REPORT AND CONSOLIDATED ACCOUNTS '14

BANCO INVEST

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GRUPO ALVES RIBEIRO

Table of Contents

1. Governing Bodies

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General Meeting of Shareholders

Charmain

Francisco Xavier Ferreira da Silva

Secretaries

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

Board of Directors

Charmain

Afonso Ribeiro Pereira de Sousa

Deputy Charmain

António Miguel Rendeiro Ramalho Branco Amaral

Members

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

Audit Board

Charmain

Artur Carmo Barreto

Members

Rosendo José
Victor Hugo Moreira Ferreira Lemos Sousa

Alternate Member

Francisco Dias Martins

Statutory Auditor

Luís Augusto Gonçalves Magalhães

2. Company Highlights

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February – 97	Incorporation of the Bank, with a share capital of 20 million euros
April – 97	Start of business in Lisbon and Oporto
December – 97	The Bank's assets stand at 27 million euros
February – 98	Incorporation of Alrimo, the Bank's fund manager
May – 98	Incorporation of Probolsa, the Bank's broker
September – 98	Probolsa becomes a Trading and Settlement Member of BVLP (Lisbon and Oporto Stock Exchange)
November – 98	Inauguration of the Lisbon Brokerage Shop
December – 98	The Bank's consolidated assets stand at 48 million euros
January – 99	Share capital increase to 25 million euros
April – 99	Launch of the Alves Ribeiro – Medium-Sized Companies (Portugal) Fund
June – 99	Inauguration of the Leiria Brokerage Shop
December – 99	Share capital increase to 35 million euros The Bank's consolidated assets stand at 100 million euros
August – 00	The Bank becomes a Settlement Member of the BVLP
October – 00	Share capital increase to 42.5 million euros
December – 00	Launch of the Alves Ribeiro – European Equities Fund. The Bank's consolidated assets stand at 150 million euros
October – 01	Share capital increase to 47.5 million euros
November – 01	Launch of the Alves Ribeiro PPR (Retirement) Fund. Launch of the brokerage service for foreign markets
December – 01	The Bank's consolidated assets stand at 200 million euros
January – 02	The Alves Ribeiro – Medium-sized Companies Fund is considered the most profitable domestic equity fund in Portugal in 2001
December – 02	Inauguration of the Oporto Brokerage Shop
September – 03	Launch of the derivatives brokerage service for foreign markets
October – 03	The Bank becomes a Clearnet Global Clearing Member
December – 03	Securitisation of 100 million euros of contracts of the Bank's loan portfolio: First property leasing contract securitisation operation in Portugal First involvement of a European investment fund in an issue sourced by a Portuguese bank First credit securitisation operation in Europe with the guarantee of the European Investment Fund included in the structure of the issued bonds The Bank's consolidated assets stand at 300 million euros
January – 04	The Bank becomes a Euronext Lisbon Trading Member Firm The brokerage business carried on by Probolsa is transferred to the Bank by means of a merger by incorporation transaction
March – 04	The Alves Ribeiro PPR Fund is considered the most profitable in its category in Portugal in 2003
December – 04	Securitisation of 42 million euros of contracts of the Bank's loan portfolio The Bank's consolidated assets stand at 350 million euros
June – 05	The Bank's consolidated assets stand at 400 million euros
October – 05	Banco Alves Ribeiro changes its name to Banco Invest
October – 05	Launch of the Banco Invest website
December – 05	Issue of bond loan for 50 million euros "Banco Invest 08 – Euribor + 0,425%"
December – 05	The Bank's assets stand at 451 million euros
October – 06	Development and implementation of a model for calculation of expected default and loss probability from the loan business
December – 06	The Bank's assets stand at 545 million euros
January – 07	The Alves Ribeiro PPR (Retirement) Fund is considered the most profitable in its category in Portugal in 2006
December – 07	The Bank's assets stand at 627 million euros
March – 08	Launch of a Programme for the securitisation of contracts of the Bank's loan portfolio, in the form of conduit, up to 125 million euros
December – 08	Launch of the derivative product structuring and management business for Corporate and Institutional Customers
June – 09	Inauguration of the new Leiria Investment Centre
December – 09	The Alves Ribeiro PPR (Retirement) Fund ends 2009 with a 30.8% increase in value, the best among all comparable products available in the market
January – 10	First place in the international "Structured Retail Products" league table of structured products issued, managed and placed in Portugal
March – 10	Obtainment of Euronext membership for the Amsterdam, Paris and Brussels markets
December – 10	The Bank's consolidated solvency ratio rose to 13.3%
February – 11	Launch of a Multibanco Card
April – 11	Inauguration of an Investment Centre in Lisbon, at Rua Barata Salgueiro
May – 11	Launch of a transactional website (www.bancoinvest.pt)
June – 11	Launch of a professional online trading platform – Invest Trader
October – 11	Opening of the tenth Specialised Credit agency
November – 11	Most Profitable Bank in Portugal award attributed by the magazine Exame, in the Small and Medium-Sized Bank category
February – 12	Inauguration of an Investment Centre in Oporto, at Rua Júlio Diniz
October – 12	Euromoney magazine's award of Best Distributor for Performance of the Structured Products, distinguishing the products issued by Banco Invest as the most profitable for the final customer
October – 12	Opening of the eleventh Specialised Credit agency
January – 13	The AR - PPR Fund, managed by Invest – Gestão de Activos, is the national asset allocation fund (hybrid fund) with the highest return in 2012 (48.9%)
January – 13	Opening of the twelfth Specialised Credit agency
February – 13	Among the three mutual funds with the highest return over the last twelve months in Portugal, two are managed by Invest – Gestão de Activos: the most profitable is the AR – PPR fund, and the third most profitable is the AR – Media Empire
December – 13	The offer of foreign investment funds reaches 700 funds, managed by the most prestigious international management companies.
December – 13	The Bank's consolidated solvency ratio exceeds 20%.
January – 14	Invest – Gestão de Activos is considered the national management company with the highest average returns, in 2013: 26.3%. The funds AR – Media Empire Portugal and AR – PPR registered a 32.8% and 19.8% increase in value in 2013, respectively.
January – 14	The AR – PPR fund has registered the third highest annualised return, since the start of 2004, among all the national investment funds.
February – 14	Among all of the national investment funds, the AR – PPR fund has registered the third highest annualised return in the last three years.
November – 14	For the second time Banco Invest was voted the Most Profitable Bank in the Small and Medium-Sized Bank category. The award is handed out by the Exame magazine as part of an exclusive study conducted by Informa D&B and Deloitte.
February – 15	Banco Invest won the Best Distributor for Performance award handed out by Structured Retail Products of the Euromoney group. This award is based on the analysis of the structured products issued in Europe, recognising Banco Invest products as the most profitable for the final customer in Southern Europe (Portugal, Spain and Italy). This is the second time that Banco Invest structured products are highlighted by Structured Retail Products after receiving the same award in 2012.

3. Board of Director's Report

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Macroeconomic Background

International Economy

The world economy continues to show signs of recovery, although fragile and uneven among the various regions and countries. The main growth drivers have been the world's advanced economies that have progressively been benefiting from the lesser degree of financial leveraging of the private sector, lower fiscal pressure and very accommodating monetary policies. In contrast to this trend, in various emerging economies, internal and external imbalances and falling prices in commodities, along with the depreciation of the respective currencies, have led to a slowdown.

United States

In the United States, the economic recovery showed signs of greater sustainability. In the fourth quarter of 2014, Gross Domestic Product (GDP) recorded real growth of 2.6% (annualised), after the strong growth of 5.0% seen in the third quarter. During the last quarter of the year, lower government expenditure and a weaker contribution from the foreign sector ended up partially cancelling out private consumption, which reached the highest value of the past nine years (2.9% in a row, annualised). In turn, advanced indicators continue to indicate that the positive stretch of the US economy will continue over the coming months, with the ISM Manufacturing PMI index having climbed to 55.5 points, close to the year's maximum (and that of the past three years).

USA: Economic Activity

Source: Bloomberg

Another significant change that took place in 2014 was the fall in unemployment, which currently stands at 5.6%, down 1.1 percentage points since the end of 2013. The effects of improvements in the labour market are very much visible in consumer confidence, whose index closed out the year at 92.6 points, the highest score since the end of 2007. The fall in energy costs have undoubtedly contributed to this improvement.

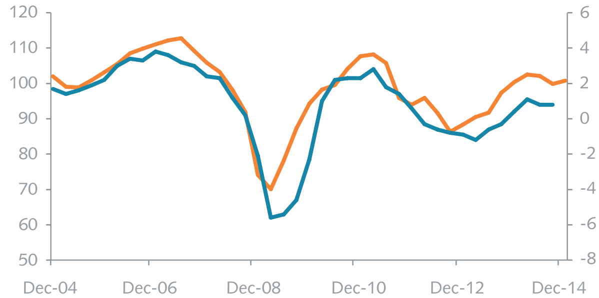
For most of the year, inflation remained relatively stable between 1.7% and 2.0%, but fell to 0.8% in December, reflecting the aforementioned decline in energy costs, especially oil prices. Except for energy and food costs, inflation (core) stands at 1.6%, practically unchanged in comparison with the value recorded by the end of 2013.

According to the latest estimates from the International Monetary Fund (IMF), the US economy grew 2.4% in 2014 and will expand 3.6% in 2015.

Zona Euro

According to Eurostat, GDP growth was 0.3% in the fourth quarter, following the 0.2% recorded during the third quarter. In year-on-year terms, GDP rose 0.8%, one-tenth higher than in the previous quarter. Among the Euro Zone countries we highlight Germany and Spain with year-on-year growth rates of 1.5% and 2.0%, respectively. Italy and Cyprus fell into negative territory with contractions of 0.3% and 1.9%, respectively, within the same period.

Euro Zone



Source: Bloomberg

The average unemployment rate closed out the year at 11.4%, slightly below the rate recorded by the end of 2013 (11.8%), masking however a vast divergence between member countries. For instance, in Germany the unemployment rate currently sits below 5.0%, while in Greece, Spain and Portugal it is at 25.8%, 23.7% and 13.5%, respectively.

Recovery of the Euro Zone economy therefore continued to be fragile and vulnerable to both internal and external risks. Domestically, deflation continued to be a risk, due to the fall in the price of commodities, namely energy and food (in December, inflation stood at -0.2%). Externally, tension with Russia, increased conflict in the Middle East and political instability in Greece may hinder growth.

Nevertheless, the latest IMF projections point to an economic recovery in 2015 and 2016 with a 1.2% and 1.4% growth, respectively, based on a very accommodating monetary policy, budgetary policies that are generally more neutral and improvement in the supply of credit. However, the fall in the price of commodities and the (slight) rise in salaries and employment should have a positive impact on consumer confidence and private consumption.

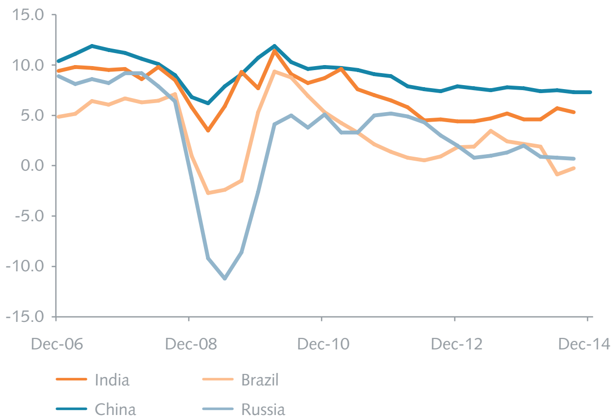
Emerging Countries

One of the main topics on the investor radar in 2014 was certainly the progress of emerging and developing economies, in so far as they are an important driving force for world economic growth. During the second half of the year the spotlight focused on these economies largely due to the fall in the prices of commodities. However, the impact of this decrease was not the same on all of these countries as a whole.

In emerging Asian economies, economic growth should stand at 6.5% and 6.4% in 2014 and 2015 respectively, according to the IMF. The Chinese economy is expected to continue its slowdown, but it is still expected to post growth rates of 7.4% and 6.8% in 2014 and 2015, following the 7.8% seen in 2013. In India GDP should rise to 5.8% and 6.3% in 2014 and 2015, following the 5.0% posted in 2013.

In turn, economic growth in Brazil and Russia is expected to remain weak and limited as a result of commodity trends. According to the IMF, Brazilian and Russian GDP is expected to rise 0.1% and 0.6% in 2014, respectively. A slight improvement in the Brazilian economy is expected in 2015 (0.4%), while a recession is forecasted for Russia (-3.0%), as a result of exposure to oil prices, international economic sanctions and tension with Ukraine.

BRIC countries: GDP Growth (% YoY)



Source: Bloomberg

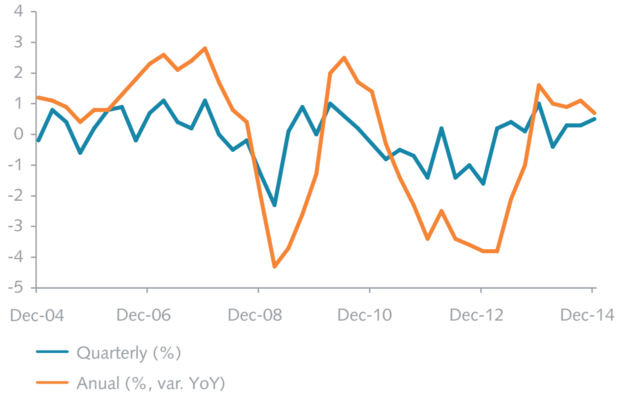
Portuguese Economy

According to Statistical Institute of Portugal (INE), during the fourth quarter of 2014, national GDP grew 0.7% year-on-year in real terms, having posted 0.9% in the previous quarter.

This trend was impacted by slow domestic demand relative to that of the previous quarter, reflecting reduced private consumption. Net foreign demand impacted the year-on-year change in GDP slightly less negatively, due to the increase in Exports of Goods and Services. Cumulatively speaking, from the start of the year until November, exports of goods grew 1.7% over the previous period, while imports increased 3.3%. Over the same period, excluding fuel, exports and imports increased 4.1% and 6.7% respectively. Regarding the international trade in services, since the beginning of the year exports increased, on aggregate, 6.1% year-on-year, while imports were up 9.4%.

In 2014 as a whole, GDP rose 0.9% after a 1.4% drop in 2013, spurred by domestic demand and exports (2.6%).

Evolution of National GDP

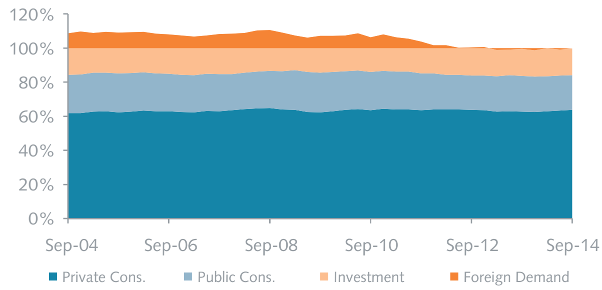


Source: Bloomberg

From January to October 2014, the combined surplus of the current account and capital account balances totalled 3,397 million euros, representing an increase of 562 million euros over the same year period of 2013. This trend reflected an increase of 825 million euros in the current account balance, which more than offset the drop in 263 million euros in the capital account balance. The increase in the current account balance surplus was the result of an improvement in the services and primary and secondary income balances, offsetting the increase in the balance of goods deficit over the same previous year period.

The unemployment rate closed out the year at 13.5%, well below the level recorded by the end of 2013 (14.8%). Year-on-year inflation closed out 2014 at -0.4%.

Breakdown of GDP



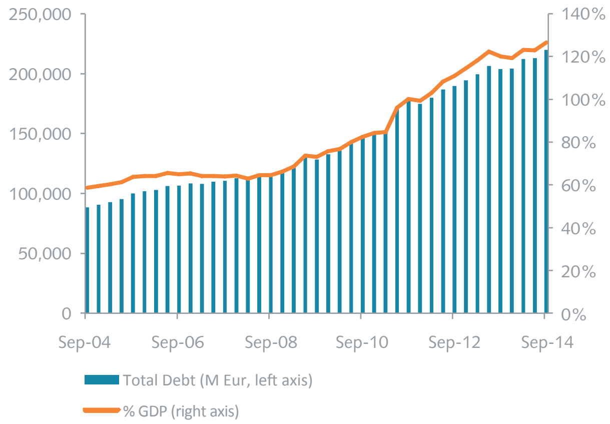
Source: INE

According to the Portuguese Ministry of Finance, in 2014 the Government Budget for public accounts totalled 7,093 million euros, in comparison with the same previous year period. In turn, the overall balance of the Central Administration and Social Security totalled -7.047 million euros (-7.936 million euros in 2013), while the primary surplus totalled 535 million euros, against -235 million euros during the same period in 2013.

Tax revenue for the Central Administration and Social Security increased 2.3% over the same previous year period, with direct and indirect taxes growing 0.8% and 3.5%, respectively. In consolidated terms, real revenue grew 1.2%. On the expense side, staff costs rose 0.9%, but were offset by lower goods and services purchasing costs (-4.6%), interest and other charges (-1.5%), subsidies

(-10%) and other current expenses (-25%). From January to December, real expenses dropped 0.1%, against the same period in 2013, falling to 75,536 million euros.

Portuguese Government Debt



Source: INE, IGCP

Projections of the Bank of Portugal: 2014-2016

	Weights 2013	2014	2015	2016
Gross Domestic Product	100%	0,9%	1,5%	1,6%
Private Consumption	65,7%	2,2%	2,1%	1,3%
Private Consumption	18,3%	-0,5%	-0,5%	0,5%
Government Consumption	16,3%	2,2%	4,2%	3,5%
Internal Demand	100,7%	2,3%	1,0%	1,5%
Exports	37,7%	2,6%	4,2%	5,0%
Imports	38,0%	6,3%	3,1%	4,7%
Current and Capital Accounts (% of GDP)		2,6%	2,8%	2,9%
Goods and Services Account (% of GDP)		1,6%	2,5%	2,6%
Goods and Services Account (% of GDP)		-0,1%	0,7%	1,0%

Source: Bank of Portugal, 2014 Winter Report

Finally, a quick note about the projections of the Bank of Portugal for the Portuguese economy up until 2016, as published in December. The latest estimates point to a continuation in the gradual upward trend that began in 2013, rising 0.9% in 2014, and 1.5% and 1.6% in 2015 and 2016, respectively, which denotes average growth for this period slightly above that which has been projected for the Euro Zone. These projections include a continuation of the positive performance of exports and increased investment in 2015-2016, along with a slight slowdown in private consumption. Domestic demand is expected to continue to be limited by the continued high indebtedness of the private sector and by the budgetary consolidation process. As such, the dynamic export sector and the slide in private consumption should allow for the surpluses in the current account and capital account balances to continue over the next two years.

Economic Indicators

	2014	2015	2016
Change in DDP			
World Economy	3.3%	3.5%	3.7%
USA	2.4%	3.6%	3.3%
Japan	0.1%	0.6%	0.8%
Euro Zone	0.8%	1.2%	1.4%
Portugal	0.9%	1.5%	1.6%
Unemployment Rate			
USA	6.2%	5.6%	5.3%
Japan	3.6%	3.5%	3.5%
Euro Zone	11.4%	11.1%	10.8%
Portugal	13.7%	12.8%	12.4%
Investment			
USA	3.5%	5.3%	5.6%
Japan	3.7%	-1.0%	-0.5%
Euro Zone	0.5%	1.2%	3.1%
Portugal	2.2%	4.2%	3.5%
Inflation (CPI var. relative to the previous year)			
USA	1.7%	1.4%	2.0%
Japan	2.9%	1.8%	1.6%
Euro Zone	0.5%	0.6%	1.0%
Portugal	-0.2%	0.2%	0.4%
Private Consumption			
USA	2.3%	2.9%	2.8%
Japan	-0.9%	1.0%	1.2%
Euro Zone	0.7%	1.0%	1.3%
Portugal	2.2%	2.1%	1.3%
Government Consumption			
USA	0.5%	0.3%	0.5%
Japan	0.3%	0.3%	0.5%
Euro Zone	0.8%	0.4%	0.6%
Portugal	-0.5%	-0.5%	0.5%

Source: IMF (Jan-14), OECD (Nov-14), Bank of Portugal (Dec-13)

Markets

The year of 2014 ended with the most important equity market in the world (US) close to historic highs and the yields on European public debt issues at historic lows. Emerging economies, however, came under pressure due to the fall in commodity prices, namely oil, and due to the looming rise in interest rates in the United States.

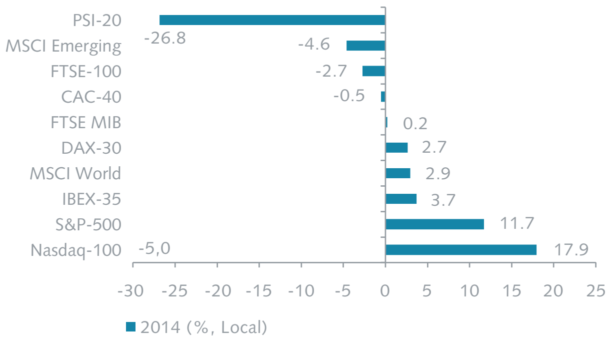
Equity Markets

In the United States, the S&P-500 and Nasdaq-100 indices closed out 2014 up 11.4% and 17.9%, in USD. Volatility returned to the market in the fourth quarter with abrupt fluctuations in October and December caused by uncertainty in the Federal Reserve (FED) monetary policy and more recently due to the fact that projected growth rates in emerging economies fell short of expectations. Nevertheless, these two benchmarks closed out the year very close to historic highs.

In Europe, the landscape was somewhat less favourable, as reflected by the Stoxx-600 and EuroStoxx-50 indices, which posted meagre increases of 4.4% and 1.2%, respectively. The German and British indices saw changes of 2.7% and -2.7%. Within the group of peripheral countries, outperformers included Ireland and Spain with boosts of 15.1% and 3.7%, respectively. In contrast, the Greek and Portuguese markets fell, for distinct reasons, 29% and 27%, respectively.

In emerging markets 2014 was also a negative year. The MSCI Emerging benchmark fell 4.6%, in USD. The Indian market turned out to be the outperformer on the basis of good growth expectations (GDP up 6.4% in 2015) and stabilised inflation. Negative outliers included Russia, Brazil and African markets, largely due to a negative trend in oil prices.

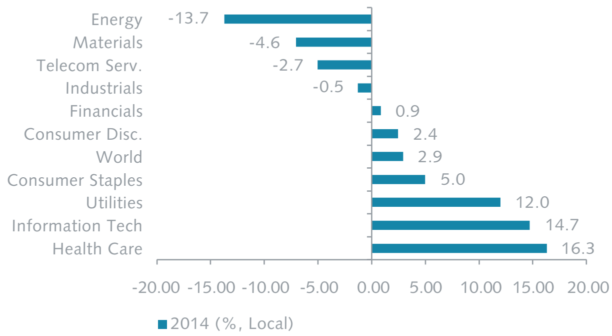
Leading Stock Market Indices



Source: Bloomberg

On a sector basis, pharmaceuticals (+16.3%), technology (+14.7%) and utilities (+12.0%) recorded the best performances as measured by the MSCI global indices in USD. Meanwhile, the telecommunications, materials and energy sectors recorded drops of 5.0%, 7.1% and 13.7%, respectively in 2014.

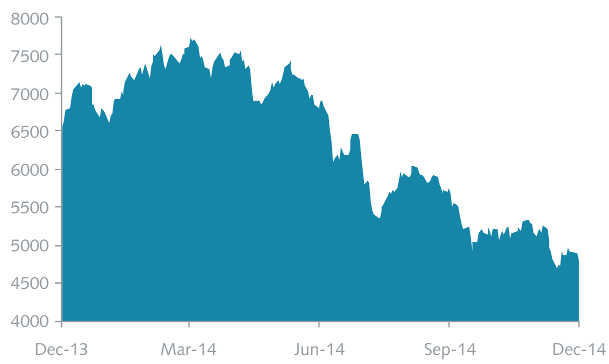
World Sectorial Indices



Source: Bloomberg

As previously mentioned, Portugal's national index (PSI-20) lost almost 27% in 2014. The year was decisively marked by the collapse of the Espírito Santo Group and consequently Banco Espírito Santo, and indirectly Portugal Telecom SGPS, whose shares lost 72.7% over the course of the year. The financial sector was also severely penalised (BANIF -45.8%, BCP -32.0% and BPI -15.6%), along with Mota-Engil (-38.5%) and GALP (-29.2%), the latter two due to falling oil prices. Jerónimo Martins was also sternly penalised (-41.4%) due to pressure on earnings caused by falling food prices and increased competition in Poland. Positive outliers included CTT (+43.4%), EDP Renováveis (+40%) and Semapa (+23.1%).

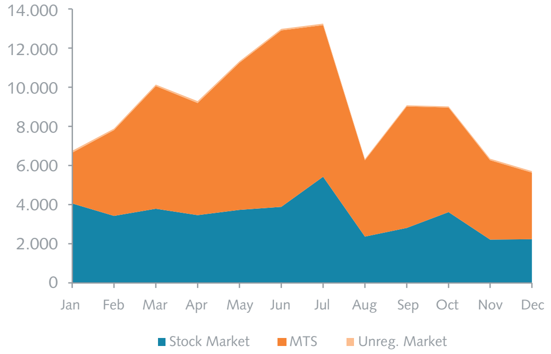
PSI-20 Index



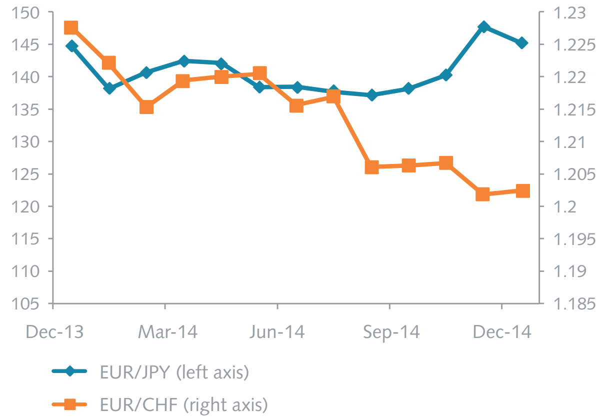
Source: Bloomberg

The secondary market totalled 39.7 billion euros in 2014, up 27.3% from the previous year. Regulated markets continued to account for almost all of the traded amount, totalling 38.8 million euros. According to MTS Portugal, traded debt issues totalled 66.2 billion euros, against 11.9 billion in 2013 (+455%).

Volume of Transactions in the Secondary Market



Unit: Million euros. Source: CMVM

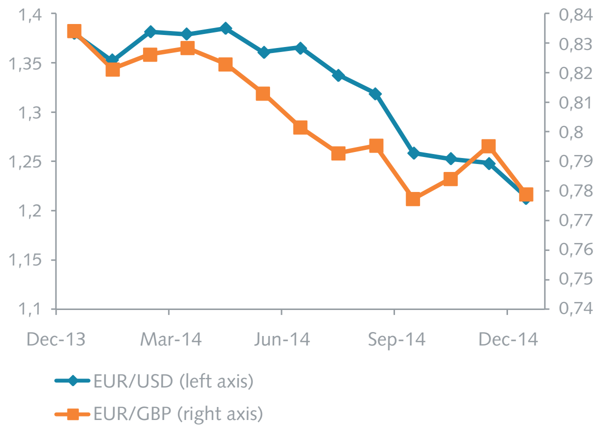


Source: Bloomberg

Foreign Exchange Markets

One of the main changes in the financial markets in 2014 was the significant rise in the US dollar (USD). It rose 13.6% against the euro based on better economic indicators and on new monetary policies, keeping in mind a possible FED rate hike for key interest rates, while in the Euro Zone the European Central Bank (ECB) is preparing to go ahead with new monetary stimulus, including increasing the money supply to purchase government bonds and fight deflation. The USD rose 13.7% against the Japanese yen (JPY), spurred by aggressive monetary policy currently underway in Japan. The DXY index, which measures USD trends against a basket of various currencies, climbed 12.8% in 2014.

Exchange Rates



Interest Rates

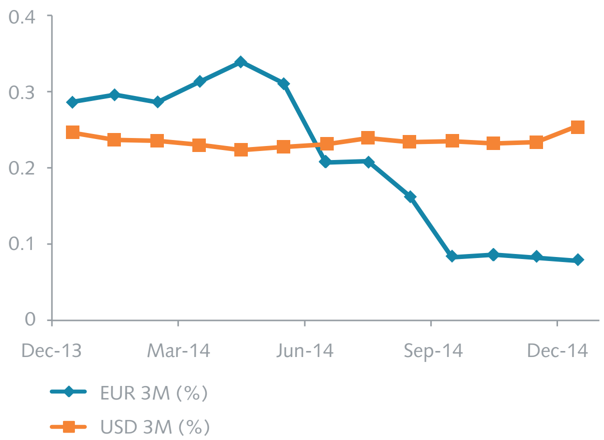
In the Euro Zone, key interest rates closed out 2014 at historic lows. For the shorter terms, namely 3-months Euribor, the rate closed out the year at 0.078%, while the longer term rates for 5 and 10-year swaps stood at 0.36% and 0.81%, with drops of 90 and 134 bps for the year, respectively.

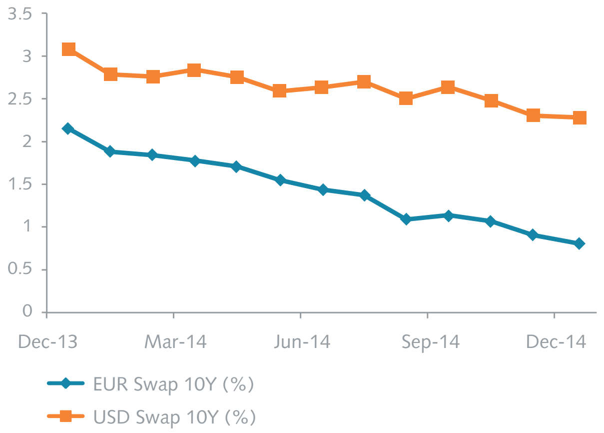
The ECB lowered its key rate from 0.25% to 0.15% in June, reducing it once again in September to 0.05%.

In the United States, the 3-month Libor closed out the year at 0.26%, slightly above the minimum of 0.22% recorded in April 2014. For longer terms, namely 10 years, the swap rate closed out the year falling to 2.28%, well below the rate at the end of 2013 (3.09%), pressured by the strong demand for USD assets, namely Treasuries.

In contrast with the ECB, the FED did not change its key rate (0.25% since December 2008), despite growing signs that it might raise rates in 2015 in response to growing improvement in recent macroeconomic indicators.

Short-Term and Long-Term Interest Rates





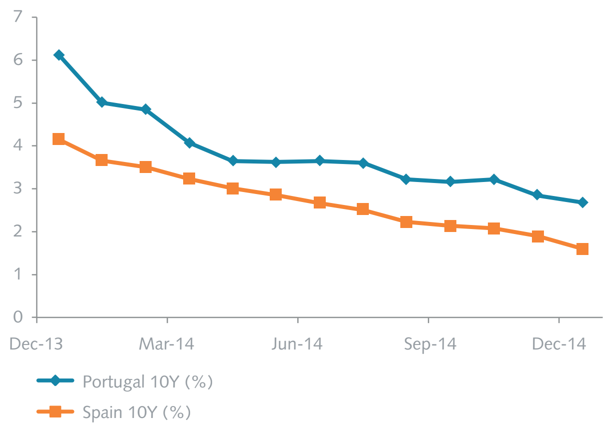
Source: Bloomberg

Bond Markets

Public Debt

The year of 2014 was once again a good year for public debt obligations. In the Euro Zone the possibility of a more aggressive policy from the ECB, including purchasing government bonds from Member States contributed to the sharp drop in risk premiums in the peripheral markets. The difference between Portuguese and German 5-year yields fell 268 bps from 412 to 144 bps. On 10-year bonds the Portuguese risk premium fell to 215 bps, down from the 420 bps observed by the end of 2013. The difference in relation to Spain with regard to 10-year bonds also dropped significantly from 198 bps to 108 bps in 2014, also reflecting an improvement in risk perception.

10-year yields: Portugal and Spain

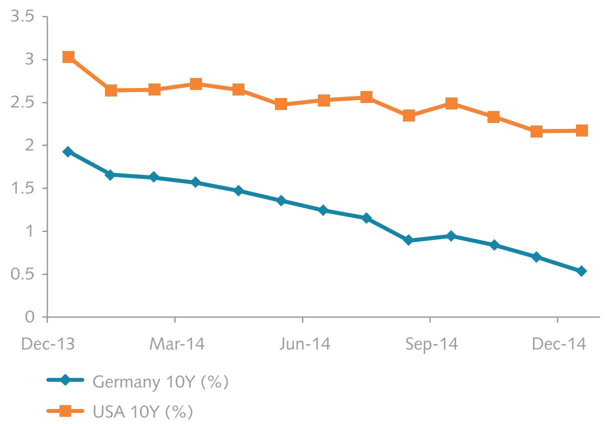


Source: Bloomberg

As for core public debt, we highlight the lows recorded by German 10-year Bund yields, closing out the year at 0.54%. Low Euro Zone growth forecasts significantly contributed to this strong drop (at the end of 2013, yields stood at 2.69%), along with falling inflation, flight to safety in light of geopolitical tension (Russia, Middle East) and, more recently, political instability in Greece.

In the US, 10-year Treasuries also closed out the year trending downward, despite increased economic activity during the second and third quarters. In fact, the likely rise in yields stemming from good macroeconomic data was offset by the rising USD and by the substantial difference in rates in comparison with Germany.

10-year yields: Germany and the USA

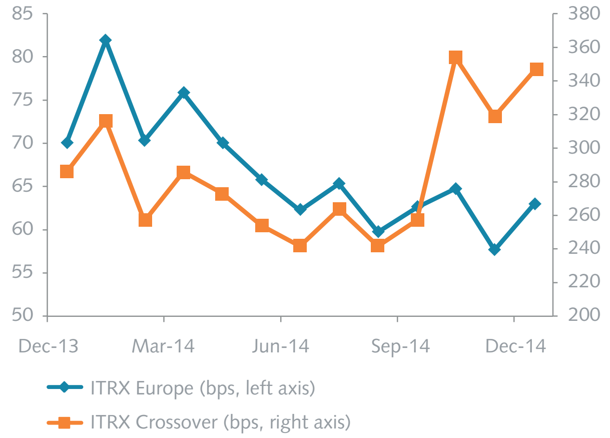


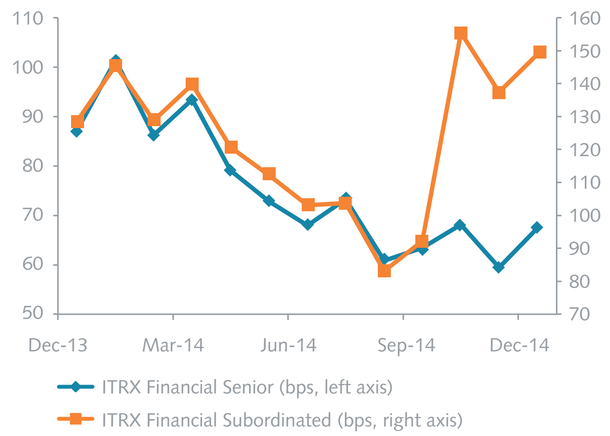
Source: Bloomberg

Private Debt

In Europe, credit spreads on Investment Grade bonds closed out the year at an average of 63 bps, slightly below the level (70 bps) at the end of 2013. In the High Yield segment, spreads rose 60 bps from 286 to 346 bps in 2014, reflecting greater volatility and investors' aversion to risk, as was the case in the equity markets, especially during the second half of the year. The return on this class of asset fell significantly short of the gains seen in previous years, investors showing caution and scepticism with respect to any potential for a fresh (and significant) narrowing of spreads.

Credit Spreads (Europe)





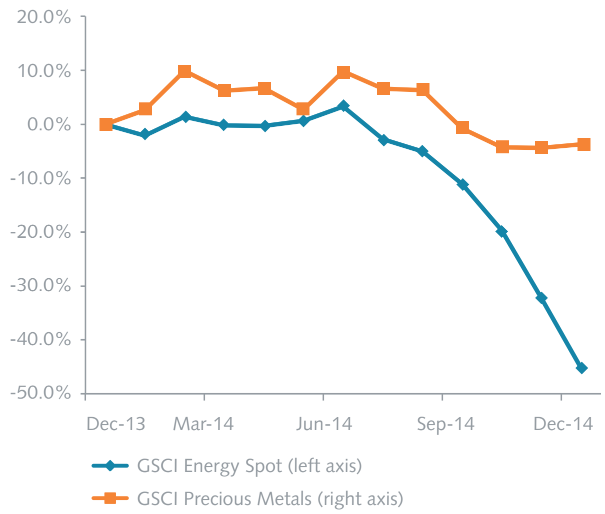
Source: Bloomberg

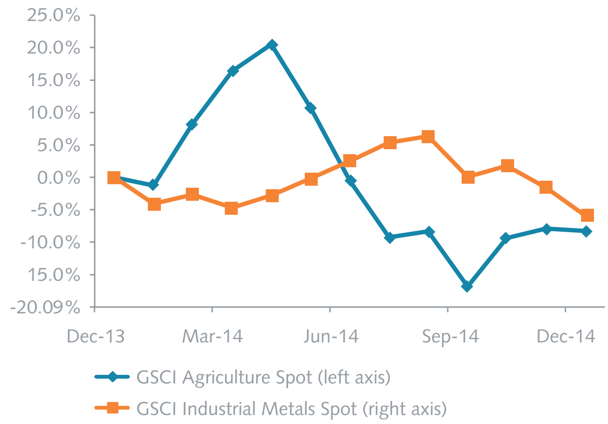
Commodities

The prices of commodities fell an average of 34% in 2014, as measured by the S&P GSCI Spot index in USD. The main reason for this drop was oil, which fell 46%. Other sectors also saw losses, although not as significant, ranging from -3.8% in Precious Metals to -8.3% in Agricultural Products.

The sudden drop in oil prices was due to both supply and demand factors. In terms of demand, factors largely pointed to fears of a greater than expected slowdown in the Chinese (and European) economy, along with an increase in domestic US production. On the supply side, the recent decision by OPEC (Organisation of the Petroleum Exporting Countries) to maintain its production levels increased downward pressure on prices.

Commodities





Source: Bloomberg

Business summary

Consolidated Highlights

Consolidated Highlights (euros)	2012	2013	2014
Net interest income	13,379,215	10,704,623	12,577,205
Net income from financial operations	6,152,895	5,122,478	9,290,279
Net commissions	1,304,210	1,633,123	1,986,459
Other net operating income	151,970	33,765,202	(754,999)
Net operating revenue	20,988,290	51,225,426	23,098,944
Personnel costs	(4,896,550)	(4,882,233)	(5,067,881)
Other administrative costs	(3,770,569)	(4,201,582)	(4,606,453)
Overheads	(8,667,119)	(9,083,815)	(9,674,334)
Depreciation	(858,018)	(853,662)	(705,949)
Net provisions and impairments	(6,860,479)	(19,380,933)	(4,318,171)
Income before taxes	4,602,674	21,907,016	8,400,490
Provision for taxes	(1,588,158)	2,725,009	(3,545,754)
Net results	3,022,241	24,631,263	4,833,610
Comprehensive Income	14,582,481	27,415,970	11,837,748
Net credit extended	199,678,844	175,111,528	185,344,856
Funds attracted	553,685,128	493,211,158	522,646,926
Shareholders’ equity	65,393,377	92,777.806	104,422.253
Net Assets	628,231,910	595,172,391	645,759,316

The year of 2014 was generally positive for European banking. Risk premiums dropped significantly, which combined with falling interest rates helped businesses reduce their financial expenses. The credibility of the European banking sector increased significantly due to the Asset Quality Review and Stress Tests promoted by the ECB in relation to the main financial institutions of the Euro Zone. At the end of 2014, the ECB assumed the supervisory role of the main European banks, thereby ensuring standardisation of evaluation and control criteria, which is an essential step toward increasing Euro Zone integration and adding credibility to the European banking system.

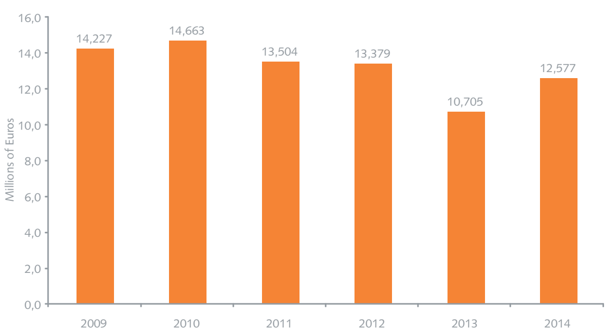
In Portugal, notwithstanding a progressively more favourable European backdrop, the main banks once again posted negative results, still penalised by impairments and recognition of losses related to the loan business, as a result of the extremely adverse economic climate in Portugal over the past few years.

As in previous years, Banco Invest posted very positive results. Consolidated Comprehensive Income totalled 11.8 million euros and Consolidated Net Results came to 4.8 million euros. (As a management option, the Bank records significant gains from financial investments under reserve items and not as results (some 7 million euros), which explains the difference between the two totals).

In fact, there was a strong increase in the Bank's business, with the main items of net operating revenue growing significantly due to the increase in customer numbers and the favourable climate in the capital market.

Net interest income rose 17.5% to 12.6 million euros as a result of the 5.8% rise in the loan portfolio and the fact that the Bank was able to ensure that the drop in the rates offered on customer bank deposits was greater than the drop in interest income caused by falling interest rates.

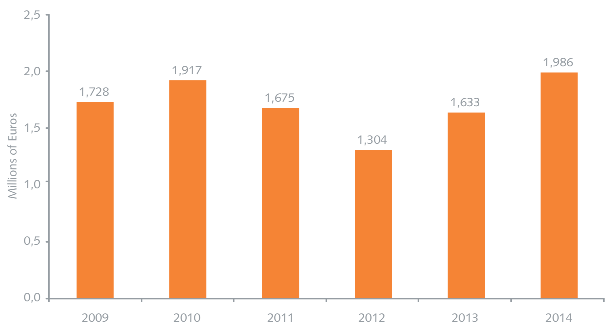
Net Interest Income



Source: Banco Invest

Net commissions increased by 22%, reaching 2 million euros. Financial disintermediation, brokerage, placement and custody of investment funds, and management of securities portfolios were the main forces driving this performance. The increase in income from these services can be explained by an increased number of customers and by the climate created by lower interest rates, which contributes greatly to diversifying customer investments.

Net Commissions



Source: Banco Invest

Net income from financial operations rose 9.3 million euros, reflecting gains from managing interest rate risk and from smaller Euro Zone bond spreads. As in previous years, these results were obtained with reduced exposure to Portuguese public debt, the result of a prudent country risk segregation policy. In fact, in terms of exposure to Portuguese risk, the Bank favours lending to domestic customers - businesses and individuals.

Net impairments totalled 4.3 million euros, essentially as a result of regulatory changes that came into force in 2014. The Bank sought to reflect these changes in the 2013 financial statements, but failed to obtain the necessary information to do so.

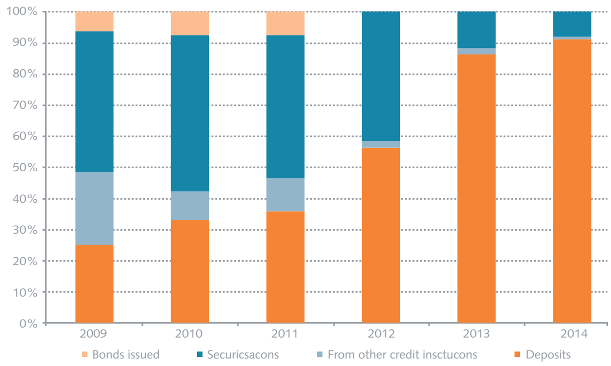
Net assets rose 8.5% as a result of credit growth and investment in European bonds. At the end of the year, total Net assets came to 645.8 million euros.

The Bank continued to increase its customer base with deposits growing 19% and totalling 278 million euros. This growth, which is substantially above that posted by the sector, is a reflection of the market's recognition of the solidity and quality of Banco Invest products and services.

Despite an increase in assets, the Bank reduced resources obtained from the European Central Bank by 2.2%, down to 216.7 million euros. This type of resources is used to finance a part of the Bank's securities portfolio and it is a way for the Bank to optimise management of its balance sheet. This financing can be repaid at any time, through the sale of securities in the market.

The transformation ratio of deposits into loans, not corrected with securitisation operations, fell from 75% to 67%, as a result of a strong growth in resources. This ratio continues to be one of the best of the national banking sector, and mirrors the maintenance of a robust financial structure, based on the attraction of stable resources.

Structure of Resources (excluding ECB)



Source: Banco Invest

At the end of 2013, the solvency ratio of Banco Invest, calculated in accordance with the Bank of Portugal's rules, reached 21.6%. The Common Equity Tier I and Tier I Capital ratios both stood at 21.3%. Banco Invest continues to be one of the most solid institutions in the national financial sector.

Business

Corporate Customers

Being part of the Alves Ribeiro Group, a group with more than 80 years of experience in the Portuguese market, gives Banco Invest an in-depth vision of the Portuguese economic fabric and access to a number of qualified experts, who have accrued value to a number of operations.

The high degree of training and experience of the Bank's professionals and the swiftness of internal decision-making processes assured the quality of the services rendered, meeting the specific needs of each customer.

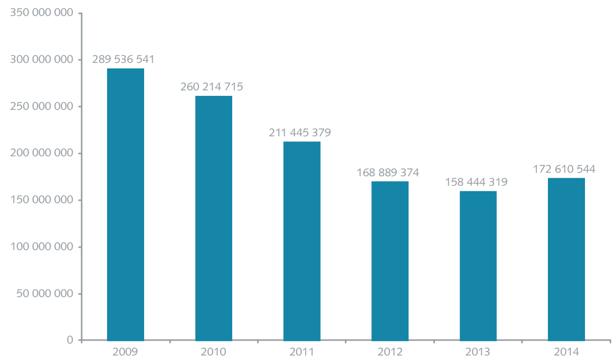
Risk Management

The activity of derivative financial products for Companies, in 2014, in line with the previous year, remained focused on the exchange rates and commodities segments. The volume transacted of risk coverage products was less significant, reflecting the current economic climate and outlook on the maintenance of interest rates at historically low levels, over the next few years.

Loans to Companies

In 2014 the Bank was able to buck previous year trends and increased its credit exposure to domestic companies. Its portfolio grew 8.9% to 172.6 million euros.

Performing Loans Corporate Business



Source: Banco Invest

The loan portfolio is essentially composed of contracts validated by a notary and, in the majority of cases, subject to registration in the land register.

At the end of 2014, the degree of coverage of the loan portfolio by real guarantees came to 73%. In loans backed up by real guarantees, the outstanding principal came to 51.8% of the market value of all the associated total guarantees (loan-to-value).

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

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

Guarantees on Performing Loans for Corporate Activity

Loans for corporate activity - 2014

	Capital	Type of guarantee			
		Mortgage	Other	Pledges	Total
Guarantee					
Loans	51,812,047	59,453,942	1,662,628	33,711,260	94,827,830
Property leasing	69,403,092	143,278,034	642,251	568,281	144,488,566
Equipment leasing	635,487	0	0	0	0
Current accounts	3,413,458	593,462	0	1,735,039	2,328,501
No guarantee	47,346,460	0	0	0	0
Total	**172,610,544**	**203,325,439**	**2,304,878**	**36,014,580**	**241,644,897**

Private Customers

Specialised in financial services that go beyond the usual day-to-day banking relationship, Banco Invest offers a set of diversified, flexible and technologically advanced solutions to its Private Customers, something which traditional banking, with its standardised offer, is unable to provide.

Private Banking

The service offered by the Bank in this area allows Customers to choose from a number of private banking alternatives, according to the customer's investment amount, financial knowledge and the available time span for managing their savings.

In 2014, the Bank significantly increased the number of available investment funds, signing various new distribution agreements with the most prestigious international fund management companies. The total offer now exceeds 1,000 investment funds, contemplating all classes of assets and geographical markets.

In addition, the Bank maintained a varied and comprehensive offer of Exchange Traded Funds and, for more conservative customers, of Indexed Deposits, with guaranteed capital and yield indexed to shares. In 2014, the most used structure remained the Call Spread on baskets of shares, aimed at benefiting from the positive trend of equity markets.

Asset Management

The Bank offers its Private Customers a broad range of products, covering different categories of risk, liquidity and investment horizon. This includes Discretionary Management, direct investment in products traded on the stock market, structured products and own and foreign investment funds. For those Customers that wish greater intervention in the management of their savings, alongside professional advice, the Bank also offers an Advisory service. This product allows access to the composition of the portfolios managed by the Bank and to the changes carried out periodically, leaving the decision of their implementation up to the Customer.

In 2014, the products managed and set up by the Bank achieved exceptional returns, both in absolute and relative terms, boosted by the robustness of the asset allocation and risk management processes implemented.

Among these products, the following are noteworthy:

- The Alves Ribeiro PPR (Retirement), whose return in 2014 reached 8.4%. Since the launch of the Fund, the annual return has averaged 6.9%, which is also the best in its category.

- In Discretionary Management, we highlight the Invest Moderate portfolio with an annual return of 4.4%. Since the beginning of management in November 2012, annualised return has totalled 7.4%.

- The product "Invest Portugal Selection (Ser. 1/13)," a deposit with guaranteed capital and yield indexed to five domestic companies. The product, with a maximum maturity of 12 months, was repaid during the first quarter with a return of 11.71% (AGNR).

- The product "Invest Healthcare (Ser. 1/13)," an indexed deposit with guaranteed capital and yield indexed to five multi-national pharmaceutical companies. The product, with a maturity of 12 months, was repaid during the first quarter with a return of 10% (AGNR).

- The product "Invest Security (Ser. 1/13)," an indexed deposit with guaranteed capital and yield indexed to five international companies in the security sector. The product, with a maturity of 12 months, was repaid during the third quarter with a return of 8.50% (AGNR).

- The product "Invest Super Brands (Ser. 1/13)," an indexed deposit with guaranteed capital and yield indexed to five multi-national companies with high profile brands. The product, with a maturity of 12 months, was repaid during the fourth quarter with a return of 7% (AGNR).

During 2014, the Bank issued 48 new structured products, in the form of indexed deposits, notes and swaps.

Brokerage

Banco Invest is present in the Prime Brokerage segment and in online brokerage.

In the Prime Brokerage segment, with a view to guaranteeing the quality of the service provided, the Bank focuses on the direct relationship of Customers with traders, dynamic investment advice based on fundamentals and technical information, order management, trend analysis, and entry and exit levels of securities. Meanwhile, the management of the risks involved in the various strategies followed by investors is becoming increasingly important. In the online brokerage segment Banco Invest customers can issue orders via the website - desktop and mobile - or via the "Invest Trader" trading platform. We highlight the complete integration of orders by telephone, website and trading platform, which distinguishes the Bank from most of its competitors.

In 2014, Banco Invest recorded a 15% increase in turnover. Online activity continued to increase its relative weight in terms of total turnover. At end 2014, the online channel had a relative weight of 43.3% in shares and 64.3% in derivatives, which denotes a respective growth of 73% and 46% in 2014.

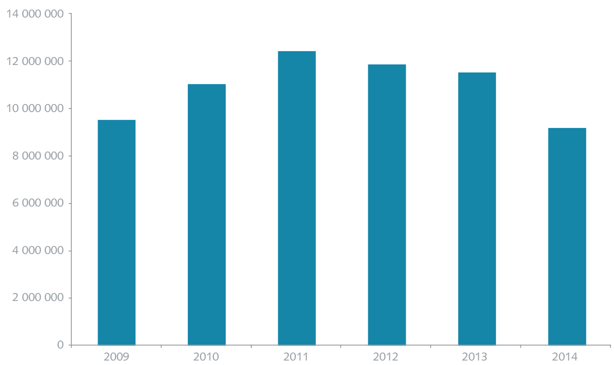
Consumer Loans

Although the Bank has no intervention in so-called consumer loans, it developed and has under current management two specific products directed at Private Customers: margin accounts and loans with precious metals as collateral. Directed at investors in the securities market, margin accounts allow Customers to leverage their own funds under the pledge of their respective portfolios, regarding which securities with liquidity and listed on official markets are exclusively chosen.

Loan concession with precious metals as collateral is essentially directed at Customers with a significant part of their savings invested in precious metals, and which intend to resort to this reserve value to obtain funding.

In 2014, the Private Customer loan portfolio fell once again due to the drop in the amount of credit granted for purchasing securities. In fact, despite the increase in the number of customers using margin accounts, the total volume of leverage fell, resulting in a decrease of leverage per customer.

Performing Loans Private Customers



values in euros. Source: Banco Invest

Institutional Customers

In 2014 the Bank continued to work with large and medium-sized national institutional operators, developing trusting relations that lead to medium and long term partnerships.

The Bank continues to focus on service quality and a high degree of specialisation and experience of its staff, an organisational structure with few hierarchical levels and an Administration closely involved in the day-to-day management of the business.

In this area Banco Invest offers basic brokerage services, structured products, risk hedging and management and custody of investment funds for medium-sized independent operators.

Brokerage

Structured to respond to very active investors who are extremely demanding, the brokerage service offered by Banco Invest has gained increasing market share among Institutional Customers, offering personalised solutions that help fund managers reach their goals.

The Bank combines a proactive attitude in the search for firm business opportunities that it proposes to its customers, as much on the sell side as on the buy side, with the availability of a platform of execution and quick and efficient transmission of information.

Structured Products

The Bank positions itself as a partner of several Institutional Customers in the structuring of efficient and innovative investment solutions for the respective customers. This offer encompasses a range of products, including equities and equity indices, interest rates and exchange rates, as well as exchange traded funds and commodities. Over the course of the year, several structured products were set up, most of which included individual shares. Due to the market environment – high volatility in equity markets – the structure that generated greatest interest was, once again, the Reverse Convertible, a product with a high fixed coupon, sensitive to changes in the volatility of the index benchmark, but with the risk of capital loss.

During 2014, this business area registered significant growth once again, both in terms of the amounts placed (+22%, relative to the previous year), and new national and foreign customers, as a result of diversification efforts, in a scenario of strong competition.

Risk Management

Due to the increasing complexity and volatility of financial products and markets, the issue of risk management for Institutional customers is becoming increasingly important. The Bank's offer in this area seeks to meet these challenges with individualised and innovative products, under competitive conditions. The offer of products ranges from price determination to more complex products, with optionality and conditional profitability, in order to benefit from Customers' market expectations to obtain a better level of coverage.

Custody

The year of 2014 was a particularly difficult year for the capital market in Portugal, impacting the investment funds industry. Nevertheless, Banco Invest continued to reinforce its role as a reference custodian bank for the independent (mutual, real estate and risk capital) fund management companies operating in the domestic market.

The year ended with the Bank solidifying its market share in this segment, maintaining the custody of close to 50 investment funds of various types.

Own Portfolio Activity

Market Risk Management

The Bank proactively manages its exposure to the various market risks: equities, bonds, funds, foreign exchange and their derivatives.

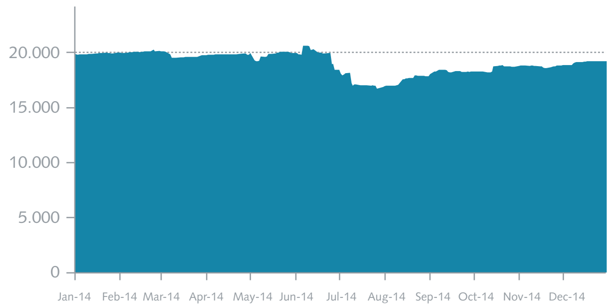
The essential purpose of this business is to take advantage of opportunities that arise, in both domestic and international financial markets. The Market Room does not necessarily have to be present with market positions on a continuous basis.

The Bank's Investment Committee, comprising the heads of the various areas involved, regularly determines overall guidelines governing the Bank's position in the domestic and international plan. It is then up to the Market Room to manage the Bank's exposure to each market segment within the defined risk limits.

Overall and partial risk limits are based on Value at Risk (VaR) methodologies, credit risk analysis - rating, basis point value, stress tests and concentration limits per asset, per sector and per country.

The various strategies employed, and management of risk limits, take into account the correlations between various asset classes and trading styles, so as to reduce the volatility of this activity's global result. The weight of each strategy in the overall portfolio is managed on a dynamic basis, according to the differing market conditions.

Annual VaR of the Total Portfolio



Values in thousand euros. Source: Banco Invest

At end 2014 average annual Value at Risk (VaR) of the total Market Room, assuming the total portfolio valued at market prices, totalled 19 million euros, having fluctuated between 16.7 and 21 million euros over the course of the year. VaR posted numbers that were lower than in 2013 due to decreased volatility in the financial markets, which occurred with the stabilisation of the Euro Zone sovereign debt crisis.

Equity-Risk Management

The Bank intervenes in the equity market through the Investment Portfolio (Financial Assets Available for Sale Portfolio) and the Trading Portfolio.

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

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

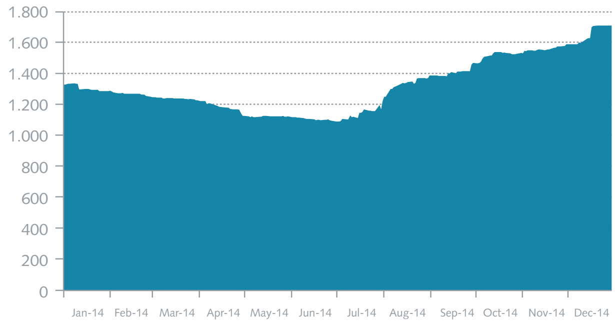
In terms of securities, the aim is to have a long portfolio, which, in less favourable circumstances, may not exist. In terms of futures, the Bank may hold long or short positions, in keeping with expected market conditions.

Several strategies can be used, such as Technical Analysis and Systematic Trading – use of systematic models for the identification of trading opportunities – as well as the identification of recurring behavioural patterns, as well as indicators that determine significant market movements.

In 2014, annual VaR for the shares portfolio was not very significant during the first half of the year, having increased in the second half as the Bank undertook investments that led to increased risk. In December, VaR totalled 1.7 million euros.

The trend toward increased risk from shares should continue in 2015, following approval of an investment policy that places greater importance on this class of assets.

Shares Portfolio annual VaR



Values in thousand euros. Source: Banco Invest

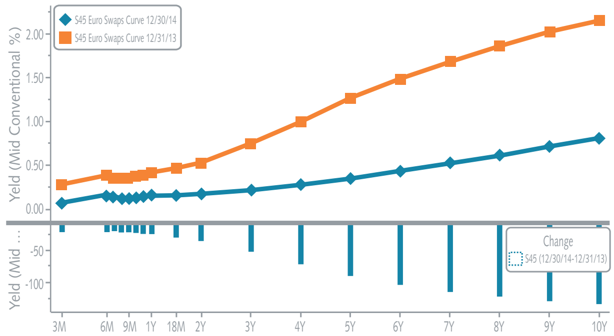
Interest-Rate Risk Management

Interest rates fell continuously and significantly throughout 2014 for all the yield curves, reflecting fears of deflation in the Euro Zone and the ECB's expansionary policy.

For the short terms, rates were significantly impacted by both drops in ECB key rates, falling to 0.15% in June and down to 0.05% in September, together with negative 0.1% for deposits at that institution.

For long term maturities, the drop was more significant as a result of expected implementation of Quantitative Easing by the Central Bank and also due to the fact that investors did not expect the Euro Zone recovery to support medium term relevant increases in interest rates.

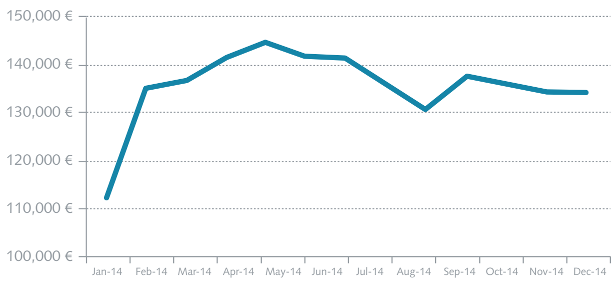
Euro interest rates in 2014 relative to 2013



Values in %. Source: Bloomberg

At the start of 2014, the Bank increased its exposure to interest rate risk through Euro Zone long term debt issues, namely from Spain. Following this, exposure to interest rate risk stabilised.

Bpv Interest Rate Evolution



Values in BPV.

Bond Risk Management

At the end of 2014, the portfolio posted an average rating of BBB+, against BBB at end 2013:

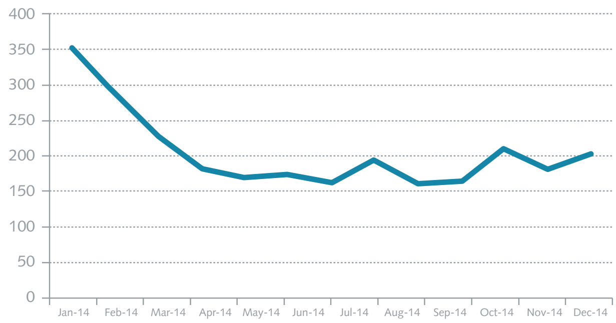
Rating	% of the Portofolio	% Accumulated
AAA / AA	0.9%	0.9%
A / BBB+	80.1%	81%
BBB	17%	98%
< BBB	2%	100%

Previous year trends of generally sliding ratings in Europe was reversed in 2014, with an increase in the quality of credit due to the financial adjustment made by different countries, especially in the peripheral Euro Zone economies.

The Portuguese situation is an example of this as Moody's improved Portugal's risk rating from Ba3 to Ba1 during this period. Latvia, Lithuania, Slovenia, Ireland and Cyprus also saw improvement in their ratings. Curiously, it was the Euro Zone countries with higher ratings that were under more pressure from the agencies, namely Austria, France and Italy.

Following compliance with the adjustment programme negotiated with the Troika, which ended in May 2014 and in line with other peripheral country debt, the risk premium paid by Portugal fell significantly, having fallen more than 150 basis points during the year.

Portugal Risk 5Y

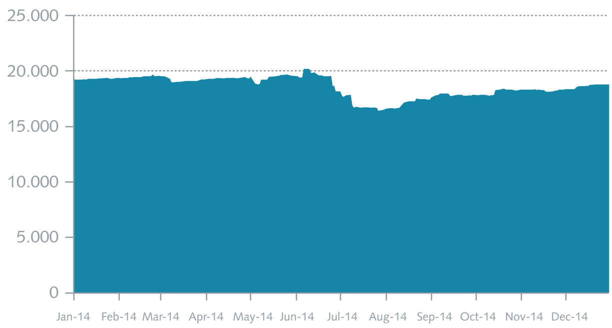


Values in BPS. Source: Bloomberg

The bonds portfolio totalled 346.7 million euros at market prices at year end. If we exclude 105 million euros in short term treasury bills, the fixed yield portfolio fell by 11.1 million euros.

In 2014, the average annual VaR of the Bank's bond portfolio stood at 18.5 million euros.

Bonds Portfolio annual VaR



Values in thousand euros. Source: Banco Invest

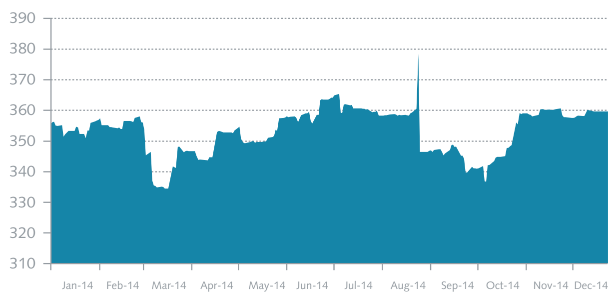
Foreign Exchange Risk Management

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

Volatility Risk Management

The Bank carries out options and other derivatives management activity, aimed at covering the risk of Structured Products commercialised to its Customers. Since it is a hedging activity, the VaR of the positions held does not tend to oscillate significantly.
At the end of 2014, the overall amount of the risks managed in this activity came to 29.8 million euros. The average annual VaR, with a 99.5% confidence interval, of the "Livro de Derivados", came to 353 thousand euros.

VaR 99.5% Derivatives



Values in thousand euros. Source: Banco Invest

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.

Pursuant to the requirements of Bank of Portugal notice 5/2008, the Bank has an autonomous risk control body, the person responsible for said body reporting 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.

The risk control system implemented at Banco Invest allows monitoring and continuous assessment of the risk of each functional area through risk matrices that ensure the timely prevention of unwanted situations and the adoption of corrective measures when undesirable situations occur.

The implemented system seeks to cover all products, activities, processes and Bank systems in order to allow identification and hierarchisation of all material risks and the documentation of the evaluation, follow-up and control processes that are associated with it.

The Risk Management Process also involves systematic control of the dimension and composition of the Bank's assets and liabilities, assessing overall tolerance to risk, the nature and availability of stable financing sources and the amount of Bank capital or own funds.

This process includes regular revision and planning of available investment opportunities and respective financing strategies, having contributed to the solidity demonstrated by the Bank over the course of the extraordinary events of the past years.

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.

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

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

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

– Value-at-Risk, estimating for each portfolio, with a confidence interval of 99%, 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, which involve the simulation of adverse historical or hypothetical scenarios for each portfolio and a sensitivity analysis based on changes in various factors, to measure the impact on assets, results and solvency.

The stress tests are also an integral part of the annual assessment of the Internal Capital Adequacy Assessment Process (ICAAP), with a view to assessing the suitability of the same to the development of economic activity.

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

Credit Risk

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

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

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

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

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

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

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

Liquidity Risk

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

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

To finance its short-term business and to ensure liquidity management with adequate safety margins, the Bank has interbank money market lines and securities contango lines negotiated with several banks, in addition to its growing customer fund attraction capacity. There is also a list of authorised counterparties and respective limits of approved exposure.

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.

Acknowledgments

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

– To all our Customers for their preferences and trust, which constitute the greatest encouragement in confronting the challenges it faces;

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

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

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

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

Lisbon, 24 March 2015

The Board of Directors

4. Financial Statements

Consolidated balance sheets as at 31 december 2014 and 2013

(Amounts in euros)

ASSETS	Notes	2014 Gross assets	2014 Impairment, depr. and amort.	2014 Net assets	2013 Net assets
Cash and deposits at Central Banks	5	2,236,466	-	2,236,466	6,171,582
Amounts owed by other credit institutions	6	7,168,012	-	7,168,012	5,756,803
Financial assets held for trading	7	58,988,160	-	58,988,160	54,865,367
Financial assets available for sale	8	265,657,321	(3,601,513)	262,055,808	236,107,555
Deposits at credit institutions	6	3,400,352	-	3,400,352	-
Loans and advances to customers	9	218,088,690	(32,743,834)	185,344,856	175,111,528
Investments held to maturity	10	77,280,239	-	77,280,239	63,787,169
Non-current assets held for sale	11	39,284,922	(9,129,228)	30,155,694	31,984,245
Investment Properties	12	5,475,687	(1,385,512)	4,090,175	4,007,397
Other tangible assets	13	6,103,693	(4,104,267)	1,999,426	2,377,625
Intangible assets	14	1,989,393	(1,863,454)	125,939	270,190
Current tax assets	15	-	-	-	1,065,160
Deferred tax assets	15	7,663,338	-	7,663,338	7,851,658
Other assets	16	5,250,851	-	5,250,851	5.816,112
Total Assets		**698,587,124**	**(52,827,808)**	**645,759,316**	**595,172,391**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2014	2013
Resources from central banks	17	216,704,549	221,630,278
Financial liabilities held for trading	18	493,556	385,853
Resources from other credit institutions	19	2,470,654	5,389,248
Resources from customers and other loans	20	278,120,500	233,850,358
Liabilities represented by securities	21	24,857,667	31,955,421
Provisions	22	500,000	600,000
Deferred tax liabilities	15	2,622,672	68,187
Deferred tax liabilities	15	2,914,876	827,965
Other liabilities	23	12,652,589	7,687,275
Total Liabilities		**541,337,063**	**502,394,585**
Capital	25	59,500,000	59,500,000
Revaluation reserves	26	9,943,074	2,938,936
Other reserves and retained earnings	26	29,295,799	4,664,535
Net income attributable to the Bank's shareholders	26	4,833,610	24,631,263
Non-controlling interests	27	849,770	1,043,072
Total Shareholders' Equity		**104,422,253**	**92,777,806**
Total Liabilities and Shareholders' Equity		**645,759,316**	**595,172,391**

The Notes are integral part of these balance sheets.

Consolidated profit and loss statements for the years ended on 31 december 2014 and 2013

(Amounts in euros)

	Notes	2014	2013
Interest and similar earnings	28	20,313,739	21,063,703
Interest and similar charges	29	(7,736,534)	(10,359,080)
NET INTEREST INCOME		**12,577,205**	**10,704,623**
Income from equity instruments	30	-	22,793
Income from services and commissions	31	2,428,837	2,099,111
Fees and commission expenses	32	(442,378)	(465,984)
Result of assets and liabilities assessed at fair value through profit and loss	33	2,733,653	1,990,826
Result of financial assets available for sale	34	5,995,636	2,823,979
Income from exchange revaluation	35	560,990	284,880
Income from sale of other assets	36	(939,963)	(451,563)
Other operating income	37	184,964	34,216,761
NET OPERATING INCOME		**23,098,944**	**51,225,426**
Personnel costs	38	(5,067,881)	(4,882,233)
General administrative costs	39	(4,606,453)	(4,201,582)
Depreciation and amortisation for the year	13 and 14	(705,949)	(853,662)
Provisions net of restitutions and write-offs	-	(100,000)	-
Loan impairment, net of reversals and recoveries	22	(2,598,847)	(15,412,576)
Impairment of other financial assets, net of reversals and recoveries	22	(581,278)	366,575
Impairment of other assets, net of reversals and recoveries	22	(1,138,046)	(4,234,932)
INCOME BEFORE TAXES		**8,400,490**	**21,907,016**
Taxes			
Current	15	(2,968,267)	(421,290)
Deferred	15	(577,487)	3,146,299
		(3,545,754)	**2,725,009**
INCOME AFTER TAXES BEFORE NON-CONTROLLING INTERESTS		**4,854,736**	**24,632,025**
Income attributable to non-controlling interests	26	(21,126)	(762)
CONSOLIDATED NET INCOME FOR THE YEAR ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS		**4,833,610**	**24,631,263**

The Notes are integral part of these financial statements.

Consolidated profit and loss statements for the years ended 31 december 2014 and 2013

(Amounts in euros)

	2014	2013
Consolidated income before non-controlling interests	**4,854,736**	**24,632,025**
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	13,697,452	6,937,493
Transfer to income resulting from impairment	1,247,200	(366,576)
Transfer to income resulting from sales	(5,995,636)	(2,823,979)
Tax effect	(1,944,878)	(962,231)
Income not recognised in the profit and loss statement	**7,004,138**	**2,784,707**
Consolidated comprehensive income before non-controlling interests	**11,858,874**	**27,416,732**
Non-controlling interests	(21,126)	(762)
Consolidated comprehensive income	**11,837,748**	**27,415,970**

The Notes are an integral part of these financial statements.

Consolidated statement of changes in equity for the years ended on 31 december 2014 and 2013

(Amounts in euros)

		Revaluations reserves			Other reserves and retained earnings							
	Capital	Fair value reserves	Deferred taxes	Total	Legal reserve	Free reserve	Merger reserve	Retained earnings	Total	Net income for the year	Non-controlling interests	Total
Balances at 31 December 2012	59,500,000	219,369	(65,140)	154,229	1,725,513	9,012,951	574,221	(9,670,391)	1,642,294	3,022,241	1,074,613	65,393,377
Allocation of 2012 profit												
Transfer to retained earnings	-	-	-	-	14,650	-	-	3,007,591	3,022,241	(3,022,241)	-	-
Comprehensive income for 2013	-	3,746,938	(962,231)	2,784,707	-	-	-	-	-	24,631,263	762	27,416,732
Change in % held by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(32,303)	(32,303)
Balances at 31 December 2013	59,500,000	3,966,307	(1,027,371)	2,938,936	1,740,163	9,012,951	574,221	(6,662,800)	4,664,535	24,631,263	1,043,072	92,777,806
Allocation of 2013 profit												
Transfer to retained earnings	-	-	-	-	-	-	-	24,631,263	24,631,263	(24,631,263)	-	-
Comprehensive income for 2014	-	8,949,016	(1,944,878)	7,004,138	-	-	-	-	-	4,833,610	21,126	11,858,874
Change in % held by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(18,000)	(18,000)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(196,428)	(196,428)
Other changes	-	-	-	-	-	-	-	-	1	-	-	1
Balances at 31 December 2014	59,500,000	12,915,323	(2,972,249)	9,943,074	1,740,163	9,012,951	574,221	17,968,463	29,295,799	4,833,610	849,770	104,422,253

The Notes are an integral part of these financial statements.

Consolidated cash flow statetments for the years ended on 31 december 2014 and 2013

(Amounts in euros)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interest and commissions	22,471,661	21,465,599
Payments of interest and commissions	(7,895,257)	(10,102,359)
Payments to personnel and suppliers	(9,976,651)	(9,009,677)
IRC payment/receipt	787,752	(1,841,102)
Other payments related to operating activity	776,257	(1,712,477)
Operating income before changes in operating assets	**6,163,762**	**(1,200,016)**
(Increases) / reductions in operating assets:		
Financial assets held for trading	(910,187)	20,679,518
Financial assets available for sale	(14,620,317)	(27,113,220)
Deposits at credit institutions	(3,400,352)	-
Loans and advances to customers	(12,009,445)	8,845,647
Investments held to maturity	(13,493,070)	24,286,474
Non-current assets held for sale	685,400	(5,630,752)
Other assets	759,402	1,822,978
	(42,988,569)	22,890,645
Increases / (reductions) in operating liabilities:		
Resources at central banks	(5,000,000)	(7,500,000)
Resources of other credit institutions	(2,918,594)	(1,865,945)
Customers' resources	44,120,030	51,051,038
Liabilities represented by securities	(7,123,295)	(68,703,843)
Other liabilities	5,096,745	1,239,248
	34,174,886	**(25,779,502)**
Net cash from operating activities	**(2,649,921)**	**(4,088,873)**
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisitions and disposals of tangible and intangible assets	126,014	(110,300)
Net cash from investment activities	**126,014**	**(110,300)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share capital increase	-	-
Net cash from financing activities	**-**	**-**
Net increase / (reduction) in cash and equivalents	(2,523,907)	(4,199,173)
Cash and equivalents at the start of the period	11,928,385	16,127,558
Cash and equivalents at the end of the period	9,404,478	11,928,385
	(2,523,907)	**(4,199,173)**

The Notes are an integral part of these financial statements.

5. Notes to the Financial Statements

1. INTRODUCTORY NOTE

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

The corporate object of the Bank is to undertake financial transactions and to provide related services with such latitude as the law allows. It is basically involved in the asset management, capital markets, and loan and development capital business.

The Bank has five branches, located in Lisbon, Oporto, Braga 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 Bank conducted two credit securitisation operations:

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

- Invest Finance 1 – undertaken in 2008, under which the Fundo de Titularização de Créditos Invest Finance 1 Portugal (Invest Finance FTC) and the Invest Finance 1 Portugal BV were set up, the latter a limited liability company headquartered in Holland. As described in Note 9, this operation ended in 2014.

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

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

The consolidated financial statements as at 31 December 2014 were approved by the Board of Directors on 24 March 2015.

The financial statements of Banco Invest and the organisations included in its consolidation perimeter as at 31 December 2014, are awaiting approval by their governing bodies. Banco Invest's Board of Directors believes, however, that the financial statements used in the preparation of the consolidated accounts will be approved without any significant changes.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements as at 31 December 2014 have been prepared based on the International Financial Reporting Standards (IFRS) as adopted in the European Union, under Regulation (EC) no. 1606/2002 of the European Parliament and Council, of 19 July, transposed into Portuguese law by Decree-Law no. 35/2005 of 17 February.

2.2. Consolidation principles

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

According to IFRS 10 requirements, the Bank considers that it exercises control when it is exposed to or holds rights over the variable returns generated by a certain entity (identified as a subsidiary) and can, by applying the power it holds and the capacity to orient its relevant activities, take power over such returns (de facto power). The Bank includes within its perimeters special entities created within the scope of the aforementioned securitisation operations, given that 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 "Interests that are not controlled" item of shareholders' equity.

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

2.3. Conversion of foreign currency balances and transactions

The Group's accounts are prepared in accordance with the currency used in the economic sphere of operation (termed "operating currency"), that is, 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/loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified as available for sale, which are recorded under shareholders' equity until they are sold.

2.4. Financial instruments

a) Financial assets

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

i) Financial assets at fair value through profit and loss

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

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

ii) Loans and receivables

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

In addition, this item includes securities from the items "Financial assets held for trading" and "Financial assets available for sale" that were reclassified in 2008, following the application of the Amendment to IAS 39 (Note 42). These assets were transferred by their fair value, calculated with reference to 1 July 2008.

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

Recognition of interest

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

iii) Financial assets available for sale

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

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

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

iv) Investments held to maturity

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

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

This category includes a set of financial assets from the items "Financial assets held for trading" and "Financial assets available for sale" that were reclassified following the application of the Amendment to IAS 39 (Note 42). These assets were recorded at fair value with reference to 1 July 2008 and, subsequently, are valued at amortised cost, minus possible impairment losses.

Fair Value

As mentioned above, financial assets in the categories of Financial assets at fair value through profit and loss and Financial assets available for sale are carried at fair value.

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

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

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

Reclassification of financial assets

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

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

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

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

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

b) Financial liabilities

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

i) Financial liabilities held for trading

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

ii) Other financial liabilities

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

These financial liabilities are valued at amortised cost.

c) Derivatives

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

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

They are measured at their fair value. Fair value is calculated:

- Based on prices in asset markets (e.g. relating to the futures traded on organised markets);

- Based on models that incorporate valuation techniques accepted on the market, including discounted cash flows and option valuation models.

Embedded derivatives

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

- The economic characteristics and risks of the embedded derivative are not closely related to the underlying contract, as defined in IAS Standard 39; and

- The combined financial instrument as a whole is not carried at fair value, with changes in the fair value shown in the profit and loss.

Trading derivatives

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

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

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

d) Impairment of financial assets

The Group carries out periodic impairment analyses of its financial assets carried at amortised cost, namely investments in credit institutions, loans and advances to customers, investments held to maturity and assets recorded at fair value, namely financial assets available for sale.

Identifying signs of impairment is done on an individual basis, according to the nature of the assets:

Loans and advances to customers

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

Under IAS Standard 39, the following events are regarded as being signs of impairment in financial assets carried at amortised cost:

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

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

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

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

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

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

Debt instruments

With reference to debt instruments, the Bank defined the following events as possible impairment signs:

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

Impairment must be recorded whenever at least one of the following situations occurs:

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

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

Equity instruments

There is impairment in equity instruments when some of the following events occur:

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

For equity instruments the following criteria for identification of securities with impairment signs were also defined:

- Fair value of less than 60% of the purchase value;
- Stop being listed on a Stock Exchange;
- Existence of a public takeover bid at less than the purchase price;
- Suspension of redemption of investment units;
- Existence of accounting fraud;
- Share capital decrease.

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

Financial assets at amortised cost

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

Financial assets available for sale

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

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

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

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

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

2.5. Non-current assets held for sale

Non-current assets, or groups of assets and liabilities to be sold, are classified as held for sale whenever it is likely that their balance sheet value may be recovered by selling rather than by their continued use. The following requirements must be met so that an asset (or group of assets and liabilities) can be classified under this item:

- High probability of sale;
- The asset is available for immediate sale in its current state at a reasonable price relative to its current fair value;
- The sale is expected to take place within one year of classifying the asset in this item.

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

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

2.6. Investment Properties

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

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

2.7. Other tangible assets

These are recorded at acquisition cost, less accumulated amortisation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs in the year, in 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: esteja disponível para uso, que é:

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

Land is not amortised.

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

2.8. Financial leasing

Financial leasing operations are recorded as follows:

As lessor

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

As lessee

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

2.9. Intangible assets

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

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

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

2.10. Income taxes

Alves Ribeiro – Investimentos Financeiros, SGPS, S.A., holds 99.13% of the Bank's share capital, and the latter is subject to corporate income tax (IRC) under the Special Taxation of Groups of Companies Scheme, as provided for in Articles 63 et seq. of the respective tax code. The perimeter of the group covered by the 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.;
- Motor - Park - Comércio de Veículos Automóveis, S.A.; and
- US - Gestar – Gestão de Imóveis, S.A..

Taxable profit of the Group that is majority held by Alves Ribeiro – Investimentos Financeiros, SGPS, S.A. is calculated via the algebraic sum of taxable profits and tax losses calculated on an individual basis and is taxed at a rate of 23% applied to the taxable amount (except for the first 15,000 euros of taxable amount, in which case a rate of 17% shall be applied) and said taxable profits shall be subject to the following state surcharge:

- 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;
- 7% for taxable profits of more than 35,000,000 euros;

The rate of the State Surcharge of 7% for taxable profits over 35,000,000 euros was introduced in 2014 via Law no. 2/2014 of 16 January (Corporate Income Tax Law).

Lastly, Law no. 82-B/2014 of 31 December (State Budget Law for 2015), which shall produce effects with respect to tax periods that begin on or after 1 January 2015, reduced the Corporate Income Tax rate to 21%.

In light of these changes, the rate applied in 2014 for the calculation of deferred taxes was 22.5% (Note 15).

As of 2014, the Bank has been subject to the participation exemption scheme, pursuant to articles 51 and subsequent of the Corporate Income Tax Code, created within the scope of Law no. 2/2014 of 16 January, which approved corporate income tax reform. This scheme stipulates that distributed profits and reserves, along with capital gains and losses incurred by payers of corporate income tax with permanent head office or administration in Portugal, shall not be considered when calculating taxable profit, provided that certain requirements have cumulatively been complied with.

As regards financial charges, the general limitation provided for under Article 97 of Corporate Income Tax Code shall apply, pursuant to which net financial costs that exceed the higher of the following two limits shall not be deductible: Euros 1,000,000 or 30% of tax EBITDA.

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

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

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

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

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

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

Deferred tax assets and liabilities are measured by using the tax rates that are expected to be in force at the date of the reversion of the corresponding temporary differences, based on the tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date. As at 31 December 2014 and 2013, the Group used a rate of 22.5% and 26.5%, respectively, to calculate the deferred taxes.

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

2.11. Provisions and contingent liabilities

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

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

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

2.12. Employees' benefits

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

The Bank has not subscribed to the Collective Bargaining Agreement in effect for the banking industry since its staff is covered by the General Social Security Scheme. For this reason, the Bank had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2014 and 2013.

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

2.13. Commissions

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

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

2.14. Amounts deposited

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

2.15. Cash and equivalents

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

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

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

VALUATION OF FINANCIAL INSTRUMENTS NOT TRADED ON ASSET MARKETS

Under IAS Standard 39, the Bank values all the financial instruments at fair value, apart from those carried at amortised cost. The valuation models and techniques described in Note 2.4 are used in the valuation of financial instruments not traded on liquid markets. The valuations obtained correspond to the best fair value estimate of these instruments on the balance sheet date. As mentioned in Note 2.4., the valuation of these financial instruments is determined by means of the quotations supplied by independent bodies and prices obtained through in-house valuation models.

CALCULATION OF INCOME TAX

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

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS

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

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

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

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

2.17. Adoption of new Standards (IAS/IFRS) or review of Standards already issued

In 2014 the Bank adopted, in the preparation of its financial statements the standards, interpretations, amendments and reviews issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), respectively, provided they have been endorsed by the European Union, applicable to financial years beginning on or after 01.01.14. The most significant amendments were the following:

Standard / Interpretation	Applicable in the financial years beginning on or after	
IFRS 10 - Consolidated Financial Statements	01-Jan-14	This standard establishes the requirements relative to the presentation of consolidated financial statements of the parent company, substituting, in respect of these matters, IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation - Special Purpose Entities. This standard also introduces new rules regarding the definition of control and determination of the consolidation perimeter.
IFRS 11 - Joint Arrangements	01-Jan-14	This standard substitutes IAS 31 - Joint Ventures and SIC 13 - Jointly Controlled Entities - Non Monetary Contributions by Developers, and eliminates the possibility of using the proportional consolidation method for recording interests in joint ventures.
IFRS 12 - Disclosures of Interests in Other Entities	01-Jan-14	This standard establishes a new set of disclosures relating to participations in subsidiaries, joint agreements, associates and non-consolidated entities.
IAS 27 - Separate Financial Statements (2011)	01-Jan-14	This amendment restricts the scope of application of IAS 27 to separate financial statements..
Amendment to the standards: - IFRS 10 - Consolidated Financial Statements; - IFRS 12 - Disclosures of Interests in other Entities (Investment Entities)	01-Jan-14	This amendment introduces an exemption from consolidation for certain entities that qualify for the definition of investment entities. It also establishes rules for measuring investments held by these investment entities.
Amendment to IAS 32 - Offsetting financial assets and liabilities	01-Jan-14	This amendment clarifies certain aspects of the standard relating to the application of the requirements for offsetting financial assets and liabilities.
Amendment to IAS 36 - Impairment (Disclosures on the recoverable amount of non-financial assets)	01-Jan-14	This amendment eliminates the disclosure requirements of the recoverable amount of a cash generating unit with goodwill or intangibles of indefinite useful life allocated to periods in which no impairment loss or impairment recovery is recognised. It introduces additional disclosure requirements for assets for which an impairment loss or reversal of impairment is recognised and their recoverable amount has been determined based on fair value less costs to sell.
Amendment to IAS 39 - Financial Instruments: Recognition and Measurement (Reformulation of derivatives and continuation of hedge accounting)	01-Jan-14	This amendment permits, under certain circumstances, the continued use of hedge accounting when a derivative designated as a hedging instrument is reformulated.

There were no significant impacts on the consolidated financial statements of the Bank for the financial year ended on 31 December 2014, arising from the adoption of the standards, interpretations, amendments and reviews mentioned above.

As at 31 December 2014, the following standards (new and revised) and interpretations issued by the IASB and IFRIC, respectively, already endorsed by the European Union, were available for early adoption:

Standard / Interpretation	Applicable in the financial years beginning on or after	
Improvements to international financial reporting standards (2011-2013 cycle)	01-Jan-15	These improvements involve the clarification of some aspects related to to the standards IFRS 1 - First-time adoption of international financial reporting standards, IFRS 3 - Business combination, IFRS 13 - Fair value measurement and IAS 40 - Investment properties.

There were no significant impacts on the consolidated financial statements of the Bank for the financial year ended on 31 December 2014, arising from the adoption of the standards, interpretations, amendments and reviews mentioned above.

As at 31 December 2014, the following standards (new and revised) and interpretations issued by the IASB and IFRIC, respectively, already endorsed by the European Union, were available for early adoption:

Standard / Interpretation	
IFRS 9 – Financial Instruments (2009) and subsequent amendments	This standard is part of the project to revise IAS 39 and establishes the requirements for classifying and measuring financial assets and liabilities and applying hedging accounting regulations.
IFRS 14 – Regulated assets	This standard establishes the reporting requirements of entities that adopt the IFRS/IAS applicable to regulated assets, for the first time.
IFRS 15 – Revenue from customer contracts	This standard introduced a structure for recognising revenue based on principles and a model to be applied to all contracts signed with customers.
Amendment to standard IFRS 11 – Joint Arrangements	This amendment clarifies IFRS 3, which is applied when an investor acquires an interest in an entity that is jointly-controlled and it consists of a business as defined by said standard. Application of IFRS 3 is required upon acquiring the initial interest and upon subsequent acquisition of interests.
Amendments to standards IAS 16 – Fixed Tangible Assets and IAS 38 – Intangible Assets	These amendments clarify which depreciation methods for tangible fixed assets and amortisation methods for intangible assets are permitted.
Amendments to standards IAS 16 - Tangible Fixed Assets and IAS 40 - Agriculture	These amendments establish that the biological assets that fit into the definition of carrier plants are to be recorded as tangible fixed assets.
Amendment to standard IAS 19 – Employee benefits	This amendment clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction in short-term benefit costs.
Amendments to standards IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Affiliated Companies and Jointly-Controlled Entities (2011)	These amendments eliminate a conflict that existed between these standards related to the sale or contribution of assets between the investor and the affiliated company or the jointly-controlled company.
Amendment to standard IAS 27 – Separate Financial Statements (2011)	This amendment introduces the possibility of applying the equity method when valuing investments in subsidiaries, affiliates and jointly-controlled entities in the separate financial statements of an entity that issues consolidated financial statements.
Amendments to standards IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure regarding Holdings in other Entities and IAS 28 - Investments in Affiliates and Jointly-Controlled Entities (2011)	These amendments seek to clarify various aspects related to application of the consolidation exception by investment entities.
Amendment to standard IAS 1 – Reporting of Financial Statements (Disclosure	This amendment introduces a series of indications and guidelines that seek to improve and simplify disclosures within the context of current IFRS reporting requirements.
Improvement to international standards for financial reporting (cycles 2010-2012 and 2012-2014)	These improvements involve revising various standards.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, were not applied by the Bank in the financial year ended on 31 December 2014.

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	Business	Registered office	Shareholding (%)	Consolidation method
Banco Invest, S.A.	Bank	Lisbon	n.a.	n.a.
Invest Gestão de Ativos - SGFIM, S.A.	Management of Inv. Funds	Lisbon	100%	Full
Fundo de Titularização de Créditos AR Finance 1 Fundo	Credit securitisation fund	Lisbon	n.a.	Full
AR Finance 1, plc	Debt issue	Ireland	n.a.	Full
Fundo Tejo	Purchase and sale real estate	Lisbon	86,5%	Full
Saldanha Holdings	Financial company	Malta	100%	Full
Saldanha Finance	Financial company	Malta	100%	Full

As at 31 December 2014 and 2013, the more significant financial highlights of the respective individual financial statements can be summed up as follows:

	2014			2013		
Company	Net assets	Net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	646,056,466	76,526,421	17,389,650	657,179,974	51,368,462	(4,955,394)
Invest Gestão de Ativos - SGFIM, S.A.	1,923,887	1,883,176	114,437	1,781,727	1,768,738	103,313
Fundo de Titularização de Créditos AR Finance 1 Fundo	20,035,962	18,404,743	(2,802,191)	34,100,533	27,713,617	(247,432)
AR Finance 1, plc	30,251,041	(747,525)	3,322,830	34,267,945	(4,070,355)	(473,438)
Fundo de Titularização de Créditos Invest Finance 1 Portugal Fundo	-	-	-	99,974,439	93,682,378	(502,276)
Invest Finance BV	-	-	-	94,453,861	18,000	17,200
Fundo Tejo	8,281,992	7,942,227	156,330	8,106,257	7,785,897	3,986
Saldanha Holdings	17,341	(30,161)	16,968,339	52,752,630	2,629	1,130
Saldanha Finance	17,566,973	17,561,391	34,559,891	52,941,490	163,719	162,912

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

In November 2013, the Bank granted a loan to Saldanha Holdings in the amount of 54,100,000 euros, having this entity then granted a loan to its subsidiary Saldanha Finance for the same amount for the acquisition of the VFN. The acquisition price of the VFN was 54,041,214 euros, corresponding to 61% of the nominal value of the VFN that stood at 88,460,993 euros on that date. In 2014 this financing was paid in full.

In March 2014 the Invest Finance 1 credit securitisation operation was paid. Pursuant to the management regulations of Invest Finance FTC, the Bank repurchased the credits at their nominal value.

4. REPORT BY OPERATING SEGMENT

Banco Invest adopted the following operating segments:

- Commercial – Loans and advances to customers
- Markets – Other areas, which include the areas of:
  Financial markets, brokerage, discretionary customers' portfolio management and custody of securities

In 2014 and 2013, the distribution of income and the main balance sheet items by operating segment is as follows:

	2014		
	Commercial	Markets	Total
Net interest income	10,061,764	2,515,441	12,577,205
Return on equity instruments	-	-	-
Income from services and commissions	1,986,459	-	1,986,459
Result of assets and liabilities assessed at fair value through profit and loss	-	2,733,653	2,733,653
Result of financial assets available for sale	-	5,995,636	5,995,636
Other operating income and other	(754,999)	560,990	(194,009)
Net operating income	**11,293,224**	**11,805,720**	**23,098,944**
Personnel costs and general administrative costs (1)	(7,255,751)	(2,418,583)	(9,674,334)
Amortisation in the year (1)	(529,462)	(176,487)	(705,949)
Provisions and impairment	(3,736,893)	(581,278)	(4,318,171)
Income before taxes	**(228,882)**	**8,629,372**	**8,400,490**
Taxes	(577,487)	(2,968,267)	(3,545,754)
Net income after taxes and before minority interests	**(806,369)**	**5,661,105**	**4,854,736**
Income attributable to minority interests	-	(21,126)	(21,126)
Net income for the year	**(806,369)**	**5,639,979**	**4,833,610**
Financial assets held for trading	-	58,988,160	58,988,160
Financial assets available for sale	-	262,055,808	262,055,808
Loans and advances to customers	153,659,812	31,685,044	185,344,856
Investments held to maturity	-	77,280,239	77,280,239
Resources from central banks	-	216,704,549	216,704,549
Resources from other credit institutions	-	2,470,654	2,470,654
Resources from customers and other loans	-	278,120,500	278,120,500
Liabilities represented by securities	24,857,667	-	24,857,667

'(1) These items are allocated to each segment according to the cost accounting information available at the Bank.

	2013		
	Commercial	Markets	Total
Net interest income	8,563,698	2,140,925	10,704,623
Return on equity instruments	-	22,793	22,793
Income from services and commissions	1,633,127	-	1,633,127
Result of assets and liabilities assessed at fair value through profit and loss	-	1,990,826	1,990,826
Result of financial assets available for sale	-	2,823,979	2,823,979
Other operating income and other	(451,563)	34,501,641	34,050,078
Net operating income	**9,745,262**	**41,480,164**	**51,225,426**
Personnel costs and general administrative costs (1)	(6,822,334)	(2,261,481)	(9,083,815)
Amortisation in the year (1)	(640,245)	(213,417)	(853,662)
Provisions and impairment	(19,083,526)	(297,407)	(19,380,933)
Income before taxes	**(16,800,843)**	**38,707,859**	**21,907,016**
Taxes	3,146,299	(421,290)	2,725,009
Net income after taxes and before minority interests	**(13,654,544)**	**38,286,569**	**24,632,025**
Income attributable to minority interests	-	(762)	(762)
Net income for the year	**(13,654,544)**	**38,285,807**	**24,631,263**
Financial assets held for trading	-	54,865,367	54,865,367
Financial assets available for sale	-	236,107,555	236,107,555
Loans and advances to customers	167,437,244	7,674,284	175,111,528
Investments held to maturity	-	63,787,169	63,787,169
Resources from central banks	-	221,630,278	221,630,278
Resources from other credit institutions	-	5,389,248	5,389,248
Resources from customers and other loans	-	233,850,358	233,850,358
Liabilities represented by securities	31,955,421	-	31,955,421

(1) These items are allocated to each segment according to the cost accounting information available at the Bank.

All the operations of Group Invest are carried out in Portugal.

5. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows

	2014	2013
Cash in hand	412,415	552,582
Sight Deposits at the Bank of Portugal	1,824,051	5,619,000
	2,236,466	**6,171,582**

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

6. AMOUNTS AND DEPOSITS OWED BY CREDIT INSTITUTIONS

These items were made up as follows:

	2014	2013
Amounts at other credit institutions		
Sight deposits		
- In Portugal	1,913,741	1,770,088
- Abroad	5,254,271	3,968,715
	7,168,012	**5,756,803**
Deposits at credit institutions:		
- Credit institutions in Portugal		
Interest receivable		
	3,400,352	**-**

At 31 December 2014 the times to maturity of deposits at credit institutions broke down as follows:

	2014	2013
Up to three months	3.000.000	-
Three months to one year	400.000	-
	3.400.000	**-**

As at 31 December 2014 and 2013, placements with credit institutions abroad include 2,271,242 euros and 864,226 euros, respectively, in respect of the balance of the Cash reserve account kept by AR Finance 1, plc, with the Bank of New York Mellon, to secure payment of the principal and interest of the Class A & B Floating Rate Notes issued within the scope of the credit securitisation operation undertaken by the Bank (Notes 9 and 21).

7. FINANCIAL ASSETS HELD FOR TRADING

This item was made up as follows:

	2014	2013
Debt instruments		
Portuguese government debt	-	36,551
Other residents		
- Other national public issuers	50,023	50,845
- Credit institutions	4,164,160	359,716
- Companies	20,000	-
- Commercial Paper	13,694,143	10,429,595
Non-residents		
- Foreign public issuers	2,219,110	4,366,654
- Credit institutions	24,241,232	28,711,486
- Companies	7,677,089	5,474,264
	52,065,957	**49,429,111**
Interest receivable	309,202	454,986
	52,375,159	**49,884,097**
Equity instruments		
Residents		
- Shares	1,194,224	1,008,974
Non-residents		
- Shares	3,044,985	2,088,030
- Fund units	8,643	143,516
	4,247,852	**3,240,520**
Derivatives		
Swaps		
- Interest rate	103,245	398,600
- Other	1,439,970	1,094,326
Options	821,936	247,824
	2,365,151	**1,740,750**
	58,988,160	**54,865,367**

As at 31 December 2014 and 2013, the nominal value of the debt instruments is as follows:

	2014	2013
Portuguese government debt	-	43,000
Other residents		
- Other Public Issuers	50,000	51,000
- Credit institutions	5,020,000	350,000
- Commercial paper	13,750,000	10,500,000
Non-residents		
- Foreign public issuers	2,000,000	4,290,000
- Credit institutions	25,000,000	29,455,029
- Companies	7,900,982	5,630,982
	53,720,982	**50,320,011**

As at 31 December 2014 and 2013, the transactions with derivatives were valued in accordance with the criteria in Note 2.4. On these dates, the breakdown of the notional amount and book value was as follows:

	2014			
	Notional amount	Accounting value		
	Trading derivatives	Assets held for trading	Liabilities held for trading	Total
			(Note 18)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	42,392,240	103,245	(17,372)	85,873
Others	5,878,247	1,439,970	-	1,439,970
- Options embedded				
in structured deposits	21,474,042	821,936	(468,697)	353,239
- Options				
Equities	164,731	-	(7,487)	(7,487)
	69,909,260	**2,365,151**	**(493,556)**	**1,871,595**
Traded on the stock exchange				
- Futures				
Interest rate	4,746,963	-	-	-
Equities	756,825	-	-	-
Foreign exchange	3,703,098	-	-	-
	9,206,886	**-**	**-**	**-**
	79,116,146	**2,365,151**	**(493,556)**	**1,871,595**

	2013			
	Notional amount	Accounting value		
	Trading derivatives	Assets held for trading	Liabilities held for trading	Total
			(Note 18)	
Derivatives				
Over the counter (OTC)				
- Swaps				
Interest rate	56,257,019	398,600	-	398,600
Others	5,878,247	1,094,326	(17,375)	1,076,951
- Options embebbed				
in structured deposits	10,711,626	247,824	(367,804)	(119,980)
- Options				
Equities	66,710	-	(674)	(674)
	72,913,602	**1,740,750**	**(385,853)**	**1,354,897**
Traded on the stock exchange				
- Futures				
Interest rate	8,969,975	-	-	-
Equities	1,960,252	-	-	-
Foreign exchange	4,686,222	-	-	-
	15,616,449	**-**	**-**	**-**
	88,530,051	**1,740,750**	**(385,853)**	**1,354,897**

As at 31 December 2014 and 2013, the notional amount of interest rate swaps relative to transactions within the scope of the credit securitisations set up by the Bank, came to 34,477,240 euros and 43,379,100 euros, respectively, relative to transactions within the scope of the credit securitisations set up by the Bank (Note 9).

The distribution of derivative transactions as at 31 December 2014 and 2013, by times to maturity, was as follows (by notional amount):

2014						
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	750,000	-	7,165,000	-	34,477,240	42,392,240
Credit events	-	-	-	5,878,247	-	5,878,247
	750,000	**-**	**7,165,000**	**5,878,247**	**34,477,240**	**48,270,487**
- Options embedded in structured deposits	7,109,798	5,637,003	5,320,337	3,406,905	-	21,474,042
- Options						
Equities and foreign exchange	-	164,731	-	-	-	164,731
Traded on the stock exchange						
- Futures						
Interest rate	999,250	1,749,038	749,625	1,249,050	-	4,746,963
Equities	756,825	-	-	-	-	756,825
Foreign exchange	3,703,098	-	-	-	-	3,703,098
	5,459,173	**1,749,038**	**749,625**	**1,249,050**	**-**	**9,206,886**
	13,318,971	**7,550,772**	**13,234,962**	**10,534,202**	**34,477,240**	**79,116,146**

2013						
	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Derivatives						
Over the counter (OTC)						
- Swaps						
Interest rate	3,250,000	2,350,000	3,462,919	3,815,000	43,379,100	56,257,019
Credit events	-	-	-	5,878,247	-	5,878,247
	3,250,000	**2,350,000**	**3,462,919**	**9,693,247**	**43,379,100**	**62,135,266**
- Options embedded in structured deposits	3,673,246	2,077,829	4,331,551	629,000	-	10,711,626
- Options						
Equities and foreign exchange	-	-	66,710	-	-	66,710
Traded on the stock exchange						
- Futures						
Interest rate	3,739,500	1,994,200	1,993,475	1,242,800	-	8,969,975
Equities	1,960,252	-	-	-	-	1,960,252
Foreign exchange	4,686,222	-	-	-	-	4,686,222
	10,385,974	**1,994,200**	**1,993,475**	**1,242,800**	**-**	**15,616,449**
	17,309,220	**6,422,029**	**9,854,655**	**11,565,047**	**43,379,100**	**88,530,051**

The distribution of derivative transactions as at 31 December 2014 and 2013, by type of counterparty, was as follows:

	2014	**2013**
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	34,477,240	43,379,100
- Customers	7,915,000	12,877,919
Other		
- Customers	5,878,247	5,878,247
Options embedded in structured deposits		
- Customers	21,474,042	10,711,626
Options		
- Equities	164,731	66,710
	69,909,260	**72,913,602**
Traded in the stock exchange		
Futures		
- Interest rate	4,746,963	8,969,975
- Equities	756,825	1,960,252
- Foreign exchange	3,703,098	4,686,222
	9,206,886	**15,616,449**
	79,116,146	**88,530,051**

8. FINANCIAL ASSETS AVAILABLE FOR SALE

This item was made up as follows:

	2014	2013
Debt instruments		
Portuguese government debt	110,860	18,598,740
Other residents		
- National public issuers	2,000,920	1,993,460
- Credit institutions	2,117,727	2,535,692
- Other bonds	20,949,343	16,911,397
Non-residents		
- Foreign public issuers	142,067,476	90,255,701
- Other bonds	87,362,677	96,204,765
	254,609,001	**226,499,755**
Interest receivable	**2,712,073**	**3,312,241**
	257,321,074	**229,811,996**
Equity instruments		
Issued by residents		
- Valued at fair value	7,869,822	7,984,635
Issued by non-residents		
- Valued at fair value	466,425	1,875,799
	9,371,278	**9,860,434**
	265,657,321	**239,672,430**
Impairment (Note 22)	(3,601,513)	(3,564,875)
	262,055,808	**236,107,555**

Changes in impairment are stated under Note 22.

At 31 December 2014 and 2013, the item "Equity Instruments – Issued by residents," includes the participation in the Fundo Especial de Investimento Imobiliário Fechado - Inspirar in the amount of 5,233,000 euros. As regards this participation, the Bank signed a fixed-term sales contract at a value that exceeded acquisition cost.

As at 31 December 2014 and 2013, the nominal value of the debt instruments is as follows:

	2014	2013
Debt instruments		
Portuguese government debt	100,000	20,100,000
Other residents		
- National public issuers	2,000,000	2,000,000
- Credit institutions	2,100,000	2,500,000
- Other bonds	19,600,000	16,100,000
Non-residents		
- Foreign public issuers	135,500,100	90,500,100
- Other bonds	81,300,000	93,708,996
	240,600,100	**224,909,096**

As at 31 December 2014 and 2013, the unrealised gains and losses in debt instruments were as follows:

	2014	2013
Debt instruments		
Portuguese government debt	15,633	(277,441)
Other residents		
- National public issuers	347	(9,902)
- Other bonds	1,350,351	718,728
- Credit institutions	18,188	32,793
Non-residents		
- Foreign public issuers	7,977,589	1,658,043
- Other bonds	4,834,252	1,258,359
	14,196,360	**3,380,580**
Equity instruments	(1,278,231)	611,815
Potential gains in securities transferred to the loan portfolios and accounts receivable and investments held to maturity	(2,806)	(26,088)
Net potential gains (Note 26)	**12,915,323**	**3,966,307**

9. LOANS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	2014	2013
Securitised domestic loans:		
- Real estate leasing	13,391,775	62,334,070
- Medium and long-term loans	6,586,472	43,234,903
	19,978,247	**105,568,973**
Non-securitised domestic loans:		
- Real estate leasing	55,822,044	14,628,704
- Medium and long-term loans	46,291,999	11,541,726
- Current account loans	17,942,958	19,078,649
- Real estate leasing	635,487	594,924
- Current account overdrafts	2,520,737	3,121,177
- Other loans	5,544,755	5,582,465
	128,757,980	**54,547,645**
Foreign loans:		
- Medium and long-term loans	-	532,897
- Current account overdrafts	342,136	335,798
	149,078,363	**160,985,313**
Interest receivable	**365,875**	**442,285**
Other loans and receivables – debt securities:		
Other residents		
- Other national public issuers	10,166,017	-
- Companies	17,503,173	2,530,575
Non-residents		
- Credit institutions	1,000,000	1,000,000
- Companies	3,651,564	5,900,077
- Interest receivable	154,070	30,303
	32,474,824	**9,460,955**
Commissions associated to amortisation cost:		
- Deferred charges	170,884	204,615
- Deferred income	(80,448)	(87,076)
	90,436	**117,539**
Past due principal and interest	**36,079,192**	**35,175,763**
	218,088,690	**206,181,855**
Impairment (Note 22)		
- Loans granted	(31,765,404)	(29,355,207)
- For loans and advances to customers - debt securities	(978,430)	(1,715,120)
Total impairment	**185,344,856**	**175,111,528**

The movement under impairment in 2014 and 2013 is given in Note 22.

As at 31 December 2014 and 2013 the "Securitised domestic loans" item refers to securitisation operations undertaken by the Bank and whose loan portfolio details are as follows:

	2014	2013
Securitisation operations:		
- AR Finance	19,978,247	25,622,227
- Invest Finance - Conduit	-	79,946,746
	19,978,247	**105,568,973**

The securitisation operations undertaken by the Bank have the following characteristics:

- *AR Finance:*

On 19 December 2003 the Bank undertook a credit securitisation operation under which it sold a loan portfolio comprising property leasing transactions, mortgage loans and credits associated with these transactions through "cross default" clauses, for the sum of 100,007,912 euros. In December 2004, the Bank sold additional loans in the sum of 42,000,017 euros in accordance with the terms of the initial operation.

These credits were sold for their book value to the AR 1 Credit Securitisation Fund (AR Finance FTC), managed by Navegator, Sociedade Gestora de Fundos de Titularização de Créditos, S.A..

The management of the credits assigned continues to be assured by the Bank under the terms of a credit management agreement signed on 19 December 2003. All sums received under the credit contracts are handed over to AR Finance 1 FTC, and the Bank's services are remunerated via a commission calculated quarterly on the overall value of the credits forming the Fund on the basis of an annual rate of 0.35%.

The funding of AR Finance 1 FTC was provided by the issue of two fungible series of credit securitisation units totalling 100,000,000 euros and 42,000,000 euros respectively, fully subscribed by AR Finance 1 plc, which is headquartered in the Republic of Ireland.

The income arising from the assigned credits is distributed in full by AR Finance 1 FTC to AR Finance 1 plc, after deduction of the commissions, costs and charges provided for in the Fund management regulations. In this way, the credit risk inherent in the possession of the credits is reflected at AR Finance 1 plc, in its standing as the holder of all the securitised units issued by AR Finance 1 FTC.

The funding of AR Finance 1 plc was provided by the issue of bonds with differing levels of subordination, rating and, consequently, remuneration. As at 31 December 2014 and 2013, the characteristics of the debt issued by this entity are as follows:

	Amount issued	Amount in circulation		Reimbursement date	Step up date	Reimbursement	
		2014	2013			Up to step up date	After step up date
Class A	106,500,000	-	-	September 2036	September 2008	Euribor 3 m + 0.32%	Euribor 3 m + 0.64%
Class B	35,500,000	19,779,997	29,068,820	September 2036	September 2008	Euribor 3 m + 0.09%	Euribor 3 m + 0.18%
Class C	11,360,000	9,921,029	7,850,158	September 2036	-	Fixed rate of 19%	Fixed rate of 19%
Residual certificates	1,200,000	1,200,000	1,200,000	September 2036	-	Residual return from securitised portfolio, net of the other classes of bonds	
	154,560,000	**30,901,026**	**38,118,978**				

The Class A and C bonds issued in 2004 were placed with premiums in relation to their par values, in the sums of 81,046 euros and 218,452 euros, respectively.

The Class A and C bonds earn quarterly interest on 20 March, June, September and December each year.

As foreseen in the securitisation operation contract, the spreads on the Class A and B bonds increase as from September 2008, giving rise to an increase of the financing costs as from that date.

As at 31 December 2014 and 2013, Class B bonds both have an AAA rating granted by Standard & Poor's and Moody's. In addition, repayment of the principal debt and interest on the Class B bonds are guaranteed by the European Investment Fund.

AR Finance 1 plc has a call option on the Class A and B bonds on any interest-payment date as from September 2006. In this case the loan portfolio would also be repurchased ahead of schedule. In addition, the Bank also has a call option on the loan portfolio as from the time that the value of the outstanding principal is equal to or less than 10% of the value of the initial operation.

Class C bonds, which have not been granted a rating, and the residual certificates were acquired in full by the Bank. The payment of the Class C bonds is dependent on the change in the loan portfolio, with payment occurring as the loan portfolio decreases, provided the ratio between the amount of the bonds to be paid and the amount of the loan portfolio does not fall below 12% The subscription value of the Class C bonds was designed to set up a Cash reserve account, the purpose of which is to compensate any shortfall in the amounts received by AR Finance 1, plc to meet the payments owed to the holders of Class A and B bonds.

As at 31 December 2014, the outstanding principal and past due debt resulting from assigned credits amounted to 19,978,247 and 5,079,764 euros, respectively (as at 31 December 2013, the amounts came to 25,622,227 euros and 5,504,093 euros, respectively).

- *Invest Finance - Conduit*

On 13 March 2008 the Bank undertook a credit securitisation operation under which it sold a loan portfolio comprising property leasing transactions, mortgage loans and credits associated with these transactions through "cross default" clauses, for the sum of 100,009,526 euros. In 2009 the Bank reinforced its securitised loan portfolio, which came to 79,946,746 euros on 31 December 2013.

These credits were sold for their book value to the Invest Finance 1 Portugal Credit Securitisation Fund (Invest Finance 1 FTC), managed by Navegator, Sociedade Gestora de Fundos de Titularização de Créditos, S.A..

The management of the credits assigned continues to be assured by the Bank under the terms of a credit management agreement signed on 13.03.08. All sums received under the credit contracts are handed over to Invest Finance 1 FTC, and the Bank's services are remunerated via a commission calculated quarterly on the overall value of the credits forming the Fund on the basis of an annual rate of 0.35%. In addition, the Bank receives a custodian's commission from Invest Finance 1 FTC which corresponds to an annual rate of 1%.

The funding of Invest Finance 1 FTC was provided by the issue of commercial paper by Invest Finance 1 Portugal BV, headquartered in Holland, in the initial amount of 93,008,859 euros, subsequently increased by 26,573,854 euros. At 31 December 2013 commercial paper issued totalled 87,204,148 euros. The commercial paper issue has a maximum value of 125,000,000 euros.

The income arising from the assigned credits is distributed in full by Invest Finance 1 FTC to Invest Finance 1 Portugal BV (Invest Finance BV), after deduction of the commissions, costs and charges provided for in the Fund management regulations. In this way, the credit risk inherent in the possession of the credits is reflected at Invest Finance, in its standing as the holder of all the securitised units issued by Invest Finance 1 FTC.

Within the scope of this operation, the Bank made a subordinate investment in Invest Finance 1 Portugal BV, which corresponds to a Cash reserve account, the purpose of which is to compensate any shortfall in the amounts received by Invest Finance BV to meet the payments owed to the holders of the commercial paper. The investment must correspond to at least 7% of the value of the loan portfolio assigned. This investment is remunerated monthly, which essentially corresponds to the values of the income of Invest Finance BV after deducting all the expenses stemming from the company's operations. As at 31 December 2013, the balance of this investment came to 10,565,552 euros.

In November 2013, Sociedade Saldanha Holdings Limited was acquired to carry out the acquisition operation of the Variable Funding Notes (VFN), debt issued by Invest Finance 1 BV, within the scope of the Invest Finance 1 credit securitisation operation. Subsequently, the Bank granted a loan to Sociedade Saldanha Finance in the amount of 54,100,000 euros, having this entity then granted a loan to its subsidiary Saldanha Finance for the same amount for the acquisition of the VFN. In this way, as at 31 December 2013 the commercial paper is fully owned by Sociedade Saldanha Holdings Limited, with the Group having registered a gain with the repurchase in the amount of 34,419,779 euros (Note 37).

In March 2014 the Invest Finance 1 credit securitisation operation was paid. Pursuant to the management regulations of Invest Finance FTC, the Bank repurchased the credits at their nominal value. In addition, the subordinated investment in Invest Finance 1 was repaid in full.

As the structure of the securitisation operations undertaken implies that the Bank retains most of the risk associated with the loan portfolio and the income it generates, the loans granted have not been derecognised. The financial liability arising from the funds received within the scope of these operations is recorded in liabilities, under "Liabilities represented by securities" (Note 21).

As at 31 December 2014 and 2013, the breakdown of times to maturity of loans and advances to customers, including securitisation and excluding past due loans, is as follows:

	2014	2013
Up to three months	13,251,875	16,492,688
Three months to one year	2,369,124	6,306,478
From one to five years	22,631,064	18,651,416
More than five years	110,826,300	119,534,731
	149,078,363	**160,985,313**

As at 31 December 2014 and 2013, the breakdown of past due loans by age are as follows:

	2014	2013
Up to three months	261,310	318,376
From three months to one year	2,034,746	2,466,203
More than one year	33,783,136	32,391,184
	36,079,192	**35,175,763**

As at 31 December 2014 and 2013, performing loans associated with past due loans (more than 3 months) amounted to 45,071,366 euros and 53,343,845 euros, respectively.

As at 31 December 2014 and 2013, the breakdown of past due loans by type of guarantee was as follows:

	2014	2013
Mortgage guarantee or financial leasing (property)	32,780,467	31,902,908
Other real guarantees	697,516	670,844
Personal guarantee	1,155,103	1,177,976
No guarantee	1,446,106	1,424,036
	36,079,192	**35,175,763**

As at 31 December 2014 and 2013, the breakdown of performing loans and past due loans and the fair value of the underlying guarantees by type of loan was as follows:

	2014			
	Outstanding	Past due	Total	Fair vale of associated guarantees
Loans and advances to customers				
Real estate leasing	69,213,818	5,298,030	74,511,848	144,789,466
Medium and long-term loans	52,878,471	26,929,382	79,807,853	101,791,946
Current account loans	17,942,958	2,985,599	20,928,557	2,328,501
Equipment leasing	635,487	6,672	642,159	98,528
Other loans	5,544,755	859,509	6,404,263	7,272,136
Other loans and receivables – debt securities	32,474,82	-	32,474,824	-
Current account overdrafts	2,862,874	-	2,862,874	6,690,445
	181,553,187	**36,079,192**	**217,632,378**	**262,971,022**

	2013			
	Outstanding	Past due	Total	Fair vale of associated guarantees
Loans and advances to customers				
Real estate leasing	76,962,774	4,398,053	81,360,827	153,798,135
Medium and long-term loans	54,209,429	27,299,255	81,508,684	105,625,530
Current account loans	20,178,746	2,644,607	22,823,353	3,115,584
Equipment leasing	594,924	7,917	602,841	-
Other loans	5,582,465	825,931	6,408,396	2,978,095
Other loans and receivables – debt securities	9,460,955	-	9,460,955	-
Current account overdrafts	3,456,975	-	3,456,975	9,830,956
	170,446,268	**35,175,763**	**205,622,031**	**275,348,300**

The breakdown of the loan portfolio, excluding securitised credit, as at 31 December 2014 and 2013, excluding securitised credit, by sector of activity, was as follows:

	2014		
	Performing loans	Past due loans	Total
Wholesale commerce and retail; automobileand mororcycle repair	42,129,722	7,925,283	50,055,005
Private customers	31,137,934	8,088,610	39,226,544
Real estate activities	13,415,532	7,636,703	21,052,235
Financial and insurance activities	16,121,612	157,291	16,278,903
Manufacturing industries	13,551,954	1,423,729	14,975,683
Construction	4,731,652	7,981,814	12,713,466
Consulting, scientific, technical and similar activities	5,576,935	205,905	5,782,840
Administrative and support services activities	5,082,772	679,714	5,762,486
Agriculture, animal production, hunting, forestry and fishing	3,714,728	194,788	3,909,516
Human health and social welfare activities	3,057,781	309,843	3,367,624
Transport and warehousing	2,966,599	344,678	3,311,277
Accomodation, restaurants and similar	2,619,838	481,603	3,101,441
Other activities and services	2,475,341	297,174	2,772,515
Artistic, entertainment, sporting and recreational activities	1,893,759	98,643	1,992,402
Education	206,544	253,414	459,958
Activities of international organisations and other institutions	272,421	-	272,421
Information and communication activities	123,239	-	123,239
Total loans	**149,078,363**	**36,079,192**	**185,157,555**

	2013		
	Performing loans	Past due loans	Total
Wholesale commerce and retail; automobileand mororcycle repair	45,408,538	6,771,074	52,179,612
Private customers	35,578,269	8,664,768	44,243,037
Real estate activities	16,659,059	7,963,737	24,622,796
Construction	9,431,118	7,766,554	17,197,672
Manufacturing industries	14,790,889	1,479,517	16,270,406
Financial and insurance activities	12,078,609	139,510	12,218,119
Consulting, scientific, technical and similar activities	7,441,753	212,986	7,654,739
Administrative and support services activities	5,283,280	715,173	5,998,453
Accomodation, resataurants and similar	3,003,946	220,443	3,224,389
Human health and social welfare activities	2,880,412	340,004	3,220,416
Other activities and services	2,663,534	297,653	2,961,187
Artistic, entertainment, sporting and recreational activities	2,003,893	17,264	2,021,157
Agriculture, animal production, hunting, forestry and fishing	1,748,220	199,647	1,947,867
Transport and warehousing	880,151	122,356	1,002,507
Education	318,490	265,077	583,567
Activities of international organisations and other institutions	509,069	-	509,069
Information and communication activities	306,083	-	306,083
Total loans	**160,985,313**	**35,175,763**	**196,161,076**

To comply with the requirements for disclosure of IAS 17 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2014 and 2013, 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:

	2014	2013
Minimum lease payments		
Up to 1 year	9,527,545	10,270,288
Between 1 and 5 years	32,335,737	35,187,593
Over 5 years	46,743,947	52,639,644
	88,607,229	**98,097,525**
Unearned financial income	(18,305,818)	(20,159,077)
	70,301,411	77,938,448
Present value of minimum lease payments		
Up to 1 year	6,794,013	7,356,662
Between 1 and 5 years	24,412,162	26,429,948
Over 5 years	39,095,236	44,151,837
	70,301,411	**77,938,447**
Impairment	(5,217,138)	(4,244,571)
	65,084,273	**73,693,876**

As at 31 December 2014 and 2013 the Bank´s financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents.

In 2008, within the scope of the alteration to IAS 39, the Bank reclassified financial assets from the "Financial assets held for trading" and "Financial assets available for sale" items into the "Loans and receivables" item (Note 42).

As at 31 December 2014 and 2013, the breakdown of reclassified securities by period to maturity was as follows:

	2014	2013
Up to one year	1,562,983	1,031,941
From one to five years	238,829	3,009,344
More than five years	2,858,870	2,875,754
	4,660,682	**6,917,039**

10. INVESTMENTS HELD TO MATURITY

This item was made up as follows:

	2014	2013
Debt instruments		
Residents		
- Portuguese government debt	14,546,377	14,461,469
- Other	6,450,078	7,154,450
Non-residents		
- Public Debt	42,277,495	20,748,448
- Other	11,653,550	19,985,845
	74,927,500	**62,350,212**
Interest receivable	2,352,739	1,436,957
	77,280,239	**63,787,169**

As at 31 December 2014 and 2013, the fair value of investments held to maturity, including accrued interest, came to 89,844,123 euros and 65,734,968 euros, respectively (Note 41).

As at 31 December 2014 and 2013, the breakdown of investments held to maturity, by maturity, was as follows:

	2014	2013
Up to one year	7,723,834	13,423,848
From one to five years	12,679,075	20,323,222
More than five years	56,877,331	30,040,099
	77,280,239	**63,787,169**

In 2008, under the alteration to IAS 39 (Note 42), the Bank transferred a set of securities that were recorded in the financial assets available for sale portfolio, as well as financial assets held for trading into the investments held to maturity portfolio. In addition, since 2010 the Bank has been acquiring a series of additional securities, within the scope of the internally defined investment policy.

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	2014	2013
Non-current assets held for sale:		
- Real estate	39,284,922	39,970,320
- Impairment (Note 22)	(9,129,228)	(7,986,075)
	30,155,694	**31,984,245**

The movement under impairment in 2014 and 2013 is given in Note 22.

Changes in this item in 2014 and 2013 are shown below:

2014									
	31 December 2013						31 December 2014		
	Gross value	Impairment	Acquisitions	Transfers	Disposals	Impairment Reinstatements / (Appropriations)	Gross Value	Impairment	Net value
		(Note 22)				(Note 22)		(Note 22)	
Real Estate	39,970,320	(7,986,075)	2,748,903	-	(3,434,301)	(1,143,153)	39,284,922	(9,129,228)	30,155,694

2013									
	31 December 2012						31 December 2013		
	Gross value	Impairment	Acquisitions	Transfers	Disposals	Impairment Reinstatements / (Appropriations)	Gross Value	Impairment	Net value
		(Note 22)				(Note 22)		(Note 22)	
Real Estate	34,572,738	(4,650,722)	9,785,227	(263,312)	(4,387,645)	(3,072,041)	39,707,320	(7,986,075)	31,984,245

As at 31 December 2014 and 2013, the breakdown of non-current assets held for sale is as follows, according to the Group acquisition date:

	2014			2013		
Year acquired	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Before 2006	813,890	(314,296)	499,594	813,890	(314,247)	499,643
2006	742,866	(43,540)	699,326	730,041	(43,540)	686,501
2007	701,389	(163,924)	537,465	701,389	(163,924)	537,465
2008	367,564	(214,340)	153,224	367,886	(208,590)	159,296
2009	3,518,265	(759,469)	2,758,796	3,518,265	(924,988)	2,593,277
2010	4,867,516	(1,840,408)	3,027,108	4,867,516	(1,383,060)	3,484,456
2011	12,768,180	(3,798,544)	8,969,636	14,507,025	(3,351,783)	11,155,242
2012	5,396,576	(942,235)	4,454,341	5,828,811	(796,079)	5,032,732
2013	7,273,725	(790,246)	6,483,479	8,635,497	(799,864)	7,835,633
2014	2,834,951	(262,226)	2,572,725	-	-	-
	39,284,922	**(9,129,228)**	**30,155,694**	**39,970,320**	**(7,986,075)**	**31,984,245**

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 Bank 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 2014 and 2013, the Group recorded net losses from the sale of real estate received in accord and satisfaction, totalling 735,235 euros and 94,968 euros, respectively (Note 36).

12. INVESTMENT PROPERTIES

This item was made up as follows:

	2014	2013
Gross value	5,475,587	5,475,587
Depreciation and accumulated impairment losses	(1,385,512)	(1,227,049)
	4,090,075	**4,248,538**

At 31 December 2014 and 2013, the balance of this item comprised buildings that were rented out by the Group and which are not expected to be sold in the short term. At these dates the Group recorded impairment in the amount of 1,385,512 euros and 1,227,049 euros, respectively, resulting from the updating of the valuations of these assets (Nota 22).

Investment properties are recorded at acquisition cost, less accumulated amortisation and impairment losses. At 31 December 2014 and 2013 the Group did not record any depreciation for the year due to the fact that all buildings were valued at an amount that was below their acquisition value, deducted by depreciation that would be calculated from the date of their acquisition up until 31 December 2014. For the same reason, the balance sheet value of these buildings is similar to their fair value.

During 2014 and 2013 the amount of rent collected from the buildings rented out by the Bank totalled 595,111 euros and 136,543 euros respectively (Notes 37 and 36, respectively).

13. OTHER TANGIBLE ASSETS

Changes in the “Other tangible assets” items during 2014 and 2013 were as follows:

2013							
	31 December 2013						
Description	Gross value	Accumulated depreciation	Depreciation	Transfers	Depreciation for the year	Disposals & write-offs	Net value 31-12-2014
Real estate							
- Premises	705,226	(186,835)	-	-	(10,302)	-	508,089
- Leasehold expenses	2,525,661	(1,275,217)	-	-	(191,333)	-	1,059,111
	3,230,887	**(1,462,052)**	**-**	**-**	**(201,635)**	**-**	**1,567,200**
Equipment							
- Furniture and material	409,812	(315,533)	5,611	-	(27,661)	-	72,229
- Machines and tools	73,911	(51,655)	10,958	-	(6,694)	-	26,520
- IT equipment	724,243	(668,810)	16,873	-	(36,765)	-	35,541
- Fixtures and fittings	613,276	(377,633)	-	-	(62,976)	-	172,667
- Vehicles	943,469	(789,212)	51,852	-	(126,014)	-	80,095
- Safety equipment	23,759	(18,201)	-	-	(1,748)	-	3,810
	2,788,470	**(2,221,044)**	**85,294**	**-**	**(261,858)**	**-**	**390,862**
Other tangible assets							
- Artistic assets	41,364	-	-	-	-	-	41,364
	6,060,721	**(3,683,096)**	**85,294**	**-**	**(463,492)**	**-**	**1,999,426**

2013							
	31 December 2012						
Description	Gross value	Accumulated depreciation	Depreciation	Transfers	Depreciation for the year	Disposals & write-offs	Net value 31-12-2013
Real estate							
- Premises	705,226	(176,533)	-	-	(10,302)	-	518,391
- Leasehold expenses	2,342,814	(1,085,171)	-	182,847	(190,046)	-	1,250,444
	3,048,040	**(1,261,704)**	**-**	**182,847**	**(200,348)**	**-**	**1,768,835**
Equipment							
- Furniture and material	406,773	(288,042)	3,039	-	(27,491)	-	94,279
- Machines and tools	107,477	(85,871)	6,304	-	(5,655)	-	22,255
- IT equipment	688,563	(620,068)	35,680	-	(54,538)	-	49,637
- Fixtures and fittings	511,076	(315,967)	1,269	105,409	(60,347)	-	241,440
- Vehicles	973,973	(671,209)	34,900	-	(178,965)	(4,442)	154,257
- Safety equipment	23,759	(16,453)	-	-	(1,748)	-	5,558
	2,711,621	**(1,997,610)**	**81,192**	**105,409**	**(328,744)**	**(4,442)**	**567,426**
Other tangible assets							
- Artistic assets	41,364	-	-	-	-	-	41,364
Ativos tangíveis em curso	286,502	-	1,754	(288,256)	-	-	-
	6,087,527	**(3,259,314)**	**82,946**	**-**	**(529,092)**	**(4,442)**	**2,377,625**

14. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2014 and 2013 were as follows:

2014						
	31 December 2013					
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Amortisations for the year	Net value
Intangible assets						
Software	1,880,680	(1,620,997)	99,533	-	(242,457)	116,759
Intangible assets is progress	10,507	-	2,988	(4,315)	-	9,180
	1,891,187	**(1,620,997)**	**102,521**	**(4,315)**	**(242,457)**	**125,939**

2013						
	31 December 2012					
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Amortisations for the year	Net value
Intangible assets						
Software	1.889.757	(1.327.379)	885	20.992	(324.570)	259.685
Intangible assets is progress	5.029	-	26.468	(20.992)	-	10.505
	1.894.786	**(1.327.379)**	**27.353**	**-**	**(324.570)**	**270.190**

15. INCOME TAX

The asset and liability balances by income tax as at 31 December 2014 and 2013 were as follows:

	2014	2013
Deferred tax assets		
- By other temporary differences	7,663,338	7,851,658
Deferred tax liabilities		
- By temporary differences	(2,914,876)	(827,965)
	4,748,462	**7,023,693**
Current tax assets / (liabilities)		
- Tax assessed	(2,328,542)	(321,919)
. State surcharge	(147,514)	-
. Surcharge	(353,958)	(17,373)
. Autonomous taxation	(71,060)	(87,882)
. Payments on account	209,994	1,142,990
. Additional payment on account	-	198,726
. Special payments on account	-	49,495
. Tax withheld at source	68,408	32,936
Income tax (payable) / receivable	**(2,622,672)**	**996,973**

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 variations in fair value of the Assets available for sale recognised in the fair value reserve and the difference between the Provisions set up in the individual accounts of the Bank, relevant for tax purposes and the impairments recorded in the consolidated accounts.

The breakdown of changes in deferred taxes in 2014 and 2013 was as follows:

	2014					
		Chance in Income		Change in Reserve		
	Balance as at 31-12-2013	Rate change	For the year	Rate change	For the year	Balance as at 31-12-2014
Deferred tax assets						
- Differential between impairment and provisions deducted for tax in individual accounts:						
- Provisions for loans and advances	7,073,038	(1,067,628)	497,702	-	-	6,503,112
- Valuation of trading derivatives	11,535	(1,741)	(1,021)	-	-	8,773
- Impairement of securities	767,085	(115,786)	118,681	-	-	769,980
- Impairment of non-current assets held for sale	-	-	381,474	-	-	381,474
	7,851,658	**(1,185,156)**	**996,836**	**-**	**-**	**7,663,338**
Deferred tax liabilities						
- Assest available for sale	(827,965)	-	(142,033)	124,976	(2,069,854)	(2,914,876)
	7,023,693	**(1,185,156)**	**854,803**	**124,976**	**(2,069,854)**	**4,748,462**

	2013					
		Chance in Income		Change in Reserve		
	Balance as at 31-12-2012	Rate change	For the year	Rate change	For the year	Balance as at 31-12-2013
Deferred tax assets						
- Differential between impairment and provisions deducted for tax in individual accounts:						
- Provisions for loans and advances	3,878,509	(96,963)	3,291,492	-	-	7,073,038
- Valuation of trading derivatives	81	(2)	(79)	-	-	-
- Impairement of securities	42,448	(1,061)	(29,852)	-	-	11,535
- Impairment of non-current assets held for sale	627,280	(15,682)	294,592	(15,682)	(123,423)	767,085
	382,761	(9,569)	(278,226)	(9,569)	(85,397)	-
	4,931,079	**(123,277)**	**3,277,927**	**(25,251)**	**(208,820)**	**7,851,658**
Deferred tax liabilities						
- Assets available for sale	(99,415)	2,485	(10,836)	2,485	(722,684)	(827,965)
	4,831,664	**(120,792)**	**3,267,091**	**(22,766)**	**(931,504)**	**7,023,693**

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:

	2014	2013
Current taxes		
For the year	(2,968,267)	(421,290)
Deferred taxes		
Entry and reversal of temporary differences	(577,487)	3,146,299
Total tax recognised in profit and loss	(3,545,754)	2,725,009
Income before taxes and non-controlling interests	8,400,490	21,907,016
Tax burden	42.21%	12.44%

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 extended to six years. In this way, therefore, the tax returns of the Bank and of Invest Gestão de Activos for the years 2011 to 2014 are still subject to review and the taxable amount may be corrected.

However, the Bank's Board of Directors does not think that there will be any correction with a significant impact on the consolidated financial statements as at 31 December 14.

The reconciliation between the nominal and effective rate of tax in 2014 and 2013 is given below:

	2014		2013	
	Rate	Tax	Rate	Tax
Income before taxes		8,400,490		21,907,016
Tax at nominal rate	24.50%	2,058,120	26.50%	5,805,359
State surcharge	4.21%	353,958	-	-
		2,412,079		**5,805,359**
Impairments not accepted for tax purposes	-	-	2.87%	240,723
Effect of change in tax rate	14.11%	1,185,156	1.44%	120,792
Costs not accepted for tax purposes				
- Write-ups	0.05%	4,360	0.05%	4,420
Tax benefit	(0.05%)	(4,561)	(0.05%)	(4,399)
Gains and losses	0.95%	79,794	0.04%	3,199
Autonomous taxation	0.84%	70,268	0.59%	49,341
Contributions on teh banking sector	0.47%	39,668	0.40%	33,671
Effect of gain from acquisition of the "Variable *Funding Notes*" within the scope of the Invest Finance 1 operation	-	-	(108.07%)	(9,078,253)
Other	(2.87%)	(241,009)	1.19%	100,138
	42.21%	**3,545,754**	**-12.44%**	**(2,725,009)**

16. OTHER ASSETS

As at 31 December 2014 and 2013 this item was made up as follows:

	2014	2013
Debtors and other financial investments		
Debtors by transactions on futures	367,737	1,012,047
Other sundry debtors	110,189	72,160
	477,926	**1,084,207**
Other assets		
Gold and other Precious Metals	377,410	549,116
Income receivable		
Commissions	354,577	342,938
Deferred charges		
Securitisation operation charges – Conduit	-	12,355
Rents	56,086	56,086
Other	154,487	133,372
	210,573	**201,813**
Other accruals and deferrals		
Stock market transactions pending settlement	979,530	2,965,624
Non-stock market transactions pending settlement	2,323,120	77,632
Other	527,715	594,782
	3,830,365	**3,638,038**
	5,250,851	**5,816,112**

As at 31 December 2014 and 2013, “Stock market transactions pending settlement” and “Non-stock market transactions pending settlement” reflect transactions carried out on behalf of third parties, financial settlement of which took place after the balance sheet date.

17. RESOURCES FROM CENTRAL BANKS

As at 31 December 2014 and 2013 this item was made up as follows:

	2014	2013
Resources from Bank of Portugal	215,000,000	220,000,000
Interest payable	1,704,549	1,630,278
	216,704,549	**221,630,278**

As at 31 December 2014 and 2013, "Resources from Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2014 and 2013, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	2014	2013
Up to three months	215,000,000	110,000,000
From one to five years	-	110,000,000
	215,000,000	**220,000,000**

Resources obtained from the Bank of Portugal as at 31.12.14 and 2013 are secured by a chattel mortgage on the Bank's own securities portfolio (Note 24).

18. FINANCIAL LIABILITIES HELD FOR TRADING

As at 31 December 2014 and 2013, this item relates to derivatives recorded at fair value offset against income and is broken down as follows:

	2014	2013
Swaps		
- Interest rate	17,372	17,375
Options	476,184	368,478
	493,556	**385,853**

19. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2013 and 2012 this item was made up as follows:

	2014	2013
Term deposits and other resources:		
- Credit institutions in Portugal	2,468,198	5,387,085
- Credit institutions abroad	2,456	2,163
	2,470,654	**5,389,248**

As at 31 December 2014 and 2013, the "Resources from other credit institutions" mature in the first quarter of 2015 and 2014, respectively.

20. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2014 and 2013 this item was made up as follows:

	2014	2013
At sight:		
- Sight deposit	37,606,996	30,409,135
With agreed maturity dates:		
- Term deposits	220,792,379	192,464,691
- Structured deposits	16,465,398	7,868,508
	237,257,777	**200,333,199**
	274,864,773	**230,742,334**
Interest payable:		
- Interest on customers' resources	3,255,727	3,108,024
	278,120,500	**233,850,358**

As at 31 December 2014 and 2013, the times to maturity of customers' resources are as follows:

	2014	2013
Up to three months	63,640,552	58,048,690
Three months to one year	121,430,132	135,462,809
One to five years	52,187,093	6,821,700
	237,257,777	**200,333,199**

21. LIABILITIES REPRESENTED BY SECURITIES

As at 31 December 2014 and 2013 this item was made up as follows:

	2014	2013
Customer debt securities	5,008,644	2,843,117
Floating rate notes issued by AR Finance 1, plc (Note 9)		
- Class B	19,779,997	29,068,820
	24,788,641	**29,068,820**
Interest payable	69,026	43,484
	24,857,667	**31,955,421**

22. PROVISIONS AND IMPAIRMENT

As at 31 December 2014 and 2013 this item was made up as follows:

	2014				
	Balances as at 31-12-2013	Net charges	Utilisation	Transfers and settlements	Balances as at 31-12-2014
Provisions	600,000	-	-	(100,000)	500,000
Loan impairment to custoners (Note 9):					
- Credit extended	29,355,207	2,488,038	-	(77,841)	31,765,404
- Loans and advances to customers - debt securities	1,715,120	110,810	(847,500)	-	978,430
Impairment of financial assets available for sale (Nota 8)	3,564,875	581,278	(486,996)	(57,644)	3,601,513
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	7,986,075	1,143,153	-	-	9,129,228
- Investment properties (Note 12)	1,227,049	(5,107)	-	163,570	1,385,512
	44,448,326	**4,318,172**	**(1,334,496)**	**(71,915)**	**47,360,087**

	2013				
	Balances as at 31-12-2012	Net charges	Utilisation	Transfers and settlements	Balances as at 31-12-2013
Provisions	500,000	100,000	-	-	600,000
Loan impairment to custoners (Note 9):					
- Credit extended	14,755,690	14,748,594	(149,077)	-	29,355,207
- Loans and advances to customers - debt securities	1,051,138	663,982	-	-	1,715,120
Impairment of financial assets available for sale (Nota 8)	4,441,582	(366,575)	(500,000)	(10,132)	3,564,875
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	4,650,722	3,072,041	-	263,312	7,986,075
- Investment properties (Note 12)	327,464	1,162,891	-	(263,306)	1,227,049
	25,726,596	**19,380,933**	**(649,077)**	**(10,126)**	**44,448,326**

During 2013, impairment in the amount of 263,306 euros, associated to the properties of Fundo Tejo which were not rented out during this period, was transferred from "Investment properties" to "Non-current assets held for sale".

23. OTHER LIABILITIES

As at 31 December 2014 and 2013 this item was made up as follows:

	2014	2013
Creditors and other resources		
Creditors by operations on futures	250,033	641,606
Public Administration Sector		
- Tax withheld at source	410,534	508,941
- VAT payable	237,941	130,808
- Social Security contributions	100,443	86,185
Advances on account, third parties	(20,182)	13,115
Sundry creditors		
- Other creditors	1,559,414	1,587,729
	2,538,183	**2,968,384**
Charges payable		
By personnel costs		
- Provision for holiday pay and allowance	553,603	607,751
By general administrative costs	209,651	38,879
Other	269,840	9,314
	1,033,094	**655,944**
Deferred income		
Other	-	87,076
Other accruals and deferrals		
Stock market transactions pending settlement	6,019,207	3,066,994
Non-stock market transactions pending settlement	2,323,096	77,498
Other transactions pending adjustment	739,009	831,379
	9,081,312	**3,975,871**
	12,652,589	**7,687,275**

As at 31 December 2014 and 2013, "Stock market transactions pending settlement" and "Non-stock market transactions pending settlement" reflect transactions carried out on behalf of customers, financial settlement of which took place after the balance sheet date.

24. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2014 and 2013, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2014	2013
Guarantees provided and other liabilities:		
Guarantees and standby letters of credit	3,985,295	3,539,613
Assets pledged as collateral	254,660,000	273,260,000
	258,645,295	**276,799,613**
Commitments to third parties:		
Liabilities for provision of services		
- Assets assigned in securitisation operations		
Home loans	1,683,528	3,285,425
Mortgages	5,520,048	40,946,415
Property leasing	12,774,671	61,337,133
- Other		
Portfolio management	3,375,242	2,186,949
Customers - Equities	59,198,110	123,137,220
Customers – Sundry bonds	66,854,174	83,393,786
Customers - Others	3,743,320	315,565
Funds - Alves Ribeiro	29,546,019	28,622,971
	182,695,112	**343,225,464**
	441,340,407	**620,025,077**

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 2014 and 2013, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal (Note 17).

Resolution Fund

The Bank of Portugal Board of Directors decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES") given the fact that all BES assets and business dealings were transferred to Novo Banco S.A..

Following this resolution measure, it was determined that Novo Banco, S.A. capital needs totalled 4,900 million euros to be paid via the Resolution Fund, pursuant to applicable legislation. Considering that the Resolution Fund only held own resources totalling approximately 377 million euros, capital subscription was undertaken via two loans:

- 3,900 million euros from the Portuguese State; and

- 700 million euros from eight institutions taking part in the Fund (not including the Bank).

Pursuant to Article 153º-I of Decree-Law no. 345/98 of 9 November, if the resources of the Resolution Fund are insufficient to comply with its obligations, specific legislation may determine that the participating institutions make special contributions and that they stipulate the amounts, instalments, deadlines and all other terms of such contributions. Also, pursuant to said article, a participating institution may not be obliged to make special contributions on the basis of its solvency situation.

Periodic contributions from the Bank to the Resolution Fund in 2013 accounted for 0.1 %, of total contributions from Portuguese financial institutions. In 2014 the respective percentage had not been determined, seeing as the Resolution Fund accounts were not yet available.

The process to sell Novo Banco, S.A. is currently underway. The information available at this date does not allow us to assess the impact of this situation on the Bank's financial statements, seeing as the possible costs shall depend on the sale price of Novo Banco and the decisions made by the Finance Minister pursuant to his legally applicable powers.

25. CAPITAL

At 31 December 2014 and 2013, the Bank's shareholder structure is as follows:

Entuty	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9,396,000	46,980,000	78.96%
Alves Ribeiro - IF, SGPS, S.A. (Preferential Shares)	2,400,000	12,000,000	20.17%
Other	104,000	520,000	0.87%
	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 2014 and 2013 the Bank did not distribute dividends to the shareholders.

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

As at 31 December 2014 and 2013, the breakdown of the reserves and retained earnings items is as follows:

	2014	2013
Revaluation reserves		
- Reserves arising from fair value valuation of financial assets available for sale	12,915,323	3,966,307
- Reserves for deferred and current taxes of financial assets available for sale	(2,972,249)	(1,027,371)
	9,943,074	**2,938,936**
Legal reserve	1,740,163	1,740,165
Free reserve	9,012,951	9,012,951
Merger reserve	574,221	574,221
Retained earnings	17,968,463	(6,662,800)
	29,295,799	**4,664,537**
Net income for the year	4,833,610	24,631,263
	44,072,483	**32,234,736**

Revaluation reserves

Fair value reserves

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

As at 31 December 2014 and 2013, the fair value reserves include around 2,800 euros and 26,000 euros, respectively, of losses in securities reclassified from Financial assets available for sale into the categories of Investments held to maturity and Loans and receivables (Notes 8 and 42). This amount is being recognised in profit and loss for the year according to the method of the effective rate until maturity of the securities.

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.

Merger reserve

The deed of merger by incorporation of Probolsa – Sociedade Corretora S.A. (Probolsa) into the Bank was executed on 22 December 2014. In the wake of this process, the merged company was wound up and all its rights and obligations were transferred to the Bank. For accounting purposes the merger took effect on 1 January 2004, with the Probolsa assets and liabilities having been transferred to the Bank on the basis of their net book value as at that date. The difference between the accounting value of assets and liabilities transferred and the book value of the Bank's shareholding in Probolsa was recorded in the "Merger reserve" item. This reserve cannot be distributed, except in the event that the Bank is wound up, and may only be used to increase share capital or offset losses, once other reserves have been used up.

Net income for the year

In 2014 and 2013, the breakdown of the consolidated net income of the Bank was as follows:

	2014	2013
Individual results:		
Banco Invest	17,389,650	(4,955,394)
Invest Gestão de Activos	114,437	103,313
AR Finance 1, PLC	3,322,830	(473,438)
AR Finance 1, FTC	(2,802,191)	(247,432)
Invest Finance FTC	-	(502,276)
Invest Finance BV	-	17,200
Fundo Tejo	156,330	3,986
Saldanha Holding	16,968,339	1,130
Saldanha Finance	34,559,891	162,219
	69,709,286	**(5,890,692)**
Adjustments, net of tax:		
Differences between NCA and IAS/IFRS (credit impairment)	3.288.281	(5.847.030)
Cancellation of changes recorded in the individual accounts:		
Provision for past due loans of AR Finance 1, FTC	2,802,191	247,432
Provision for past due loans of Invest Finance 1, FTC	-	108,802
Provision for financial assets AR Finance PLC	503,750	1,148,231
Interest earnings received	(1,056,965)	1,217,073
Cancellation of the impairment of the properties from the Fundo Tejo fund	672,626	-
Other adjustments:		
Cancellation of the impairment of the properties		
from the Fundo Tejo fund	-	(863,676)
Correction in the consolidation of the amortisation costs		
incurred in setting up the securitisation operation	92,888	92,888
Cancellation of the income from AR Finance PLC recovery of class C interest	(2,286,772)	-
Cancellation of the dividends distributed by Saldanha Finance and Saldanha Holding	(34,000,000)	-
Acquisition of Variable Funding Notes under the Invest Finance 1 securitisation operation (Note 37)	(34,443,616)	34,419,779
Other	(125,830)	(783)
Net income after taxes and before non-controlling interests	4,854,736	24,632,024
Result attributable to non-controlling interests	(21,126)	(762)
Consolidated net income for the year	**4,833,610**	**24,631,262**

27. NON-CONTROLLING INTERESTS

At 31 December 2014 and 2013, the balance of this item was made up as follows:

	2014	2013
Fundo Especial de Investimento Imobiliário Fechado Tejo	849,770	1,025,072
Invest Finance 1 Portugal B.V.	-	18,000
	849,770	**1,043,072**

Changes in the "Non-controlling Interests" item during 2014 and 2013 were as follows:

	2014			
	Balances as at 31-12-2013	Other changes	Net income	Balances as at 31-12-2014
Fundo Especial de Investimento Imobiliário Fechado Tejo	1,025,072	(196,428)	21,126	849,770
Invest Finance 1 Portugal B.V.	18,000	(18,000)	-	-
	1,043,072	**(214,428)**	**21,126**	**849,770**

	2013			
	Balances as at 31-12-2012	Other changes	Net income	Balances as at 31-12-2013
Fundo Especial de Investimento Imobiliário Fechado Tejo	1,056,613	(32,303)	762	1,025,072
Invest Finance 1 Portugal B.V.	18,000	-	-	18,000
	1,074,613	**(32,303)**	**762**	**1,043,072**

28. INTEREST AND SIMILAR INCOMES

In 2014 and 2013 this item was made up as follows:

	2014	2013
Interest from bank deposits	5,465	13,938
Interest from loans and advances to credit institutions	43,050	81,222
Interest from loans and advances to customers:		
- Domestic loans	4,769,683	2,689,465
- Foreign loans	187,572	175,079
- Other loans and receivables – debt securities	613,712	438,947
- Securitised assets	1,274,054	4,134,283
Interest from past due loans	1,342,944	1,260,421
Interest from financial assets held for trading:		
- Securities	1,573,885	1,955,290
- Derivative instruments	547,587	828,465
Interest from financial assets available for sale:		
- Securities	6,203,529	6,515,819
Interest from investments held to maturity	3,520,906	2,958,258
Other interest and similar charges	231,252	12,516
	20,313,739	**21,063,703**

29. INTEREST AND SIMILAR CHARGES

In 2014 and 2013 this item was made up as follows:

	2014	2013
Interest on resources from central banks	290,932	1,286,728
Interest on resources from other credit institutions		
- in Portugal	8,907	15,589
- abroad	7,127	11,076
Interest on resources from customers and other loans	6,711,022	7,092,630
Interest on liabilities represented by securities of a non-subordinate nature	569,667	1,838,359
Interest on financial liabilities for trading		
- Derivatives	36,537	-
Other interest and similar charges	112,342	114,698
	7,736,534	**10,359,080**

30. RETURN ON CAPITAL INSTRUMENTS

In 2013 this item wholly reflects dividends received from shares recorded in Financial assets available for sale.

31. INCOME FROM SERVICES AND COMMISSIONS

In 2014 and 2013 this item was made up as follows:

	2014	2013
Guarantees provided	48,714	47,549
On services provided	1,486,549	1,333,137
On transactions carried out on behalf of third parties	893,574	718,425
	2,428,837	**2,099,111**

32. FEES AND COMMISSION EXPENSES

In 2014 and 2013 this item was made up as follows:

	2014	2013
For loan operations	37,838	93,022
For banking services provided by third parties	379,017	352,730
Other commissions paid	25,523	20,232
	442,378	**465,984**

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

In 2014 and 2013 this item was made up as follows:

	2014	2013
Securities		
Issued by residents		
- Bonds	408,547	164,171
- Shares	(293,228)	86,022
Issued by non-residents		
. Bonds	2,778,898	1,850,461
. Shares	(131,637)	399,040
. Other equity instruments	(3,558)	(5,298)
	2,759,022	**2,494,396**
Derivatives		
- Swaps		
Foreign currency	-	(1,523)
Interest-rate swaps	(194,475)	(223,025)
Loans	-	(44,837)
Other	-	(20,000)
- Futures		
On equities	(77,328)	307,282
On interest rates	(13,910)	24,064
Foreign currency	(264,435)	(160,630)
Other	-	(1,245)
- Options		
On equities	524,779	(383,656)
	(25,369)	**(503,570)**
	2,733,653	**1,990,826**

34. INCOME FROM FINANCIAL ASSETS AVAILABLE FOR SALE

In 2014 and 2013 this item was made up as follows:

	2014	2013
Debt instruments		
Residents		
- Portuguese government debt	1,200,367	52,191
- Other bonds	504,019	94,827
Non-residents		
- Foreign public issuers	763,158	1,612,492
- Other bonds	2,574,541	1,059,169
Equity instruments		
Residents		
- Shares	320,391	5,305
- Other	(5,346)	(5)
Non-residents		
- Shares	670,278	-
- Other	(31,772)	-
	5,995,636	**2,823,979**

35. INCOME FROM EXCHANGE REVALUATION

The balance for this item in 2014 and 2013 wholly corresponded to the income calculated in the revaluation of the forward positions in foreign currency carried by the Bank.

36. INCOME FROM SALE OF OTHER ASSETS

In 2014 and 2013 this item was made up as follows:

	2014	2013
Gold and precious metals	(212,978)	(518,946)
Non-current assets held for sale (Note 11)	(735,235)	(94,968)
Rents from real estate rented (Note 12)	-	136,543
Other	8,250	25,808
	(939,963)	(451,563)

37. OTHER OPERATING INCOME

In 2014 and 2013 this item was made up as follows:

	2014	2013
Other operating income		
Other operating income:		
- Acquisition of Variable Funding Notes under the Invest Finance 1 securitisation operation	-	34,419,779
- Rents from real estate rented (Note 12)	595,111	-
- Reimbursement of expenses	141,526	150,168
- Income from provision of sundry services	10,598	3,843
- Other	66,883	24,473
	814,118	**34,598,263**
Other operating expenses		
Other taxes:		
- Direct taxes	238,235	79,194
- Special contribution on the banking sector	161,911	137,432
Other operating expenses and losses:		
- Contributions to the Deposit Guarantee Fund	45,173	36,822
- Contributions to the Resolution Fund	44,667	57,460
- Subscriptions and donations	41,555	39,704
- Other operating expenses and losses	97,613	30,890
	629,154	**381,502**
	184,964	**34,216,761**

During 2013, the Group carried out the acquisition operation of the Variable Funding Notes (VFN), debt issued by Invest Finance 1 BV, within the scope of the Invest Finance 1 credit securitisation operation. The acquisition of the VFN was made through Sociedade Saldanha Finance, 99.9% owned by Saldanha Holdings Limited which, in turn, is fully owned by Banco Invest (Note 3). The acquisition price of the VFN was 54,041,214 euros, corresponding to 61% of the nominal value of the VFN that stood at 88,460,993 euros on the acquisition date. In this regard, the Group registered a gain of 34,419,779 euros relative to the difference between the nominal value and the value paid for said VFN.

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

a) Liabilities deducted from tier 1 and tier 2 capital and from the deposits covered by the Deposits Guarantee Fund. The following are deducted from liabilities:
   - Elements that according to the applicable accounting standards are recognised as shareholders' equity;
   - Liabilities associated to defined benefit plans;
   - Provisions;
   - Liabilities resulting from the revaluation of derivative financial instruments;
   - Deferred income, without considering that which results from borrowing operations; and
   - Liabilities resulting from assets not derecognised in securitisation operations.

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

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

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

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

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 2014 the Bank recorded a periodic contribution of 44,667 euros. In 2013 the Bank made its initial contribution and periodic contribution to the Resolution Fund in the amounts of 13,083 euros and 42.875 euros, respectively.

38. PERSONNEL COSTS

In 2014 and 2013 this item was made up as follows:

	2014	2013
Wages and earnings		
- Governing Bodies	717,703	720,543
- Employees	3,387,275	3,203,470
	4,104,978	**3,924,013**
Social Security charges		
- Charges related to remunerations:		
Social Security	845,537	785,582
- Other compulsory social charges:		
Other	25,849	17,849
	871,386	**803,431**
Other personnel costs:		
- Other	91,517	154,789
	5,067,881	**4,882,233**

As at 31 December 2014 and 2013, the average number of employees in the service of the Bank, broken down by professional category, was as follows:

	2014	2013
Directors	7	7
Executives and managers	15	15
Technical staff	100	96
Administrative staff	5	5
	127	**123**

39. GENERAL ADMINISTRATIVE COSTS

In 2014 and 2013 this item was made up as follows:

	2014	2013
Supplies	233,943	229,189
Services	2,554,943	2,298,797
Specialised services	1,220,723	1,085,049
Other third-party services	596,844	588,547
	4,606,453	**4,201,582**

40. RELATED ENTITIES

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

Shareholders and entities they control:

- Fundo Inspirar;
- Monvest, SGPS, S.A.;
- US Gestar;
- Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.;
- Alves Ribeiro, S.A.;
- Alves Ribeiro Consultoria de Gestão, S.A.;
- Mundicenter, SGPS, S.A.;
- Mundicenter II - Gestão de Espaços Comerciais, S.A.;
- Motor Park - Comércio de Veículos Automóveis, S.A.;
- SOTIF, SGPS, S.A.;
- VALRI, SGPS, S.A.;
- MS - Participações, SGPS, S.A.;
- LERIMO, 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)

Balances with related entities

As at 31 December 2014 and 2013, the main balances with related entities were as follows:

	2014	
	Governing bodies	Shareholders and controlled entities
Financial assets held for trading	-	1,439,970
Financial assets available for sale	-	5,233,000
Loans and advances to customers	509,000	15,063,452
Resources from customers	-	(18,051,237)

	2013	
	Governing bodies	Shareholders and controlled entities
Financial assets held for trading	-	1,094,326
Financial assets available for sale	-	5,233,000
Loans and advances to customers	546,709	15,507,082
Resources from customers	-	(16,812,757)

Transactions with related entities

In 2014 and 2013, the main balances on the consolidated profit and loss statements with related entities were as follows:

	2014	
	Governing bodies	Shareholders and controlled entities
Interest and similar charges	7,041	534,745
Income from financial assets at fair value through profit and loss	-	345,644
Income from services and commissions	-	835
General administrative costs	-	(272,323)

	2013	
	Governing bodies	Shareholders and controlled entities
Interest and similar charges	7,650	390,612
Income from financial assets at fair value through profit and loss	-	270,806
Income from services and commissions	-	985
General administrative costs	-	(270,309)

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

Employees that belong to the Bank's governing bodies

Remuneration Policy

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

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

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

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

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

d) In 2014, there was no share grant scheme or share options scheme in force that included members of the governing bodies;

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

The annual amount of remuneration earned by the executive members of the Board of Directors was 710,184 euros.

41. 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 2014 and 2013, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2014		
	Gross value	Provisions and impairment	Net value
Assets			
Cash and deposits at Central Banks	1,824,051	-	1,824,051
Amounts owed by other credit institutions	7,168,012	-	7,168,012
Financial assets held for trading:			
- Securities	52,375,157	-	52,375,157
- Derivatives	2,365,151	-	2,365,151
Financial assets available for sale	257,321,074	(3,601,513)	253,719,561
Deposits at credit institutions	3,400,352	-	3,400,352
Loans and advances to customers:			
- Loans and advances to customers	185,613,866	(31,765,404)	153,848,462
- Other Loans and receivables (securitised)	32,474,824	(978,430)	31,496,394
Investments held to maturity	77,280,239	-	77,280,239
Other assets:			
- Debtors and other financial applications	477,926	-	477,926
	620,300,652	**(36,345,347)**	**583,955,305**
Off-balance sheet			
Guarantees provided	3,985,295	-	3,985,295
	624,285,947	**(36,345,347)**	**587,940,600**

	2013		
	Gross value	Provisions and impairment	Net value
Assets			
Cash and deposits at Central Banks	5,619,000	-	5,619,000
Amounts owed by other credit institutions	5,756,803	-	5,756,803
Financial assets held for trading:			
- Securities	49,884,097	-	49,884,097
- Derivatives	1,740,750	-	1,740,750
Financial assets available for sale	229,811,998	(3,564,877)	226,247,121
Loans and advances to customers:			
- Loans not represented by securities	196,720,900	(29,355,207)	167,365,693
- Other Loans and receivables (securitised)	9,460,955	(1,715,120)	7,745,835
Investments held to maturity	63,787,169	-	63,787,169
Other assets:			
- Debtors and other financial applications	1,084,207	-	1,084,207
	563,865,879	**(34,635,204)**	**529,230,675**
Off-balance sheet			
Guarantees provided	3,539,613	-	3,539,613
	567,405,492	**(34,635,204)**	**532,770,288**

Credit quality of financial assets without defaults or impairments

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

- A more significant one, 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 financial leasing operations) or a first degree mortgage (in the case of mortgage loans) on the financed properties;

- Another less significant one 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 second group of credits, 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 risk management policy:*

With an experienced team and consolidated policies and over 17 years of operation, the Bank boasts a series of resources that allows it to:

- Conduct real time monitoring of impairment or risk signs;
- Daily control of non-compliance situations (total or partial) regarding contractual obligations, whether they are 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 greater risk in terms of value;
- follow-up on sectorial risk,

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

Practical application of specific legislation geared toward protecting bank Customers who find themselves in difficult situations, within the scope of the PARI or PERSI scheme, always and whenever applicable, constitutes regular procedure for the Bank.

2. *Loan write-off policy.*

When considering risk of non-fulfilment, the Bank fully respects the provisioning policy implemented via Notice 3/95 and in recognising impairment, the guidelines of Circular 02/2014/DSP of the Bank of Portugal.

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

Accordingly, we highlight that the amount of provisions and recognised impairments has not been reduced by regular write-offs.

3. Impairment reversal policy:

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

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

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

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

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

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

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

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

- [0,1] – Loans with zero or one past due instalment;
- [2,3] – Loans with two or three past due instalments;
- [4,5] – Loans with four or five past due instalments;
- [6,+[– Loans with six or more past due instalments.

As at 31 December 2014 and 2013, the Bank's loan portfolio according to the risk categories identified above is as follows:

	2014				
	Risk category				
Type of contract	[0,1]	[2,3]	[4,5]	[6,+[	Total
Current Accounts	17,943,081	-	-	2,985,477	20,928,558
Home Loans	30,560,666	2,162,403	843,454	30,203,787	63,770,310
Mutual Loans	8,290,574	857,060	74,942	6,552,133	15,774,709
Real Estate Leasing	53,724,275	4,545,363	2,451,232	14,053,812	74,774,682
Equipment Leasing	525,453	-	116,706	-	642,159
Other Loans	1,418,080	1,217,818	1,031,112	2,737,253	6,404,263
Current Account Overdrafts	2,862,874	-	-	-	2,862,874
	115,325,003	**8,782,644**	**4,517,446**	**56,532,462**	**185,157,555**

	2013				
	Risk category				
Type of contract	[0,1]	[2,3]	[4,5]	[6,+[	Total
Real Estate Leasing	61,824,945	3,858,709	3,195,938	13,462,748	82,342,340
Home Loans	33,932,213	1,590,529	2,161,143	26,669,479	64,353,364
Current Accounts	19,968,556	-	-	2,854,798	22,823,354
Mutual Loans	10,277,832	195,437	1,361,252	4,339,285	16,173,806
Other Loans	1,227,032	1,319,468	1,990,055	1,871,842	6,408,397
Current Account Overdrafts	3,456,975	-	-	-	3,456,975
Equipment Leasing	594,923	-	-	7,917	602,840
	131,282,476	**6,964,143**	**8,708,388**	**49,206,069**	**196,161,076**

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

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

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

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

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

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

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

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

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

When calculating impairments, the Bank follows Bank of Portugal requirements stipulated in Circular 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 required by the Bank of Portugal. i) all exposures considered relevant (which according to the Bank 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) and also, iii) possible exposure to group companies or companies that are directly and indirectly related.

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

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

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

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

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

a) Detail of exposures and established impairment:

	Exposure 31-12-2014					Impairment 31-12-2014		
	Total Exposure	Perporming loans	Of which restructured	Default loans	Of which restructured	Total Impairment	Performing loans	Default loans
Construction and Real Estate (CRE)	37,614,823	13,082,421	1,703,913	24,532,402	4,933,621	7,107,615	1,062,614	6,045,001
Corporate	785,318	232,540	-	552,778	26,748	561,654	8,877	552,778
Loans secured by Pledges	6,231,031	2,323,062	-	3,907,968	-	698,482	40,878	657,604
Traditional Loans	123,461,009	73,911,618	7,912,533	49,549,391	18,878,913	20,394,288	3,407,563	16,986,725
Current Account Overdrafts	37,754	-	-	37,754	-	43,416	-	43,416
Home Loans	13,767,267	7,364,949	562,849	6,402,318	747,687	2,817,084	278,842	2,538,242
Provision of Services	132,098	-	-	132,098	-	142,864	-	142,864
Total	**182,029,299**	**96,914,590**	**10,179,295**	**85,114,709**	**24,586,970**	**31,765,404**	**4,798,775**	**26,966,629**

Total exposure detailed in these tables corresponds to that which is used in terms of the Bank credit impairment model, which in light of the amount of the credit exposure listed in Note 9, has the following differences: (i) does not include 2,825,023 euros pertaining to Overdrafts on demand deposits because the impairment model considers the value of the customer's assets as a factor to be deducted from the overall exposure; and (ii) does not include some 669,040 euros pertaining to amounts owed by customers because the impairment model considers this amount to be a factor that should be deducted from the customer's overall exposure. This criterion was consistently applied to the following tables of this Note.

Segment	Total Exposure 31-12-2014	Of total exposure 21-12-2014 — Performing loans — Past due < 30 days — with no default signs	with default signs	Past due between 30 and 90 days	Sub Total	Default loans — Past due <= 90 days	Past due >90 days
Construction and Real Estate (CRE)	37,614,823	10,431,711	585,488	2,065,222	13,082,421	5,631,065	18,901,338
Corporate	785,318	232,540	-	-	232,540	-	552,778
Loans secured by Pledges	6,231,031	893,597	429,822	999,643	2,323,062	289,898	3,618,070
Traditional Loans	123,461,009	56,357,036	15,050,126	2,504,457	73,911,618	16,062,473	33,486,918
Current Account Overdrafts	37,754	-	-	-	-	-	37,754
Home Loans	13,767,267	6,081,292	884,544	399,113	7,364,949	229,983	6,172,335
Provision of Services	132,098	-	-	-	-	-	132,098
Total	**182,029,299**	**73,996,176**	**16,949,980**	**5,968,435**	**96,914,590**	**22,213,418**	**62,901,291**

Segment	Total Impairment 31-12-2014	Of total impairment 31-12-2014 — Performing loans — Past due < 30 days — with no default signs	with default signs	Past due between 30 and 90 days	Default loans — Past due <= 90 days	Past due >90 days
Construction and CRE	7,107,615	445,833	22,350	594,432	693,675	5,351,325
Corporate	561,654	8,877	-	-	-	552,778
Loans secured by Pledges	698,482	5,809	2,606	32,463	8,012	649,592
Traditional Loans	20,394,288	2,271,267	923,228	213,068	5,830,472	11,156,253
Current Account Overdrafts	43,416	-	-	-	-	43,416
Residential Mortgage	2,817,084	232,138	33,597	13,107	48,041	2,490,201
Provision of Services	142,864	-	-	-	-	142,864
Total	**31,765,404**	**2,963,924**	**981,781**	**853,070**	**6,580,200**	**20,386,429**

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

Year of Production	Construction and CRE — Number of Operations	Amount	Impairment Constituted	Corporate — Number of Operations	Amount	Impairment Constituted	Loans secured by Redges — Number of Operations	Amount	Impairment Constituted	Traditional Loans — Number of Operations	Amount	Impairment Constituted
2004 and previous	64	7,766,017	840,968	1	37,317	37,317	0	-	-	235	18,073,793	4,241,521
2005	25	3,998,785	151,455	0	-	-	0	-	-	57	6,702,526	466,564
2006	32	7,742,322	1,348,896	1	7,242	276	0	-	-	71	13,013,421	2,304,731
2007	28	4,283,243	1,079,899	2	225,297	8,600	0	-	-	84	13,644,560	2,031,552
2008	23	5,146,848	1,308,933	0	-	-	1	179	179	71	19,872,306	4,073,770
2009	13	1,741,179	432,507	0	-	-	1	1,211	1,212	50	9,176,662	1,792,179
2010	18	2,286,184	1,271,497	0	-	-	7	139,225	133,622	37	4,491,266	827,355
2011	17	3,081,507	546,858	1	488,712	488,712	714	594,870	117,355	30	6,489,713	342,704
2012	5	670,082	60,380	0	-	-	2,257	1,596,399	321,191	42	8,992,442	1,237,043
2013	5	464,743	50,715	0	-	-	2,568	1,381,168	86,561	45	15,688,987	1,735,547
2014	5	433,912	15,505	1	26,748	26,748	4,566	2,517,980	38,363	50	7,315,334	1,341,324
Total	235	37,614,823	7,107,615	6	785,318	561,654	10,114	6,231,031	698,482	772	123,461,009	20,394,288

Year of Production	Current Account Overdrafts			Residential Mortgage			Provision of Services			Total		
	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted	Number of Operations	Amount	Impairment Constituted
2004 and previous	0	-	-	103	3,847,147	441,983	0	-	-	403	29,724,274	5,561,788
2005	0	-	-	22	812,950	48,176	1	4,033	4,362	105	11,518,294	670,558
2006	0	-	-	22	1,713,671	107,620	0	-	-	126	22,476,657	3,761,523
2007	0	-	-	14	3,454,728	1,879,442	0	-	-	128	21,607,829	4,999,493
2008	0	-	-	16	1,306,273	201,883	0	-	-	111	26,325,605	5,584,764
2009	0	-	-	4	202,309	21,913	0	-	-	68	11,121,361	2,247,811
2010	0	-	-	4	430,400	41,865	0	-	-	66	7,347,075	2,274,339
2011	0	-	-	5	559,466	21,356	6	67,500	73,001	773	11,281,767	1,589,986
2012	0	-	-	1	20,730	791	4	29,958	32,400	2309	11,309,611	1,651,805
2013	0	-	-	2	137,473	5,260	4	29,979	32,423	2624	17,702,351	1,910,506
2014	26	37,754	43,416	9	1,282,120	46,796	1	627	678	4658	11,614,475	1,512,830
Total	**26**	**37,754**	**43,416**	**202**	**13,767,267**	**2,817,084**	**16**	**132,098**	**142,864**	**11,371**	**182,029,299**	**31,765,404**

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

c.1) Per segment:

Segment	Exposure			Impaiment		
	Individual	Collective	Total	Individual	Collective	Total
Construction and CRE	31,357,944	6,256,879	37,614,823	6,868,773	238,842	7,107,615
Corporate	552,778	232,540	785,318	552,778	8,877	561,654
Loans Secured by Pledges	3,907,968	2,323,062	6,231,031	657,604	40,878	698,482
Traditional Loans	91,411,428	32,049,581	123,461,009	19,170,877	1,223,411	20,394,288
Current Account Overdrafts	37,754	-	37,754	43,416	-	43,416
Residential Mortgage	6,965,167	6,802,100	13,767,267	2,557,431	259,653	2,817,084
Provision of Services	132,098	-	132,098	142,864	-	142,864
Total	**134,365,137**	**47,664,162**	**182,029,299**	**29,993,742**	**1,771,661**	**31,765,404**

c.2) Per sector of activity:

Sector of activity	Exposure			Impaiment		
	Individual	Collective	Total	Individual	Collective	Total
Wholesale and retail trade, repair, of motor vehicles	39,718,646	12,132,495	51,851,141	11,302,732	463,124	11,765,856
Construction	31,377,609	6,268,648	37,646,257	6,869,523	239,291	7,108,815
Individuals	14,551,447	12,790,346	27,341,793	4,665,068	440,442	5,105,510
Financial activities and insurance	15,319,036	230,778	15,549,815	839,018	8,809	847,827
Manufacturing industries	7,604,104	7,626,362	15,230,466	1,552,512	291,117	1,843,629
Professional, scientific and, technical activities	4,949,428	1,238,566	6,187,994	792,251	47,280	839,530
Administrative and support service activities	5,103,828	318,478	5,422,306	720,877	12,157	733,034
Hotels and restaurants	3,126,895	1,605,374	4,732,269	1,058,783	61,281	1,120,064
Agricultura, animal production, hunting, forestry and fisheries	3,172,146	879,130	4,051,276	1,074,735	33,559	1,108,294
Human health and social work activities	3,289,793	711,991	4,001,784	396,912	27,178	424,090
Transportation and storage	1,395,383	1,914,480	3,309,863	53,265	223,093	276,358
Other service activities	2,259,420	909,440	3,168,860	372,668	34,716	407,383
Arts, entertainment, sports and recreational activities	1,666,240	503,061	2,169,301	85,825	19,203	105,028
Education	299,927	202,431	502,358	39,284	7,727	47,011
Real estate activities	12,138	467,201	479,339	463	17,834	18,298
Activities of international bodies and other institutions	-	261,113	261,113	-	9,967	9,967
Information and communication activities	-	123,366	123,366	-	4,709	4,709
Total	**133,846,040**	**48,183,260**	**182,029,299**	**29,823,915**	**1,941,489**	**31,765,404**

c.3) Per geographic location:

Geography	Exposure			Impaiment		
	Individual	Collective	Total	Individual	Collective	Total
France	-	254,405	254,405	-	9,711	9,711
Portugal	134,364,510	47,098,005	181,462,515	29,993,064	1,750,050	31,743,114
Switzerland	-	50,639	50,639	-	1,933	1,933
United Kingdom	-	627	627	-	678	678
United States	261,113	-	261,113	9,967	-	9,967
Total	**134,625,623**	**47,403,676**	**182,029,299**	**30,003,032**	**1,762,372**	**31,765,404**

d) Detail of the restructured loans portfolio via applied restructuring:

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

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

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

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

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

e) Changes in the restructured loans portfolio:

Initial balance of the portfolio of restructured loans (gross of impairment)	**22,408,077**
Loans restructured in the period	15,610,891
Accrued interest from the restructured portfolio	97,580
Settlement of restructured loan (partial or full)	(1,966,741)
Loans reclassified from 'restructured' to 'performing'	(1,383,541)
Final balance of the portfolio of restructured loans (gross of impairment)	**34,766,265**

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

31-12-2014	Construction and CRE				Corporate				Residential Mortgage			
	Real Estate		Other Real Collateral		Real Estate		Other Real Collateral		Real Estate		Other Real Collateral	
Fair Value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0,5 M€	147	15,916,516	2	139,140	-	-	1	7,242	168	8,763,448	-	-
<=0,5 M€ and <1 M€	33	9,289,192	-	-	-	-	1	201,286	10	2,544,932	-	-
<=1 M€ and <5 M€	10	9,952,095	-	-	-	-	-	-	2	2,276,536	-	-
Total	**190**	**35,157,803**	**2**	**139,140**	**-**	**-**	**2**	**208,528**	**180**	**13,584,916**	**-**	**-**

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

	31-12-2014			
Segment / Ratio	**Number of Properties**	**Performing Loans**	**Default Loans**	**Impairment**
Construction and CRE				
With no collateral [1]	n.a.	951,091	1,202,536	706,151
<60 %	129	7,463,095	5,492,591	994,835
>=60% and <80%	30	3,145,979	5,664,924	939,035
>=80% and <100%	14	165,223	6,576,626	1,040,046
>=100%	21	1,357,034	5,595,725	3,427,546
Corporate				
With no collateral	n,a,	24,012	552,778	553,694
<60 %	2	208,528	-	7,960
>=60% and <80%	0	-	-	-
>=80% and <100%	0	-	-	-
>=100%	0	-	-	-
Residential Mortgage				
With no collateral	n,a,	925	137,889	206,701
<60 %	137	4,325,984	2,412,681	258,057
>=60% and <80%	23	1,523,127	365,325	108,853
>=80% and <100%	13	1,258,807	498,779	160,727
>=100%	8	256,106	2,987,644	2,082,747

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

h) Detail of fair value and net book value of the real estate property received in accord and satisfaction per type of assets and per date:

	31-12-2014		
Assets	**Number of Properties**	**Fair Value of the Asset**	**Book Value**
Land			
Urban	39	3,108,185	2,636,299
Rural	25	2,781,097	2,566,299
Built Properties			
Commercial	92	9,242,773	8,069,834
Residential	35	9,677,945	8,867,264
Other	37	9,276,837	8,015,998
Total	**228**	**34,086,837**	**30,155,694**

Time elapsed since repossession/disclosure	< 1 ano	>= 1 year and < 2,5 years	>= 2,5 years and < 5 years	>= 5 years	Total
Land					
Urban	-	877,403	1,369,781	456,686	2,703,870
Rural	204,127	252,999	739,971	1,313,448	2,510,545
Built Properties					
Commercial	986,876	3,574,239	2,020,917	1,334,457	7,916,489
Residential	807,806	1,611,136	5,057,421	1,268,135	8,744,499
Other	862,987	2,232,222	4,311,883	873,200	8,280,292
Total	**2,861,796**	**8,547,999**	**13,499,973**	**5,245,926**	**30,155,694**

i) Breakdown of the loan portfolio per degree of internal risks:

	31-12-2014						
	Low DR	Average DR		High DR			
	A	B	C	D	E	nd	Total
Construction and CRE	11,910,739	4,924,389	2,849,479	1,605,465	16,283,588	41,163	37,614,823
Corporate	225,297	33,991	-	-	526,029	-	785,318
Loans Secured by Pledges	-	807	-	-	-	6,230,224	6,231,031
Traditional Loans	50,787,988	32,348,884	17,688,238	10,971,018	11,664,881	-	123,461,009
Current Account Overdrafts	-	-	-	-	-	37,754	37,754
Residential Mortgage	5,572,917	2,264,322	1,388,828	870,783	3,670,416	-	13,767,267
Provision of Services	-	-		-	-	132,098	132,098
Total	**68,496,941**	**39,572,392**	**21,926,544**	**13,447,266**	**32,144,916**	**6,441,240**	**182,029,299**

j) Break down of the risk parameters associated with the collective impairment model per segment:

31-12-2014	< 30 ays with no signs of default	< 30 days with signs of default	Between 30-90 days	LGD
Segments				
Construction an CRE	11.794%	26.947%	65.627%	25.430%
Corporate	11.794%	-	-	25.430%
Loans Secured by Pledges	23.606%	33.409%	52.161%	16.827%
Traditional Loans	11.794%	26.947%	65.627%	25.430%
Residential Mortgage	11.794%	26.947%	65.627%	25.430%

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.

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 2014 and 2013, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating attributed by a company specialised in risk assessment, being presented as follows:

	2014										
	Ratings										
	AAA	AA	A	BBB	BB	B	CCC	CC	C	N.R.	Total
Assets											
Financial assets held for trading	-	-	16,798,282	19,222,912	1,293,073	-	-	-	-	15,060,891	52,375,157
Financial assets available for sale	-	6,447,672	54,384,791	143,716,717	42,205,477	2,452,441	1,007,190	-	-	3,505,273	253,719,561
Investments held to maturity	2,566,684	-	15,480,118	43,256,659	15,976,778	-	-	-	-	-	77,280,239
Other loans and amounts receivable (securitised)	-	-	3,458,723	-	400,651	-	-	-	11,528	27,625,493	31,496,394
	2,566,684	**6,447,672**	**90,121,914**	**206,196,288**	**59,875,978**	**2,452,441**	**1,007,190**	**-**	**11,528**	**46,191,657**	**414,871,351**

	2013										
	Ratings										
	AAA	AA	A	BBB	BB	B	CCC	CC	C	N.R.	Total
Assets											
Financial assets held for trading	-	2,500,896	13,144,681	21,828,040	1,419,193	161,185	-	-	-	10,830,102	49,884,097
Financial assets available for sale	-	4,889,724	75,009,468	79,994,908	58,750,890	3,026,264	1,610,666	-	-	2,965,201	226,247,121
Investments held to maturity	2,566,049	-	12,494,597	31,905,663	16,820,860	-	-	-	-	-	63,787,169
Other loans and amounts receivable (securitised)	-	2,453,239	1,000,645	256,412	422,516	-	811,015	-	314,310	2,487,698	7,745,835
	2,566,049	**9,843,859**	**101,649,391**	**133,985,023**	**77,413,459**	**3,187,449**	**2,421,681**	**-**	**314,310**	**16,283,001**	**347,664,222**

N.R. - Not Rated

As at 31 December 2014 and 2013, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2014				2013			
	Banks	Government Debt	Other	Total	Banks	Government Debt	Other	Total
Spain	19,796,189	104,490,908	6,260,106	130,547,203	34,883,058	92,122,307	6,005,016	133,010,381
Portugal	4,589,874	15,052,789	62,728,463	82,371,127	10,365,017	33,644,493	23,777,968	67,787,478
Italy	12,521,111	72,781,803	4,173,807	89,476,721	14,645,441	12,919,022	5,150,848	32,715,311
Holland	1,505,056	-	42,198,682	43,703,738	2,500,896	-	34,132,970	36,633,866
Ireland	15,078,178	10,322,968	2,869,684	28,270,831	8,153,094	10,587,373	11,431,323	30,171,790
USA	11,578,285	-	3,502,368	15,080,653	21,082,603	-	-	21,082,603
Great Britain	10,602,972	-	1,178,474	11,781,446	6,359,253	-	1,150,596	7,509,849
France	4,572,672	1,037,336	1,000,867	6,610,876	5,901,141	990,586	1,185,370	8,077,097
Germany	4,741,931	-	-	4,741,931	3,077,051	-	-	3,077,051
Other	-	-	2,286,825	2,286,825	5,146,656	-	2,452,140	7,598,796
	84,986,269	**203,685,805**	**126,199,278**	**414,871,351**	**112,114,210**	**150,263,781**	**85,286,231**	**347,664,222**

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

Liquidity risk

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

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

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

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

Times to maturity

As at 31 December 2014 and 2013, the breakdown of the times to maturity of the financial instruments was as follows:

2014								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Indeterminate	Other (1)	Total
Assets								
Cash and deposits at Central Banks	2,236,466	-	-	-	-	-	-	2,236,466
Amounts owed by other credit institutions	7,168,012	-	-	-	-	-	-	7,168,012
Financial assets held for trading	-	12,523,919	2,222,471	31,863,008	8,170,591	4,208,171	-	58,988,160
Financial assets available for sale	-	8,764,540	104,794,200	49,202,255	91,235,707	8,059,106	-	262,055,808
Deposits at credit institutions	-	3,000,000	400,000	-	-	352	-	3,400,352
Loans and advances to customers								
- Loans not represented by securities	2,862,873	7,997,309	8,684,997	20,756,935	108,776,248	36,079,192	456,311	185,613,866
- Other Loans and amounts receivable (securitised)	-	-	1,009,253	25,818,323	4,857,467	-	-	31,685,043
Investments held to maturity	-	7,723,834	-	12,679,075	56,877,330	-	-	77,280,239
Debtors and other financial investments	-	-	-	-	38,100	439,826	-	477,926
	12,267,351	**40,009,602**	**117,110,922**	**140,319,596**	**269,955,443**	**48,786,647**	**456,311**	**628,905,871**
Liabilities								
Resources at central banks	-	215,000,000	-	-	-	-	1,704,549	216,704,549
Financial liabilities held for trading	-	200,182	200,507	77,924	14,943	-	-	493,556
Resources of other credit institutions	2,470,654	-	-	-	-	-	-	2,470,654
Resources from customers and other loans	37,606,996	63,640,552	121,430,132	52,187,093	-	-	3,255,727	278,120,500
Liabilities represented by securities	-	2,429,175	2,583,410	6,379,064	13,396,992	-	69,026	24,857,667
	40,077,650	**281,269,910**	**124,214,049**	**58,644,081**	**13,411,935**	**-**	**5,029,302**	**522,646,927**
Liquidity gap	**(27,810,299)**	**(241,260,308)**	**(7,103,127)**	**81,675,515**	**256,543,507**	**48,786,647**	**(4,572,991)**	**106,258,944**

2013								
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Indeterminate	Other (1)	Total
Ativo								
Cash and deposits at Central Banks	6,171,582	-	-	-	-	-	-	6,171,582
Amounts owed by other credit institutions	5,756,803	-	-	-	-	-	-	5,756,803
Financial assets held for trading	-	10,752,460	1,045,274	24,828,450	14,943,289	3,295,894	-	54,865,367
Financial assets available for sale	-	-	77,307,417	70,192,637	78,471,598	10,135,903	-	236,107,555
Loans and advances to customers								
- Loans not represented by securities	3,456,975	15,395,225	6,796,441	16,371,673	118,964,999	35,175,763	559,824	196,720,900
- Other Loans and amounts receivable (securitised)	-	-	211,369	4,658,711	2,875,755	-	-	7,745,835
Investments held to maturity	-	12,494,597	929,251	20,323,222	30,040,099	-	-	63,787,169
Debtors and other financial investments	-	-	-	-	38,100	1,046,107	-	1,084,207
	15,385,360	**38,642,282**	**86,289,752**	**136,374,693**	**245,333,840**	**49,653,667**	**559,824**	**572,239,418**
Liabilities								
Resources at central banks	-	110,000,000	-	110,000,000	-	-	1,630,278	221,630,278
Financial liabilities held for trading	-	113,890	264,412	3,601	3,950	-	-	385,853
Resources of other credit institutions	5,389,248	-	-	-	-	-	-	5,389,248
Resources from customers and other loans	30,409,135	58,048,690	135,462,809	6,821,700	-	-	3,108,024	233,850,358
Liabilities represented by securities	-	1,757,035	845,227	7,507,154	21,802,521	-	43,484	31,955,421
	35,798,383	**169,919,615**	**136,572,448**	**124,332,455**	**21,806,471**	**-**	**4,781,786**	**493,211,158**
Liquidity gap	**(20,413,023)**	**(131,277,333)**	**(50,282,696)**	**12,042,238**	**223,527,369**	**49,653,667**	**(4,221,962)**	**79,028,260**

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

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

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

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

The deposit renewal rate always has fluctuated around the 90% level, and thus a large proportion of customers' resources are expected to remain unchanged.

During 2014, a very significant growth of the Bank's deposit base was recorded, corresponding to an increase of 26% relative to the end of 2013.

The attraction of deposits during 2014 was based on a strong remuneration policy of deposits of a low amount, which reduced the risk of concentration of the latter very significantly, This higher dispersion of deposits enabled their behaviour to be "normalised" in terms of monthly oscillations of the volume of the latter, contributing to greater stability of the bank's cash flow.

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

Market Risk

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

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

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

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

Exchange risk

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

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

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

As at 31 December 2014 and 2013, the breakdown of financial instruments by currency was as follows:

	2014 Currency				
	Euros Gross	US Dollars	Pound Sterling	Other	Total
Assets					
Cash and deposits at Central Banks	2,236,466	-	-	-	2,236,466
Amounts owed by other credit institutions	4,528,655	1,769,373	687,690	182,293	7,168,012
Financial assets held for trading	56,875,101	1,738,405	374,654	-	58,988,160
Financial assets available for sale	257,419,842	172,798	4,463,169	-	262,055,808
Deposits at credit institutions	3,400,352	-	-	-	3,400,352
Loans and advances to customers	217,060,438	238,471	-	-	217,298,909
Investments held to maturity	73,052,813	4,227,426	-	-	77,280,239
Debtors and other financial investments	426,047	45,787	5,135	956	477,926
	614,999,714	**8,192,260**	**5,530,649**	**183,249**	**628,905,872**
Liabilities					
Resources from Central Banks	216,704,549	-	-	-	216,704,549
Financial liabilities held for trading	486,069	7,487	-	-	493,556
Resources of other credit institutions	2,321,465	149,189	-	-	2,470,654
Resources from customers and other loans	269,879,041	8,089,800	111,736	39,924	278,120,500
Liabilities represented by securities	24,857,667	-	-	-	24,857,667
	514,248,791	**8,246,476**	**111,736**	**39,924**	**522,646,927**
Net exposure (Currency Position)	**100,750,923**	**(54,217)**	**5,418,912**	**143,326**	**106,258,945**

	2013 Currency				
	Euros Gross	US Dollars	Pound Sterling	Other	Total
Assets					
Cash and deposits at Central Banks	6,171,582	-	-	-	6,171,582
Amounts owed by other credit institutions	3,632,369	1,560,376	277,761	286,297	5,756,803
Financial assets held for trading	53,545,735	1,239,670	79,962	-	54,865,367
Financial assets available for sale	231,643,951	390,782	4,072,822	-	236,107,555
Loans and advances to customers	206,118,117	63,738	-	-	206,181,855
Investments held to maturity	63,787,169	-	-	-	63,787,169
Debtors and other financial investments	323,479	758,814	-	1,914	1,084,207
	565,222,402	**4,013,380**	**4,430,545**	**288,211**	**573,954,538**
Liabilities					
Resources from Central Banks	221,630,278	-	-	-	221,630,278
Financial liabilities held for trading	384,150	1,703	-	-	385,853
Resources of other credit institutions	5,057,592	331,656	-	-	5,389,248
Resources from customers and other loans	227,252,681	6,242,645	182,871	172,161	233,850,358
Liabilities represented by securities	31,955,421	-	-	-	31,955,421
	486,280,122	**6,576,004**	**182,871**	**172,161**	**493,211,158**
Net exposure (Currency Position)	**78,942,280**	**(2,562,624)**	**4,247,674**	**116,050**	**80,743,380**

As at 31 December 2014 and 2013, a 5% increase in the market exchange rates of the main currencies that the Bank is exposed to would have a negative impact on the Bank's results in the financial year ended 31 December 2014 of about 275,000 euros and a positive impact on the Bank's results of about 90,000 euros.

Interest-rate risk

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

Management of the interest rate risk is subordinate to the overall strategy of the Institution, and aims to reduce the unwanted 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 2014 and 2013, the type of exposure to interest rate risk was summarised as follows:

	2014			
	Not subject to interest rate risk	**Fixed rate**	**Variable rate**	**Total**
Ativo				
Cash and deposits at Central Banks	412,415	-	1,824,051	2,236,466
Amounts owed by other credit institutions	3,503,349	-	3,664,663	7,168,012
Financial assets held for trading:				
- Securities	4,247,852	20,943,164	31,431,993	56,623,009
- Derivatives	-	-	2,365,151	2,365,151
Financial assets available for sale	8,059,106	235,151,060	18,845,642	262,055,808
Deposits at credit institutions	-	-	3,400,352	3,400,352
Loans and advances to customers:				
- Loans not represented by securities	-	-	185,613,866	185,613,866
- Other loans and amounts receivable (securitised)	-	963,131	30,721,912	31,685,043
Investments held to maturity	-	77,280,239	-	77,280,239
Debtors and other financial investments	-	-	477,926	477,926
	16,222,722	**334,337,594**	**278,345,556**	**628,905,872**
Liabilities				
Resources from Central Banks	-	-	216,704,549	216,704,549
Financial liabilities held for trading				
- Derivatives	-	-	493,556	493,556
Resources of other credit institutions	-	-	2,470,654	2,470,654
Resources of customers and other loans	-	57,318,762	220,801,738	278,120,500
Liabilities represented by securities	-	-	24,857,667	24,857,667
	-	**57,318,762**	**465,328,164**	**522,646,926**
	16,222,722	**277,018,832**	**(186,982,608)**	**106,258,946**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	42,392,240	42,392,240
- Options	-	-	21,638,773	21,638,773
- Futures	-	-	9,206,886	9,206,886
	-	**-**	**73,237,899**	**73,237,899**

	2013			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	552,582	-	5,619,000	6,171,582
Amounts owed by other credit institutions	1,655,306	-	4,101,497	5,756,803
Financial assets held for trading:				
- Securities	3,240,520	34,575,715	15,308,382	53,124,617
- Derivatives	-	-	1,740,750	1,740,750
Financial assets available for sale	10,135,903	218,436,114	7,535,538	236,107,555
Loans and advances to customers:				
- Loans not represented by securities	-	-	196,720,900	196,720,900
- Other loans and amounts receivable (securitised)	-	2,555,092	5,190,743	7,745,835
Investments held to maturity	-	51,292,572	12,494,597	63,787,169
Debtors and other financial investments	-	-	1,084,207	1,084,207
	15,584,311	**306,859,493**	**249,795,614**	**572,239,418**
Liabilities				
Resources from Central Banks	-	-	221,630,278	221,630,278
Financial liabilities held for trading				
- Derivatives	-	-	385,853	385,853
Resources of other credit institutions	-	-	5,389,248	5,389,248
Resources of customers and other loans	-	6,821,700	227,028,658	233,850,358
Liabilities represented by securities	-	-	31,955,421	31,955,421
	-	**6,821,700**	**486,389,458**	**493,211,158**
	15,584,311	**300,037,793**	**(236,593,844)**	**79,028,260**
Off-balance sheet				
Derivatives (notional amount)				
- Swaps	-	-	56,257,019	56,257,019
- Options	-	-	10,778,336	10,778,336
- Futures	-	-	15,616,449	15,616,449
	-	**-**	**82,651,804**	**82,651,804**

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, within that time limit.

As at 31 December 2014 and 2013, the exposure to interest rate risk was broken down into the following periods:

	2014						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Other (1)	Total
Assets							
Cash and deposits at Central Banks	2,236,466	-	-	-	-	-	2,236,466
Amounts owed by other credit institutions	7,168,012	-	-	-	-	-	7,168,012
Financial assets held for trading							
- Securities	4,247,852	29,231,027	2,293,733	13,563,481	7,286,916	-	56,623,009
- Derivatives	-	1,587,094	127,160	650,897	-	-	2,365,151
Financial assets available for sale	8,059,106	13,494,944	116,847,038	36,628,581	87,026,139	-	262,055,808
Deposits at credit institutions	-	3,000,000	400,000	-	-	352	3,400,352
Loans and advances to customers							
- Loans not represented by securities	2,862,873	123,761,896	22,453,594	-	-	36,535,503	185,613,866
- Other loans and values receivable (securitised)	-	22,474,136	9,210,907	-	-	-	31,685,043
Investments held to maturity	-	7,723,834	-	12,679,075	56,877,330	-	77,280,239
Debtors and other financial investments	-	-	-	-	38,100	439,826	477,926
	24,574,309	**201,272,931**	**151,332,432**	**63,522,034**	**151,228,485**	**36,975,681**	**628,905,872**
Liabilities							
Resources at Central Banks	-	215,000,000	-	-	-	1,704,549	216,704,549
Financial liabilities held for trading							
- Derivatives	-	493,556	-	-	-	-	493,556
Resources of other credit institutions	2,470,654	-	-	-	-	-	2,470,654
Resources from customers and other loans	37,606,996	63,640,552	116,298,463	54,161,857	3,156,905	3,255,727	278,120,500
Liabilities represented by securities	-	21,210,980	3,327,661	250,000	-	69,026	24,857,667
	40,077,650	**300,345,088**	**119,626,124**	**54,411,857**	**3,156,905**	**5,029,302**	**522,646,926**
	(15,503,342)	**(99,072,158)**	**31,706,308**	**9,110,177**	**148,071,580**	**31,946,379**	**106,258,946**

	2013						
	At sight	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Other (1)	Total
Ativo							
Cash and deposits at Central Banks	6,171,582	-	-	-	-	-	6,171,582
Amounts owed by other credit institutions	5,756,803	-	-	-	-	-	5,756,803
Financial assets held for trading							
- Securities	3,240,519	14,674,936	1,529,479	19,124,425	14,555,258	-	53,124,617
- Derivatives	-	623,608	416,519	700,623	-	-	1,740,750
Financial assets available for sale	10,135,903	7,213,084	77,307,417	64,509,725	76,941,426	-	236,107,555
Loans and advances to customers							
- Loans not represented by securities	3,456,975	142,329,657	15,198,681	-	-	35,735,587	196,720,900
- Other loans and values receivable (securitised)	-	4,190,097	1,011,821	2,543,917	-	-	7,745,835
Investments held to maturity	-	12,494,597	929,251	20,323,222	30,040,099	-	63,787,169
Debtors and other financial investments	-	-	-	-	38,100	1,046,107	1,084,207
	28,761,782	**181,525,979**	**96,393,168**	**107,201,912**	**121,574,883**	**36,781,694**	**572,239,418**
Liabilities							
Resources at Central Banks	-	110,000,000	-	110,000,000	-	1,630,278	221,630,278
Financial liabilities held for trading							
- Derivatives	-	382,632	3,221	-	-	-	385,853
Resources of other credit institutions	5,389,248	-	-	-	-	-	5,389,248
Resources from customers and other loans	30,409,135	63,993,795	129,517,704	6,821,700	-	3,108,024	233,850,358
Liabilities represented by securities	-	29,137,891	2,145,045	629,000	-	43,485	31,955,421
	35,798,383	**203,514,318**	**131,665,970**	**117,450,700**	**-**	**4,781,787**	**493,211,158**
	(7,036,601)	**(21,988,339)**	**(35,272,802)**	**(10,248,788)**	**121,574,883**	**31,999,907**	**79,028,260**

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

The Bank considers that the impact of a 0.5% increase in market interest rates does not have a significant impact on the financial statements as at 31 December 2014 and 2013.

Fair Value

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

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

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

- "Amounts owed by and resources from other credit institutions" and "Resources from Central Banks": The calculation of fair value assumes that transactions are settled on the maturity dates and are updated in the "cash flows", using the rates curve created in the closing days of the year, Bearing in mind the maturity dates of the transactions and type of interest rate, Banco Invest estimates that the difference between the fair value and the accounting 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 7,194,491 euros (7,107,536 euros on 31 December 2013).

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

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

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

- "Financial assets and liabilities held for trading" and "Assets available for sale": These instruments are already recorded at fair value, calculated according to:
  - Prices in an active market;
  - Indicative prices provided by the financial information media, namely Bloomberg, largely through the Bloomberg Generic index;
  - Valuation methods and techniques, where there is no active market, supported by:
    - mathematical calculations based on recognised financial theories; or,
    - prices calculated based on similar assets or liabilities traded in active markets or based on statistical estimates or other quantitative methods;
  - Indicative prices provided by issuers, essentially for those cases in which, given the specific characteristics of the security, it was not possible to use the valuation methods described above;
  - 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 2014 and 2013, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

2014						
		Financial instruments valued at fair value				
	Assets	Prices in an	Valuation techniques Based on:			
	valued at acquisition	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Accounting value
Assets						
Financial assets held for trading						
- Securities	13,734,092	4,239,210	38,641,064	8,643	56,623,009	56,623,009
- Derivatives	-	-	-	2,365,151	2,365,151	2,365,151
Financial assets available for sale	-	1,191,443	254,040,640	6,823,725	262,055,808	262,055,808
Investments held to maturity	-	-	89,844,123	-	89,844,123	77,280,239
Loans and advances to customers - debt securities	-	-	31,891,351	11,528	31,902,879	31,685,043
	13,734,092	**5,430,653**	**414,417,178**	**9,209,047**	**442,790,970**	**430,009,250**
Liabilities						
Financial liabilities held for trading						
- Derivatives	-	-	-	493,556	-	-

2013						
		Financial instruments valued at fair value				
	Assets	Prices in an	Valuation techniques Based on:			
	valued at acquisition	active market (Level 1)	Market data (Level 2)	Other (Level 3)	Total	Accounting value
Assets						
Financial assets held for trading						
- Securities	10,459,054	3,097,005	39,425,042	143,516	53,124,617	53,124,617
- Derivatives	-	-	-	1,740,750	1,740,750	1,740,750
Financial assets available for sale	-	1,608,754	229,019,410	5,479,391	236,107,555	236,107,555
Investments held to maturity	-	-	65,734,968	-	65,734,968	63,787,169
Loans and advances to customers - debt securities	-	-	-	7,591,479	7,591,479	7,745,835
	10,459,054	**4,705,759**	**334,179,420**	**14,955,136**	**364,299,369**	**362,505,926**
Liabilities						
Financial liabilities held for trading						
- Derivatives	-	-	-	385,853	385,853	385,853

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.

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

42. RECLASSIFICATION OF FINANCIAL ASSETS

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

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

	Balance sheet value before reclassification	Reclassifications		Balance sheet value after reclassification
		Increases	Decreases	
Financial assets held for trading	106,016,910	-	(75,830,272)	30,186,638
Financial assets available for sale	206,991,461	18,822,059	(106,921,892)	118,891,628
Loans and advances to customers - debt securities	-	59,946,307	-	59,946,307
Investments held to maturity	10,278,861	103,983,798	-	114,262,659
	323,287,232	**182,752,164**	**(182,752,164)**	**323,287,232**

As at 31 December 2014 and 2013, the book value and fair value of the reclassified financial assets with reference to 1 July 2008 are as follows:

2014			
	Balance sheet value at the reclassification date	**Balance sheet value as at 31/12/2014**	**Fair value as at 31-12-2014**
Financial assets available for sale	1,840,580	2,046,690	2,046,690
Loans and advances to customers - debt securities	4,632,747	4,660,682	3,871,861
Investments held to maturity	7,498,662	7,723,834	7,769,442
	13,971,989	**14,431,206**	**13,687,993**
Securities sold until 31 December 2008	1,046,135	n.a.	n.a.
Securities sold in 2009	31,918,771	n.a.	n.a.
Securities sold in 2010	53,293,236	n.a.	n.a.
Securities sold in 2011	28,197,278	n.a.	n.a.
Securities sold in 2012	13,574,736	n.a.	n.a.
Securities sold in 2013	23,660,808	n.a.	n.a.
Securities sold in 2014	17,089,211	n.a.	n.a.
	182,752,165	**14,431,206**	**13,687,992**

2013			
	Balance sheet value at the reclassification date	**Balance sheet value as at 31/12/2013**	**Fair value as at 31-12-2013**
Financial assets available for sale	1,840,580	1,540,880	1,540,880
Loans and advances to customers - debt securities	9,361,879	9,460,955	7,591,479
Investments held to maturity	19,858,741	20,217,278	20,471,608
	31,061,200	**31,219,113**	**29,603,967**
Securities sold until 31 December 2008	1,046,135	n.a.	n.a.
Securities sold in 2009	31,918,771	n.a.	n.a.
Securities sold in 2010	53,293,236	n.a.	n.a.
Securities sold in 2011	28,197,278	n.a.	n.a.
Securities sold in 2012	13,574,736	n.a.	n.a.
Securities sold in 2013	23,660,809	n.a.	n.a.
	182,752,165	**31,219,113**	**29,603,967**

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

After the reclassification date with reference to 01,07,08, the accumulated gains / (losses) associated to the change in the fair value not recognised in profit and loss and the other gains / (losses) recognised in reserves and in net income for 2014 and 2012, are as follows:

	2014				
	Gains / (losses) associated to changes in fair value:			Other gains / / (losses):	
	Retained earnings	Net income for the year	Reserves	Reserves	Net income
Financial assets available for sale	(408 214)	296 587	-	(762 213)	91 534
Loans and advances to customers - debt securities	(918 400)	233 491	(86 115)	-	240 981
Investments held to maturity	1 562 173	195 710	144 134	-	1 378 512
	235 559	**725 788**	**58 019**	**(762 213)**	**1 711 027**

	2013				
	Gains / (losses) associated to changes in fair value:			Other gains / / (losses):	
	Retained earnings	Net income for the year	Reserves	Reserves	Net income
Financial assets available for sale	(742 757)	146 470	-	(465 390)	95 529
Loans and advances to customers - debt securities	512 461	(522 947)	(1 187 278)	-	98 122
Investments held to maturity	-	-	167 600	-	218 709
	(230 296)	**(376 477)**	**(1 019 678)**	**(465 390)**	**412 360**

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

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

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 2014 and 2013, the Bank presented a solvency ratio of 21.6% and 21.3%, respectively.

6. Legal Certification of Accounts

6. Legal Certification of Accounts

CONSOLIDATED ACCOUNTS

(Amounts in euros)

Introduction

1. We have examined the attached consolidated financial statements of Banco Invest, S,A, (Bank) and its subsidiaries, which consist of the consolidated balance sheet as at 31 December 2014, (which reports total assets of 645,759,316 euros and shareholders' equity of 104,422,253 euros, including net income for year attributable to the Bank's shareholders of 4,833,610 euros), the consolidated profit or loss statements, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the financial year ending on that date, and the corresponding notes,

Responsibilities

2. The Board of Directors of the Bank is responsible for the preparation of consolidated financial statements that truly and fairly present the financial position of the group of entities included in the consolidation, the consolidated net income and comprehensive income of their operations, the changes in its consolidated shareholders' equity and its consolidated cash flows, as well as for adopting appropriate accounting policies and criteria and maintaining appropriate internal control systems, Our responsibility consists of expressing a professional and independent opinion on the said consolidated financial statements,

Scope

3. Our examination has been carried out in accordance with the Technical Standards and Directives for Auditing of the Ordem dos Revisores Oficiais de Contas (Portuguese Association of Statutory Auditors), which require that the same be planned and executed with the aim of achieving an acceptable degree of assurance that the consolidated financial statements are free of materially relevant distortions, This examination included the verification, on a sample basis, of the documents underlying the figures and disclosures contained in the consolidated financial statements and an evaluation of the estimates, based on judgements and criteria defined by the Bank's Board of Directors, used in their preparation, This examination also included verifying the consolidation operations and that the financial statements of the companies included in the consolidation have been properly scrutinised; an appraisal of the adequacy of the accounting policies employed, their consistent application and their disclosure, bearing in mind the circumstances; verification of the applicability of the going concern principle; and an appraisal as to the adequacy, in overall terms, of the presentation of the consolidated financial statements, Our examination also included verification that the financial information contained in the consolidated management report is consistent with the consolidated financial statements, We consider that the examination carried out provides an acceptable basis for expressing our opinion.

Opinion

4. In our opinion, the consolidated financial statements referred to in paragraph 1 above do truly and fairly present, in all materially relevant aspects, the consolidated financial position of Banco Invest, S,A, and its subsidiaries as at 31 December 2014, and the consolidated net income and comprehensive income of its operations, changes in consolidated shareholders' equity and consolidated cash flows in the financial year ended on that date, in conformity with the International Financial Reporting Standards as adopted by the European Union,

Report on other legal requirements

5. It is also our opinion that the financial information of 2014 included in the consolidated Management Report is consistent with the consolidated financial statements for the year.

Lisbon, 27 March 2015

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Luís Augusto Gonçalves Magalhães

7. Board of Auditor's Report

7. Board of Auditor's Report

CONSOLIDATED ACCOUNTS

To the Shareholders of
Banco Invest, S.A.

In compliance with current legislation and the powers conferred on us, we hereby submit for your consideration our Report and Opinion on our activity along with the documents rendering the consolidated accounts of Banco Invest, S.A. (Bank) relating to the financial year ending on 31 December 2014, which have been prepared by the Board of Directors.

We accompanied, with the frequency and to the extent we deemed appropriate, the operations of the Bank and of the main companies included in the consolidation, the management acts of the Boards of Directors, the timely writing up of its accounting entries and its compliance with statutory and legal requirements in force and instructions issued by the Bank of Portugal, having received from the Board of Directors and the various departments of the Bank all the information and clarifications requested. We also verified the effectiveness of the risk management, internal control and internal audit systems. Our examination included the consolidated financial statements of the Bank as at 31 December 2014, which consist of the balance sheet, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the financial year ending on that date and the respective notes to the accounts, including the accounting policies and valuation criteria adopted. In addition, we conducted an analysis of the Management Report for 2014 prepared by the Board of Directors, which, in our opinion, clarifies the main aspects of the consolidated activity of the Bank in 2014.

We also monitored the work conducted by the Bank's Audit Firm over the year and examined the content of the Legal Certification of Accounts relative to the consolidated accounts, dated 27 March 2015, which contains no reservations and with which we agree.

In light of the above, we are of the opinion that the aforementioned consolidated financial statements and the Consolidated Management Report, as well as the proposal for the appropriation of results set forth therein, comply with the applicable accounting, legal and statutory provisions, for the purposes of their approval by the Shareholders' General Meeting.

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

Lisbon, 27 March 2015

The Audit Board

Artur Carmo Barreto
Chairman

Rosendo José
Member

Vítor Hugo Moreira Ferreira Lemos Sousa
Member

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