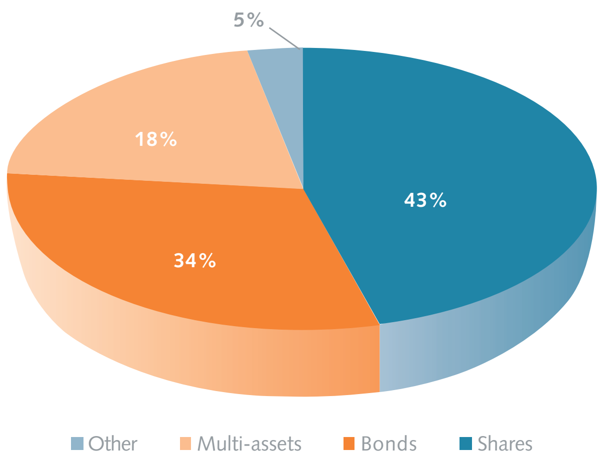


Source: Banco Invest

Third Party Investment Funds

In 2019, the amount distributed of investment funds managed by third parties registered an increase of 131% to 109.3 million euros. This growth reflected the Bank's focus on increasing its commercial network and investors' growing demand for investment alternatives, against a background of very low interest rates on traditional term deposits. Of the amount placed, about 43% corresponded to equity funds, 34% to bond funds and 18% to multi-asset funds.

Distribution of Third Party Investment Funds



Source: Banco Invest

During the year, the Bank increased its offer of multi-asset funds, with the inclusion of another management company, 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 amounted to about 9% 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 13% of total funds at the end of the year, reflecting the very positive acceptance by Customers of thematic investment as a form of diversification of investment portfolios, against a backdrop of strong gains in the leading world equity indices.

Discretionary Management

After a very difficult year in 2018, with widespread losses in the various asset classes, 2019 was a year of strong recovery, with very positive returns, supported by the easing of trade tensions between the United States and China and by interest rate cuts by the main central banks, among other factors. In this context, the portfolios under discretionary management recorded significant gains in 2019, ranging from 8.7% (Conservative Profile) to 19.0% (Dynamic Profile), well above the respective benchmarks. The good relative performance in the equity component was mainly due to the exposure to the technological sectors, including security, and, in the bond component, to positions in the high yield, corporate hybrids, emerging debt and US public debt (treasuries) segments.

Return and Risk

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

Structured Products

During 2019, 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 recovery of equity markets and very low interest rates on term deposits, the amounts issued registered a growth of 27.4% in 2019. Indexed deposits remained the most used format, reflecting the conservative profile of the target customers, with the amount issued having increased 19.3% relative to 2018. Over the course of the year, 13 indexed deposits, with an annual average return of 1.06% (guaranteed capital), and 5 complex financial products, with an annual average return of 2.82% (risk up to 2.5% of the invested capital), were repaid.

Among the issues conducted, the following are noteworthy:

Fev-2019

Invest Saúde

Indexantes: Sanofi, Glaxosmithkline, Bayer, Roche, Abbvie

Prazo: 18 meses

Capital Garantigo: 100%

Estrutura: Depósito indexado

Moeda: EUR

TANB Máx: 2,469%

TANB Min: 0,130%

Abr-2019

Invest Lifestyles

Indexantes: Daimler, Glaxosmithkline, Vodafone, Lufthansa, Danone

Prazo: 18 meses

Capital Garantigo: 100%

Estrutura: Depósito indexado

Moeda: EUR

TANB Máx: 1,942%

TANB Min: 0,065%

Mai-2019

Invest Climate Change

Indexantes: Iberdrola, Enel, Renault, Valeo, SSE

Prazo: 18 meses

Capital Garantigo: 100%

Estrutura: Depósito indexado

Moeda: EUR

TANB Máx: 1,942%

TANB Min: 0,065%

Ago-2019

Invest PFC Fitness

Indexantes: Adidas, Glaxosmithkline, Nestlé, Danone, Novartis

Prazo: 12 meses

Capital Garantigo: 97,5%

Estrutura: PFC

Moeda: EUR

TANB Máx: 4,633%

TANB Min: -2,5%

Set-2019

Invest Leisure

Indexantes: BMW, Accor, Lufthansa, Las Vegas, Sands, Kimco

Prazo: 24 meses

Capital Garantigo: 100%

Estrutura: Participation

Moeda: EUR

TANB Máx: 1,561%

TANB Min: 0,049%

Dez-2019

Invest PFC Infraestruturas

Indexantes: Royal Dutch Shell, Telefonica, Veolia Environnement, Enel, Vinci

Prazo: 12 meses

Capital Garantigo: 97,5%

Estrutura: PFC

Moeda: EUR

TANB Máx: 4,620%

TANB Min: -2,5%

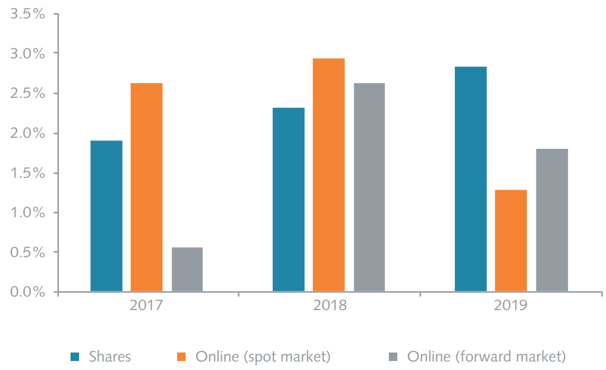
With regards to Institutional Customers, the Bank continued to serve domestic banks with risk coverages for their own issues. At the end of 2019, the portfolio under management came to 47.5 million euros, mostly composed of equity option swaps.

Brokerage

During 2019, brokerage commissions increased 34% over the previous year to around 1.6 million euros. Customers' preference for online activity persisted, with a relative weight in total turnover of around 84%.

The value of orders received in shares by intermediaries in Portugal fell 33.9% in 2019, according to the CMVM. This fall in the volume of transactions was based on the correction of international equity markets in the last quarter of 2018, driving many investors away from the market, despite the strong recovery registered throughout the year. In this context, the Bank recorded an increase in its market share of 0.5 percentage points in 2019, to 2.8%, as a result of the decline in the value of orders received, which was significantly lower than that registered by the competition (-19.9% and -33.9%, respectively).

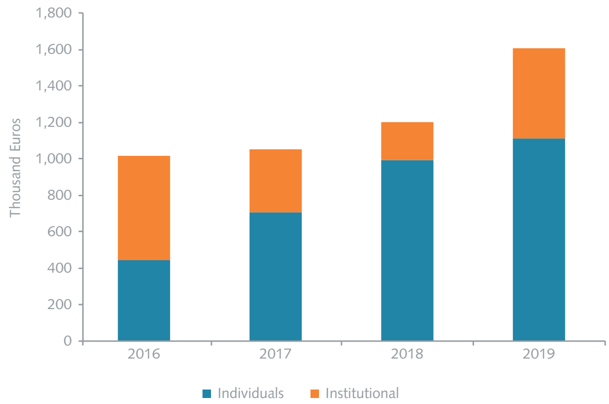
Market Shares of Banco Invest
Reception of orders



Source: CMVM. Values accumulated in the year

By type of customer, the Private Customers segment registered an 11% increase in 2019, representing about 69% of total Customer brokerage commissions. In the Institutional Customers segment, growth reached 143% relative to 2018, due to the development of Corporate Finance activity, particularly with the intermediation of bonds and commercial paper.

Brokerage commissions



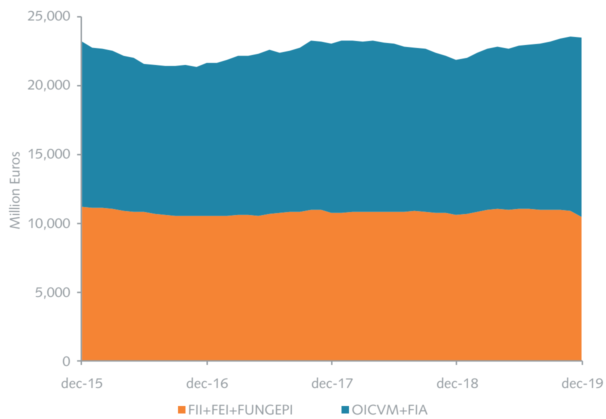
Source: Banco Invest

Financial Services and Institutional Custody

According to the CMVM, as at December 2019, assets under management by Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Undertakings (AIF) came to 12,998 million euros, up by 1,777 million euros (+15.8%) relative to the end of the previous year. Among these funds, the class of Shares grew 40.3% during the year and represented 13.7% of the total (1,781 million euros). The assets under management of Retirement Savings Funds (FPR) grew 19.7% to 2,572 million euros (19.8%). Finally, Bond fund assets came to 1,618 million euros, about 12% of the total, having grown 25.3% in 2019.

In turn, the value under management of real estate investment funds (REIFs), special real estate investment funds (SREIFs) and real estate management funds (REMFs) reached 10,511 million euros at the end of 2019, 124 million euros (-1.2%) less than the previous year.

Mutual and Real Estate Funds, value under management in Portugal



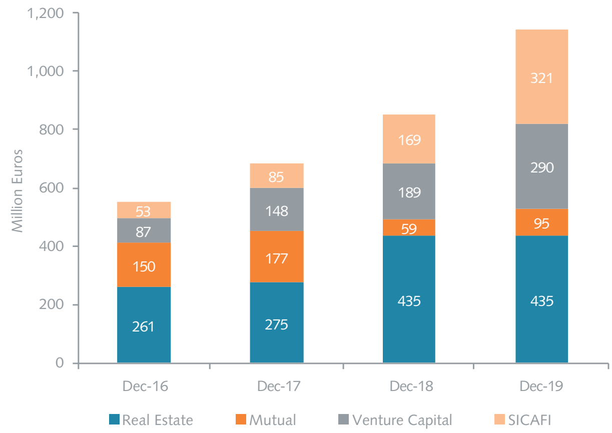
Source: CMVM

In this context, the Bank has once again strengthened its position as the custodian bank for independent investment fund management companies operating in the domestic market.

At the end of 2019, the Bank provided custodian banking services to 41 Collective Investment Undertakings (CIUs), managed by 8 Management Entities, with a predominance of Real Estate Investment Funds and FCICs (56%). Venture Capital Funds represent approximately 30% of funds under custody and mutual funds represent 15%.

At the end of 2019, the total assets of the CIUs to which the Bank provides custody services came to approximately 1,140 million euros, a very significant increase relative to the figure at the end of 2018 and which reflects not only the market's recognition of the quality of the services provided, but also the growth and success of the Bank's Customers.

Assets under Custody



Source: Banco Invest

Corporate Finance

During the year, Invest Corporate Finance acted as Arranger and Lead Manager in 25 Commercial Paper issues, for a total amount of 82.3 million euros. In the bond segment, 6 operations were carried out, for a total of 363.5 million euros.

Several Advisory and Euro Commercial Paper issues were also carried out, for both private companies and public entities.

Invest Corporate Finance

ARA €100,000,000 **ECP** Global coordinator **2020**	JOSÉ DE MELLO · SAÚDE EUR 50,000,000 **Bonds 2019-2027** Joint Arranger and Lead Manager **2019**	SAUDAÇOR **Saudaçor** €120,000,000 **Bonds 2019-2027** Joint Lead Manager and Bookrunner **2019**	Credit Rating Advisory to ARA which culminated in an investment grade assignment from Fitch and DBRS **Rating Advisory** **2019**	BENFICA SAD EUR 40.000.000 **Bonds 2019-2022** Placement Syndicate **2019**	GRUPO CASAIS EUR 18.500.000 **Bonds 2019-2023** Arranger, Lead and Sole Bookrunner **2019**	GRUPO SALVADOR CAETANO EUR 30.000.000 **Term Loan** Debt Advisor **2019**
JOSÉ DE MELLO · SAÚDE EUR 35,000,000 **Bonds 2019-2025** Joint Arranger and Lead Manager **2019**	REDEN SOLAR Advisory to Reden Solar on the acquisition of several Solar Plants **Financial Advisor** **2019**	Lusíadas Advisory in evaluating the impact of the termination of a PPP **Financial Advisor** **2019**	sumol+compal Marcas EUR 10,000,000 **Commercial Paper** Arranger and Lead Manager **2019**	GRUPO VISABEIRA EUR 20,000,000 **Commercial Paper** Arranger and Lead Manager **2019**	glintt EUR 10,000,000 **Commercial Paper** Arranger and Lead Manager **2019**	CAETANO AUTO EUR 15,000,000 **Commercial Paper** Arranger and Lead Manager **2019**

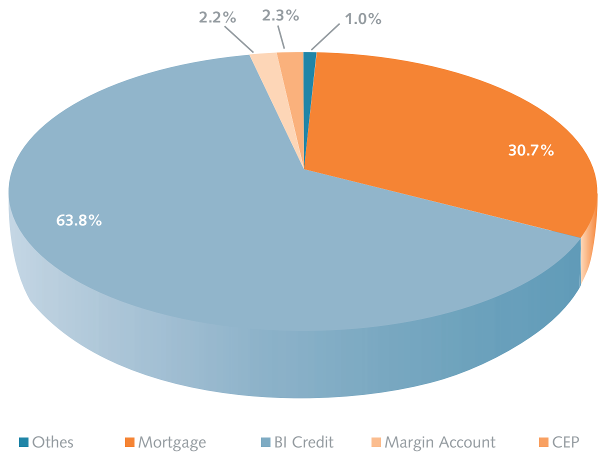
Financial assets at amortised cost
Loans and advances to customers

According to the Bank of Portugal, the amount of consumer credit came to 7.6 billion euros in 2019, representing a year-on-year increase of 2.7%. Of this total, loans for the acquisition of used vehicles represented 2.0 billion euros (26.7%), with an annual growth of 0.1%. In this context, the Bank, under the BI Credit brand, granted credit for the acquisition of used vehicles in the amount of 119.5 million euros (new production), 15.7% more than the previous year, and about 5.9% of total national production in 2019. At the end of the year, BI Credit's performing loans portfolio came to 242 million euros, about 63.8% of the total performing loans to customers portfolio.

In turn, Mortgage credit came to 116.4 million euros at the end of 2019. This portfolio is mostly composed of loans secured by real estate assets to small and medium-sized 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 standards 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 from CEP, loans secured by precious metals, and of the Margin Accounts, ended the year at 8.5 and 8.3 million euros, respectively.

Performing loans to customers



Source: Banco Invest

Financial assets at amortised cost
Debt securities

At the end of 2019, total gross performing loans came to 606.8 million euros, of which 37.5% was securitised. In fact, the Bank has given priority to the concession of loans to medium-sized and large companies through securitised loans, considering their greater liquidity and lower raising and funding costs. Of this amount, about 40% was invested in government bonds and the remainder in corporate bonds. The largest sectoral exposures were to the electricity, gas, water (11.9%), manufacture of fuels and oil products (3.5%) and financial and insurance activities (3.1%).

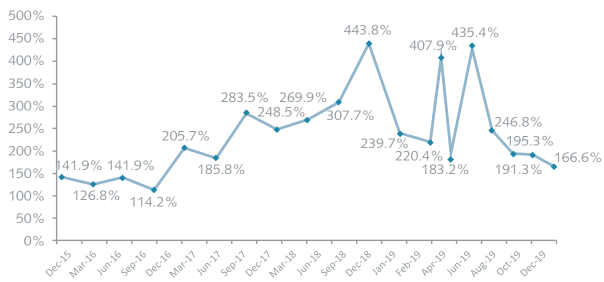
Treasury and Capital Markets

Over the course of 2019, customer deposits increased 61.6 million euros (excluding interest payable), a remarkable growth that allowed to continue to comfortably finance the expansion of the loan portfolio. In the capital markets, the year was marked by strong equity market appreciation and lower credit spreads in both Investment Grade and High Yield segments.

Liquidity and Funding

Since the entry into force of the Basel III rules in 2015, Banco Invest has presented a Liquidity Coverage Ratio clearly above the minimum required. Banco Invest's Liquidity Coverage Ratio fell from 220.4% in December 2018 to 166.6% in December 2019, a value which remains far above the minimum legal level (100%).

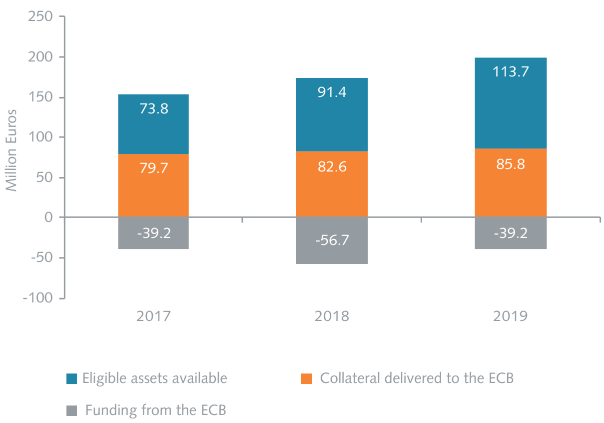
Liquidity Coverage Ratio (LCR)



Source: Banco Invest

In December 2019, Banco Invest held 199.5 million euros of liquid assets eligible for refinancing operations with the European Central Bank, thus ensuring the Bank's capacity to obtain liquidity from that institution. On that date, 39.2 million euros were drawn, with 146.4 million euros of financing from the Eurosystem still available. For the Bank's liquidity, there are also 78.7 million euros of liquid securities that can be sold on the secondary market at any time. These available liquid resources, which correspond to 28.4% of the Bank's total assets, and the high capital ratio shown (16.9%), position Banco Invest as one of the most solid financial institutions operating in Portugal.

Eligible assets and funding from the ECB

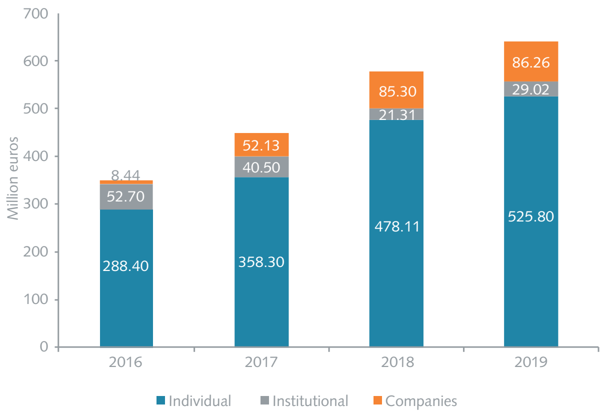


Source: Banco Invest

In 2019, the funding obtained from the ECB (39.2 million) corresponded in full to funds obtained under TLTRO I and II, four-year fixed-rate operations, under special conditions, launched by the ECB to promote the financing of the economy.

Excluding interest payable, Resources from Customers increased 10.5% to 641.1 million euros. Growth was registered in both Corporate and Private Customers, with increases of 7.1% and 10%, respectively. At the end of 2019, the Private Customers segment represented about 82% of Resources from Customers.

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.

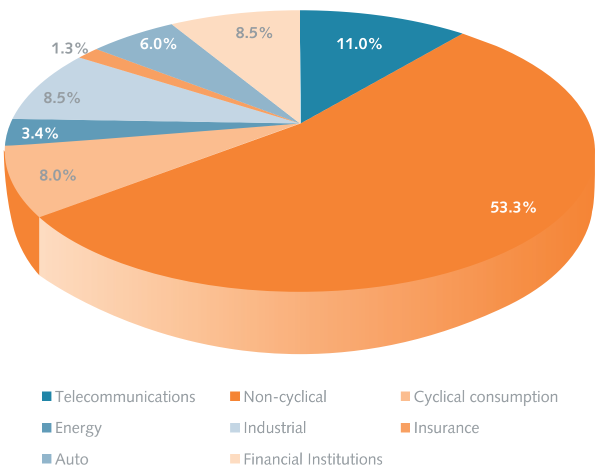
• Equity Risk

The Bank intervenes in the equity markets through the Portfolio at Fair Value through Profit or Loss (JVR), according to 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 2019, the management of this strategy focused primarily on European companies in the main equity indices with a high market capitalisation and liquidity. At the end of the year, the sectoral allocation of the trading portfolio, excluding the hedging positions of the structured products issued by the Bank, was as follows:

Sectoral allocation of the Equity Portfolio

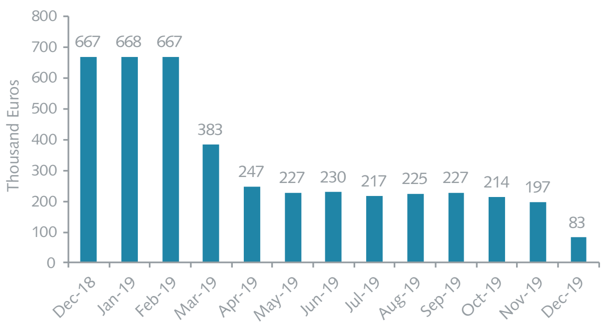


Source: Banco Invest

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 2019, the annual VaR (99.9%) of the Bank's equity portfolio oscillated between 668 and 83 thousand euros, closing the year at the minimum value for the year. The decrease in the average VaR, relative to the previous year, reflects to a large extent the gradual decrease in the portfolio over the year, with capital gains being realised as the markets increased in value.

Annual VaR of the Portfolio of Shares

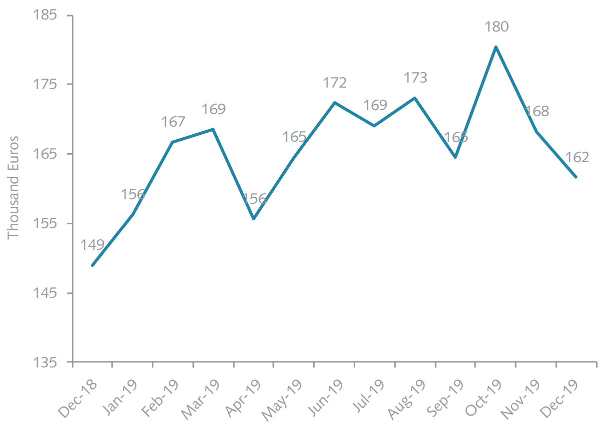


Source: Banco Invest Values in thousand euros.

• Interest Rate Risk of the Securities Portfolio

In a context of very low interest rates and bond yields, or even negative in the case of European public debt, over the course of 2019 the average duration of the Bank's securities portfolio increased from 4.2 to 5.5 years. As such, the interest rate risk of the securities portfolio, measured by the basis point value (BPV), increased from 149 thousand euros at the end of 2018 to 162 thousand euros at the end of 2019. Nevertheless, this figure ended below the annual average, which stood at 167 thousand euros.

PVBP Interest Rate

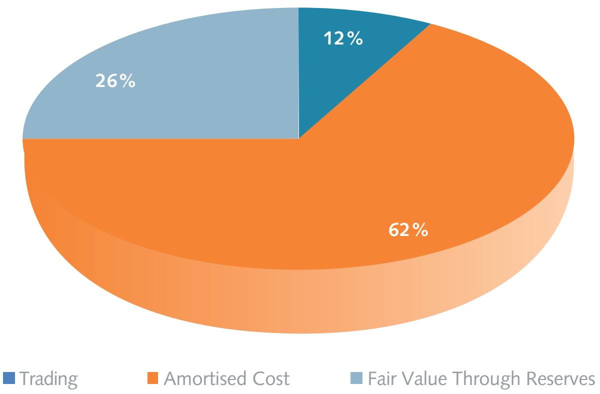


Source: Banco Invest

• Bond Risk

At the end of 2019, the Bank's bond portfolio came to 307 million euros, characterised by high geographical and sectoral diversification. The weight of sovereign debt was around 33.6% of the total portfolio, of which 17.8% was allocated to Spanish debt and 8.3% to Italian debt. The weight of Portuguese public debt, which in 2019 registered a positive performance once again, fell to 3.3% of the total portfolio. US Treasuries accounted for 3.5% of the portfolio.

Breakdown of the Bond Portfolio

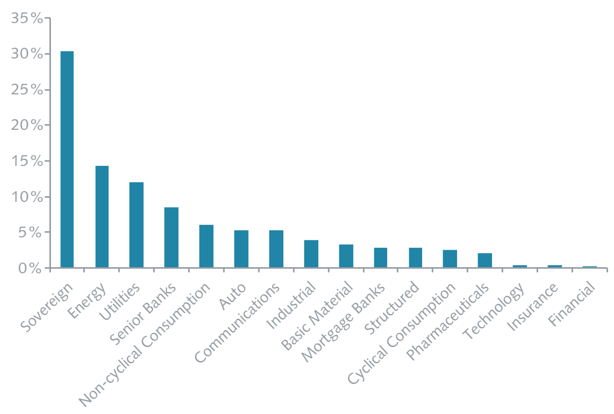


Source: Banco Invest

In geographical terms, European issuers accounted for 91.9% of the bond portfolio. The weight of emerging issuers was 3.4%, 4.3% was invested in US issuers, 0.3% in issuers from Oceania (Australia) and 0.2% in Asian issuers.

On a sectoral basis, excluding public debt, the largest exposures were to the Energy (14.3%), Utilities (12.0%), and Banking (8.5%, senior debt) sectors.

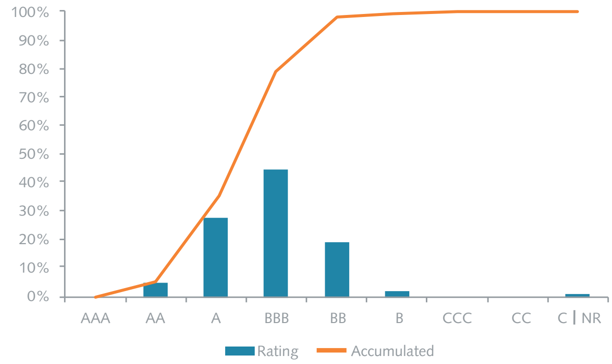
Sectoral allocation of the Bond Portfolio



Source: Banco Invest

Regarding the risk assessment of the debt securities portfolio, the Bank makes mainly use of external ratings. At the end of the year, 78.1% of the total portfolio had a rating equal to or higher than BBB, with the distribution of credit ratings being relatively similar among the various sub-portfolios.

Distribution of the Bond Portfolio by credit rating



Source: Banco Invest

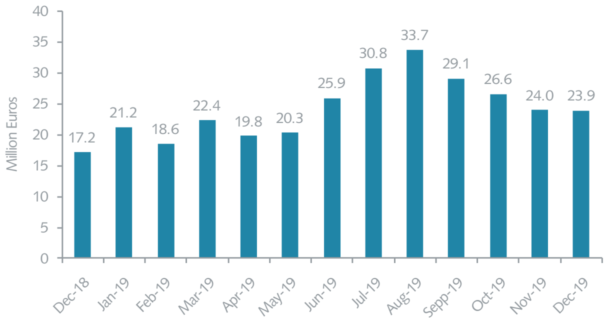
Distribution of the Bond Portfolio by credit rating and by type of portfolio

Rating Bonds	Portfolio: Trading	Portfolio: Amortised Cost	Portfolio: Fair Value Other Comprehensive Income	Portfolio: Total	Accumulated
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	11.30%	0.00%	14.49%	5.28%	5.28%
A	16.76%	35.21%	17.79%	28.22%	33.50%
BBB	56.19%	37.55%	55.14%	44.61%	78.11%
BB	14.91%	23.99%	12.59%	19.81%	97.92%
B	0.00%	3.25%	0.00%	1.97%	99.89%
CCC	0.00%	0.00%	0.00%	0.00%	99.89%
CC	0.00%	0.00%	0.00%	0.00%	99.89%
C I NR	0.84%	0.00%	0.00%	0.11%	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 23.9 million euros. During the year, VaR oscillated from a minimum of 17.2 million euros to a maximum of 33.7 million euros.

Annual VaR of the Bond Portfolio



Source: Banco Invest

• 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 payable for the products, such that the correct hedging of this risk is extremely important in order to preserve the estimated margin for the products. In other words, the objective of portfolio management is the hedging of risk, ensuring that the expected margin of the products is not undermined.

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

At the end of 2019, the 10-day VaR of the Portfolio, with a confidence interval of 99.9%, came to 107 thousand euros, for a Notional of 120 million euros. The delta was approximately 6.0 million euros.

Volatility Portfolio

	Dec-19	Dec-18
VaR 10 dias I 99.99%	106,976	184,314
Delta	(6,034,472)	(5,129,660)
Vega	9,308	(5,290)
Notional	120,187,106	129,025,827

Source: Banco Invest Values in euros

6. Transactions with Directors

The Legal Framework of Credit Institutions and Financial Companies forbids the Bank from granting credit, either directly or indirectly, to related parties, under any form, including the provision of guarantees.

However, the above does not apply to transactions of a social nature or purpose or arising from the personnel policy, as well as to loans granted as a result of the use of credit cards associated with the deposit account, under similar conditions to those practised with other customers of a similar profile and risk.

As at 31 December 2019, the balances under the Assets item with reference to related parties are related to two loans granted to two members of the Board of Directors, under the terms of the personnel policy, of a total amount of 334,204 euros.

The members of the Board of Directors, executive officers, 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 relating 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. These departments closely monitor this type of operations with particular caution and issue a written opinion on them, where justified; and

(c) A prior opinion shall be obtained from the Audit Board, as a prerequisite for carrying out the operation. If the operation is not materially relevant, this body may merely take note of the terms and conditions of the operation.

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 monitoring of the size and composition of the Bank's assets and liabilities, 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 size, 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.

In addition, the Bank resorts to the periodic undertaking of stress tests and reserve stress tests, which involve the simulation of adverse historical and/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 corrct 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, 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

Throughout 2020, the Bank will remain committed to improving the levels of efficiency and quality of services provided, while remaining close to customers and complying with all regulatory standards.

In March 2020 a pandemic was declared by the World Health Organization as a result of the spread of the new coronavirus ("COVID-19"). As a result of the State of Emergency decreed by the main world economies and the population confinement measures implemented by most of the affected countries, a general fall in world GDP and in Portuguese GDP in particular is expected.

Considering, on the one hand, the measures taken by the Central Banks to inject liquidity and stabilise prices, the support policies for companies and individuals implemented by the governments of the different countries with regard to employment protection, income guarantees and credit access, and, on the other hand, the diversification of activities, the high liquidity and solvency of Banco Invest, a drop in profits is expected for 2020, although the normal development of its activity is assured.

9. Subsequent events

To date, no relevant material fact, with an impact on the Bank's activity, has occurred.

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.

Consolidated net income came to 12,185,316 euros.

Individual net income came to 11,690,868.68 euros. It is proposed that this amount be appropriated as follows:

Legal Reserve .... 1,169,086.87 Euros
Free Reserves.................................. 10,521,781.82 Euros

11. Acknowledgements

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

- to all our Customers for their preference and trust, which constitute the Bank's greatest encouragement in confronting the challenges it faces;
- To the Bank of Portugal and the Securities Market Commission for their attention given to the Bank;
- To the Board of the General Meeting, and its Chairman in particular, for the availability shown in the performance of such important duties;
- To the Audit Board and the Firm of Statutory Auditors, for their cooperation and support in the management of the Bank's business;
- To those employees who, with a sense of responsibility and a spirit of dedication, have worked hard to achieve the established goals with full regard for the ethical, human and corporate values assumed and shared within the company.

Lisbon, 15 May 2020

The Board of Directors

4. Financial Statements

Consolidated balance sheet as at 31 December 2019

(Amounts in euros)

ASSETS	Notes	31 December 2019	31 December 2018
Cash and deposits at Central Banks	4	24,689,525	4,233,345
Demand deposits at credit institutions	5	17,633,710	11,713,894
Financial assets at amortised cost			
Loans and advances to credit institutions	6	751,920	2,535,337
Loans and advances to customers	7	392,573,397	312,163,551
Debt securities	8	227,233,417	232,878,450
Financial assets at fair value through profit or loss			
Financial assets held for trading		44,767,031	58,042,047
Financial assets not held for trading mandatorily at fair value through profit or loss	9	16,169,921	16,012,916
Financial assets at fair value through other comprehensive income	10	80,789,349	98,761,930
Investments in subsidiaries, associated companies and joint ventures		12,500	12,500
Non-current assets held for sale	11	11,604,282	14,984,133
Investment Properties	12	3,956,800	4,121,100
Other tangible assets	13	7,890,879	2,277,253
Intangible assets	14	449,037	305,096
Current tax assets	15	2,081	677,655
Deferred tax assets	16	5,308,728	7,378,470
Other assets	16	6,980,615	5,979,078
Total Assets		**840,813,192**	**772,076,755**
LIABILITIES			
Financial liabilities at amortised cost			
Resources from Central Banks	17	39,180,000	56,680,000
Resources from credit institutions	18	206,895	1,775,690
Resources from customers and other loans	19	644,921,462	583,371,296
Non-subordinated debt securities issued	20	-	214,620
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	21	888,277	1,010,716
Provisions	22	1,605,670	24,723
Current tax liabilities	15	89,673	72,345
Deferred tax liabilities		815,264	241,127
Other liabilities	23	26,290,696	15,789,877
Total Liabilities		**713,997,937**	**659,180,394**
SHAREHOLDERS' EQUITY			
Share capital	24	59,500,000	59,500,000
Revaluation reserves	25	2,360,980	(181,417)
Other reserves and retained earnings		51,716,304	43,523,229
Net income for the year attributable to the Bank's shareholders		12,185,316	9,033,075
Total shareholders' equity attributable to the Bank's shareholders		**125,762,600**	**111,874,887**
Non-controlling interests	26	1,052,655	1,021,474
Total Shareholders' Equity		**126,815,255**	**112,896,361**
Total Liabilities and Shareholders' Equity		**840,813,192**	**772,076,755**

Consolidated income statement for the financial year ended on 31 December 2019

(Amounts in euros)

	Notes	2019	2018
Interest and similar income	27	34,152,291	27,332,795
Interest and similar charges	28	(8,864,755)	(6,917,176)
Net interest income		**25,287,536**	**20,415,619**
Income from equity instruments	29	-	70,917
Net fees and commissions income	30	8,896,965	6,986,101
Gains / (losses) in financial operations at fair value through profit or loss	31	2,697,032	(2,151,212)
Net gains / (losses) from foreign exchange	32	468,418	331,092
Income from financial assets at fair value through other comprehensive income	33	1,305,268	1,130,145
Income from sales of other assets	34	997,089	1,080,775
Operating income / (losses)	35	353,568	842,115
Total operating revenue		**14,718,340**	**8,289,933**
Staff costs	36	(11,381,855)	(10,153,804)
Other administrative costs	37	(6,985,004)	(7,692,853)
Depreciations and amortisations	13 and 14	(1,960,465)	(945,379)
Total operating costs		**(20,327,324)**	**(18,792,036)**
Operating income before provisions and impairments		19,678,552	9,913,516
Impairment of financial assets at amortised costs		(2,621,454)	331,495
Impairment of financial assets at fair value through other comprehensive income	22	104,568	(173,909)
Impairment of other assets		(881,355)	(710,133)
Other provisions		(1,580,947)	(24,723)
Income before taxes		**14,699,364**	**9,336,246**
Taxes			
Current	15	(664,000)	(291,170)
Deferred	15	(1,818,867)	42,215
Income after taxes		**12,216,497**	**9,087,291**
Net income for the year attributable to:			
Bank's shareholders	26	12,185,316	9,033,075
Non-controlling interests	26	31,181	54,216
Net income for the year		**12,216,497**	**9,087,291**

Consolidated comprehensive income statement for the financial year ended on 31 December 2019

(Amounts in euros)

	2019	2018
Consolidated net income before non-controlling interests	**12,216,497**	**9,087,291**
Items that may be reclassifed for the income statement		
Revaluation reserves of financial assets at fair value through other comprehensive income:		
Revaluation of financial assets at fair value through other comprehensive income	4,672,677	(1,109,629)
Impact on taxes	(1,144,803)	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	(1,305,268)	(1,130,145)
Impact on taxes	319,791	276,886
Result not recognised in the income statement	**2,542,397**	**(1,513,263)**
Consolidated comprehensive income before non-controlling interests	**14,758,894**	**7,574,028**
Non-controlling interests	**(31,181)**	**(54,216)**
Consolidated comprehensive income	**14,727,713**	**7,519,812**

The Notes are an integral part of the comprehensive income statement for the financial year ended on 31 December 2019.

Consolidated statement of changes in equity for the financial year ended on 31 December 2019

(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 26)"	Total
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**
Distribution of profit for 2018													
Transfer to retained earnings	-	-	-	-	1,374,553	7,658,522	-	-	9,033,075	(9,033,075)	-	-	-
Comprehensive income for 2019	-	3,367,409	(825,012)	2,542,397	-	-	-	-	-	12,185,316	14,727,713	-	14,727,713
Distribution of reserves to the shareholders (Note 25)	-	-	-	-	-	(840,000)	-	-	(840,000)	-	(840,000)	31,181	(808,819)
Balances as at 31 December 2019	**59,500,000**	**3,127,126**	**(766,146)**	**2,360,980**	**7,172,015**	**17,161,942**	**574,220**	**26,808,127**	**51,716,304**	**12,185,316**	**125,762,600**	**1,052,655**	**126,815,255**

The Notes are an integral part of these financial statements

Consolidated cash flow statement for the financial year ended on 31 December 2019

(Amounts in euros)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Income from interest and commissions	45,657,612	35,743,760
Payment of interest and commissions	(15,021,072)	(11,749,659)
Payments to staff and suppliers	(17,872,373)	(17,410,356)
Payments of short-term and low-value leasing	(14,667)	-
Income tax (payable) / receivable	(60,771)	(1,047,499)
Other payments related to the operating activity	(2,248,092)	606,187
Operating income before changes in operating assets	**14,936,821**	**6,142,433**
(Increases) / reductions in operating assets:		
Financial assets at fair value through profit or loss	12,959,156	(28,558,260)
Financial assets at fair value through other comprehensive income	22,006,539	(14,508,026)
Deposits at credit institutions	2,000,000	(1,000,000)
Financial assets at amortised cost	(73,013,393)	(109,750,255)
Investments held to maturity	-	681,035
Non-current assets held for sale	2,986,596	5,621,458
Other assets	194,634	3,321,558
	(32,866,468)	**(144,192,490)**
Increases / (reductions) in operating liabilities:		
Resources at central banks	(17,500,000)	17,500,000
Resources from other credit institutions	(1,568,794)	(1,175,835)
Resources from customers	61,172,800	129,011,675
Liabilities represented by securities	(213,524)	213,524
Other liabilities	5,117,242	(5,439,268)
	47,007,724	**140,110,096**
Cash net of operating activities	**29,078,077**	**2,060,039**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase and sale of tangible and intangible assets	(753,322)	(841,467)
Dividends from financial holdings	-	-
Cash net of operating activities	**(753,322)**	**(841,467)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Distribution of reserves to shareholders (Note 24)	(840,000)	(840,000)
Payments with reference to leasing liabilities	(1,106,764)	-
Cash net of financing activities	**(1,946,764)**	**(840,000)**
Net increase / (decrease) in cash and equivalents	26,377,991	378,572
Cash and equivalents at the start of the period	15,947,239	15,568,667
Cash and equivalents at the end of the period	42,325,230	15,947,239
	26,377,991	**378,572**

The Notes are an integral part of the cash flow statement for the financial year ended on 31 December 2019

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 its current designation 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 Leiria.

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 2019 were approved by the Board of Directors on 13 May 2020.

The Bank's financial statements as at 31 December 2019 are pending approval by the General Meeting. The Board of Directors believes, however, that the financial statements will be approved without any significant changes.

2. 1. ACCOUNTING POLICIES

2.1. Basis of presentation

The Bank's financial statements have been prepared on a going concern basis.

The consolidated financial statements as at 31 December 2019 have been prepared based on the International Financial Reporting Standards (IFRS) as adopted in the European Union, under Regulation (EC) 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into Portuguese law by Decree-Law 35/2005 of 17 February.

On 1 January 2018, the Group adopted IFRS 9 - Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and measurement and establishes new rules for the accounting of financial instruments with significant changes mainly in terms of classification and measurement, including impairment requirements for financial assets. On the same date the Group also adopted IFRS 15 - Revenue recognition.

On 1 January 2019, the Bank adopted IFRS 16 - Leases. IFRS 16 repeals IAS 17 - Leases and establishes new rules for the accounting of leases with significant changes mainly in terms of classification and 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.

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 2019. The accounting policies were applied in the Group, and are consistent with those used in the preparation of the previous year's financial statements, except for the changes arising from the adoption of the following standards with reference to 1 January 2019: IFRS 16 - Leases. IFRS 16 repeals IAS 17 - Leases and establishes new rules for the accounting of leases.

On 1 January 2019, the Group conducted a survey of existing contracts at this date and applied the standard to contracts that were previously identified as leases.

The Group applied IFRS 16, namely through the Modified Retrospective approach, and therefore the comparative information was not reclassified and continues to be reported in accordance with IAS 7 and IFRIC 4. The comparative years were not restated, the impacts of the transition were recognized on 1 January 2019.

The impacts arising from the application of IFRS 16 with reference to 1 January, as well as the reconciliation between the balance sheet balances as at 31 December 2018 and the balance sheet balances as at 1 January 2019, in accordance with IFRS 16, are detailed in note 42.

The balances included in the financial statements for 31 December 2018 are presented exclusively for comparative purposes.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and financial 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 in 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, classification is made taking into account the following aspects:
- the business model defined for the management of the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Business Model Evaluation

With reference to 1 January 2018, the Group carried out an evaluation of the business model in which financial instruments are 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 those financial assets.

Evaluation of contractual cash flows

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

In evaluating 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 includes the analysis of the existence of situations in which the contractual terms may modify the periodicity and amount of cash flows so that they do not comply with the SPPI - Solely Payments of Principal and Interest. In the evaluation process, the Bank took into consideration:
- contingent events that may change the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and maturity extension terms;
- terms that may limit the Bank's right to claim cash flows in relation to specific assets (e.g. contracts with terms that prevent access to assets in case of default - "non-recourse asset"); and
- characteristics that may change the compensation for 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 to its contractual nominal value;
- the prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at initial recognition.

i) Financial assets at amortised cost;

A financial asset must be measured at amortised cost if it meets both of the following conditions:
- The financial asset is held within the framework of a business model whose primary objective is to hold assets to collect their contractual cash flows; and
- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

This category includes:
- Loans and advances to credit institutions;
- Loans and advances to customers
- Debt securities - managed based on a business model whose purpose is to receive their contractual cash flows (government bonds, corporate bonds and commercial paper).

Financial assets at amortised cost are initially recorded at fair value plus costs directly attributable to the transaction and 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 it meets both of the following conditions:

- The financial asset is held within the framework of a business model whose objective is the collection of contractual cash flows and the sale of that financial asset; and
- The contractual cash flows arise on specific dates and correspond only to principal repayments and interest payments on the outstanding principal (SPPI).

Financial assets at fair value through other comprehensive income are initially recorded at fair value plus transaction costs and 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 accumulated gains or losses in other comprehensive income are reclassified to a specific profit or loss item. In addition, they are subject, from their initial recognition, to the measurement of impairment losses.

In addition, at initial recognition of an equity instrument, which is neither held for trading nor a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, the Group may irrevocably elect to classify it under "Financial assets at fair value through other comprehensive income" (FVOCI). This option is exercised on a case-by-case, investment-by-investment basis and is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32 and may not be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and 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.

No impairment is recognised for equity instruments at fair value through other comprehensive income, with the respective accumulated gains or losses recorded in changes in fair value being transferred to retained earnings at the time of derecognition.

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

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

The Bank classified financial assets at fair value through profit or loss under the following headings:

- Activos financeiros detidos para negociação

The financial assets classified under this heading are acquired with the purpose of short-term selling; at initial recognition they are part of a portfolio of identified financial instruments for which there is evidence of a recent pattern of short-term profit taking; or fall within the definition of a derivative (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 principal repayments and interest payments on the outstanding principal (SPPI).

Fair Value

Even before 1 January 2018, as mentioned above, financial assets under the categories "Financial assets held for trading" and "Financial assets available for sale" were recorded at fair value, in accordance with the principles established by IFRS 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 are reclassified to other categories only if the business model used in their management is changed. In this case, all affected financial assets are reclassified. Reclassification is applied prospectively from the reclassification date and therefore previously recognised gains, losses (including impairment gains or losses) or interest are not restated.

Reclassification of investments in equity instruments measured at fair value through other comprehensive income or financial instruments designated at fair value through profit or loss is not allowed.

3. *Impairment losses*

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

The Bank recognizes 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 item "Impairment of financial assets at amortised cost" - in the income statement.

- Debt instruments at fair value through other comprehensive income

Impairment losses on 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 (they do not reduce the balance sheet amount of these financial assets).

- Financial guarantees

Impairment losses associated with financial guarantees are recognised in liabilities under "Provisions for guarantees and other commitments", against "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 no risco de crédito?

Evidência objectiva de perda?

The Bank determines the expected credit losses of each operation on the basis of the deterioration of credit risk since its initial recognition. For this purpose, 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 with operations classified in this stage correspond to expected credit losses resulting from a potential loss event that may occur within 12 months after the calculation date.

- Stage 2: operations where there is a significant increase in credit risk since its initial recognition but are not impaired are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from all potential loss events up to maturity, applied to the projection of contractual cash-flows - lifetime expected credit losses.

  The significant increase in credit risk is assessed through qualitative and quantitative evidence. The assessment of the significant increase in credit risk also involves comparing the current level of risk of an exposure with the level of risk at origination.

- Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from the difference between the amount outstanding 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 for calculating impairments coexist within the Bank:
i) for General Credit and for the Landing Activity, and
ii) For Auto Loans.

i) For General Credit and for Lending Activity:

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

Values at risk (EAD) consider not only past due amounts (capital, interest and other charges) but also principal falling due and, in the case of active contracts, the respective accrued interest 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 logistic 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) base, (ii) favourable and (iii) unfavourable, with the final result being weighted by the estimated probability of occurrence for each of these scenarios.

The exposures classified in stages1 or 2 are subject to the calculation of impairment 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 impairment calculation by Individual Analysis - in which the following are determinant: a) the present value of the probable net realisation value of the collaterals, as well as b) the probable time for their realisation - exposures classified in Stage 3, which: i) are marked as non performing (NPL), ii) being performing have a value at risk (EAD) of more than 500,000 euros; or iii) have exceeded the quarantine period and, during that period and as mentioned above, were subject to impairment calculation by Individual Analysis.

The probable realisation value of the 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 its realisation and, in the case of the Lending Activity, by the precious metal content of the pledged objects and their official value, calculated both at the time the loan was granted and in all monthly periods of impairment calculation.

If the process of calculation of impairment by the Individual Analysis method does not determine the quantification of any impairment, a minimum impairment will still be calculated by applying the value at risk of a one-year PD and its LGD.

ii) For Auto Loans

Taking into account the risk dispersion (portfolio granularity) and following the institutionalised practice of the other Market Operators, the calculation of impairments follows, solely, the Collective Analysis method.

In any case, since it is a recently constituted portfolio and just over two years old, there is no consolidated statistical basis for its consistent behavioural analysis.

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

Purchased or originated credit impairment assets

Purchase or originated credit impaired assets (POCI) are assets that present objective evidence of credit impairment on initial recognition. An asset is credit-impaired if one or more events have occurred with 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, POCIs are not impaired. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, on initial recognition, the gross book value of POCIs is equal to the net book value before being recognised as POCIs (difference between the initial balance and total discounted cash flows).

Write offs

When considering risk of loss due to default, 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 past due exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

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. Past due 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 gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

The following are objective indicators of the uncollectability of a debt:

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

ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, 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;

v. 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 99

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 quarantine and probation periods, for 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 liabilities are derecognised when the underlying obligation is settled, expires or is cancelled.

At initial recognition, financial liabilities are classified into one of the following categories:
i) Financial liabilities 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 "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 subsequently measured at amortised cost. Interest on financial liabilities at amortised cost is recognised under "Interest and similar charges". Based on the effective interest rate method.

ii) *Financial liabilities at fair value through profit or loss*

Financial liabilities classified as "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 that meet the definition of a derivative (except for hedging derivatives).

Considering that the transactions carried out by the Bank in the normal course of its business are 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.

Subsequent changes in the fair value of these financial liabilities are recognized as follows:
- the change in 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 under "Interest and similar charges" on the basis of the effective interest rate for each transaction.

Financial guarantees

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 principal and/or interest, are considered financial guarantees.

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

If they are not designated at fair value through profit or loss at initial recognition, the financial guarantee contracts are subsequently measured at the higher of the following amounts:
- the provision for losses determined in accordance with the criteria described in the section on impairment losses of financial assets;
- the amount initially recognised less, when appropriate, the accumulated amount of income recognised in accordance with IFRS 15 - Revenue from customer contracts.

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

Reclassification between categories of financial liabilities

Reclassifications between categories 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 issue 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 made on behalf of equity instruments are deducted from equity as dividends when declared.

Preference shares are considered as equity instruments if they do not contain a repayment obligation and dividends, not cumulative, are only paid if and when declared by 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 instrument, which also includes a non-derivative host contract. If the host instrument 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 whenever the economic risks and benefits of the derivative are not related to those of the host contract, provided that the hybrid instrument (whole) is not initially recognised at fair value through profit or loss. Embedded derivatives are recorded at fair value with subsequent changes in fair value recognised in profit or loss and presented in the trading derivatives portfolio.

Derivados de negociação

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 under "Interest and similar income" or "Interest and similar costs" (net interest income), using the effective interest rate method. Interest at the effective interest rate on financial assets at fair value through other comprehensive income is also recognised in net interest income.

The effective interest rate is 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, prepayment options) but does not consider any impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all 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 deduction of impairment.

For purchase or originated credit impairment assets (POCIs) 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 in 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 stated at acquisition cost, less accumulated depreciation and impairment losses.

2.9. *Other tangible assets*

Other tangible assets are stated at acquisition cost, less accumulated depreciation 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 useful 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 book value 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 an impact on profit or 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

The Bank adopted IFRS 16 - Leases on 1 January 2019, replacing IAS 17 - Leases, which was in force until 31 December 2018.

This standard sets out the new requirements for the scope, classification and measurement of leases:

- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single model of accounting for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all leases, except for those whose lease term ends within 12 months or for those where the underlying asset is of low-value and, in these cases, the lessee may opt for the exemption from recognition under IFRS 16, and shall recognise the lease payments associated with these contracts as an expense.

The Bank chose not to apply this standard to short-term lease contracts of less than or equal to one year and to lease contracts in which the underlying asset has a value of less than 5,000 euros. In addition, this standard was not applied to leases of intangible assets

The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

Lease definition

The new lease definition focuses on control of the identified asset, i.e. a contract constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. the right to obtain substantially all the economic benefits of its use and the right to choose how to use the identified asset for a certain period in exchange for a payment.

Impacts from the lessee's perspective

At the start of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract or part of a contract that conveys the right to use an asset (the underlying asset) for a certain period of time in return for a payment.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:
- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. Even if an asset is specified, the Bank does not have the right to use an identified asset if the supplier has the substantive right to replace this asset during its period of use;
- the Bank has the right to obtain substantially all the economic benefits from the use of the identified asset, throughout its entire period of use; and
- the Bank has the right to direct the use of the identified asset. The Bank has this right when it has the most relevant decision-making rights to change the way and purpose for which the asset is used during its entire period of use. In cases where the decision on how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if:
  - the Bank has the right to make use of the asset (or order others to make use of the asset in the manner that it determines) throughout its entire period of use, where the supplier does not have the right to change these instructions on the asset's use; or
  - the Bank designed the asset (or specific aspects of the asset) in a manner that previously determines how and for what purpose the asset shall be used throughout its entire period of use.

The Bank applied this approach to all the contracts concluded or amended on or after 1 January 2019.

The Bank recognizes for all leases, except for those with a term of less than 12 months or for leases of low-value assets:
- A right-of-use asset initially measured at cost must consider the Net Present Value (NPV) of the lease liability plus the value of payments made (fixed and/or variable), deducted from any lease incentives received, penalties for terminating the lease (if reasonably certain), as well as any cost estimates to be borne by the lessee with the dismantling and removal of the underlying asset and/or with the recovery of its location. Subsequently it will be measured according to the cost model (subject to depreciations/amortisations according to the lease term of each contract and impairment tests);
- A lease liability initially recorded at the present value of future lease cash flows (NPV), which includes:
  - Fixed payments deducted from any lease incentives receivable;
  - Variable lease payments that depend on an index or rate, initially measured using the existing index or rate on the starting date;
  - Amounts expected to be paid by the lessee under residual values guarantees;
  - The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and,
  - Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to end the lease. Since it is not possible to easily determine the implicit interest rate in the lease (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract. For fixed-term contracts, that date is taken to be the end date of the lease, while for other open-ended contracts, the date in which the contract is enforceable is assessed. When evaluating enforceability, the particular clauses of the contracts as well as the current legislation on urban lease are taken into account.

Because the interest rate implicit in the lease cannot be readily determined (paragraph 26 of IFRS 16), lease payments are discounted according to the lessee's incremental borrowing rate, which embodies the risk-free rate curve (swap curve) plus the Bank's spread of risk, applied over the weighted average term of each lease contract.

Subsequently, lease payments are measured as follows:
- By increasing their carrying amount to reflect the interest;
- By reducing their carrying amount to reflect lease payments; and,
- The carrying amount is remeasured to reflect any leases' revaluations or changes to the lease, as well as to reflect the review of in-substance fixed lease payments and the review of the lease term.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and,
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, when there is a change in the Bank's estimate of the amount expected to be paid with a residual value guarantee, or whenever the Bank changes its assessment of whether or not it expects to exercise a call, renewal or termination option.

Whenever the lease liability is remeasured, the Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero or there is another reduction in the measurement of the lease liability, the Bank recognizes that reduction in the income statement.

The Bank did not make any adjustments for the periods presented.

The adoption of this standard implies changes in the Bank's financial statements, as also referred to in note 45, namely:

- In the Income Statement:
  (i) recording under Net interest income the interest expenses related to lease liabilities;
  (ii) recording under General administrative costs the amounts related to short-term lease contracts and to lease contracts of low-value assets; and,
  (iii) recording under Depreciation the depreciation cost related to right-of-use assets.

- On the balance sheet:
  (i) recording under Other tangible assets the recognition of right-to-use assets; and,
  (ii) recording under Other liabilities the amount of recognised lease liabilities.

- In the cash flow statement, Cash flows arising from operating activities - Payments (cash) to employees and suppliers includes amounts related to short-term lease contracts and to lease contracts of low-value assets and the Decrease in other liabilities includes amounts related to payments of lease liabilities' capital portions, as detailed in the Cash flow statements.

Impact from the lessor's perspective

In accordance with IFRS 16, lessors will continue to classify leases as finance or operational leases, which does not imply significant changes to what is defined in IAS 17.

Until 31 December 2018, and in accordance with IAS 17, finance lease transactions were 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 lease transactions as a lessee.

The transactions were classified as financial whenever their terms transferred substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases were classified as operational. The classification of the leases was based on the substance and not the form of the contract.

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 activities. 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 holdings in companies in which the Bank exercises effective control over its day-to-day management so as to obtain economic benefits from their activities, 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 usually evidenced in one or more of the following ways:
- representation on the Board of Directors or equivalent governing body;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- interchange of the management team;
- provision of essential technical information.

These assets are recorded at acquisition cost and are subject to periodic impairment tests.

The recoverable amount of investments in subsidiaries and associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries and associates 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, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Dividends are recorded as income in the year in which their distribution to subsidiaries is decided.

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 still 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-C 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 that 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 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 2019 and 2018, the Bank used a rate of 24.5% to calculate deferred taxes.

Corporate income tax (current or deferred) is shown in the profit and loss for the year, except where the transactions giving rise to it have been carried in other shareholders' equity items (in the case of revaluation of financial assets at fair value through other comprehensive income). In these cases, 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 corresponds to the best estimate of the amount to be disbursed to settle the liability on the balance sheet date, taking into account the principles set out 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 the end of each reporting date and adjusted to reflect the best estimate, and are reversed through profit or loss in proportion to the payments that are not probable.

Provisions are derecognised through their use in the obligations for which they were originally created, or in the case that these obligations cease to exist. 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 2019 and 2018.

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 cash equivalents exclude deposits of a mandatory nature made 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 Group has a legal right to offset the amounts recognised and the transactions can be settled at their net value.

2.20. *Share-based payment*

IFRS 2 establishes the accounting treatment for transactions where payment is made through shares. The entity may record an increase in equity if transactions in goods and/or services are received through equity-settled share-based payment; or a liability if transactions in goods and/or services are received through cash-settled share based payment.

2.21. *Insurance contracts*

Banco Invest is an entity authorised by the Insurance and Pension Funds Supervisory Authority (ASF) for insurance mediation practice, in the category of Tied Insurance Intermediary, in accordance with Article 8, paragraph a), item i) of Decree-Law 144/2006, of 31 July, developing the life and non-life insurance intermediation business.

In the course of its business, the Bank sells insurance contracts. As remuneration for insurance mediation services, they receive commissions for insurance contract mediation.

With regard to life insurance, the Bank receives commissions as remuneration for insurance mediation services that are recognised as income. This income is recorded as receivable under other assets as it is generated against commissions received, regardless of when they are received.

For non-life insurance, the remuneration (commission) is recorded as deferred income and the income is recognised monthly in the income statement according to the monthly premiums received from customers.

2.22. *Critical accounting estimates and issues of judgement 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 outstanding principal) 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 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 Note 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 takes into consideration 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 within 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 judgement of the Bank's administrative bodies regarding the correct context for its operations, which may be questioned by the tax authorities.

2.23 Subsequent eventss

The Bank analyses events occurring after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements were authorised/approved. Two types of events can be identified in this context:

a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and

b) those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date)

Events occurring after the date of the financial statements that are not considered to be adjusting events, if significant, are disclosed in the notes to the financial statements.

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:

Company	2019			2018		
	Net assets	net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	842,313,377	122,879,709	11,690,869	766,994,782	109,486,444	13,745,535
Invest Gestão de Ativos - SGFIM, S.A.	2,985,688	2,866,471	308,874	2,647,641	2,557,598	249,189
Fundo Tejo	8,414,026	8,293,083	230,742	8,192,391	8,062,341	458,165
Saldanha Holdings	13,521	13,521	(88,645)	19,937	12,217	(102,361)
Saldanha Finance	10,921	10,921	73,874	16,750	5,914	(28,074)

As at 31 December 2019 and 2018, 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.	Banco	Lisboa	n.a.	n.a.
Invest Gestão de Ativos - SGFIM, S.A.	Gestão de Fundos de Inv. Mobiliário	Lisboa	100%	Integral
Fundo Tejo	Compra e venda de imóveis	Lisboa	86.5%	Integral
Saldanha Holdings	Sociedade Financeira	Malta	100%	Integral
Saldanha Finance	Sociedade Financeira	Malta	100%	Integral

4. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows:

	31 December 2019	31 December 2018
Cash in hand	872,607	644,725
Demand deposits at the Bank of Portugal	23,816,918	3,588,620
	24,689,525	**4,233,345**

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 2019	31 December 2018
Cheques payable		
- In Portugal	45,213	502,392
Demand deposits		
- In Portugal	2,292,320	1,735,446
- Abroad	15,298,172	9,476,056
Impairment losses	(1,955)	-
	17,633,710	**11,713,894**

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 days of the following month.

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

As at 31 December 2019 and 2018, this item was made up as follows:

	31 December 2019	31 December 2018
Loans and advances to credit institutions		
Credit Institutions in Portugal	400,000	2,400,000
Interest receivable	367,331	135,337
Impairment losses	(15,411)	-
	751,920	**2,535,337**

As at 31 December 2019 and 2018, the times to maturity of deposits at credit institutions were as follows:

	31 December 2019	31 December 2018
Up to 3 months	-	2,000,000
3 months to 1 year	751,920	535,337
	751,920	**2,535,337**

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

This item was made up as follows:

	31 December 2019	31 December 2018
Domestic loans		
Property leasing transactions	37,873,206	42,308,880
Medium and long-term loans	53,970,730	58,189,155
Current account loans	20,578,276	17,256,276
Consumption and auto loans	245,782,149	171,854,028
Equipment finance leasing transactions	212,463	336,298
Current account overdrafts	9,154,415	2,107,362
Other loans	8,591,779	8,270,538
	376,163,018	**300,322,537**
Foreign loans		
Current account overdrafts	2,941,105	663,865
	379,104,123	**300,986,402**
Interest receivable	1,775,074	1,381,738
Commissions associated to amortised cost		
Deferred charges	17,723,067	11,818,623
Deferred income	(6,858,984)	(5,010,275)
	10,864,083	**6,808,348**
Past due principal and interest	27,911,692	29,303,544
	419,654,972	**338,480,032**
Impairment (Note 22)		
Impairment for non-securitised loans	(27,081,575)	(26,316,481)
	(27,081,575)	**(26,316,481)**
	392,573,397	**312,163,551**

As at 31 December 2019, the holders of a qualified shareholding in the Bank's capital and entities controlled by the Bank, identified in the Board of Directors report and in Note 39, and to whom the Bank granted a loan, represented in aggregate terms 31% of the share capital (2018: 27%).

As at 31 December 2019, the loan granted by the Bank to holders with qualified shareholdings and to companies controlled by them comes to 18,649,452 Euros (2018): 15.935,500 Euros), according to Note 39. Business between the company 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 186,683 Euros as at 31 December 2019 (31 December 2018): 163,335 euros).

Commissions associated with amortised cost refer to the net value of commissions paid and commissions received for credit operations, deferred in accordance with the effective rate method, as referred to in Note 2.5.

Past due loans and interest refers to the capital, interest and other expenses of past due and uncollected instalments.

The movement under impairment in 2019 and 2018 is given in Note 22.

In September 2016, the Bank initiated its auto loan concession activity. At the end of 2019 the amount of credit concession comes to 245,782,149 euros (2018: 171,854,028 euros).

As at 31 December 2019 and 2018, the breakdown of times to maturity of loans and advances to customers, excluding past due loans, is as follows:

	2019	2018
Up to 3 months	16,784,478	9,250,635
3 months to 1 year	21,600,998	26,224,330
1 to 5 years	89,943,560	42,818,218
More than 5 years	250,775,087	222,693,219
	379,104,123	**300,986,402**

As at 31 December 2019 and 2018, the breakdown of past due loans by age is as follows:

	2019	2018
Up to 3 months	1,106,840	1,087,650
3 months to 1 year	2,394,709	2,897,718
More than 1 year	24,410,143	25,318,176
	27,911,692	**29,303,544**

As at 31 December 2019, performing loans associated with past due loans (more than 3 months) amounted to 6,727,539 euros (2018: 7,789,548 euros).

As at 31 December 2019 and 2018, the breakdown of past due loans by type of guarantee was as follows:

	2019	2018
Mortgage guarantee or financial leasing (property)	16,599,391	19,485,957
Commercial pledge of pharmacies	2,807,537	2,936,726
Other real guarantees	3,597,382	3,515, 882
Personal guarantee	613,095	706,850
No guarantee	4,294,287	2,658,129
	27,911,692	**29,303,544**

As at 31 December 2019 and 2018, the breakdown of performing loans and past due loans and the fair value of the underlying guarantees by type of loan was as follows:

	2019			
	Performing	Past du	Total	Fair value of associated garantees
Loans and advances to customers				
Property leasing transactions	37,873,206	1,311,642	39,184,848	89,581,765
Medium and long-term loans	53,970,730	18,234,265	72,204,995	107,435,149
Current account loans	20,578,276	413,650	20,991,926	2,434,500
Consumption and auto loans	245,782,149	4,354,753	250,136,902	-
Equipment finance lease transactions	212,463	266,604	479,067	253,132
Current account overdrafts	12,095,520	-	12,095,520	6,445,728
Other loans	8,591,779	3,330,778	11,922,557	14,702,019
	379,104,123	**27,911,692**	**407,015,815**	**220,852,293**

	2018			
	Performing	Past du	Total	Fair value of associated garantees
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**

The Bank uses physical and financial collateral 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. In order 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 2019 and 2018, by sector of activity, was as follows:

	2019		
	Performing loans	Past due loans	Total
Individuals	243,937,499	11,997,059	255,934,558
Wholesale and retail trade; repair of motor vehicles and motorbikes	34,896,597	5,261,539	40,158,136
Financial and insurance activities	24,766,050	250,202	25,016,252
Real estate activities	9,824,224	3,586,083	13,410,307
Public administration and defence; mandatory social security	-	-	-
Extractive industries	26,273	-	26,273
Manufacturing industries	7,918,194	654,682	8,572,876
Construction	6,125,523	1,703,461	7,828,984
Agriculture, livestock, hunting, forestry and fishing	2,928,166	3,207,835	6,136,001
Administrative and support services activities	23,738,246	219,772	23,958,018
Consultancy, scientific, technical and similar activities	2,144,818	3,635	2,148,453
Human health and social support activities	1,451,497	2,245	1,453,742
Hotels, restaurants and similar	3,941,438	490,547	4,431,985
Water supply, sewerage, waste management and remediation activities	409,713	-	409,713
Other activities and services	11,611,621	20,174	11,631,795
Transportation and storage	2,500,870	193,984	2,694,854
Arts, entertainment, sports and recreational activities	1,213,954	1,200	1,215,154
Education	587,067	267,705	854,772
Electricity, gas, steam, hot and cold water and cold air	-	-	-
Information and communication activities	1,071,753	51,569	1,123,322
Activities of households as employers of domestic staff and producing activities	10,620	-	10,620
Total Loans	**379,104,123**	**27,911,692**	**407,015,815**

	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**

To comply with the requirements for disclosure of IFRS 16 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2019 and 2018, the reconciliation between the minimum leasing payments and their present value, for each one of the periods defined in the standard, presented in the following table:

	2019	2018
Minimum lease payments		
Up to 1 year	5,500,425	6,461,869
1 to 5 years	17,204,323	19,255,910
More than 5 yerars	23,864,607	26,218,018
	46,569,355	**51,935,797**
Unearned financial income	(8,483,686)	(9,290,619)
	38,085,669	**42,645,178**
Present value of minimum lease payments		
Up to 1 year	4,154,876	5,037,127
1 to 5 years	13,553,540	15,200,885
More than 5 yerars	20,377,253	22,407,166
	38,085,669	**42,645,178**
Impairments for finance lease loans	(2,801,675)	(3,975,744)
	35,283,994	**38,669,434**

As at 31 December 2019 and 2018 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 2019 and 2018, the total loan portfolio broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2019						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairmente	Gross value	Impairment	
Loans and advances to customers							
Property leasing transactions	32,487,057	(752,145)	2,304,377	(332,167)	4,393,414	(1,609,317)	36,491,219
Medium and long-term loans	48,370,033	(2,238,902)	1,079,647	(417,771)	22,755,315	(12,794,268)	56,754,054
Current account loans	20,578,276	(214,990)	-	-	413,650	(318,791)	20,458,145
Consumption and auto loans	239,703,370	(1,860,539)	2,843,212	(558,414)	7,590,320	(5,031,218)	242,686,731
Equipment finance lease transactions	212,463	(1,404)	-	-	266,604	(106,642)	371,021
Current account overdrafts	12,095,520	(106,287)	-	-	-	-	11,989,233
Other loans	3,459,658	(63,329)	1,896,452	(62,597)	6,566,447	(612,794)	11,183,837
	356,906,377	**(5,237,596)**	**8,123,688**	**(1,370,949)**	**41,985,750**	**(20,473,030)**	**379,934,240**

	31 December 2018						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairmente	Gross value	Impairment	
Loans and advances to customers							
Property leasing transactions	32,209,397	(536,624)	3,322,341	(448,961)	9,452,378	(2,881,627)	41,116,904
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
Current account loans	17,256,276	(190,508)	-	-	1,043,888	(966,207)	17,143,449
Consumption and auto loans	168,032,841	(1,341,439)	1,867,222	(393,573)	3,958,232	(2,552,872)	169,570,411
Equipment finance lease transactions	315,308	(1,773)	4,438	(23)	283,156	(106,735)	494,371
Current account overdrafts	2,771,227	(74,761)	-	-	-	-	2,696,466
Other loans	3,539,550	(51,585)	1,869,263	(60,803)	6,110,438	(635,390)	10,771,473
	272,115,967	**(4,617,741)**	**9,488,159**	**(1,454,455)**	**48,685,820**	**(20,244,285)**	**303,973,465**

The loan portfolio includes contracts that resulted from a formal restructuring with customers, in order to replace previous loans with new financing. The restructuring may result from an increase in collateral and/or the settlement of part of the loans and imply an extension of maturities or a change in the interest rate. The analysis of restructured loans, by sector of activity, is as follows:

	2019			
	Performing loans	Past due loans	Total	Impairment
Administrative and support services activities	19,627	-	19,627	3,285
Arts, entertainment, sports and recreational activities	149,114	-	149,114	18,052
Human health and social support activities	-	2,078	2,078	2,078
Financial and insurance activities	-	248,601	248,601	122,207
Real estate activities	698,489	37,239	735,728	80,358
Agriculture, livestock, hunting, forestry and fishing	1,768,579	3,207,052	4,975,631	1,770,612
Hotels, restaurants and similar	217,967	139,761	357,728	165,632
Wholesale and retail trade; repair of motor vehicles and motorbikes	3,233,339	2,287,241	5,520,580	1,831,928
Construction	53,851	121	53,972	1,974
Education	229,291	24,660	253,951	134,708
Manufacturing industries	966,631	513,676	1,480,307	334,752
Other activities and services	7,424	-	7,424	6,992
Individuals	3,156,339	556,156	3,712,497	509,974
Transportation and storage	-	-	-	-
Total loans	**10,500,651**	**7,016,587**	**17,517,238**	**4,982,551**

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**

The restructured loans are subject to an impairment analysis resulting from the reassessment of expectations to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

The Bank has implemented a process for marking operations restructured due to customers' financial difficulties. This marking is part of the credit analysis process. The information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment.

In particular:
- there are several default triggers related to restructuring due to financial difficulties (restructuring with loss of value, recidivism of restructuring, default on customers with restructured operations, implementation of grace periods longer than 24 months);
- in exposures marked as restructured due to customers' financial difficulties, the process of calculation of impairment is based on the model of individual analysis, allowing an objective and direct calculation of the potential risk of loss.

The operations marked as restructured due to customers' financial difficulties, maintain the referred marking, during a period of quarantine of not less than 12 months, during which the regularity of the fulfilment of the obligations is monitored monthly. After this period, although they are no longer classified as restructured due to non-compliance, they are carried over to a monthly probationary period of not less than 24 months.

The Value at Risk comprises, by exposure, the amounts past due and not paid (principal, interest and other charges), the amounts due (principal not yet due) and the accrued and not yet due interest (from the last due date to the closing date of the accounts).

The classification of Non Performing Loans includes, i) besides the exposures marked as restructured due to customers' financial difficulties, active contracts: ii) with credit past due for more than 90 days, iii) exposures without credit past due or credit past due for less than 90 days, but in a cure period; iv) exposures where credit past due, regardless of seniority, represents more than 20% of the exposure value at risk, v) exposures identified as having risk signs, even without credit past due (PER or PI requirement, execution by Third Parties of collaterals that mitigate the risk of exposure to our Bank). And, of course, vi) exposures associated with credit agreements that have been terminated due to default and are still under judicial execution.

As of 31 December 2019, the amount of NPL was 42,311,785 Euros (31 December 2018: 56,578,952 euros).

The portfolio includes loans, which in view of the customers' financial difficulties, were subject to a change in the initial conditions of the contract in the amount of 17,517,238 euros (31 December 2018): 12.546,015 Euros), which present an impairment of 4,982,551 euros (31 December 2018: 2,460,886 euros).

8. FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

This item was made up as follows:

	31 December 2019	31 December 2018
Debt securities		
Portuguese government debt or public companies	9,892,976	20,795,872
Other residents		
Credit Institutions	-	4,498,840
Companies	48,538,198	56,996,374
Commercial paper	36,836,894	37,641,207
Interest receivable	754,221	1,145,526
Non-residents		
Government debt	78,405,073	73,782,457
Credit institutions	7,002,655	2,492,061
Companies	43,735,078	33,798,145
Interest receivable	2,486,402	2,188,700
	227,651,497	**233,339,182**
Impairment (Note 22)		
Other loans and receivables - debt securities	(418,080)	(460,732)
	(418,080)	**(460,732)**
	227,233,417	**232,878,450**

The composition of the (non-resident) debt securities, excluding public issuers and credit institutions, as at 31 December 2019 and 2018, by sector of activity was as follows:

	31 December 2019	31 December 2018
Extractive industries	5,097,650	2,458,842
Manufacturing industries	18,078,134	15,086,017
Electricity, gas, steam, hot and cold water and cold air	12,639,416	12,223,151
Other activities and services	2,042,917	-
Information and communication activities	2,515,853	2,518,338
Financial and insurance activities	1,342,757	1,511,797
Real estate activities	1,019,201	-
Administrative and support services activities	999,150	-
	43,735,078	**33,798,145**

As at 31 December 2019, the debt securities portfolio, excluding interest receivable, broken down by stage, as defined in IFRS 9, is as follows:

	31 December 2019						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debt securities	224,410,874	(418,080)	-	-	-	-	223,992,794
	224,410,874	**(418,080)**	**-**	**-**	**-**	**-**	**223,992,794**

	31 Dezembro 2018						
	Stage 1		Stage 2		Stage 3		Total
	Gross value	Impairment	Gross value	Impairment	Gross value	Impairment	
Debt securities	230,004,956	(460,732)	-	-	-	-	229,544,224
	230,004,956	**(460,732)**	**-**	**-**	**-**	**-**	**229,544,224**

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Debt instruments	35,218,149	48,080,160
Interest receivable	256,841	405,084
Equity instruments	6,507,858	6,161,507
Derivatives	2,784,183	3,395,296
	44,767,031	**58,042,047**
Financial assets not held for trading mandatorily at fair value through profit or loss		
Equity instruments	16,169,921	16,012,916
	16,169,921	**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 4,422,510 euros, according to Note 39.

These items were made up as follows:

	31 December 2019		31 December 2018	
	Financial assets held for trading	Financial assets held for trading mandatorily at fair value through profit or loss	Financial assests held for trading	Financial assets held for trading mandatorily at fair value through profit or loss
Debt instruments				
Other residents				
Other national public issuers	-	-	-	-
Credit institutions	-	-	1,007,010	-
Companies	-	-	5,628,018	-
Non-residents				
Foreign public issuers	1,565,394	-	1,363,806	-
Credit institutions	16,105,876	-	15,918,310	-
Companies	17,546,879	-	24,163,016	-
	35,218,149	**-**	**48,080,160**	**-**
Interest receivable	**256,841**	**-**	**405,084**	**-**
	35,474,990	**-**	**48,485,244**	**-**
Equity instruments				
Residents				
Shares	-	-	22,095	-
Investment units	-	16,096,742	-	15,939,737
Non-residents				
Shares	6,280,198	-	5,220,084	-
Investment units	227,660	73,179	919,328	73,179
	6,507,858	**16,169,921**	**6,161,507**	**16,012,916**
Derivatives				
Swaps				
Interest rate	144,706	-	521,638	-
Other	2,618,015	-	2,826,771	-
Options embedded in structured deposits	21,462	-	46,887	-
	2,784,183	**-**	**3,395,296**	**-**
	44,767,031	**16,169,921**	**58,042,047**	**16,012,916**

As at 31 December 2019 and 2018, the portfolios are recorded at fair value through profit or loss, in accordance with the accounting policy described in note 2.5.

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2019 and 2018, by sector of activity, was as follows:

	Financial assets held for trading	
	31 December 2019	**31 December 2018**
Extractive industries	-	483,432
Manufacturing industries	7,717,187	10,412,296
Electricity, gas, steam, hot and cold water and cold air	3,591,851	2,348,894
Water supply, sewerage, waste management and remediation activities	497,995	1,529,970
Construction	491,480	-
Other activities and services	620,782	-
Wholesale and retail trade; repair of motor vehicles and motorbikes	-	398,152
Transportation and storage	1,393,686	2,045,990
Information and communication activities	1,400,674	2,943,581
Financial and insurance activities	1,226,990	3,527,015
Real estate activities	104,269	-
Administrative and support services activities	501,965	473,686
	17,546,879	**24,163,016**

As at 31 December 2019 and 2018, the nominal value of the debt instruments is as follows:

	31 December 2019	**31 December 2018**
Other residents		
Other public issuers	-	-
Credit institutions	-	1,000,000
Companies	-	5,600,000
Non-residents		
Foreign public issuers	1,500,000	1,500,000
Credit institutions	19,950,000	20,100,000
Companies	17,000,000	25,028,000
	38,450,000	**53,228,000**

As at 31 December 2019 and 2018, 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:

	2019			
	Notional amount	Book value		
	Trading derivaties	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 21)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	46,015,165	144,706	(200,389)	(55,683)
Other	5,878,246	2,618,015	-	2 618,015
- Options embedded in structured deposits	71,413,113	21,462	(638,695)	(617,233)
- Options				
Equities	1,663,000	-	(49,193)	(49,193)
	124,969,524	**2,784,183**	**(888,277)**	**1,895,906**
Traded on the stock exchange				
- Futures				
Interest rate	53,398,093	-	-	-
Equities	571,698	-	-	-
Foreign exchange	6,643,892	-	-	-
	60,613,683	**-**	**-**	**-**
	185,583,207	**2,784,183**	**(888,277)**	**1,895,906**

	2019			
	Notional amount	Book value		
	Trading derivaties	Financial assets held for trading	Financial liabilities held for trading	Total
			(Note 21)	
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**

The distribution of derivative transactions as at 31 December 2019 and 2018, by times to maturity, was as follows (by notional amount):

	2019					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1year <= 5 years	> 5 years	Total
						Contas
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	-	8,288,512	12,184,011	25,542,642	-	46,015,165
Other	-	-	-	-	5,878,246	5,878,246
	-	8,288,512	12,184,011	25,542,642	5,878,246	51,893,411
- Options embedded						
in structured deposits	13,309,700	9,401,782	26,099,728	22,601,903	-	71,413,113
- Options						
Equities and exchange rates	1,000,000	-	-	663,000	-	1,663,000
- Futures						
Interest rate	11,247,493	9,536,575	16,059,350	16,554,675	-	53,398,093
Equities	571,698	-	-	-	-	571,698
Foreign exchange	6,643,892	-	-	-	-	6,643,892
	18,463,083	**9,536,575**	**16,059,350**	**16,554,675**	**-**	**60,613,683**
	32,772,783	**27,226,869**	**54,343,089**	**65,362,220**	**5,878,246**	**185,583,207**

	2018					
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1ano <= 5 years	> 5 years	Total
						Contas
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 exchange 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**

The distribution of derivative transactions as at 31 December 2019 and 2018, by type of counterparty, was as follows:

	2019	2018
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	46,015,165	65,855,869
Other		
- Customers	5,878,246	5,878,246
Options embedded in structured deposits		
- Customers	71,413,113	54,764,787
Equity options		
- Financial institutions	-	-
- Customers	1,663,000	7,321,749
	124,969,524	**133,820,651**
Traded on the stock exchange		
Futures		
- Interest rate	53,398,093	56,510,489
- Equities	571,698	1,468,755
- Foreign exchange	6,643,892	1,880,198
	60,613,683	**59,859,442**
	185,583,207	**193,680,093**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item was made up as follows:

	31 December 2019	31 December 2018
Debt instruments		
Other residents		
Other national public issuers	105.684	2.265.092
Other	8,595,740	4,395,910
Non-residents		
Foreign public issuers	11,574,563	25,343,749
Credit institutions	6,342,349	-
Other	53,592,489	66,260,379
	80,210,825	**98,265,130**
Interest receivable	578,524	496,800
	80,789,349	**98,761,930**
Impairment of other securities	-	-
	80,789,349	**98,761,930**

The composition of (non-resident) debt instruments, excluding public issuers and credit institutions, as at 31 December 2019 and 2018, by sector of activity, was as follows:

	31 December 2019	31 December 2018
Extractive industries	1,093,910	1,057,540
Manufacturing industries	21,788,570	11,293,405
Electricity, gas, steam, hot and cold water and cold air	16,321,837	13,216,545
Other activities and services	3,644,045	-
Wholesale and retail trade; repair of motor vehicles and motorbikes	-	2,384, 725
Information and communication activities	7,041,762	3,921,490
Financial and insurance activities	-	33,890,169
Administrative and support services activities	1,026,090	496,505
Human health and social support activities	2,676,275	-
	53,592,489	**66,260,379**

As at 31 December 2019 and 2018, the nominal value of the debt instruments is as follows::

	31 December 2019	31 December 2018
Other residents		
Other national public issuers	100.000	2.100.000
Other	8.500.000	4.460.000
Non-residents		
Foreign public issuers	12.100.100	26.600.100
Credit institutions	6.200.000	-
Other	51.350.000	66.800.000
	78.250.100	**99.960.100**

As described in the accounting policy referred to in Notes 2.5 and 40, the financial assets available for sale portfolio is presented at its market value, with the respective fair value recorded against fair value reserves (Note 25). As at 31 December 2019 and 2018, the unrealised gains and losses in financial assets available for sale were as follows:

	31 December 2019	31 December 2018
Debt instruments		
Other residents		
Portuguese public debt	(6,696)	(166,703)
Other bonds	(119,322)	49,915
Non-residents		
Foreign public issuers	(798,825)	(194,389)
Other bonds	(2,323,515)	535,693
	(3,248,358)	**224,516**
Equity instruments	190,508	189,668
Net potential gains (Note 25)	**(3,057,850)**	**414,184**

As at 31 December 2019 and 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 2019			
	Stage 1	Stage 2	Stage 3	Total
	Gross value	Gross value	Gross value	
Financial assets at fair value through other comprehensive income	80,210,825	-	-	80,210,825

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

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	31 December 2019	31 December 2018
Real estate	16,807,315	21,259,931
Impairment (Note 22)	(5,203,033)	(6,275,798)
	11,604,282	**14,984,133**

Changes in this item in 2019 and 2018 are shown below:

	2019								
	31 December 2018						31 December 2019		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements/ (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
		(Note 22)			(Note 22)	(Note 22)		(Note 22)	
Real estate	**21,259,931**	**(6,275,798)**	**1,054,003**	**(5,506,619)**	**(884,778)**	**1,957,543**	**16,807,315**	**(5,203,033)**	**11,604,282**

	2018								
	31 December 2017						31 December 2018		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements/ (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
		(Note 22)			(Note 22)	(Note 22)		(Note 22)	
Real estate	**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**

As at 31 December 2019 and 2018, the breakdown of non-current assets held for sale is as follows, according to the date of acquisition by the Group:

	2019			2018		
Year of acquisition	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
prior to 2010	2,846,015	(952,814)	1,893,201	3,350,621	(1,121,260)	2,229,361
2010	1,717,984	(788,891)	929,093	2,624,141	(1,255,749)	1,368,392
2011	1,658,080	(645,654)	1,012,426	1,785,529	(684,215)	1,101,314
2012	1,122,276	(621,387)	500,889	2,212,862	(1,037,131)	1,175,731
2013	2,081,120	(515,065)	1,566,055	3,581,161	(836,322)	2,744,839
2014	784,598	(36,190)	748,408	1,134,469	(70,530)	1,063,939
2015	1,097,531	(230,892)	866,639	1,252,920	(286,663)	966,257
2016	1,363,617	(255,795)	1,107,822	1,817,782	(185,988)	1,631,794
2017	1,519,901	(698,788)	821,113	1,938,763	(711,110)	1,227,653
2018	1,568,742	(206,959)	1,361,783	1,561,683	(86,830)	1,474,853
2019	1,047,451	(250,598)	796,853	-	-	-
	16,807,315	**(5,203,033)**	**11,604,282**	**21,259,931**	**(6,275,798)**	**14,984,133**

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 2019, the Bank recorded net gains from the sale of real estate received in lieu of payment, totalling 449,201 euros (2018: net gains of 1,426,082 euros) (Note 35), which were determined in certain situations relative to the gross value of the real estate.

12. INVESTMENT PROPERTIES

This item was made up as follows:

	2019	2018
Gross value	5,183,801	5,389,235
Accumulated depreciation and impairment losses (Note 22)	(1,227,001)	(1,268,135)
	3,956,800	**4,121,100**

As at 31 December 2019 and 2018, 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 recorded an impairment of 1,227,001 Euros (in 2018): 1.268,135 euros), resulting from the updating of the real estate valuations of these assets (Note 22).

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses. As at 31 December 2019 and 2018, 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 2019. For the same reason, the balance sheet value of this real estate is similar to its fair value which at 31 December 2019 corresponds to 4,575,750 euros (31 December 2018: 4,787,900 euros).

During 2019 and 2018, the value of investment property rents charged by the Group came to 431,439 euros and 405,309 euros, respectively.

13. OTHER TANGIBLE ASSETS

Changes in the "Other tangible assets" items during 2019 and 2018 were as follows:

2019								
	1 January 2019					Disposals and write-offs		
Description	Gross value	Accumulated depresiation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	Net value 31-12-2019
Real estate:								
- Premises	705,226	(238,345)	5,349	(10,569)	-	(2,311)	2,311	461,661
- Leasehold expenses	2,852,248	(2,238,849)	19,105	(179,655)	285,224	(48,656)	48,656	738,073
	3,557,474	**(2,477,194)**	**24,454**	**(190,224)**	**285,224**	**(50,967)**	**50,967**	**1,199,734**
Equipment:								
- Furniture anmd materials	472,244	(410,678)	9,531	(24,189)	53,881	(39,105)	39,105	100,789
- Machines and tools	69,705	(47,903)	9,877	(9,304)	-	(6,880)	6,880	22,375
- IT equipment	848,247	(689,374)	89,599	(115,920)	(5,482)	(118,076)	118,076	127,070
- Fixtures and fittings	558,754	(548,991)	3,155	(7,139)	6,912	(11,021)	11,021,	12,691
- Vehicles	2,217,623	(1,400,744)	174,362	(479,902)	-	(26,882)	26,882	511,339
- Safety equipment	9,578	(8,025)	-	(782)	-	-	-	771
	4,176,151	**(3,105,715)**	**286,524**	**(637,236)**	**55,311**	**(201,964)**	**201,964**	**775,035**
Other tangible assets:								
- Artistic assets	41,364	-	-	-	-	-	-	41,364
- Under construction	85,173	-	267,684	-	(346,017)	-	-	6,840
	126,537	**-**	**267,684**	**-**	**(346,017)**	**-**	**-**	**48,204**
Right-of-use - IFRS 16								
- Real estate	6,244,272	-	568,565	(955,510)	-	-	-	5,857,327
- Other	21,157	-	-	(10,578)	-	-	-	10,579
	14,125,591	**(5,582,909)**	**1,147,227**	**(1,793,548)**	**(5,482)**	**(252,931)**	**252,931**	**7,890,879**

2018								
	31 December 2017					Disposals and write-offs		
Description	Gross value	Accumulated depresiation	Acquisitions	Depreciation for the year	Transfers	Gross value	Depreciations	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 anmd 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**

The Right of use item corresponds essentially to leased properties (branches and central buildings) and a residual number of printers, amortised according to the lease term of each contract, as described in accounting policy 2.8 and note 41.

14. INTANGIBLE ASSETS

Changes in the “Intangible assets” items during 2019 and 2018 were as follows:

2019								
	31 December 2018				Disposals and write-offs			
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Gross value	Amortisations	Amortisations for the year	Net value 31-12-2019
Intangible assets								
Software	2 404 570	(2 177 363)	4 526	198 494	(24 376)	23 461	(166 917)	262 395
Intangible assets in progress	77,890	-	301,764	(193,012)	-	-	-	186,642
	2,482,460	**(2,177,363)**	**306,290**	**5,482**	**(24,376)**	**23,461**	**(166,917)**	**449,037**

2018								
	31 December 2017				Disposals and write-offs			
Description	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**

15. INCOME TAX

The asset and liability balances by income tax as at 31 December 2019 and 2018 were as follows:

	2019	2018
Deferred tax assets		
- By temporary differences	5,308,728	7,378,470
Deferred tax liabilities		
- By temporary differences	(815,264)	(241,127)
	4,493,464	**7,137,343**
Current tax assets / (liabilities)		
- Tax assessed	(1,769,982)	(922,081)
- Tax benefit	1,694,000	929,039
- Surcharge	(126,427)	(65,863)
- State surcharge	(206,497)	-
- Autonomous taxation	(206,709)	(125,655)
	(615,615)	**(184,560)**
- Payments on account	448,062	715,391
- Additional payments on account	37,059	-
- Tax withheld at source	42,902	74,479
Income tax (payable) / receivable	**(87,592)**	**605,310**
Of which:		
Income tax receivable	2,081	677,655
Income tax (payable)	(89,673)	(72,345)

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.

Under the terms of Article 28-C of the Corporate Income Tax Code, as of the financial year of 2018, of Regulatory Decree 13/2018, of 28 December, the following, among others, are not accepted as tax costs for the year: (i) impairment losses and other value adjustments for specific credit risk that exceed the amount corresponding to the application of the mandatory minimum limits established in Bank of Portugal Notice 3/95, as amended prior to their revocation by Bank of Portugal Notice 5/2015 for provisions for specific credit risk, and (ii) impairment losses and other value adjustments for loans covered by real property rights. As already mentioned, the loan portfolio is now subject to the constitution of impairment losses which replaces the recording of provisions for specific risk and for general credit and country risk, although for tax purposes the provisions are still considered, except in the cases indicated above.

In 2019, Law 98/2019 of 4 September was published, which establishes a new regime for impairment of credit institutions and other financial institutions for tax periods beginning on or after 1 January 2019.

Articles 28-A and 28-C of the Corporate Income Tax Code now provide for the deductibility, for the purposes of determining taxable profit, of impairment losses for credit risk, in securities and other investments (with certain exceptions), provided they are accounted for in accordance with the applicable accounting and regulatory rules (the reference to the rules/limits defined in a regulatory decree - which, in turn, referred to the minimum limits established in Bank of Portugal Notice 3/95 - which determined whether or not to accept the said impairment for tax purposes, having been eliminated).

The provisions of the revoked Bank of Portugal Notice 3/95 ("Notice 3/95"), as amended before its revocation by Bank of Portugal Notice 5/2015, shall continue to apply to impairment losses for specific credit risk recorded in tax periods prior to the application of the regime that have not yet been accepted for tax purposes.

With regard to impairment losses for specific credit risk recorded after the entry into force of Law 98/2019 of 4 September, an optional "adjustment period" of 5 years (up to and including 2023) was created, during which credit institutions and other financial institutions may continue to apply the previous tax regime, namely the limits set out in Bank of Portugal Notice 3/95 and other applicable tax rules.

In this sense, the possibility of early adoption of the new tax regime (the "definitive regime") is also foreseen, an option subject to communication by the institutions to the Director General of the Tax and Customs Authority until the end of the tenth month of the current taxation period.

The Bank opted to adhere to the new regime for impairment of credit institutions and other financial institutions by reference to the tax period of 2019, and therefore considered the application of the definitive regime in its current tax estimate as at 31 December 2019.

In general terms, according to that diploma:
(i) impairment losses for credit risk recorded in tax periods beginning on or after 1 January 2019 shall be recorded in the taxable income, except for rare executions;
(ii) impairment losses for credit risk recorded in previous tax periods continue to be subject to the previous tax framework, i.e. the mandatory minimum limits established in Bank of Portugal Notice 3/95.
(iii) reversals of impairment losses should be allocated to those impairment losses that were not fiscally relevant and, of these, to the oldest.

The exceptions referred to in point (i) refer to impairment losses on loans and other rights granted to natural or legal persons who hold more than 10% of the taxpayer's capital, as well as impairment losses on loans and other rights granted to entities in which the taxpayer holds more than 10% (this occurs when the loans were granted at a time subsequent to the acquisition of the holding).

In addition, an adjustment period of 5 tax periods was established, in which taxpayers may opt to apply the regime in force prior to the entry into force of Law 98/2019, unless notice is given to the Director General of the Tax and Customs Authority to opt for the application of the new regime (to be presented by the end of the tenth month of the current tax period), an option which was taken by Banco Invest with effect from 1 January 2019.

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

The breakdown of changes in deferred taxes in 2019 and 2018 was as follows:

	2019			
	Balance as at 31-12-2018	Change in income	Change in reserves	Balance as at 31-12-2019
Deferred tax assets				
- Impairment of credit not recognised for tax purposes	4,887,812	(389,073)	-	4,498,739
- Impairment of securities	155,488	(36,086)	-	119,402
- Financial assets available for sale	299,993	-	(250,875)	49,118
- Impairment of non-current assets held for sale	492,373	(273,595)	-	218,778
- Impairment taxes SIFIDE	1,542,804	(1,542,804)	-	-
- Provisions	-	422,691	-	422,691
	7,378,470	**(1,818,867)**	**(250,875)**	**5,308,728**
Deferred tax liabilities				
- Financial assets at fair value through other comprehensive income	(241,127)	-	(574,137)	(815,264)
	(241,127)	**-**	**(574,137)**	**(815,264)**
	7,137,343	**(1,818,867)**	**(825,012)**	**4,493,464**

	2018				
	Balance as at 31-12-20187	**Change in income**	**Change in reserves**		**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
- Valkuation of tradind 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**

In 2014, the Bank adopted the special scheme applicable to deferred tax assets (REAID). The scheme, approved by Law 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 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 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 2019 and 2018, 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:

	2019	2018
Current taxes		
For the year	615,615	291,170
Corrections from previous years	48,385	-
	664,000	**291,170**
Deferred taxes		
Entry and reversal of temporary differences	1,818,867	(42,215)
Total tax recognised in profit or loss	**2,482,867**	**248,955**
Income before taxes	**14,699,364**	**9,336,246**
Tax burden	16,89%	2,67%

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 2016 to 2019 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 2019.

The reconciliation between the nominal and effective rate of tax in 2019 and 2018 is given below:

	2019		2018	
	Rate	Tax	Rate	Tax
Income before taxes		14,699,364		9,336,246
Tax at nominal rate	22,50%	3,307,357	22,50%	2,100,655
State surcharge	1,40%	206,497	0,83%	77,080
		3,513,854		**2,177,735**
Impairment not accepted for tax purposes	(9,80%)	(1,440,937)	(11,98%)	(1,118,228)
Costs not accepted for tax purposes:				
- Write-ups	0,14%	20,052	0,19%	17,765
Tax benefits	(0,04%)	(6,383)	(0,06%)	(5,665)
Gains and losses	0,01%	945	0,00%	-
Autonomopus taxation	1,41%	206,709	1,35%	125,655
Banking sector contribution	0,38%	55,286	0,52%	48,250
Tax benefit SIFID	0,00%	-	(9,98%)	(931,640)
Other	0,91%	133,341	(0,70%)	(64,917)
	16,89%	**2,482,867**	**2,67%**	**248,955**

16. OTHER ASSETS

As at 31 December 2019 and 2018 this item was made up as follows:

	31 December 2019	31 December 2018
Debtors and other financial investments		
Debtors by transactions on futures	324,957	1,767,862
Other sundry debtors	342,629	208,501
Impairment sundry debtors	-	(83,423)
	667,586	**1,892,940**
Other		
Gold and other precious metals	118,771	159,066
Income receivable		
Commissions	835,381	1,147,506
Deferred charges		
Rents	113,780	85,904
Insurance	68	44,465
Other	382,553	407,579
	496,401	**537,948**
Other accruals and deferrals		
Stock market transactions pending settlement	826,403	249,169
Lending operations pending settlement	4,036,073	1,992,449
	4,862,476	**2,241,618**
	6,980,615	**5,979,078**

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 2019 and 2018, "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 the item "Assets transactions pending settlement" item is essentially due to the fact that the Bank has started the Telemarketing insurance activity associated with auto loans.

17. RESOURCES FROM CENTRAL BANKS

As at 31 December 2019 and 2018 this item was made up as follows:

	31 December 2019	31 December 2018
Resources from the Bank of Portugal	39.180.000	56.680.000
	39.180.000	**56.680.000**

As at 31 December 2019 and 2018, "Resources from the Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2019 and 2018, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	31 December 2019	31 December 2018
Up to three months	-	17.500.000
Three months to one year	15,000,000	-
More than one year	24,180,000	39,180,000
	39,180,000	**56,680,000**

Resources obtained from the Bank of Portugal as at 31 December 2019 and 2018 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 28).

18. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2019 and 2018, this item was made up of term deposits and resources from other credit institutions as follows:

	31 December 2019	31 December 2018
Term deposits and other resources		
Credit institutions in Portugal	206,895	1,775,690
	206,895	**1,775,690**

19. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2019 and 2018, this item was made up as follows:

	31 December 2019	31 December 2018
Deposits:		
- Demand	161,556,415	99,120,457
With agreed maturity dates:		
- Term deposits	408,154,170	426,065,655
- Structured deposits	71,413,113	54,764,787
	479,567,283	**480,830,442**
	641,123,698	**579,950,899**
Interest payable:		
- Interest on customer resources	3,797,764	3,420,397
	644,921,462	**583,371,296**

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 11/94.

As at 31 December 2019 and 2018, the times to maturity of customers' resources are as follows:

	31 December 2019	31 December 2018
Up to three months	109,086,647	107,650,764
Three months to one year	263,090,067	267,015,764
One to five years	107,385,143	82,083,915
More than five years	5,426	24,079,999
	479,567,283	**480,830,442**

20. LIABILITIES REPRESENTED BY SECURITIES

As at 31 December 2019 and 2018 this item was made up as follows:

	31 December 2019	31 December 2018
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).

21. FINANCIAL LIABILITIES HELD FOR TRADINGO

As at 31 December 2019 and 2018, this item relates to derivatives recorded at fair value offset against profit or loss (Note 9) and is broken down as follows:

	31 December 2019	31 December 2018
Interest rate sw aps	200,389	27,610
Options	687,888	983,106
	888,277	**1,010,716**

22. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2019 and 2018 were as follows:

	2019				
	Balance as at 31-12-2018	Net charges	Uses	Transfers	Balance as at 31-12-2019
Impairment of financial assets at amortised cost:					
- Non-securitised loans and advances to customers (Note 7)	26,316,481	2,646,307	(1,881,213)	-	27,081,575
- Impairment of securitised loans (Note 8)	460,732	(42,259)	(393)	-	418,080
Impairment of Deposits at credit institutions (Note 5):	-	15,411	-	-	15,411
Impairment of Amounts and deposits at other credit institutions (Note 6):	-	1,995	-	-	1,995
	26,777,213	**2,621,454**	**(1,881,606)**	**-**	**27,517,061**
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	6,275,798	884,778	(1,957,543)	-	5,203,033
- Investment properties (Note 12)	1,268,135	(41,134)	-	-	1,227,001
- Other assets (Note 13)	83,423	37,711	(121,134)	-	-
	7,627,356	**881,355**	**(2,078,677)**	**-**	**6,430,034**
Impairment of financial assets at fair value through other comprehensive income (Note 25):	173,901	(104,568)	(57)	-	69,276
Other provisions:					
- Provisions for guarantees and other commitments	24,723	32,721	-	-	57,444
- Other provisions	-	1,548,226	-	-	1,548,226
	24,723	**1,580,947**	**-**	**-**	**1,605,670**
	34,603,193	**4,996,594**	**(3,960,340)**	**-**	**35,639,447**

			2018			
		Balance as at 31-12-2017	Net charges	Uses	Transfers	Balance as at 31-12-2018
Impairment of financial assets at amortised cost:						
- Non-securitised loans and advances to customers (Note 7)	24,483,680	(490,832)	(1,884,852)	102,875	105,610	26,316,481
- Impairment of securitised loans (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	4,213,505	-	(4,213,505)	-	-	-
	4,213,505	**-**	**(4,213,505)**	**-**	**-**	**-**
Impairment of other assets:						
- Non-current assets held for sale (Note 11)	7 632 478	686 900	(2 043 580)	-	-	6 275 798
- Investment properties (NotE 12)	1,307,751	(39,616)	-	-	-	1,268,135
- Other assets (Note 13)	20,574	62,849	-	-	-	83,423
	8,960,803	**710,133**	**(2,043,580)**	**-**	**-**	**7,627,356**
Impairment of financial assets at fair value through other comprehensive income (Note 25):	-	173,909	-	(54,319)	54,311	173,901
Other provisions:						
- Provisions for guarantees and other commitments	-	24,723	-	-	-	24,723
	-	24,723	-	-	-	24,723
	41,957,335	**577,270**	**(8,141,937)**	**2,040**	**208,485**	**34,603,193**

The Bank foresees that during 2020, the segregation of a sector of activity will occur, as mentioned in note 38, with the Bank remaining the majority shareholder. The Other provisions item refers to the retained earnings up to 31 December 2019 of minority shareholders in the amount of 1,203,226 euros, as well as the non-deferred portion of the difference between the amount paid by the Bank for the holding and its book value, in the amount of 345,000 euros.

The "Transition adjustment" column reflects the adjustments in impairment losses arising from the implementation of IFRS 9 with reference to 1 January 2018, according to Note 43.

23. OTHER LIABILITIES

As at 31 December 2019 and 2018 this item was made up as follows:

	31 December 2019	31 December 2018
Creditors and other resources		
- Creditors by transactions on futures	134,696	999,063
Public Administration Sector:		
- Tax withheld at source	768,537	588,184
- VAT payable	127,156	128,929
- Social Security contributions	205,649	183,780
- Advances on account, third parties	3,243	2,276
Sundry creditors:		
Other creditors	7,688,993	8,998,276
	8,928,274	**10,900,508**
Deferred income		
- Rents	33,500	34,080
- Commissions	951,384	506,967
	984,884	**541,047**
Charges payable		
Staff costs:		
- Holiday pay and allowance	1,852,742	1,452,825
General administrative costs	175,887	35,846
Rent charges	6,011,815	-
Other	233,626	211,469
	8,274,070	**1,700,140**
Other accruals and deferrals		
Stock market transactions pending settlement	762,709	233,944
Other transactions pending settlement	7,340,759	2,414,238
	8,103,468	**2,648,182**
	26,290,696	**15,789,877**

The margin accounts of customers' futures contracts, according to Note 18, are carried against the "Creditors in 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 1,876,220 euros (31 December 2018: 1,069,565 euros).

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

As at 31 December 2019, the "Rent charges" item in the amount of 6,011,815 euros corresponds to the amount of lease liabilities recognised under IFRS 16 and as described in accounting policy 2.8.

The minimum future payments for non-revocable operating lease contracts by maturity are as follows:

	31 December 2019
Capital income	
- Up to 1 year	1,160,653
- 1 to 5 years	3,927,977
- More than 5 years	1,884,972
	6,973,602
Costs to defer in net interest income	(961,787)
	6,011,815

24. SHARE CAPITAL

As at 31 December 2019 and 2018, the Bank's shareholder structure is as follows:

	31 December 2019			31 December 2018		
Entity	Number of shares	Amount	%	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Acções Ordinárias)	9,461,500	47,307,500	79.51%	9,461,500	47,307,500	79.51%
Alves Ribeiro - IF, SGPS, S,A, (Acções Preferenciais)	2,400,000	12,000,000	20.17%	2,400,000	12,000,000	20.17%
Outros	38,500	192,500	0.32%	38,500	192,500	0.32%
	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%.

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

As at 31 December 2019 and 2018, the breakdown of the reserves and retained earnings items is as follows:

	31 December 2019	31 December 2018
Revaluation reserves		
- Reserves arising from fair value valuation		
Of financial assets at fair value through other comprehensive income (Note 9)	3,127,126	(240,283)
- Reserves for deferred taxes		
Of financial assets available for sale	(766,146)	58,866
	2,360,980	**(181,417)**
Legal reserve	7,172,015	5,797,462
Free reserve	17,161,942	10,343,420
Merger reserve	574,220	574,220
Retained earnings	26,808,127	26,808,127
	51,716,304	**43,523,229**

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 changes, during 2019 and 2018, in the fair value reserve are analysed as follows:

		Change in Fair Value			
	Balance 31 December 2018	Acquisition	Change in Fair Value	Disposal	Balance 31 December 2019
Miscellaneous bonds	(777,287)	1,292,475	2,913,860	(986,211)	2,442,837
Public debt securities	363,103	310	756,366	(314,258)	805,521
Investment units	-	-	-	-	-
Net potential gains (Note 10)	(414,184)	1,292,785	3,670,226	(1,300,469)	3,248,358
			3,662,542		
Miscellaneous bonds	82,144	28,288	(44,789)	-	65,643
Public debt securities	91,757	-	(88,125)	-	3,632
Provisions and impairment (Note 23)	173,901	28,288	(132,914)	-	69,275
	(240,283)	**1,321,073**	**3,537,312**	**(1,300,469)**	**3,317,633**
			3,557,916		

		Change in Fair Value			
	Balance 31 December 2017	Acquisition	Change in Fair Value	Disposal	Balance 31 December 2018
Miscellaneous bonds	1.958.562	(451.010)	(4.885.202)	2.600.363	(777.287)
Public debt securities	382.422	275.220	(63.724)	(230.815)	363.103
Investment units	961.742	-	-	(961.742)	-
Net potential gains (Note 9)	3.302.726	(175.790)	(4.948.926)	1.407.806	(414.184)
			(3.716.910)		
Miscellaneous bonds	-	82.152	(8)	-	82.144
Public debt securities	-	91.757	-	-	91.757
Provisions and impairment (Note 23)	-	173.909	(8)	-	173.901
	3.302.726	**(1.881)**	**(4.948.934)**	**1.407.806**	**(240.283)**
			(3.543.009)		

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 02 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 Bank of Portugal Notice 3/95, 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. 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 43.

Net income for the year

In 2019 and 2018, the breakdown of the consolidated net income of the Bank was as follows:

	31 December 2019	**31 December 2018**
Individual net income:		
- Banco Invest	11,690,869	13,745,535
- Invest Gestão de Activos	308,874	249,189
- Fundo Tejo	230,742	458,165
- Saldanha Holdings	(88,645)	(102,361)
- Saldanha Finance	73,874	(28,074)
	12,215,714	**14,322,454**
Adjustments:		
- Annulment of the increase in value of Properties of Fundo Tejo	783	(56,965)
- Annulment of dividends received by the Bank	-	(5,200,000)
Other adjustments:		
- Other adjustments	-	21,802
Income before taxes and non-controlling interests	12,216,497	9,087,291
Income attributable to minority interests	(31,181)	(54,216)
Consolidated net income for the year	**12,185,316**	**9,033,075**

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.

26. NON-CONTROLLING INTERESTS

As at 31 December 2019 and 2018, 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 2019 and 2018 were as follows:

	2019		
	Balances as at 31 December 2018	Net income	Balances as at 31 December 2019
Fundo Especial de Investimento Imobiliário Fechado Tejo	1,021,474	31,181	1,052,655

	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	1,021,474

27. GUARANTEES AND OTHER COMMITMENTS

	2019	2018
Guarantees and stand-by-letters of credit provided	93,296,422	101,456,200
Commitments to third parties	13,390,068	10,861,434
Amounts deposited	417,918,862	220,276,559
Assets under management and custody		
- Wealth management	107,224,815	66,601,566

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 are established for assets under management. 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 2019 and 2018, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2019	2018
Guarantees and stand-by-letters of credit provided		
Guarantees and stand-by-letters of credit provided	2,625,714	2,906,621
Assets pledged as collateral	90,670,708	98,549,579
	93,296,422	**101,456,200**
Assets under management and custody		
Portfolio management	6,794,682	4,673,773
Fund management	100,430,133	61,927,793
	107,224,815	**66,601,566**

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 2019 and 2018, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal (Note 17).

Resolution Fund

As part of a series of legislative changes that included the publication of Decree-Law 24/2013, the Resolution Fund ('FR') 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 problematic assets that were transferred to an asset management vehicle - were transferred to Banco Santander Totta, S.A.. (Oitante), created specifically for that purpose, and whose sole shareholder is the Resolution Fund Fund. 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:

- *"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.

28. INTEREST AND SIMILAR INCOME

In 2019 and 2018 this item was made up as followso:

	2019	2018
Interest from deposits at Central Banks and at credit institutions	236,964	143,642
Interest from investments in credit institutions	36	475
Interest from loans and advances to customers		
- Domestic loans	21,736,313	16,126,417
- Foreign loans	39,954	3,676
- Other loans and receivables - debt securities	6,244,350	6,008,535
Interest from past due loans	966,942	1,223,032
Interest from financial assets held for trading		
- Securities	785,931	914,009
- Derivatives	244,418	251,653
Interest from financial assets at fair value through other comprehensive income		
- Securities	1,337,041	952,788
Interest from debtors and other financial investments	67,669	58,310
Other interest and similar income	34,410	103,845
Comissions received associated to amortised cost		
- Credit operations	2,458,263	1,546,413
	34,152,291	**27,332,795**

AThe 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 2019 and 2018.

The Interest on loans and advances to customers item includes the amount of 1,379,426 euros (31 December 2018: 2.005,258 euros) related to income from customers classified in stage 3.

The Interest on financial assets held for trading - Derivatives item includes the amount of 101,222 euros relative to the interest from the swap of the Fundo Inspirar (2018: 100,721 euros).

29. INTEREST AND SIMILAR CHARGES

In 2019 and 2018 this item was made up as follows:

	2019	2018
Interest on resources from central banks	730	603
Interest on resources from other credit institutions		
- Abroad	31,788	46,835
Interest on resources from customers and other loans	4,533,145	4,617,749
Interest charges related to lease liabilities	284,586	-
Other commissions paid		
- Commissions paid associated to amortised cost	4,014,506	2,251,989
	8,864,755	**6.917.176**

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 2019 and 2018.

The "Interest costs related to lease liabilities" item corresponds to the amount of interest on lease liabilities recognised under IFRS 16, as described in accounting policy 2.8.

30. INCOME FROM EQUITY INSTRUMENTS

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

31. INCOME FROM SERVICES AND COMMISSIONS

In 2019 and 2018 this item was made up as follows:

	2019	2018
Services and commissions received		
Guarantees provided	33,496	37,260
Services provided		
- Deposit and custody of securities	1,445,475	1,322,675
- Management of securities	557,122	364,757
- Collection of securities	91,201	77,900
- Setting up operations	-	40,600
- Transfer of securities	23,325	19,783
- Other services provided	3,983,677	1,951,503
Transactions carried out on behalf of third parties		
Brokerage commissions	451,200	561,429
Other	3,060	34,966
Other commissions received	3,221,140	3,232,708
	9,809,696	**7,643,581**
Services and commissions paid		
Banking services provided by third parties		
Bank commissions	(404,886)	(403,310)
Charges on futures on behalf of third parties	(1,425)	(14,990)
Bank of Portugal	(12,626)	(11,712)
Transactions carried out on behalf of third parties	(115,941)	(175,602)
Business procurement commissions	(369,101)	(40,247)
Other commissions	(8,752)	(11,619)
	(912,731)	**(657,480)**
	8,896,965	**6,986,101**

The "Other services provided" item includes commissions associated to auto loans in the amount of 1,300,785 euros (2018: 730.172 euros). The change in this item, as previously mentioned, is due to the increase observed in the concession of auto loans.

The change in "Other commissions received" between the years 2019 and 2018 is mainly due to the increase in the activity related to car loans in the years indicated.

The "Bank commissions" item includes the commissions paid to Euroclear which came to 184,000 euros in 2019 (2018: 236,933 euros).

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

In 2019 and 2018 this item was made up as follows:

	2019	2018
Income from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	90,783	156,531
- Shares	950	11,637
- Investment units	446,013	-
Issued by non-residents		
- Bonds	2,906,115	1,244,458
- Shares	2,459,241	1,479,658
- Investment units	216,745	68,021
Derivatives		
Swaps		
- Foreign currency swaps	417,924	1,118,907
- Interest rate swaps	319,992	403,167
Futures		
- On interest rates	412,699	665,872
- On equities	1,032,761	934,642
- On foreign currencies	1,648,749	1,362,411
Options		
- On equities	424,727	408,168
	10,376,699	**7,853,472**
Losses from assets and liabilities assessed at fair value through profit or loss		
Securities		
Issued by residents		
- Bonds	(1,905)	(98,099)
- Shares	-	(4,472)
- Investment units	(289,009)	(1,285,860)
Issued by non-residents		
- Bonds	(110,839)	(2,674,405)
- Shares	(846,200)	(1,526,919)
- Investment units	(24,476)	(420,001)
Derivatives		
Swaps		
- Foreign currency swaps	(723,496)	-
- Interest rate swaps	(488,889)	(475,669)
Futures		
- On interest rates	(449,153)	(630,401)
- On equities	(1,034,557)	(1,243,247)
- On foreign currencies	(1,853,502)	(1,515,466)
Options		
- On equities	(1,857,641)	(130,145)
	(7,679,667)	**(10,004,684)**
	2,697,032	**(2,151,212)**

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 43.

33. EXCHANGE RATE GAINS / (LOSSES)

The balance for this item in 2019 and 2018 fully corresponds to the income calculated in the revaluation of the forward positions in foreign currency carried out by the Bank and is presented as follows:

	2019	2018
Revaluation of the spot currency position	466,518	329,254
Revaluation of the forward currency position	1,900	1,838
	468,418	**331,092**

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

In 2019 and 2018 this item was made up as follows:

	2019	2018
Debt instruments		
Residents		
- Other bonds	192,263	536, 323
Non-residents		
- Foreign public issuers	160,636	231,500
- Other bonds	952,369	652,825
Equity instruments		
Residents		
- Investment units	-	(3,426)
Non-residents		
- Investment units	-	(287,077)
	1,305,268	**1,130,145**

35. INCOME FROM SALE OF OTHER ASSETS

In 2019 and 2018 this item was made up as follows:

	2019	2018
Non-current assets held for sale (Note 11)	449,201	1,426,082
Other tangible assets (Note 13)	8,400	(387)
Gold and precious metals	4,293	(446,306)
Other	535,195	101,386
	997,089	**1,080,775**

The Non-current assets held for sale item reflects the gains and losses from the sale of properties recovered by the Bank. During 2019, 52 properties were sold for 5,520,424 Euros (2018: 7.758,647 Euros), having generated gains totalling 449,201 euros (2018: 1,426,082 euros).

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

36. OTHER OPERATING INCOME / (LOSSES)

In 2019 and 2018 this item was made up as follows:

	2019	2018
Other operating income:		
- Reimbursement of expenses	124,699	144,495
- Recovery of loans	31,975	255,244
- Income from provision of sundry services	6,240	7,053
- Rents	604,560	752,543
- Other	366,933	215,353
	1,134,407	**1,374,688**
Other operating expenses:		
Other taxes		
- Special contribution on the banking sector	(245,714)	(214,447)
Other indirect taxes	(190,195)	(154,060)
Other operating expenses and losses		
- Contributions to the Resolution Fund	(128,992)	(88,006)
- Levies and donations	(71,414)	(60,015)
- Contributions to the Deposit Guarantee Fund	(897)	(676)
- Other operating expenses and losses	(143,627)	(15,369)
	(780,839)	**(532,573)**
Other operating results	**353,568**	**842,115**

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 2019 and 2018 the Bank recorded a periodic contribution of 102,992 euros and 73,006 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) 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation"), in 2016 the 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 2019 and 2018 the contribution came to 26,000 euros and 15,000 euros, respectively.

37. STAFF COSTS

In 2019 and 2018 this item was made up as follows:

	2019	2018
Salaries and earnings		
- Governing Bodies	948,970	784,458
- Employees	8,186,620	7,389,794
	9,135,590	**8,174,252**
Social Security charges		
Charges related to remunerations:		
- Social Security	1,943,959	1,697,053
Other compulsory social charges:		
- Other	86,340	79,486
	2,030,299	**1,776,539**
Other staff costs		
- Other	215,966	203.013
	11.381.855	**10.153.804**

As at 31 December 2019 and 2018, the average number of employees in the service of the Bank, broken down by professional category, was as follows:

	2019	2018
Directors	9	6
Executives and managers	43	40
Technical staff	219	204
Administrative staff	6	6
	277	**256**

38. GENERAL ADMINISTRATIVE COSTS

In 2019 and 2018 this item was made up as follows:

	2019	2018
Water, electricity and fuel	371,010	347,613
Consumables	29,681	40,265
Publications	5,845	4,355
Hygiene and cleaning material	925	666
Other third party supplies	19,825	19,380
Leases and rentals	14,667	909,694
Communications	792,588	881,675
Travel and accommodation	394,063	340,587
Advertising and publications	976,973	1,140,443
Maintenance and repair	512,777	602,150
Transport	-	615
Staff training	35,497	23,845
Insurance	129,156	124,555
Specialised services	3,420,016	2,959,839
Other third party services	281,981	297,171
	6,985,004	**7,692,853**

The Specialised services item includes the fees of the Statutory Auditor for the legal certification of the accounts of the Bank and other service es for the year ended 31 December 2019, as follows:

	2019	2018
Statutory audit of accounts	46,785	41,250
Work arising from the duties of Statutory Auditor required by regulation and / or specifically requested by the supervisory entities	95,450	108,000
Other non-audit services	10,000	-
	152,235	**149,250**

The Specialised services item also includes the litigation and notary costs which in 2019 came to 880,665 Euros (2018: 596.646) and IT costs which in 2019 came to 740,512 Euros (2018: 590,407 euros).

In 2019 and in accordance with IFRS16, the Bank opted not to recognize lease liabilities for short-term leases and/or for low value items, as referred to in note 2.8. As such, the costs related to leases and rentals came to 14,667 euros in 2019, related to low value asset contracts.

39. RELATED ENTITIES

Entities related to Banco Invest are those entities in which the Bank exercises direct or indirect control or significant influence over its management and financial and operational policy (Subsidiaries or associates) and entities that exert significant influence over the Bank's management, namely shareholders or entities they control and staff belonging to the 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, S.A.;
- 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, S.A.;
- 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);
- Marília 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 - Sociedade de Capital de Risco, S.A.; and
- CREST I - FCR (Crest Fund).

Balances with related entities, excluding governing bodies

As at 31 December 2019 and 2018, the main balances with related entities were as follows:

	31 December 2019	31 December 2018
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	2,618,015	2,826,771
Financial assets at fair value through profit or loss		
Fundo Inspirar	4,422,510	4,114,093
Fundo Crest	7,325,888	1,368,874
Loans and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	17.838.262	14.949.250
US Gestar	362.403	518.570
Monvest, SGPS, S.A.	467.671	467.680
Resources from customers		
Alves Ribeiro, S.A.	21,599,035	24,749,844
VALRI, SGPS, S.A.	9,818,071	7,416,854
SOTIF, SGPS, S.A.	9,841,695	9,658,616
MS - Participações, SGPS, S.A.	5,055,520	3,843,172
US Gestar	3,796	45,529
Fundo Inspirar	2,045,519	1,073,904
LERIMO, SGPS, S.A.	373,230	352,419
Alves Ribeiro Consultoria de Gestão, S.A.	45,983	1,102
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	3,087	9,403
Mundicenter, S.A.	485	485
Amoreiras Center Soc. Imobiliária	689	689
Alrisa Sociedade Imobiliária, SA	2,292,787	10,777
Var - Soc. Consultoria Técnica e Inv, SA	217,081	217,081
SCO - Sociedade investimento e consultoria	481,880	440,646
SOTIF - Soc. Invest Consultoria Técnica SA	240,684	240,565

Transactions with related entities, excluding governing bodies

In 2019 and 2018, the main balances in the income statement with related entities were as follows:

	2019	2018
Interest and similar income		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	165,695	186,878
Monvest - SGPS, SA	11,592	13,201
US Gestar	3,040	4,234
Interest and similar charges		
VALRI, SGPS, S.A.	33,171	62,152
SOTIF, SGPS, S.A.	83,687	66,194
MS - Participações, SGPS, S.A.	29,100	23,506
LERIMO, SGPS, S.A.	2,680	973
SCO - Sociedade investimento e consultoria	2,940	3,721
SOTIF - Soc. Invest Consultoria Técnica SA	1,959	1,357
Var - Soc. Consultoria Técnica e Inv, SA	1,574	1,066
Alves Ribeiro, SA	52,117	175,071
Income from services and commissions		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	835	835
Fundo Inspirar	49,965	50.631
Fundo Crest	10,386	5,000
General administrative costs		
Alrisa	631,160	428,270

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 2.5 d) As at 31 December 2019, the investment units are valued at 4,422,510 euros, which corresponds to the fair value of the investment unit as at 31 December 2019 (31 December 2018: 4,114,093 euros). The fixed-term sale contracts are valued at 2,618,015 euros (31 December 2018: 2.826,771), which corresponds to 1,455,737 euros of fair value and 1,162,278 euros of interest (31 December 2018: 1.764,154 euros and 1,062,617 euros, respectively).

Balances with the Governing Bodies

As at 31 December 2019, the amount of Resources from Customers of Governing Bodies came to 1,677,687 euros (31 December 2018: 1,762,740 euros).

Employees that belong to the Governing Bodies

As at 31 December 2019, the amount of loans granted to members of the Board of Directors and the General Meeting came to 374,979 Euros (31 December 2018: 684.318 euros), with the same conditions having been applied to the other employees.

Remuneration Policy

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

The remuneration policy was submitted to the General Meeting for approval, following a proposal from 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 came to 838,911 euros. The remuneration earned by the executive members of the Board of Directors in 2019 and 2018 includes the variable remuneration (if any, as mentioned below) and the fixed remuneration 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. The annual amount of remuneration earned by the non-executive members of the Board in 2019 was 33,000.

The members of the Audit Board did not earn any variable remuneration in 2018. In 2019, the remuneration of the members of the Audit Board was 39,600 euros.

40. RELEVANT FACTS

The Bank estimates that during 2020 there will be a segregation of the auto loans sector of activity. In order to reflect in the financial statements the non-controlling interests regarding the segregation of this sector of activity, a provision was set up for this purpose, according to note 22.

41. PROVISION OF INSURANCE AND REINSURANCE MEDIATION SERVICES

Under the terms of Article 4 of the Regulatory Standard of the Portuguese Insurance Institute 15/2009-R, of 12 January 2010, regarding the disclosure requirements applicable to the Company in its capacity as an insurance intermediary, the following information must be provided.

Total remuneration received, broken down by nature and type:

	Commissions	Fees	Other remunerations
Remunerations Insurance 2019			
Nature - Cash	3,555,849	-	-
Nature - Kind	-	-	-
Remunerations Insurance 2018			
Nature - Cash	3,570,603	-	-
Nature - Kind	-	-	-

Sub-paragraphs (c) and (d) Total commissions, broken down by branches and insurance companiess

	Entity	Commissions
Remunerations Insurance 2019		
Life Branch	Real Vida Seguros, S.A.	2,964,343
Non-Life Branch	Mapfre Asistência, S.A.	591,506
Remunerations Insurance 2018		
Life Branch	Real Vida Seguros, S.A.	3,025,509
Non-Life Branch	Mapfre Asistência, S.A.	545,094

Real Vida Seguros presents a remuneration higher than 25% of the total.

Sub-paragraph (e) Total commissions, broken down by branches and insurance companies

The Bank in the insurance mediation activity does not assume credit risk or default risk, i.e. if the client does not pay the insurance the insurer returns the chargeback for the exact amount that was not received.

Sub-paragraphs (f) and (g) Indication of aggregate values included in accounts receivable and payable:

	2018	2019
Other Assets		
Debtors and other financial investments		
- Other debtors - insurance	539	1,121
Income receivable		
- Insurance collection commissions receivable	489,623	453,862
Other accruals and deferrals		
- Insurance premiums to be invoiced	1,851,918	3,782,261
Other Liabilities		
Deferred income	506,968	951,385
Other accounts payable	1,006,787	1,551,412

As far as payables and receivables are concerned, they come from insurance companies.

Accounts payable are detailed as follows:

Entitity	Branch	2018	2019
Real Vida Seguros, S.A.	Life Branch	771,097	674,120
Mapfre Assistência, S.A.	Non-Life Branch	235,690	877,292
	TOTALS	**1,006,787**	**1,551,412**

Sub-paragraph (h) Analysis of receivables past due at the reporting date

Seniority	2018	2019
Up to 6 months	539	1.121
Total	**539**	**1.121**

There is no risk to the Bank in case of non-payment of insurance by the customer since the insurer returns the chargeback of all unpaid amounts.

Subparagraphs (i), (j), (k) and (l) shall not apply to the Bank.

42. 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 2019 and 2018, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2019		
	Gross value	**Provisions and impairment**	**Net value**
Assets			
Deposits at Central Banks	23,816,918	-	23,816,918
Amounts and deposits at other credit institutions	17,635,705	(1,995)	17,633,710
Financial assets held for trading:			
- Securities	35,474,990	-	35,474,990
- Derivatives	2,784,183	-	2,784,183
Financial assets at fair value through other comprehensive income	80,789,349	-	80,789,349
Financial assets at amortised cost:			
- Deposits at credit institutions	767,331	(15,411)	751,920
- Loans and advances to customers	419,654,972	(27,081,575)	392,573,397
- Debt securities	227,651,497	(418,080)	227,233,417
Other assets:			
- Debtors and other financial investments	324,957	-	324,957
	808,899,902	**(27,517,061)**	**781,382,841**
Off-balance sheet			
Guarantees provided	2,625,714	(57,444)	2,683,158
	811,525,616	**(27,574,505)**	**784,065,999**

	2018		
	Gross value	Provisions and impairment	Net value
Assets			
Deposits at Central Banks	3,588,620	-	3,588,620
Amounts and deposits at 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	338,480,032	(26,316,481)	312,163,551
- Debt securities	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	(24,723)	2,881,898
	745,076,594	**(26,801,936)**	**718,274,658**

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 sectoral risk, acting to safeguard its legitimate rights and the integrity of the credit guarantees, while respecting applicable legislation and seeking out means that always, as much as possible, favour negotiable solutions that do not involve the courts.

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

2. Loan write-off policy:

   When considering risk of non-fulfilment, the Bank fully respects, in recognising impairment, the guidelines of Circular Letter 02/2014/DSP, replaced by Circular Letter CC/2018/00000062 of 14-11 of the Bank of Portugal.

   The Credit Recovery Department monitors past due exposures that meet the requirements for classification as irrecoverable and drafts a classification proposal and prepares the corresponding files.

   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. Past due 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 gathered available evidence, justifiably concludes that there are no reasonable expectations of recovery of the amounts at risk.

   The following are objective indicators of the uncollectability of a debt:

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

   ii. The fact that the out-of-court initiatives undertaken by the Bank, duly confirmed and deemed appropriate, 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;

   vi. 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 past due 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.

As at 31 December 2019 and 2018, the Bank's loan portfolio according to the stages defined in note 2.5 is as follows:

	2019			
	Risk category			
Type of contract	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current accounts	20,363,286	-	94,859	20,458,145
Medium and long-term loans	46,131,131	661,876	9,961,047	56,754,054
Real estate leasing	31,734,912	1,972,210	2,784,097	36,491,219
Equipment leasing	211,059	-	159,962	371,021
Other loans	3,396,329	1,833,855	5,953,653	11,183,837
Consumer credit and auto loans	237,842,831	2,284,798	2,559,102	242,686,731
Current account overdrafts	11,989,233	-	-	11,989.233
	351,668,781	**6,752,739**	**21,512,720**	**379,934,240**

	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, and (iv) auto loans.

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 2019 and 2018, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

	2019								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	-	6,703,227	22,471,365	5,963,552	-	-	-	336,846	35,474,990
Financoal assets at fair value through other comprehensive income	11,705,093	14,370,661	44,545,877	10,167,718	-	-	-	-	80,789,349
Financial assets at amortised cost - Debt securities	4,516,392	68,255,449	78,856,433	69,642,636	5,962,507	-	-	-	227,233,417
	16,221,485	**89,329,337**	**145,873,675**	**85,773,906**	**5,962,507**	**-**	**-**	**336,846**	**343,497,756**

	2018								
	Ratings								
	AA	A	BBB	BB	B	CCC	C	N.R.	Total
Assets									
Financial assets held for trading	2,502,044	8,208,785	32,535,810	4,665,345	519,730	-	-	53,530	48,485,244
Financoal assets at fair value through other comprehensive income	17,952,975	22,199,119	48,337,313	4,334,312	5,938,211	-	-	-	98,761,930
Financial assets at amortised cost - Debt securities	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**

N.R. – Not Rated

In preparation of this disclosure, relative to 2019 and 2018, 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 2019 and 2018, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2019				2018			
	Banks	Government Debt	Other	Total	Banks	Government Debt	Other	Total
Portugal	994,571	10,055,278	93,488,121	104,537,970	6,714,005	23,402,839	99,490,148	129,606,992
Spain	6,656,906	54,664,537	11,899,879	73,221,322	6,518,713	55,235,885	3,742,900	65,497,498
Holland	2,974,109	-	44,168,657	47,142,766	-	-	51,582,695	51,582,695
Italy	10,763,572	25,325,648	8,976,847	45,066,067	7,014,522	30,985,528	8,901,951	46,902,001
Great Britain	1,001,291	-	10,404,093	11,405,384	2,517,251	-	12,380,414	14,897,665
USA	1,587,873	10,145,922	248,163	11,981,958	9,789,313	9,413,794	981,747	20,184,854
Germany	4,087,623	-	8,698,036	12,785,659	7,696,941	-	5,861,017	13,557,958
France	-	1,017,280	7,575,566	8,592,846	3,002,773	1,005,640	1,357,011	5,365,424
Other	2,573,364	2,030,735	24,159,685	28,763,784	13,524,851	5,398,394	13,607,292	32,530,537
	30,639,309	**103,239,400**	**209,619,047**	**343,497,756**	**56,778,369**	**125,442,080**	**197,905,175**	**380,125,624**

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

At 31 December 2019 and 2018, the financial instruments subject to impairment requirements laid down in IFRS 9, analysed by stage, are detailed in the following table:

	2019			
	Risk category			
Category	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets at amortised cost				
Deposits at credit institutions	400,000	-	-	400,000
Loans and advances to customers	351,668,781	6,752,739	21,512,720	379,934,240
Debt securities	223,992,794	-	-	223,992,794
Financial assets at fair value through profit or loss				
Activos financeiros detidos para negociação	44,510,190	-	-	44,510,190
Financial assets not held for trading mandatorily at fair value through profit or loss	22,662,720	-	-	22,662,720
Financial assets at fair value through other comprehensive income	80,210,825	-	-	80,210,825
	723,445,310	**6,752,739**	**21,512,720**	**751,710,769**

	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				
Activos financeiros detidos para negociação	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 2019 and 2018, the main parameters used in the credit loss models of a real estate origin are detailed in the following table:

2019				
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	1.89%	5.20%	22.39%	PD over 1 year
2	5.09%	9.35%	25.56%	
3	8.16%	11.08%	24.85%	
4	11.93%	14.29%	28.16%	
5	14.90%	16.75%	29.53%	
6	17.02%	19.24%	30.30%	PD lifetime
7	20.13%	22.46%	34.24%	
8	21.83%	24.83%	38.96%	
9	40.18%	40.90%	47.78%	
10	40.72%	43.31%	55.40%	

2018				
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 2019 and 2018, the main parameters used in the popular economic credit loss models are detailed in the following table:

	2019			
	Popular Economic Credit			
	Probability of passing from ... to ...			
# of years	Stage 1 Stage 3	Stage 1/2 Stage 3	Stage 2 Stage 3	
12	25.36%	40.03%	46.26%	
13	14.85%	29.39%	37.51%	
14	30.08%	43.40%	49.46%	
15	18.05%	31.60%	39.81%	
16	18.32%	30.95%	38.85%	
17	18.23%	31.03%	39.05%	PD over 1 year
18	19.35%	31.73%	39.45%	
19	21.66%	33.74%	41.26%	
20	20.68%	36.71%	44.27%	
21	18.78%	32.93%	40.24%	
22	21.15%	34.31%	41.53%	

	2018			
	Popular Economic Credit			
	Probability of passing from ... to ...			
# of years	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 yearo
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 (LGD) for credit of a real estate origin and for popular economic credit, as at 31 December 2019, is 35.01% and 6.99%, respectively (31 December 2018: 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 2019 and 2018, the breakdown of the times to maturity of the financial instruments was as follows:

	2019							
	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	24.689,525	-	-	-	-	-	-	24,689,525
Amounts and deposits at other credit institutions	17,633,710	-	-	-	-	-	-	17,633,710
Financial assets held for trading	-	1,202,616	24,307	13,387,773	23,644,477	6,507,858	-	44,767,031
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	-	-	-	16,169,921	-	16,169,921
Financial assets at fair value through other comprehensive income	-	-	2,584,222	35,802,862	42,402,265	-	-	80,789,349
Financial assets at amortised cost								
- Deposits at credit institutions	-	-	400,000	-	-	-	351,920	751,920
- Loans and advances to customers	12,095,519	4,561,060	21,360,528	90,559,902	253,336,953	10,659,435	-	392,573,397
- Debt securities	-	31,097,026	11,722,981	122,684,716	61,728,694	-	-	227,233,417
Debtors and other financial investments	-	-	-	-	-	324,957	-	324,957
	54,418,754	**36,860,702**	**36,092,038**	**262,435,253**	**381,112,389**	**33,662,171**	**351,920**	**804,933,227**
Liabilities								
Resources from Central Banks	-	-	-	39,180,000	-	-	-	39,180,000
Resources from other credit institutions	206,895	-	-	-	-	-	-	206,895
Resources from customers and other loans	161,556,412	106,168,647	266,008,067	107,385,143	5,426	-	3,797,767	644,921,462
Financial liabilities held for trading	-	229,915	529,570	128,792	-	-	-	888,277
Non-subordinated debt securities issued	-	-	-	-	-	-	-	-
	161,763,307	**106,398,562**	**266,537,637**	**146,693,935**	**5,426**	**-**	**3,797,767**	**685,196,634**
Liquidity gap	**(107,344,553)**	**(69,537,860)**	**(230,445,599)**	**115,741,318**	**381,106,963**	**33,662,171**	**(3,445,847)**	**119,736,593**

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 and deposits at 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 other 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**

(1) - The Column "Other" includes interest receivable and payable, and deferred sums already received or 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 assets 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 2019 and 2018, the breakdown of financial instruments by currency was as follows:

	2019 Currency				
	Euros Gross	US Dollars	Pound	Other	Total
Assets					
Cash and deposits at Central Banks	24,689,525	-	-	-	24,689,525
Amounts and deposits at other credit institutions	14,439,484	2,415,790	342,145	436,291	17,633,710
Financial assets held for trading	41,855,635	1,369,333	1,012,768	529,295	44,767,031
Financial assets not held for trading mandatorily at fair value through profit or loss	16,169,921	-	-	-	16,169,921
Financial assets at fair value through other comprehensive income	70,192,650	10,596,699	-	-	80,789,349
Financial assets at amortised cost	607,105,614	9,782,523	3,670,559	38	620,558,734
Debtors and other financial investments	212,581	70,500	28,056	13,820	324,957
	774,665,410	**24,234,845**	**5,053,528**	**979,444**	**804,933,227**
Liabilities					
Resources from Central Banks	39,180,000	-	-	-	39,180,000
Financial liabilities held for trading	882,869	5,408	-	-	888,277
Resources from other credit institutions	181,277	25,618	-	-	206,895
Resources from customers and other loans	635,897,383	8,563,523	415,825	44,731	644,921,462
Non-subordinated debt securities issued	-	-	-	-	-
	676,141,529	**8,594,549**	**415,825**	**44,731**	**685,196,634**
Net exposure (Currency Position)	**98,523,881**	**15,640,296**	**4,637,703**	**934,713**	**119,736,593**

	2018 Currency				
	Euros Gross	US Dollars	Pound	Other	Total
Assets					
Cash and deposits at Central Banks	4,233,345	-	-	-	4,233,345
Amounts and deposits 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	22,505,715	-	-	-	22,505,715
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
	715,767,185	22,935,889	5,007,692	891,365	744,602,131
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	575,647,249	11,647,299	806,025	45,275	588,145,848
Non-subordinated debt securities issued	214,620	-	-	-	214,620
	635,060,627	**11,914,947**	**806,025**	**45,275**	**647,826,874**
Net exposure (Currency Position)	**80,706,558**	**11,020,942**	**4,201,667**	**846,090**	**96,775,257**

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 2019 and 2018.

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 present value of future cash flows of a financial instrument may fluctuate due to 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 2019 and 2018, the type of exposure to interest rate risk was summarised as follows:

	2019			
	Not subject to interest rate risk	**Fixed rate**	**Variable rate**	**Total**
Assets				
Cash and deposits at Central Banks	872,607	-	23,816,918	24,689,525
Amounts and deposits at other credit institutions	1,834,256	-	15,799,454	17,633,710
Financial assets held for trading:				
- Securities	6,507,858	34,275,735	1,199,256	41,982,849
- Derivatives	-	-	2,784,182	2,784,182
Financial assets not held for trading mandatorily at fair value through profit or loss	16,169,921	-	-	16,169,921
Financial assets at fair value through other comprehensive income	-	80,789,349	-	80,789,349
Financial assets at amortised cost				
- Deposits at credit institutions	-	-	751,920	751,920
- Loans and advances to customers	3,787,014	153,098,746	235,687,637	392,573,397
- Debt securities	-	161,095,668	66,137,749	227,233,417
Debtors and other financial investments	-	-	324,957	324,957
	29,171,656	**429,259,498**	**346,502,073**	**804,933,227**
Liabilities				
Resources from Central Banks	-	39,180,000	-	39,180,000
Financial liabilities held for trading	-	122,253	766,024	888,277
Resources from other credit institutions	-	-	206,895	206,895
Resources from customers and other loans	-	101,715,975	543,205,487	644,921,462
Non-subordinated debt securities issued	-	-	-	-
	-	**141,018,228**	**544,178,406**	**685,196,634**
	29,171,656	**288,241,270**	**(197,676,333)**	**119,736,593**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	51,893,411	51,893,411
- Options	73,076,113	-	-	73,076,113
- Futures	7,215,590	-	53,398,093	60,613,683
	80,291,703	**-**	**105,291,504**	**185,583,207**

	Not subject to interest rate risk	Fixed rate	Variable rate	Total
		2018		
Assets				
Cash and deposits at Central Banks	644,725	-	3,588,620	4,233,345
Amounts and deposits 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**

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 2019 and 2018, the exposure to interest rate risk was broken down into the following periods:

	2019						
	At sight	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	24,689,525	-	-	-	-	-	24,689,525
Amounts and deposits at other credit institutions	17,633,710	-	-	-	-	-	17,633,710
Financial assets held for trading:							
- Securities	-	1,187,655	11,600	8,473,910	25,801,825	6,507,859	41,982,849
- Derivatives	-	14,961	151,207	2,618,014	-	-	2,784,182
Financial assets not held for trading mandatorily at fair value through profit or loss	16,169,921	-	-	-	-	-	16,169,921
Financial assets at fair value through other comprehensive income	-	-	-	33,269,624	47,519,725	-	80,789,349
Financial assets at amortised cost							
- Deposits at credit institutions	-	-	400,000	-	-	351,920	751,920
- Loans and advances to customers	15,882,533	8,579,307	-	-	-	368,111,557	392,573,397
- Debt securities	-	48,030,902	18,005,392	101,319,698	59,877,425	-	227,233,417
Debtors and other financial investments	-	-	-	-	-	324,957	324,957
	74,375,689	**57,812,825**	**18,568,199**	**145,681,246**	**133,198,975**	**375,296,293**	**804,933,227**
Liabilities							
Resources from Central Banks	-	-	-	39,180,000	-	-	39,180,000
Financial liabilities held for trading	-	229,915	536,109	122,253	-	-	888,277
Resources from other credit institutions	206,895	-	-	-	-	-	206,895
Resources from customers and other loans	161,556,412	106,168,652	266,008,067	107,385,143	5,427	3,797,761	644,921,462
Non-subordinated debt securities issued	-	-	-	-	-	-	-
	161,763,307	**106,398,567**	**266,544,176**	**146,687,396**	**5,427**	**3,797,761**	**685,196,634**
	(87,387,618)	**(48,585,742)**	**(247,975,977)**	**(1,006,150)**	**133,193,548**	**371,498,532**	**119,736,593**

	2018						
	At sight	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 and deposits 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	3,422,255	583,370,887
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**	**3,423,351**	**643,051,913**
	(56,625,676)	**56,597,751**	**(183,520,760)**	**75,337,250**	**192,581,315**	**10,687,539**	**95,057,419**

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

According to the methodology described in Bank of Portugal Instruction 34/2018, the impact on own funds arising from a 200 bps shock to the interest rate curve comes to 20,480,000 euros (2018: 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 "Loans and advances to customers" item would result in a decline in its value of approximately 2,107,947 euros (31 December 2018: 2,520,214 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;
  - 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 2019 and 2018, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

	2019					
		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)	Other (Level 3)	Total	Book value
Activo						
Financial assets held for trading (Note 9)						
- Securities	-	6,507,857	35,474,991	-	41,982,848	41,982,848
- Derivatives	-	-	2,784,183	-	2,784,183	2,784,183
Financial assets not held for trading mandatorily at fair value through profit or loss (Note 9)	-	-	-	16,169,921	16,169,921	16,169,921
Financial assets at fair value through other comprehensive income (Note 10)	-	-	80,789,349	-	80,789,349	80,789,349
Debt securities (Note 8)	-	-	205,944,058	41,327,706	247,271,764	227,233,417
	-	**6,507,857**	**324,992,581**	**57,497,627**	**388,998,065**	**368,959,718**
Liabilities						
Financial liabilities held for trading (Note 21)						
- Derivatives	-	-	888,277	-	888,277	888,277

	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)	Other (Level 3)	Total	Book value
Activo						
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 omprehensive 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

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.

43. 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 2019 and 2018, the Bank presented a solvency ratio of 16.35% and 18.1%, respectively.

44. IFRS 16

As described in note 2.10, the Bank adopted IFRS 16 - Leases on 1 January 2019 in substitution of IAS 17 - Leases, which was in force until 31 December 2018. IFRS 16 was approved by the EU in October 2017, and the Bank has not adopted in advance any of the requirements of IFRS 16 in previous periods.

This standard sets out the new requirements for scope, classification/recognition and measurement of leases:
- from the lessor's perspective, leases continue to be classified as finance leases or operating leases;
- from the lessee's perspective, the standard defines a single accounting model for lease contracts, which results in the recognition of a right-of-use asset and a lease liability for all lease contracts except for leases with a term of less than 12 months or for leases that relate to low-value assets in which the lessee may opt for the exemption from recognition provided for in IFRS 16, in which case he shall recognise the lease payments associated with those contracts as expenses.

The Bank opted not to apply this standard to short-term lease contracts of less than or equal to one year and to lease contracts where the underlying asset has a low value, considering for this purpose the amount of 5,000 euros. The option of not applying this standard to leases of intangible assets was also used.

On 1 January 2019, the Bank conducted a survey of existing contracts at this time and used the practical arrangements provided for in the standard, i.e., it only applied the standard to contracts that were previously identified as leases under IAS 17 - Leases and IFRIC 4.

In accordance with IFRS 16, the Bank applied this standard retrospectively with the impacts of the transition recognized on 1 January 2019. The comparative information has therefore not been restated.

In the transition to IFRS 16, the Bank recognised a liability for the present value of future payments, discounting the lease liabilities using the lessee's incremental borrowing rate, which incorporates the risk-free interest rate curve (swap curve) plus the Bank's risk spread, applied over the weighted average term of each lease contract. The rate applied is 4.21%.

The assumptions considered in applying the standard were the following:

- lease term: the term, by category of contract, by which each contract will be enforceable has been evaluated. The assessment of enforceability takes into account the particular clauses of the contracts as well as the legislation in force regarding Urban Lease;
- discount rate: the lessee's incremental rate was used, which incorporates the risk-free interest rate curve (swap curve), plus a risk spread of the Bank, applied over the weighted average term of each lease contract. Regardless of the type of asset, the discount rate was calculated in the same way.
- non-application of the standard to contracts with a term of less than 12 months or for leases relating to assets of reduced unit value.

Based on the work done, it was identified that the main lease contracts covered by this standard are real estate contracts (head office building, agencies, investment centres).

The adoption of the standard implies changes to the Bank's financial statements, namely:

- in the income statement:
  - (i) The recording under the Interest and similar charges - Leases heading, included in the Net interest income aggregate, of the interest expense relating to leasing liabilities, as referred to in note 28;
  - (ii) The recording under the Rents and leases heading, included in the General administrative costs aggregate, of the amounts of the contracts outside the limits considered for the application of IFRS 16, namely short-term lease contracts and lease contracts of low value assets, as referred to in note 38;
  - (iii) The recording under the Right-of-use Assets heading, included in the aggregate Depreciation and amortization for the period aggregate, of the depreciation cost of the right-of-use assets, as referred to in Note 13;
- in the balance sheet:
  - (i) The recognition under the Right-of-use assets heading, included in the Other tangible assets aggregate, of the right-of-use assets, as referred to in Note 13;
  - (ii) The recognition in the Lease liabilities heading, included in the Other liabilities aggregate, of the value of the recognised lease liabilities, as referred to in note 23;
- In the cash flow statement:
  - (i) the Cash flows from operating activities - short-term and low-value lease payments heading refers to amounts related to short-term lease agreements and to lease agreements of low-value assets.

The reconciliation between the balance sheet balances as at 31 December 2018 and the balance sheet balances as at 1 January 2019, in accordance with IFRS 16, is detailed as follows:

(Amounts in euros)

	IAS 17 31 December 2018	Impact IFRS 16	IFRS 16 1 January 2019
ACTIVO			
Cash and deposits at Central Banks	4,233,345	-	4,233,345
Amounts and deposits at other credit institutions	11,713,894	-	11,713,894
Financial assets at amortised cost			
- Deposits at credit institutions	2,535,337	-	2,535,337
- Loans and advances to customers	312,163,551	-	312,163,551
- Debt securities	232,878,450	-	232,878,450
Financial assets at fair value through profit or loss			
- Financial assets held for trading	58,042,047	-	58,042,047
- Financial assets not held for trading mandatorily at fair value through profit or losss	16,012,916	-	16,012,916
Financial assets at fair value through other comprehensive income	98,761,930	-	98,761,930
Investments in subsidiaries, associated companies and joint ventures	12,500	-	12,500
Non-current assets held for sale	14,984,133	-	14,984,133
Investment properties	4,121,100	-	4,121,100
Other tangible assets	2,277,253	6,265,428	8,542,681
Intangible assets	305,096	-	305,096
Current tax assets	677,655	-	677,655
Deferred tax assets	7,378,470	-	7,378,470
Other assets	5,979,078	-	5,979,078
Total Assets	**772,076,755**	**6,265,428**	**778,342,183**
LIABILITIES			
Financial liabilities at amortised cost			
- Resources at Central Banks	56,680,000	-	56,680,000
- Resources from credit institutions	1,775,690	-	1,775,690
- Customers' resources and other loans	583,371,296	-	583,371,296
- Non-subordinated debt securities issued	214,620	-	214,620
Financial liabilities at fair value through profit or loss			
- Financial liabilities held for trading	1,010,716	-	1,010,716
Provisions	24,723	-	24,723
Current tax liabilities	72,345	-	72,345
Deferred tax liabilities	241,127	-	241,127
Other liabilities	15,789,877	6,265,428	22,055,305
Total Liabilities	**659,180,394**	**6,265,428**	**665,445,822**
SHAREHOLDERS' EQUITY			
Share Capital	59,500,000	-	59,500,000
Revaluation reserves	(181,417)	-	(181,417)
Other reserves and retained earnings	43,523,229	-	43,523,229
Net income for the year attributable to the Bank's shareholders	9,033,075	-	9,033,075
Total Shareholders' Equity attributable to the Bank's shareholders	**111,874,887**	**-**	**111,874,887**
Non-controlling interests	1,021,474	-	1,021,474
Total Shareholders' Equity	**112,896,361**	**-**	**112,896,361**
Total Liabilities and Shareholders' Equity	**772,076,755**	**6,265,428**	**778,342,183**

45. IFRS 9

IFRS 9 Financial Instruments

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

In October 2017, the IASB issued "Advance Payments with Negative Set-off" (changes to IFRS 9). The changes are effective for annual periods beginning on 1 January 2019, with early adoption permitted.

IFRS 9 establishes new rules for the accounting of financial instruments with significant changes mainly in relation to impairment requirements.

The Bank applied IFRS 9, as issued in July 2014, for the period beginning on 1 January 2018, and adopted in advance the amendments to IFRS 9 made on the same date. The total impact (net of tax) of the adoption of IFRS 9 on the Bank's retained earnings as at 1 January 2018 was negative by approximately 208,000 euros.

The accounting policies in force in the Bank in respect of financial instruments after the adoption of IFRS 9 on 1 January 2018 are described in Note 2.5.

Classification - Financial Instruments

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

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

A financial asset is measured at amortised cost if it meets the following characteristics, and is not assigned to FVTPL (use of Fair Value Option):

- It is held in a business model whose main purpose is to hold assets to collect its contractual cash flows; and
- The contractual cash flows occur on specific dates and correspond only to payments of principal and interest (SPPI) of the amount outstanding.

A financial asset is measured at the FVOCI only if it complies with the following characteristics, and is not assigned to FVTPL (use of Fair Value Option):
- It is held in a business model where the objective is the collection of its contractual cash flows and the sale of financial assets; and
- The contractual cash flows occur on specific dates and correspond only to payments of principal and interest (SPPI) of the amount outstanding.

On initial recognition of a capital instrument that is not held for trading, the Bank may irrevocably assign it to FVOCI. This designation is made instrument by instrument.

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

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

Business Model Evaluation

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

- The policies and purposes established for the portfolio and the practical operability of these policies, including how the management strategy focuses on receiving contractual interest, maintaining a certain interest rate profile, adjusting the duration of financial assets to the duration of liabilities that finance these assets or on the realization of cash flows through the sale of the 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 held under this business model) and the way these risks are managed; and
- The frequency, volume and sales periodicity in previous periods, the reasons for these sales and the expectations about future sales. However, sales information should not be considered individually, 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 financial assets managed and evaluated at fair value by option are measured at fair value through profit or loss (FVTPL) because they are not held either for the collection of contractual cash flows (HTC), nor for the collection of contractual cash flows and sale of these financial assets.

Evaluation of contractual cash flows with respect to the exclusive receipt of principal and interest (SPPI)

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 consideration for the time value of money, for 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), as well as for a profit margin.

When assessing the contractual cash flows in respect of the receipt of principal and interest, the Bank considers the contractual terms of the instrument, which includes the analysis of the existence of situations in which they may modify the periodicity and the amount of the cash flows so that they do not meet this condition.

In the evaluation process, the Bank considers:
- Contingent events that may change the periodicity and the amount of the cash flows;
- Characteristics that result in leverage;
- Terms of early payment 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 that prevent access to assets in case of default; and
- Characteristics that may change the compensation for the time value of money - e.g. periodic resetting of interest rates.

A contract with the possibility of early payment is consistent with the SPPI criterion if the amount of early payment represents unpaid principal and interest amounts of the outstanding principal amount, which may include reasonable compensation for early payment.

Impact Assessment

All securities in the own portfolio were analysed for compliance with the SPPI criterion, and some securities whose criteria were not met for the portfolio at fair value were reallocated. The impact was not materially relevant.

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

	Other items of shareholders' equity	Retained earnings	Total shareholders' 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 comprehensice 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, and there is no transitional regime in Portugal for this matter that establishes the tax treatment to be given to transition adjustments, such that the treatment given resulted from the Bank's interpretation of the application of the general rules of the IRC Code.

The impacts on the Bank's balance sheet resulting from the implementation of IFRS 9 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 and deposits 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
Revaluation 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 in impairment losses 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 'expected loss' anticipation model.

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

The new impairment model applies to the following set of financial instruments that is not measured in FVTPL:

- Financial Instruments that are Debt Instruments;
- Loans and Contracts with Financial Guarantees issued (previously, 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 12-month 'ECLs' or 'ECLs' for the entire duration of the contract. ECLs for the whole contract are the "ECLs" that result from all possible defaults during the expected life of a financial instrument, while 12-month "ECLs" are the portion of "ECLs" that result from default events that are possible within 12 months of the reporting date.

The impairment requirements of IFRS 9 are complex and require judgement by management, estimates 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 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 impaired at the reporting date: the present value of all unfulfilled cash flows - that is, the difference between the cash flows due to the entity according to the contract and the cash flows that the Bank expects to receive;
- Financial assets impaired at the reporting date: the difference between the gross amount held and the present value of estimated future cash flows;
- Undrawn credit balances: the present value of the difference between the contractual cash flows due to the Bank if the loan is paid in full and the cash flows the Bank actually expects to receive.

Default Definition

Under IFRS 9, the Bank will consider its financial assets as being in default when:

- The debtor will not be able to pay its credit obligations in full, without recourse by the Bank when calling on the guarantees held (if any); or
- The debtor is in default of at least 90 days of any material obligation of the contract to be performed with the Bank. Bank overdrafts are considered in default as soon as the customer is in breach of a reported limit, or if a limit has been reported that is lower than the current amount held.

When checking when the debtor is in default, the Bank will consider indicators that are:

- Qualitative: e.g. contractual clauses or covenants breaks;
- Quantitative: e.g. state of 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 inputs to the assessment of when a financial instrument is in default, and of its significance, may vary over time to reflect changes in circumstances.

Significant Increase in Credit Risk

Under IFRS 9, in determining that credit risk (i.e. default risk) has increased considerably in a financial instrument since its initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without great cost or effort, including both qualitative and quantitative information, and analysis based on the Bank's historical experience, technical credit analysis and prospective information.

The Bank will first identify how a significant increase in credit risk occurred for an exposure 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 this point in time that was estimated in the initial exposure 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 revolving credit instruments (e.g. credit cards and bank overdrafts), the date on which the credit was granted may have been a long time ago. The modification of the contractual terms of the financial instrument may also affect the evaluation, which is discussed below.

Determination of significant increase in credit risk

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

In certain circumstances, using expert judgement and, where possible, relevant historical experience, the Bank shall determine that an exposure has suffered a significant increase in credit risk if the particular qualitative factors so indicate and if these indicators cannot be fully covered by the quantitative analysis conducted 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 most when an asset is in default after 30 days past due. The Bank shall determine the days past due by counting the number of days from the due date in respect of which the full payment has not been received:

- The criterion is able to identify significant increases in credit risk before an exposure is in default;
- The criterion is not in line with the time when the asset is 30 days past due;
- The average time between identification and the significant increase in credit risk and default seems reasonable;
- Exposures are generally not transferred directly from the 12-month ECL measurement to credit impairment;
- There are no undesired volatilities in the loss adjustment, in the transfers of 12-month ECLs to ECLs for the remaining lifetime.

Inputs in the measurement of ECLs

The key inputs for measuring ECLs are presumably the following variables:
- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters were derived from developed internal models, and other historical data derived from regulatory models. They will be adjusted to reflect prospective information as described below.

Prospective Information

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

The baseline scenario will represent the most likely outcome and will be aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The remaining scenarios will represent more optimistic or pessimistic outcome scenarios. 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 real estate and lending credit the following economic probability is applied for each scenario:
- Baseline: 60%;
- Adverse: 10%; and
- Favourable: 30%.

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

iv. Modification and derecognition of contracts

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

However, it contains specific guidance for accounting when modification of a financial instrument not measured to FVTPL does not result in derecognition. Under IFRS 9, the Bank has recalculated the gross book value of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognising any adjustment as 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 in profit or loss on the modification of financial liabilities and financial assets without signs of default that would not result in derecognition.

The adoption of these requirements had an immaterial impact on the Bank.

During 2017, the Bank set up working groups across the institution, also involving external consultants, to develop new calculation methodologies, implement new procedures, and analyse the impacts of the two major aspects of IFRS 9: Portfolio Reclassification and Credit Impairments.

Portfolio Reclassification

The following activities have been developed at the level of the own portfolio:

- Impact on the financial statements of the reclassification of securities to the amortised cost portfolio, both at the time of reclassification and in terms of the impact on impairment;
- Development of methodology to calculate impairment at portfolio level accounted at amortised cost and fair value through reserves.

All securities in the own portfolio were analysed for compliance with the SPPI criterion, and some securities whose criteria were not met for the portfolio at fair value were reallocated. The impact was not materially relevant.

Credit Impairments

In view of the profound changes arising from IFRS9, it was decided to develop from scratch a new model to calculate credit impairment. To this end, a working group was set up to carry out the following tasks:

- New algorithm to calculate lifetime probabilities;
- Automatic application of lifetime PD to risk classes subject to collective analysis with past due of more than 30 days;
- Automatic determination of significant increase of risk;
- Definition of economic scenarios for estimating expected loss from a forward-looking perspective (at the level of PDs and LGDs).

46. NEWLY ISSUED NOTES

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

IFRS 16 - Leases

On 13 January 2016, the IASB issued IFRS 16 - Leases, which is mandatory for periods beginning on or after 1 January 2019. The standard was endorsed in the European Union by European Commission Regulation 1986/2017 of 31 October. Early adoption is allowed provided that IFRS 15 is also adopted. This standard revokes IAS 17 - Leases.

IFRS 16 removes the classification of leases as operating or financial (for the lessor - the client of the lease), 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 the requirements of the standard.

IFRIC 23 - Uncertainty regarding income tax treatments

An interpretation was issued on 7 June 2017 on how to deal, in accounting terms, with uncertainties about the tax treatment of income taxes, especially when tax legislation requires a payment to be made to the authorities in the context of a tax dispute and the entity intends to appeal against the understanding in question which led to such a payment.

The interpretation has defined that the payment can be considered a tax asset, if it relates to income taxes, in accordance with IAS 12 by applying the probability criterion defined by the standard regarding the favourable outcome in favour of the entity on the matter of dispute.

In that context the entity may use the most likely amount method or, if the resolution can dictate value ranges, use the expected value method.

IFRIC 23 was adopted by Commission Regulation EU 2018/1595 of 23 October and is mandatory for financial years beginning on or after 1 January 2019 and may be adopted in advance.

The Group has not recorded significant changes in the adoption of this interpretation.

Characteristics of prepayment with negative compensation (amendment to IFRS 9)

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

The Group has not recorded significant changes in the adoption of this interpretation.

The improvements of the 2015-2017 cycle, issued by the IASB on 12 December 2017 introduce changes, with effective date for periods beginning on or after 1 January 2019, to IFRS 3 (re-measurement of the previously held interest as a joint operation when obtaining control over the business), IFRS 11 (not remeasuring the interest previously held in the joint operation when obtaining joint control over the business), IAS 12 (accounting for all tax consequences of paying dividends consistently), IAS 23 (treatment as general loans any loan originally made to develop an asset when it becomes fit for use or sale).

The Group has not recorded significant changes in the adoption of this interpretation.

Long-term interests in Associates and Joint Ventures (Amendment to IAS 28)

In October 2017, the IASB issued amendments to IAS 28 regarding long-term interests in associates and joint ventures.

The amendments clarify that IFRS 9 applies to financial instruments in associates or joint ventures to which the equity method is not applied, including long-term interests.

The changes shall be applied retrospectively for annual periods beginning on or after 1 January 2019.

The Group has not recorded significant changes in the adoption of this interpretation.

Amendments, curtailments or settlements in the attributed benefit plan (amendments to IAS 19)

In February 2018, the IASB issued amendments to IAS 19. The changes clarify the accounting when an amendment, reduction or settlement occurs in the assigned benefit plan.

The changes now specify that an entity should use the updated assumptions of remeasuring its net defined benefit liability (asset) to determine the current service cost and net interest for the remainder of the reporting period after the plan change.

The changes result in a different allocation of total comprehensive income between service cost, interest and other comprehensive income.

The changes apply prospectively to amendments, curtailments or settlements of assigned benefit plans that occur on or after the beginning of the first annual reporting period beginning on or after January 1, 2019.

The Group has not recorded significant changes in the adoption of this interpretation.

The Group has decided not to apply in advance the following standards and/or interpretations adopted by the European Union:

Definition of Materiality (amendments to IAS 1 and IAS 8)

On 31 October 2018, the IASB issued amendments to its definition of materiality to facilitate companies in making materiality judgements.

The changes consist of (a) replacing the term ‘may influence’ with ‘may reasonably be expected to influence’; (b) including the concept of ‘concealment’ together with the concepts of ‘omission’ and ‘misstatement’ of information in the definition of materiality; (c) clarifying that the ‘users’ referred to are the primary users of the general financial statements referred to in the Framework; and (d) aligning the definition of materiality among IFRS disclosures.

The amended definition of materiality therefore states that ‘The information is material if it can reasonably be expected that its omission, misstatement or concealment could influence the decisions that primary users of the general financial statements will make on the basis of those financial statements, which provide the financial information about a particular reporting entity

The changes are effective as of 1 January 2020, but can be implemented in advance.

Changes to references to the conceptual framework in IFRS

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting, the revised Framework for Financial Reporting (Framework), which aims to update, in existing standards, references and citations to the existing version of the Framework or the version that was replaced in 2010, replacing them with references to the revised Framework.

The revised Framework has an effective adoption date of 1 January 2020 - with early adoption permitted - for companies that use the Framework to develop accounting policies when no IFRS standard applies to a specific transaction.

Reform of Interest Rate Benchmarks (amendments to IFRS 9, IAS 39 and IFRS 7)

On 26 September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7. The changes modify some specific hedge accounting requirements to alleviate the potential effects of the uncertainty caused by the IBOR reform. In addition, the changes require companies to provide additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The changes provide exceptions for entities to apply hedge accounting requirements, assuming that the interest rate benchmark, on which the hedged risk or the hedged item's cash flows or the hedged instrument's cash flows are based, is not changed as a result of the IBOR reform. The proposed exceptions apply only to hedge accounting requirements and the changes do not provide relief from other consequences arising from the reform of the interest rate benchmark.

The amendments are of limited scope. If a hedging relationship no longer meets the hedge accounting requirements for reasons other than those specified in the amendments, discontinuance of hedge accounting remains necessary.

In addition, the changes clarify that if an entity designates cash flows based on interest rate benchmarks as the hedged item in a cash flow hedge, the entity does not assume, for the purpose of measuring the ineffectiveness of the hedge, that the expected replacement of the interest rate benchmark with an alternative benchmark will result in a zero cash flow after replacement. The gain or loss on the hedge should be measured using cash flows based on an interest rate benchmark when applying a present value technique, discounted at a market discount rate that reflects market participants' expectations about the uncertainty resulting from the reform.

Changes are mandatory for all hedging relationships to which the exceptions apply.

The changes have an effective adoption date of annual periods beginning on or after 1 January 2020. Early adoption is allowed. The changes are applied retrospectively to hedging relationships existing at the beginning of the reporting period in which the entity first applies the changes and to the gain or loss recognised in comprehensive income at the beginning of the period in which the entity first applies the changes (ie even if the reporting period is not an annual period).

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

Business Definition (amendments to IFRS 3 Business Concentration)

EOn 22 October 2018, the IASB issued the changes to its business definition.

The changes clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs. The changes also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes needed to create outputs, or including the outputs themselves, by replacing the term "ability to create outputs" with "ability to contribute to the creation of outputs".

It is no longer necessary to assess whether market participants are capable of replacing missing inputs or processes (e.g. integrating acquired activities and assets) and continue producing outputs. The changes focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.

The changes shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If the entities implement the changes in advance, they shall disclose this fact.

Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 - Presentation of Financial Statements)

The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.

The changes aim to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. The changes include clarifications on the debt rating requirements that a company can settle by converting into capital.

This change is effective for periods after 1 January 2022.

47. REQUIRED DISCLOSURES BY STATUTE

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

a) There are no transactions not included in the balance sheet, so there will be no financial impacts to report;
b) Total fees invoiced in the year ended 31 December 2019 by the Statutory Auditor came to 152,235 euros, related with the Statutory Audit of the annual accounts (46,785 euros) and additional services (105,450 euros), as mentioned in Note 41.

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

a) The Company has no outstanding Social Security contributions;
b) The Company does not have any outstanding taxes to the State.

48. SUBSEQUENT EVENTS

In addition to the aspects disclosed in the other notes and in accordance with the accounting policy in note 2.21, the events that occurred after the date of the financial statements and up to the date of their approval were as follows.

COVID-19

Covid-19 has affected a very wide range of countries and thousands of people around the world and it is predictable that the number of infected will continue to rise.
Bearing this in mind, the Bank considers it premature to estimate any impacts of Covid-19. It should be noted, however, that notes have been issued by supranational entities and rating agencies with a view to downward revision of global and European economic growth prospects in 2020.

The Bank has adopted a number of contingency measures planned and designed to ensure the protection of persons and the continuity of business, including recommendations from health authorities, distance working, among others, seeking to maximise the Bank's resilience.

Based on all the information available at the time, including the liquidity and capital situation as well as the value of the assets, it is considered that the going concern principle that underlies the preparation of the financial statements remains applicable.

6. Certificação Legal de Contas

STATUTORY AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Invest, S.A. (the Group), which comprise the consolidated balance sheet as at 31 December 2019 (showing a total of 840,813,192 euros and total shareholders' equity of 126,815,255 euros, including non-controlling interests of 1,052,655 euros and a net profit for the year attributable to the Bank's shareholders of 12,185,316 euros), the consolidated income statement by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements that include 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 2019 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

Our conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines issued by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are described in the "Auditor's responsibilities for auditing the consolidated financial statements" section below. We are independent of the entities that comprise the Group in accordance with the law and comply with the other ethical requirements in accordance with the code of ethics of the Ordem dos Revisores Oficiais de Contas.

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

Emphasis

As described in note 47. Subsequent events, Covid-19 has affected a very wide range of countries and thousands of people around the world and it is predictable that the number of infected will continue to rise, this being a non-adjustable event. Bearing this in mind, the Group considers it premature to estimate any impacts of Covid-19. It should be noted, however, that notes have been issued by supranational entities and rating agencies with a view to a downward revision of global and European economic growth prospects in 2020.

The Group adopted a number of contingency measures planned and designed to ensure the protection of persons and business continuity, including recommendations from health authorities, and distance working, among others, seeking to maximise the Group's resilience. Based on all the information available at the time, including the liquidity and capital situation as well as the value of the assets, it is considered that the going concern principle that underlies the preparation of the financial statements remains applicable.

Our opinion has not changed on this matter.

Key audit matters

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

Credit risk and reasonableness of associated impairment

- As at 31 December 2019, impairment losses on financial assets at amortised cost - loans and advances to customers (including securities and other assets recorded at amortised cost) and provisions for guarantees and commitments assumed come to 27,081,575 euros, as referred to in Note 7 attached to the financial statements.

The Risk

For the purpose of determining impairment, financial assets measured at amortised cost - loans and advances to customers 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 expectations about the growth of the business performance and the market value of associated collaterals and expectations regarding the development of future macroeconomic conditions.

The collective analysis is based on ECL estimates and assumptions that consider the (i) 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 the economic and credit environment and its impact on the level of historical and future losses (forward looking) .

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 of the process of classifying financial assets based on their credit risk (Stage 1, 2 and 3);
- Evaluation of the ECL estimation process;
- Analysis of individual loans, for a set of selected loans, regarding which the assumptions underlying the identification and quantification of impairment are evaluated, including (i) the evaluation of existing collateral and (ii) estimates of recovery in the event of default;
- For loans whose impairment losses are determined on a collective basis, testing and recalculation, with the support of our experts in this area, of the underlying models, including the approval process, their validation and the determination of the impairment recorded. In addition, testing the adequacy and accuracy of

The impairment assessment process is highly complex in its design and implementation and includes several estimates and judgements 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.

the significant assumptions used by the model including the key attributes for its classification;

- Review of the disclosures made by the Group, in accordance with the applicable accounting standards.

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 cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the preparation of the management 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 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 misstatement 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 reasonable 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 judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and 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 for the current year and are therefore the key audit matters. We describe these matters in our auditor's 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(3)(e) of the Commercial 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) 537/2014

Pursuant to Article 10 of Regulation (EU) 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 shareholders' meeting held on 15 September 2017, for a 4-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 the ISAs, we maintained professional scepticism, and designed audit procedures to respond to the possibility of material misstatement of consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatements in 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 Group's supervisory body on 13 May 2020.

  We declare that we have not provided any prohibited services as described in Article 77(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 the Group with the following services as permitted by law and regulations in force:
  - Issuance of the opinion defined pursuant to Article 25(5)(b) of the Bank of Portugal Notice 5/2008, regarding the Group's internal control system;
  - Issuance of reports on the loan portfolio impairment pursuant to Bank of Portugal Instruction 18/2018;
  - Special audit of regulatory reporting as requested by the Bank of Portugal;
  - Other opinions issued at the request of the Bank of Portugal;
  - Issuance of opinion on the Safeguarding of assets as determined by the CMVM;
  - Project to support the demerger process underway.

15 May 2020

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KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (No. 189)
represented by

Miguel Pinto Douradinha Afonso (ROC No. 1454)

7. Relatório e Parecer do Conselho Fiscal

KPMG

REPORT AND OPINION OF THE AUDIT BOARD

FOR THE FINANCIAL YEAR 2019

To the Shareholders

of Banco Invest, S.A.

In accordance with Article 420(1)(g) of the Commercial Companies Code, it is our duty as members of the Audit Board of **Banco Invest,** S.A., to submit the Report of our supervisory activity and the opinion on the management report, consolidated accounts and proposals presented by the Board of Directors of **Banco Invest,** S.A. for the year ended 31 December 2019. Within the scope of our duties, we developed contacts with the Board of Directors, obtained clarifications and collected information from the competent services, informed ourselves about the Company's activity and the management of the business carried out and verified the financial information produced during the year ending on 31 December 2019, carrying out the analyses deemed convenient in order to develop a reasonable understanding of Banco Invest, S.A.'s activity.

We verified compliance with the Law and the Company's Articles of Association, verified that the accounting records and supporting documentation were in order, verified that the accounting policies adopted by the Company and the disclosures included in the Notes lead to a correct representation of the consolidated assets and consolidated results and carried out other procedures deemed necessary under the circumstances.

After the closure of the consolidated accounts, we examined the documents rendering the consolidated accounts, namely the management report prepared by the Board of Directors, as well as the consolidated financial statements presented, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated statement of comprehensive income and the corresponding notes.

We have been informed of the Legal Certification of the Company's consolidated accounts, with emphasis and without reservations, issued by KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., dated 15 May 2020, and with whose content we agree.

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

a) The consolidated financial statements provide a fair understanding of the Company's consolidated financial situation and consolidated results;

b) The accounting policies adopted and disclosures are appropriate; and

c) The management report presents the evolution of the Company's business and situation, in accordance with the legal and statutory provisions.

In light of the work undertaken, we are of the opinion that the Company's Annual General Meeting should approve:

a) The Management Report and Consolidated Accounts for the year ended 31 December 2019;

b) The proposal for the appropriation of results set forth in the aforementioned Management Report.

Finally, we would like to highlight and acknowledge the excellent cooperation received in the performance of our duties from the Company's Board of Directors and the services with which we had the opportunity to contact,

Lisbon, 15 May 2020

The Audit Board

Jean-éric Gaign

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José Manuel Lopes Neves de Almeida

[illegible signature]

Luís Alberto Monsanto Póvoas Janeiro

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BANCO
INVEST

Lisboa
Av. Eng. Duarte Pacheco, Torre 1 - 11º, 1070-101 Lisboa
Tel.: +351 213 821 700   Fax: +351 213 864 984   welcome@bancoinvest.pt

Porto
Pç. do Bom Sucesso, nº 131 - Ed. Península, Salas 502 a 504 - 5º, 4150-146 Porto
Tel.: +351 226 076 390   Fax: +351 226 095 297

www.bancoinvest.pt