ANNUAL REPORT 2016

BANCO INVEST

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GRUPO ALVES RIBEIRO

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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

Deloitte e Associados, SROC S.A.

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 the Lisbon and Porto Stock Exchange (BVLP).
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 Alves Ribeiro – Medium-Sized Companies (Portugal) Fund
June – 99	Inauguration of 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 Lisbon and Oporto Stock Exchange (BVLP).
October – 00	Share capital increase to 42.5 million euros.
December – 00	Launch of 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 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	Alves Ribeiro – Medium-sized Companies Fund is considered the most profitable domestic equity fund in Portugal in 2001.
December – 02	Inauguration of 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 launched 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	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. Launch of the Banco Invest website.
December – 05	Issue of bond loan for 50 million euros "Banco Invest 08 – Euribor + 0,425%". The Bank's consolidated assets stand at 451 million euros.
March – 06	Alrimo changes its name to Invest Gestão de Activos.
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 consolidated assets stand at 545 million euros.
January – 07	Alves Ribeiro PPR (Retirement) Fund is considered the most profitable in its category in Portugal in 2006.
December – 07	The Bank's consolidated 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	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 came to 13.3%.
February – 11	Launch of an ATM 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 structured products issued by Banco Invest as the most profitable for the final customer. Opening of the eleventh Specialised Credit agency. Launch of the mobile application of Banco Invest, increasing Customers' access to Banco Invest.
January – 13	Alves Ribeiro PPR Fund, managed by Invest – Gestão de Activos, is the national asset allocation fund (hybrid fund) with the highest return in 2012 (48.9%).
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 – Médias Empresas.
December – 13	The offer of foreign investment funds reaches 500 funds, managed by the most prestigious international management companies. The Bank's consolidated solvency ratio exceeds 20%.
January – 14	Invest – Gestão de Activos is considered the national management company with the highest average return, in 2013: 26,3%. The funds AR – Médias Empresas Portugal and AR – PPR registered a 32.8% and 19.8% increase in value in 2013, respectively. 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 the national investment funds, the AR – PPR fund has registered the third highest annualised return in the last three years.
November – 14	Banco Invest is elected for the second time as the "Most Profitable Bank", in the Small and Medium-sized Bank category. The award is attributed by the magazine Exame, based on an exclusive study conducted by Informa D&B e Deloitte.
February – 15	Banco Invest wins the award of "Best Distributor for Performance" attributed by Structured Retail Products, of the Euromoney group. This award is based on the analysis of structured products issued in Europe, distinguishing the products of Banco Invest as the most profitable for the final customer, in the Southern region of Europe (Portugal, Spain and Italy). This is the second time that the structured products of Banco Invest are distinguished by Structured Retail Products, after having won the same award in 2012.
September – 15	Banco Invest is elected the "Fastest Growing Private Banking Portugal" in Portugal in 2015 by the prestigious Global Banking & Finance, a worldwide leading magazine in the online financial area.
October – 15	Inauguration of the new Braga Investment Centre.
November – 15	International Banker, one of the main sources of financial analysis of international banking, attributed the "Best Investment Bank Portugal 2015" award to Banco Invest.
May – 16	Launch of the new CFD trading platform "Invest BTrader".
September – 16	Launch of the "Bi Credit" brand, specialised in the concession of auto loans.
November – 16	Banco Invest is elected by International Banker, one of the main sources of financial analysis of international banking, as the "Investment Bank of the year Portugal 2016".
December – 16	Banco Invest is elected as the "Most Innovative Private Bank Portugal 2016" by the prestigious Global Banking & Finance magazine. In 2016, the fund "Alves Ribeiro PPR" marketed by Banco Invest and managed by Invest – Gestão de Activos is once again the most profitable for Customers (12.3%), from among the funds marketed in Portugal in its category, according to the data provided by MorningStar and APFIPP.

3. Board of Director's Report

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Macroeconomic Background

International Economy

According to the latest official estimates, the world economy grew by 3.1% in 2016, 0.1 percentage points (pp) less than in 2015. The performance of the US economy contributed to this slowdown, which grew by only 1.6% in 2016, far below the 2.7% initially estimated. The Chinese economy, whose evolution concentrated a large part of analysts' concerns at the end of 2015, is expected to achieve a growth of 6.7% in 2016, slightly above initial estimates.

In spite of the current context of high political uncertainty resulting from the new US administration, the Brexit negotiations and the elections in France and Germany, the majority of official forecasts points towards the future acceleration of the world economy which is expected to expand 3.4% in 2017.

United States

The North American economy grew by 0.875% quarter-on-quarter in the third quarter of 2016, clearly accelerating from previous quarters (0.2% and 0.35% in the first and second quarters of the year, respectively). This was the highest level of the last two years and was driven by private consumption, investment in infrastructures and exports. Relative to the corresponding period a year earlier, North American GDP advanced 1.7% in the third quarter, 0.4 pp more than in the previous quarter.

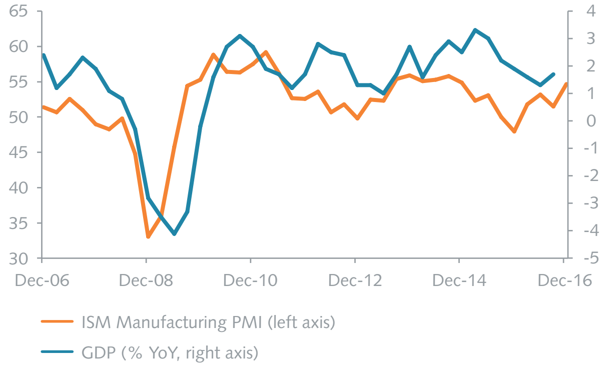
The good performance of the economy was reflected in the decline in the level of unemployment, which fell from 4.9% in October to 4.6% in November, the lowest level since August 2007, with the number of unemployed having fallen by 387 thousand to 7.4 million. Labour market participation, in turn, fell 0.1 pp to 62.7%.

Developments in consumer confidence have also been positive: the Consumer Sentiment Index of the University of Michigan closed the year at 98.2 points, reaching the highest value since January 2004 and, most probably, reflecting the expected impact of the expansionary policies announced by the new president Donald Trump.

In line with the acceleration of economic activity, the inflation rate continued its upward trend of the last few months, having reached 1.7% at the end of November, well above the minimum level recorded in July (0.8%). Excluding energy and food costs, the core inflation rate came to 2.2% at the end of 2016, above the reference rate (2%) monitored by the Federal Reserve (FED).

The average of the official estimates points toward an economic growth of 1.6% and 2.3%, in 2016 and 2017, respectively.

USA: Economic Activity



Source: Bloomberg

Eurozone

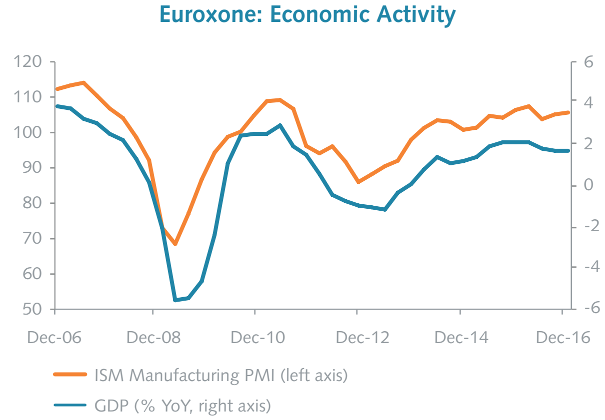
Eurozone GDP grew by 0.3% quarter-on-quarter in the third quarter of 2016, as in the previous quarter. Private consumption and public consumption were the components that most contributed to GDP growth. GDP grew 1.7% year-on-year until September 2016.

In line with the improvement in the rate of unemployment (9.6% in December 2016 vs 10.5% in December 2015), consumer and business confidence indices have been recovering since the end of the first quarter of 2016, having reached 104.9 at the end of September, near the maximum levels of the last two years obtained in March 2011 (108,3) and in December 2015 (106.6).

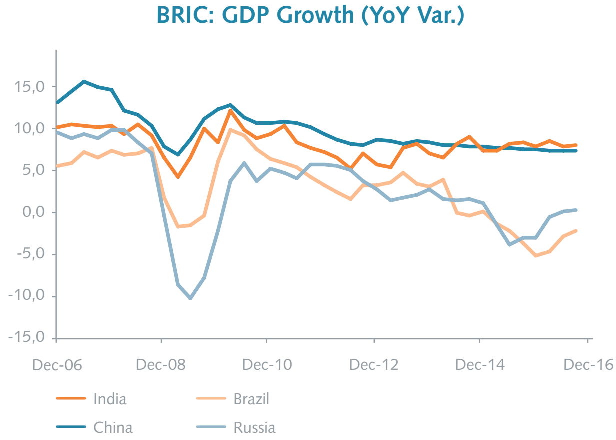
In turn, retail sales increased by 1.1% month-on-month in October, resulting in a year-on-year growth of 2.4%, having been driven by the sales of non-food products.

The inflation rate started to show signs of an upsurge: after having reached -0.2% in April 2016, it ended the year at 1.1%, the highest level since September 2013 due to the increase in energy prices. Excluding energy and food costs, the core inflation rate stood at 0.9%, below the long-term average (1.4% between 1997 and 2016).

According to official estimates, the Eurozone is expected to grow 1.7% and 1.6% in 2016 and 2017, respectively.



Source: Bloomberg



Source: Bloomberg

Emerging Countries

In China, GDP grew by 1.8% quarter-on-quarter in the third quarter of 2016 (1.7% in the second quarter). Compared to the same period in the previous year, GDP growth came to 6.7% in the third quarter of 2016, remaining unchanged from the previous two quarters. Contrary to the concerns voiced at the start of 2016, the Chinese economy stabilised, with growth underpinned by the increase in investment, public consumption and retail sales, offsetting the slowdown in industrial production. In the interim, in December the Manufacturing PMI index reached 51.9 points in December, the highest level of the year, pointing to an improvement in industrial production over the next few months. The unemployment rate remained stable at around 4% and the inflation rate stood at 2.1% in November, its highest level since April.

In India, the economy grew by 1.8% quarter-on-quarter in the third quarter and 7.3% year-on-year. Private consumption increased more than expected, while public consumption and investment slowed. The inflation rate maintained its downward trend, having ended at 3.6% in November (6.1% in July) 2016. Contrary to what was observed in China, the Manufacturing PMI index ended the year below 50 points (49.6 points in December) for the first time since December 2015.

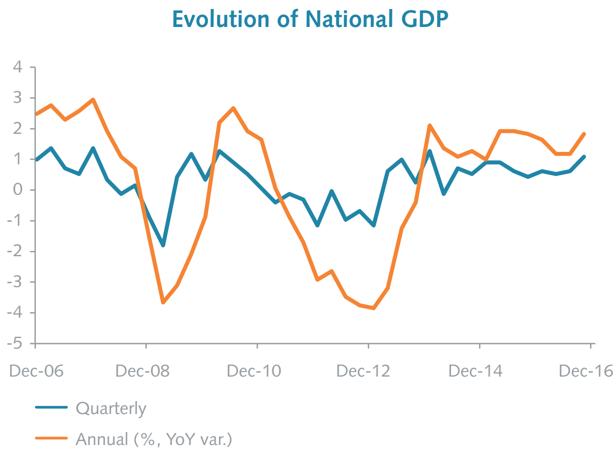
In Brazil, the economy continues to recover from the recession it is going through. In the third quarter, GDP contracted by 2.9% year-on-year (-5.4% in the first quarter and -3.6% in the second quarter). The unemployment rate has remained stable, slightly below 12%, and the inflation rate fell to 7% in November (10.7% at the start of 2016). In spite of the improvement in the level of activity, the Manufacturing PMI index ended the year at 45.2 points, slightly below the 46.2 points recorded in November.

Russia remains in recession but far from the levels observed at the end of 2015. The economy contracted 0.4% in the third quarter of 2016 year-on-year, which is the lowest decline in the last seven quarters. The unemployment rate remained stable at 5% and the inflation rate maintained its downward trend of the last few months, ending the year at 5.4% (the lowest value since June 2012).

Portuguese Economy

The national economy grew by 0.8% quarter-on-quarter in the third quarter of 2016, (0.1% in the first quarter and 0.3% in the second quarter). GDP registered a year-on-year increase of 1.6% until September 2016, 0.7 pp more than in the previous two quarters.

Until September 2016, growth was driven by external demand (exports increased 5.4% and imports only 1.6%) and household consumption (1.9%). On a less positive note, investment contracted 1.5%. In turn, reflecting the good performance of the external sector, the current account balance registered a significant increase to 815 million euros until October, corresponding to about 0.4% of GDP.



Source: Bloomberg

According to the Bank of Portugal, the Portuguese economy ended 2016 with a growth rate of 1.2%, which is expected to accelerate slightly in 2017 to 1.4%. Private consumption, a key driving force of the economy, is expected to rise by 2.1% and 1.3% in 2016 and 2017, respectively. In turn, investment is expected to recover in 2017 to 4.4% (-1.7% in 2016). Finally, exports are expected to grow by 3.7% and 4.8% in 2016 and 2017, respectively.

In addition, according to the Bank of Portugal, national GDP is only projected to achieve in 2019 the same level of growth recorded in 2008.

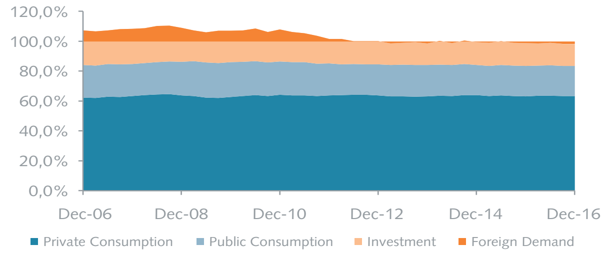
Projections of the Bank of Portugal: 2016-2018

	Weights 2015	2016	2017	2018
Gross Domestic Product	100.0%	1.2%	1.4%	1.5%
Private Consumption	65.6%	2.1%	1.3%	1.4%
Public Consumption	18.2%	1.0%	0.0%	0.4%
Gross Fixed Capital Form	15.3%	(1.7%)	4.4%	4.3%
Internal Demand	99.3%	1.2%	1.5%	1.7%
Exports	40.6%	3.7%	4.8%	4.6%
Imports	39.8%	3.5%	4.8%	4.9%
Current and Capital Accounts (% of GDP)		1.1%	0.9%	0.9%
Current and Services Account (% GDP)		2.2%	1.9%	1.8%
Harmonised Consumer Price Index		0.8%	1.4%	1.5%

Source: Bank of Portugal, 2016 Winter Report

The unemployment rate in Portugal maintained a downward trend over the course of 2016, in line with the other Member States of the Eurozone, having ended at 10.5% in the third quarter of 2016 (11.9% year-on-year), the lowest level since the last quarter of 2009. In the third quarter of 2016, the number of unemployed fell by 1.8% and employment increased by 1.3% relative to the previous quarter.

Breakdown of GDP



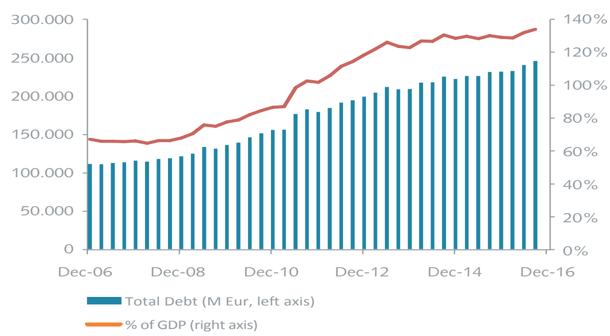
Source: INE

According to the Directorate-General for the Budget, the budgetary execution for the General Government registered a deficit of 4,336 million euros until November, 394 million euros less than in the same period of 2015. This evolution resulted from an increase in revenue (1.9%) above that of expenditure (1.3%), resulting in a primary balance surplus of 3,646 million euros, corresponding to a year-on-year increase of 713 million euros.

Revenue benefitted from the positive performance of its main components, with the exception of direct taxes. The increase in expenditure mainly reflects the rise in personnel costs, social benefits and interest on government debt. On the other hand, there was a decrease in expenditure with the acquisition of current and capital goods and services.

Government debt has been increasing, both in nominal terms and in percentage of GDP. In December 2015, public debt came to 226.4 billion euros and 126.1% of GDP. In September 2016, public debt amounted to 240.0 billion euros and 130.8% of GDP.

Portuguese Government Debt



Source: INE, IGCP

Economic Indicators

	2016	2017	2018
Change in GDP			
World Economy	3.1%	3.4%	3.6%
EUA	1.6%	2.3%	2.5%
Japan	0.9%	0.8%	0.5%
Eurozone	1.7%	1.6%	1.6%
Portugal	1.2%	1.4%	1.5%
Unemployment rate			
EUA	4.9%	4.7%	4.5%
Japan	3.1%	3.0%	2.9%
Eurozone	10.0%	9.5%	9.1%
Portugal	11.0%	10.1%	10.1%
Investment			
EUA	0.6%	2.3%	5.3%
Japan	0.6%	1.6%	0.1%
Eurozone	3.0%	2.5%	3.0%
Portugal	(1.7%)	4.4%	4.3%
Inflation (YoY CPI Var.)			
EUA	1.2%	1.9%	2.2%
Japan	(0.3%)	0.3%	1.0%
Eurozone	0.2%	1.2%	1.4%
Portugal	0.8%	1.4%	1.5%
Private Consumption			
EUA	2.6%	2.7%	2.8%
Japan	0.4%	0.5%	0.5%
Eurozone	1.5%	1.4%	1.5%
Portugal	2.1%	1.3%	1.4%
Government Consumption			
EUA	0.9%	1.3%	3.2%
Japan	1.5%	0.0%	0.1%
Eurozone	1.8%	1.3%	1.2%
Portugal	1.0%	0.0%	0.4%

Source: IMF (Jan-16), OECD (Nov-15), Bank of Portugal (Dec-15)

Markets

The election of Donald Trump as president of the United States spurred US shares to new historical highs. Investors are confident that the new president is going to boost investment and cut taxes and regulation. The S&P 500 index ended the year with an appreciation of 9.5% in USD, topping the table for gains among the main developed markets. In turn, emerging markets, contrary to what had been expected by many analysts at the start of 2016, registered a considerable increase over the course of the year, of about 10%, in line with the recovery of raw materials and the stabilisation of the Chinese economy.

Within the bonds universe, High Yield and Emerging private debt stood out with gains of more than 10% over the course of 2016.

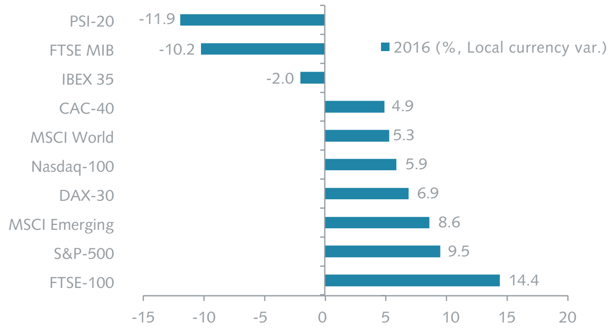
Equity Markets

The fourth quarter of 2016 was positive for equity markets, especially after the victory of Donald Trump in the US elections on 8 November. Since that date, the S&P 500 reference index has climbed 3.3%, having registered a new historical maximum at 2,277.53 points on 12 December. Another index that stood out was the Dow Jones which appreciated by 7.9% since the elections, having reached the historical maximum of 19,988 points. In the year-to-date 2016 period, the Nasdaq 100, S&P 500 and Dow Jones indices gained 5.9%, 9.5% and 13.4%, respectively, in USD. The expansionist policies announced by the new president, namely tax and public investment measures, led to a generalised optimism by investors. As a result, the VIX volatility index fell 23% since the elections (-25% over the year).

In the Eurozone, in spite of the volatility caused by Brexit during summer, whose effects are still uncertain, the FTSE 100 index ended up appreciating 14.4% over the course of 2016. The fourth quarter was marked by the Italian constitutional referendum and the "No" victory. This result led to the resignation of the Italian primeminister Matteo Renzi and to concerns regarding governmental and banking stability in Italy. However, contrary to expectations, equity markets continued their end-of-year rally. Following the referendum, the Italian FTSE MIB index appreciated 12.5%, the Dax 30 index 9.2% and the Euro Stoxx 50 index 9.1%. Over the course of 2016, the Dax 30 and Euro Stoxx 50 indices gained 6.9% and 7.0%, respectively. In contrast, the peripheral FTSE MIB and IBEX 35 indices fell 10.2% and 2.0%, respectively, over the same period.

Regarding global indices, the MSCI World and MSCI Emerging Markets ended the year with gains of 5.3% and 8.6%, in USD, respectively. The recovery of commodities, oil in particular, made a positive and decisive contribution to the appreciation of the MSCI Emerging Markets index.

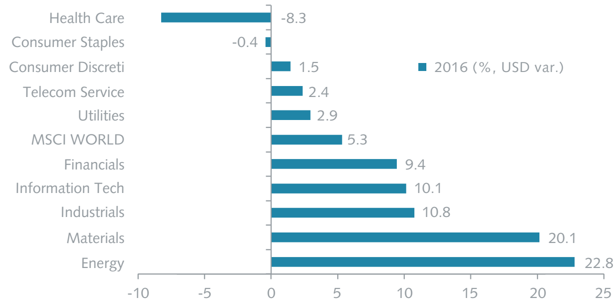
Leading Stock Market Indices



Source: Bloomberg

The majority of sectors recorded a positive performance in 2016. The Materials (20.1%) and Energy (22.8%) sectors achieved the best performances due to the recovery of the price of a barrel of oil and of the other commodities. In contrast, the Health (-8.3%), Basic Consumption (-0.4%) and Discretionary Consumption (1.5%) sectors achieved the worst performance in 2016 after having recorded the best performance in 2015, which demonstrates the sector rotation that has occurred over the last year.

World Sectoral Indices



Source: Bloomberg

In Portugal, as in the other peripheral markets, 2016 was a negative year for equity markets. The PSI-20 index lost 11.9%.

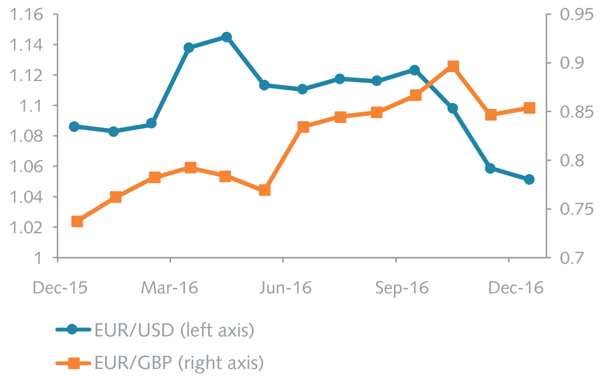
The year was marked by the movements in the banking sector: Caixabank revised upwards the price of the Public Tender Offer for BPI from 1.113 euros to 1.134 euros; the agreement between BPI shareholders permitted the deconsolidation of Angolan assets and the unblocking of the articles of association of BPI to take place, putting an end to the limitation of voting rights; in November 2016, the entry of the Chinese of Fosun into the capital of BCP with a stake of 16.7% was announced and in December, Sabadell bank announced the sale of the 4.08% stake it held in BCP.

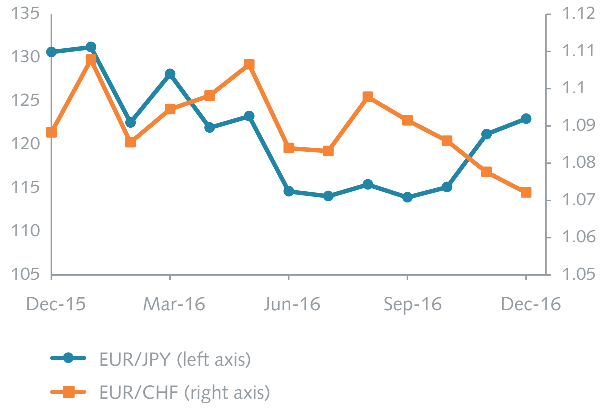
The year of 2016, as in 2015, was characterised by a high dispersion of returns. On the positive side, the shares of Sonae Capital (47%), Corticeira Amorim (43%), Galp (32%) Jerónimo Martins (23%) excelled. On the negative side, the shares of BCP (-71%), Caixa Económica Montepio (-36%), CTT (-27%) and Pharol SGPS (-24%) stood out.

PSI 20 Index

Source: Bloomberg

Exchange Rates



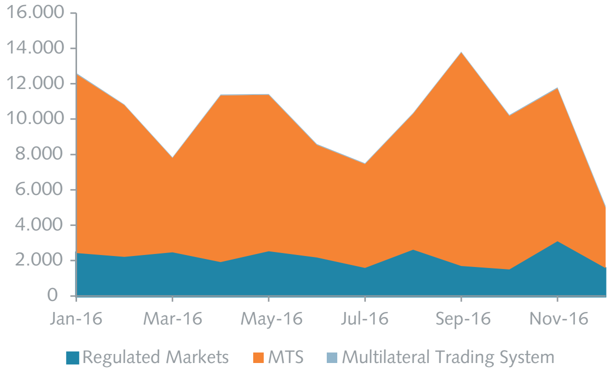


Source: Bloomberg

During 2016, the value of transactions in the secondary spot market (Regulated Markets and Multilateral Trading System) came to a total of 26.4 billion euros (-10.4% relative to 2015). Regulated markets continue to be responsible for the main volume of transactions (25.7 billion euros).

In MTS Portugal, the total trading volume of debt securities came to 95.7 billion euros in 2016, representing a decrease of 50% relative to 193.3 billion euros traded in 2015.

Volume of Transactions in the Secondary Market



Unit: Million euros. Source: CMVM

Foreign Exchange Markets

Over the course of 2016, the EUR/USD exchange rate depreciated 3.2%, having ended the year at 1.0520 (-6.4% relative to the third quarter). This evolution represented the third consecutive year in which the Euro depreciated relative to the US Dollar and was influenced by the difference in monetary policies of the European and US Central Banks.

The EUR/GBP exchange rate appreciated 15.8% to 0.8535, with Pound Sterling having been negatively impacted by the outcome of the June referendum and the consequent decision of the Bank of England to boost the monetary stimulus measures for the economy.

Over the course of 2016, the EUR/JPY exchange rate depreciated 5.9% to 122.97, representing the third consecutive year of the Euro's decline against the Japanese Yen.

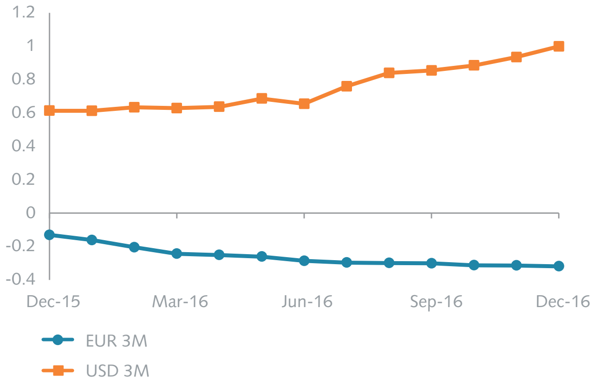
Interest Rates

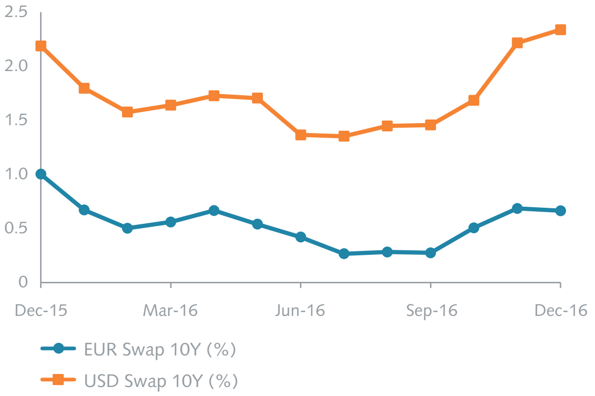
Over the course of 2016, the 3-month interest rates in the US increased, having started the year at 0.61% and ended at 1%. The 6-month interest rate ended the year at 1.32%, up 0.47 pp relative to 2015. In 2016, the interest rates for 5 and 10-year swaps increased 0.23 pp and 0.13 pp to 1.96% and 2.32%, respectively.

In the Eurozone, the targeted longer-term refinancing operations programme (TLTRO II) continues to operate. The European Central Bank decided to leave its refinancing interest rate and its deposit interest rate (-0.4%) unchanged. These measures contributed, over the course of 2016, to the fall in the 3 and 6-month interest rates (-0.19 pp and -0.18 pp) to 0.32% and 0.22%, respectively. The 5 and 10-year swap rates also decreased relative to 2015, from 0.25 pp and 0.34 pp to 0.08% and 0.66%, respectively.

The potential expansionist fiscal and monetary policies by the new US administration could lead to a more aggressive interest rate hike policy by the FED, which in December 2016 increased its reference interest rate by 0.25 pp to 0.50%.

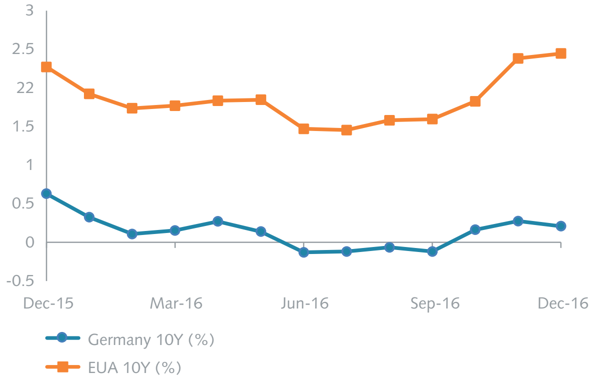
Short-Term and Long-Term Interest Rates





Source: Bloomberg

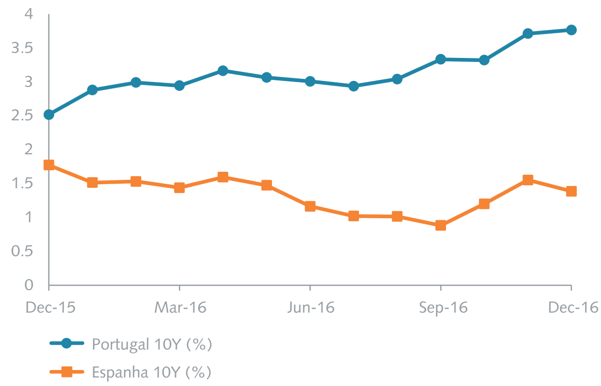
10-year yields: Germany and USA



Source: Bloomberg

In spite of a general rise in the sovereign yields of the peripheral countries in Europe since the beginning of July 2016, the risk premium of Portugal (difference between the Portuguese yield and the German yield) continued to increase. Over the course of 2016, the risk premium of Portugal relative to Germany increased 1.7 pp to 3.56% at 10 years. At 5 years, the risk premium increased 1.3 pp to 2.40%. Relative to Spain, the risk premium of Portugal increased 1.6 pp to 2.38% at ten years, the highest level since 2012.

10-year yields: Portugal and Spain



Source: Bloomberg

Bond Markets

Public Debt

In 2016, the 10-year US bond yield increased by 0.17 pp to 2.44%. The prospects for acceleration of the US economy under the new administration of Donald Trump influenced the rise of the yield in the last quarter of 2016 from 1.59% in September to 2.44% in December (0.85 pp).

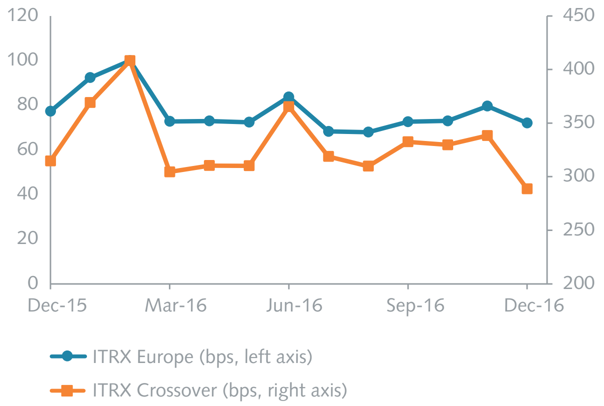
In the Eurozone, the 10-year Bunds yield followed the increase in the US yield, having risen by 0.33 pp to 0.21% in the last quarter. In spite of the increase in the last quarter, the Bunds yield fell by 0.42 pp. over the course of 2016. The accommodative policies of the European Central Bank are expected to maintain German yields at historically low levels. In the US, the upsurge in the inflation rate is expected to support the upward trend of the 10-year US yield.

In Portugal, the 10-year yield started 2016 at 2.52% and ended at 3.76%.

Private Debt

In Europe, the Investment Grade bond credit spreads (ITRX Europe index) fell by 0.05 pp to 0.72%. In turn, in the High Yield segment (ITRX Crossover index), the spreads fell by 0.26 pp to 2.89%. In spite of a turbulent start to the year, in line with the volatility of equities in the same period, spreads remained within a tight interval over the course of the year.

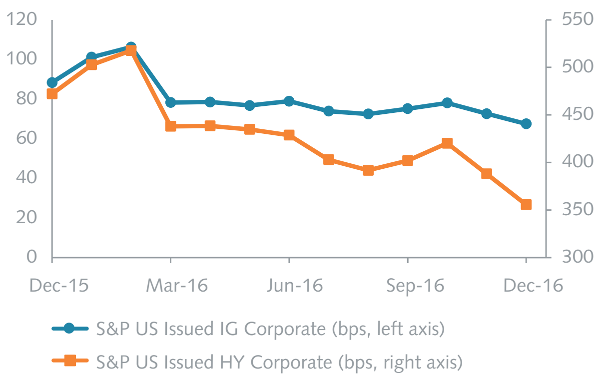
Credit Spreads (Europe)



Source: Bloomberg

In the United States, spreads in the Investment Grade segment (S&P US Issued IG Corporate) fell 0.21 pp to 0.67%. In the High Yield segment (S&P US Issued HY Corporate), spreads fell an average of 1.16 pp to 3.56%. The High Yield credit spreads were positively influenced by the recovery of the price of a barrel of oil and consequent decrease of the perception of default risk in the oil and financial sectors.

Credit Spreads (United States)

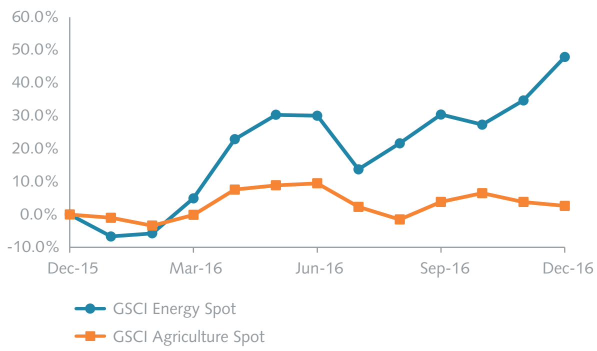


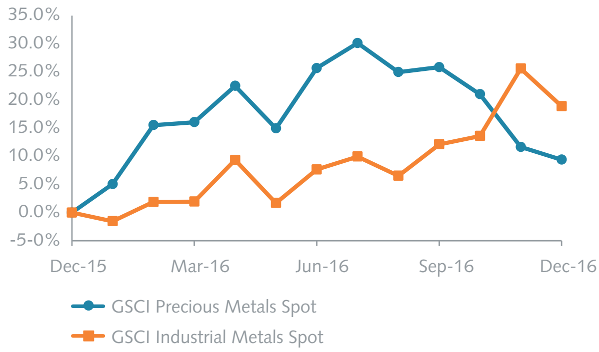
Source: Bloomberg

Commodities Markets

In 2016, commodities registered, on average, a loss of 27.8%, as measured by the S&P GSCI index (in USD). Underlying this upturn was, in particular, the recovery of the price of a barrel of oil (Crude Oil WTI), which climbed by 45.0%. The average recovery of the prices of industrial metals was equally strong (19% over the year). In turn, precious metals and agricultural products registered, on average, increases of 9.4% and 2.6%, respectively.

Commodities





Source: Bloomberg

Business Summary

Consolidated Highlights

Consolidated Highlights (Euros)	2013	2014	2015	2016
Net interest income	10,704,623	12,577,205	12,251,235	12,991,062
Net income from financial operations	5,122,478	9,290,279	7,350,129	4,424,794
Net commissions	1,633,127	1,986,459	1,711,339	2,298,047
Other net operating income	33,765,198	-754,999	-2,856,559	-186,345
Net operating revenue	**51,225,426**	**23,098,944**	**18,456,144**	**19,527,558**
Personnel costs	-4,882,233	-5,067,881	-5,396,517	-6,716,762
Other administrative costs	-4,201,582	-4,606,453	-4,643,361	-5,068,711
Overheads	**-9,083,815**	**-9,674,334**	**-10,039,878**	**-11,785,473**
Depreciation	-853,662	-705,949	-455,811	-712,616
Net provisions and impairments	-19,380,933	-4,318,171	-5,453,719	-703,718
Income before taxes	**21,907,016**	**8,400,490**	**2,506,736**	**6,325,752**
Provision for taxes	2,725,009	-3,545,754	355,007	-2,250,712
Net results	**24,631,263**	**4,833,610**	**2,868,919**	**4,005,079**
Comprehensive Income	**27,415,970**	**11,837,748**	**-3,520,104**	**3,783,273**
Net credit extended	175,111,528	185,344,856	246,931,130	229,029,588
Funds attracted	493,211,158	522,646,926	495,123,016	394,658,209
Shareholders' equity	**92,777,806**	**104,422,253**	**100,054,973**	**103,082,651**
Net assets	**595,172,391**	**645,759,316**	**603,426,834**	**506,320,442**

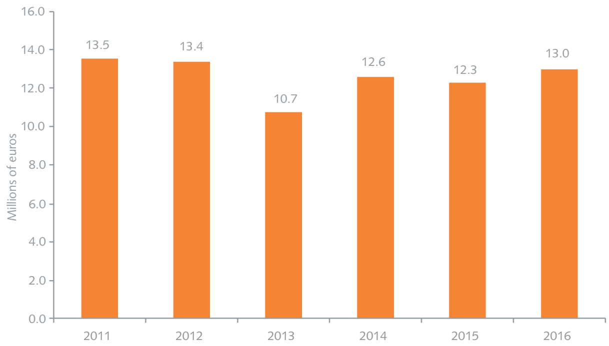
Extremely low interest rates, lacklustre economic growth and high political uncertainty in various countries heavily conditioned European banking activity in 2016. This environment was reflected in a high volatility of the shares of listed European banks, most notably following the decision of the United Kingdom to leave the European Community. Notwithstanding, European banking risk indicators - solvency, liquidity and non-performing loans - continued to improve, in spite of the asymmetry observed between countries, with investors having penalising Italian and Portuguese banks. In June 2016, the solvency ratio of European banks reached 13.6% against 12.5% in December 2014.

In Portugal, in spite of the progress registered by some banks, the weight of NPLs and, consequently, the setting up of impairments for credit risk, continued to significantly condition the profitability and solvency of the main institutions. At the end of 2016 and start of 2017, the two largest Portuguese banks increased their share capital, improving international investors' outlook on the Portuguese banking sector.

In 2016, in a difficult economic environment, Banco Invest achieved a Net Income of 4.0 million euros, reflecting an increase of 39.6% relative to 2015. The good performance of the banking book, with emphasis on the increase in net interest income and net fees and the reduction of impairments, contributed towards the improvement in net income. Comprehensive Income reached 3.8 million euros, representing an increase of 7.3 million euros relative to 2015.

Net Interest Income grew 6% to 13 million euros, as a result of the optimisation of the management of assets and liabilities. The Bank successfully increased its net interest income, in spite of the reduction of the banking book - credit and credit securities - and an increase in customer funds. In fact, resources from customer deposits grew by 4.3% in value, but the Bank was able to decrease the cost of these deposits by 35.8% relative to 2015.

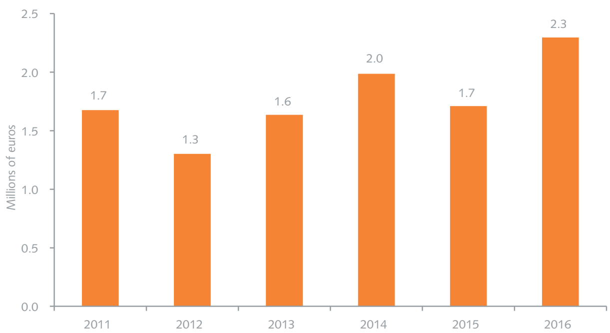
Net Interest Income



Source: Banco Invest

Net Commissions grew significantly from 34.3% to 2.3 million euros as a result of the significant increase in the Bank's customer base and the number of operations undertaken. The increase in the number of customers in the Investment Centres, in the savings and investment segment, in Lisbon, Oporto, Leiria and Braga, and the launch of the new auto loans activity, under the Bi Credit brand, contributed to the growth of the activity.

Net Commissions



Source: Banco Invest

Net income from financial operations came to a total of 4.4 million euros, mainly reflecting the capital gains earned in the management of the credit securities portfolio, most notably in the trading and securities available for sale portfolios. The Bank took advantage of the decline in the long-term exchange rate until September 2016 to reduce its exposure and realise capital gains in the bond portfolio, maintaining a reduced exposure to Portuguese public debt. The increase in personnel costs by 1.3 million euros (24.5%) to 6.7 million euros mainly reflects the launch of the new auto loans activity, and the structuring of a new brokerage service. Over the year, the number of Bank employees increased from 131 to 190 employees.

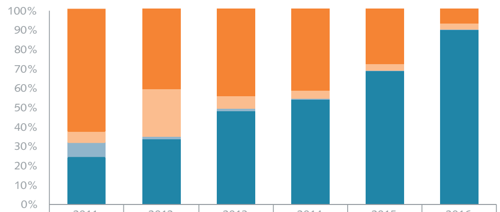
The Bank closed the year with Net Assets of 506.3 million euros, corresponding to a decrease of 97.1 million euros relative to 2015, as a result of the already mentioned reduction of the bond portfolio and, as a result, of the exposure to interest rate risk and credit risk.

Customer Deposits increased to 351.2 million euros. Over the last five years, Resources from Customers have grown systematically, with an increase of 233 million euros (+198%) over the period, reflecting the growth of the private customer base and the attractiveness of the Bank's product and service offer.

The previously mentioned reduction in the credit securities portfolio and the growth of customer deposits increased the Bank's liquidity significantly, which led to the repayment of 112 million euros of funding obtained from the European Central Bank. The Bank presents liquidity indicators comfortably above the current regulatory minimum requirements, with a Liquidity Coverage Ratio of 205% (80% minimum limit) and a Net Stable Funding Ratio of 154% (100% minimum limit to be applied as of 2018.

At the end of the year, the transformation ratio (total gross performing loans / deposits) came to 64%, a value that remains consistent with best practices in the sector and which reflects the reduced degree of leverage of the Bank.

Structure of Resources



	2011	2012	2013	2014	2015	2016
From Central Banks	147,702,517	228,442,066	221,630,278	216,704,549	141,006,232	29,000,000
Securitisations	151,288,777	135,095,049	31,955,421	24,857,667	15,598,038	12,037,707
Bonds issued	25,000,000	0	0	0	0	0
From other credit institutions	34,878,349	7,255,214	5,389,248	2,470,654	1,486,255	988,912
Depósitos	117,828,901	182,835,822	233,850,358	278,120,500	336,726,029	351,153,260

Source: Banco Invest

Banco Invest continues to be one of the most solid institutions in the national financial sector. At the end of 2016, the Bank presented a solvency ratio of 25.4%, as well as a Common Equity Tier I and Tier I Capital Ratio of 25.4%.

Business

Corporate Customers

Banco Invest offers various specialised advisory services and non-standard banking products to Corporate Customers. Based on the approach, on a case-by-case basis, of understanding each Customer's needs, the Bank offers value added solutions that stand out from the competition.

Risk Management

The offer of Risk Management solutions consists of interest rate, exchange rate and commodity price hedging products. Over the course of 2016, the high volatility in financial markets, the consequent increase in the cost of risk hedging and the prospects of the maintenance of interest rates at very low levels in the Eurozone, set the stage for the maintenance of a relatively weak level of activity in this area.

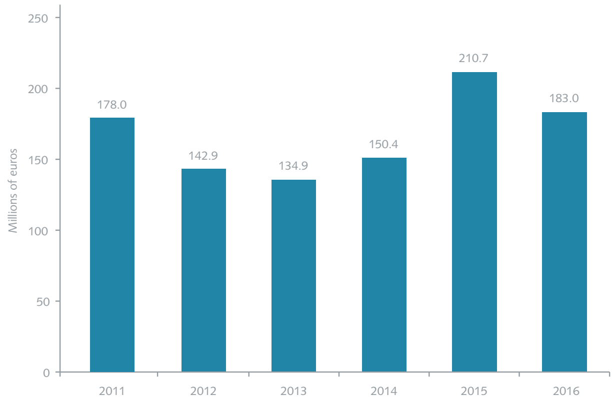
Credit

The loans to companies portfolio essentially comprises securitised loans to medium-sized and large companies and loans, guaranteed by real estate assets, to smaller companies. The loans to small companies portfolio presents a high dispersion, being mainly composed of contracts validated by a notary and, in the majority of cases, subject to registration in the land register. 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. Other guarantees are composed of pledges on financial application portfolios.

In 2016, Gross Credit to Companies fell 27.6 million euros (-13.1%) to 183.0 million euros, due to the reduced exposure to short-term securitised loans – Commercial Paper.

Gross Performing Loans
Corporate Business



Source: Banco Invest

As at 31 December 2016, 85% of the Non-securitised Loan portfolio had no real guarantee associated. The principal of Non-securitised Loans corresponds to 46% of the value of the associated real guarantees.

More than 98% of the amount of auto loans granted has a reservation of title in favour of the Bank.

Guarantees on Gross Performing Loans
Loans for corporate activity - 2016

	Capital	Type of guarantee			
		Mortgage	Other	Pledges	Total
Non-securitised credit					
Guarantee					
Loans	40,989,773	57,842,593	1,539,576	27,920,056	87,302,226
Property leasing	55,596,179	126,970,957	652,098	461,254	128,084,310
Equipment leasing	565,060	-	-	49,025	49,025
Curret Accounts	360,000	-	-	453,689	453,689
No guarantee	16,776,371	-	-	-	-
Sub-Total	**114,287,382**	**184,813,551**	**2,191,674**	**28,884,024**	**215,889,249**
Securitised credit (a)	85,224,449	-	-	-	-
Auto Loans	981,514	-	-	-	-
Total Credit (b)	**200,493,345**	**184,813,551**	**2,191,674**	**28,884,024**	**215,889,249**

(a) With reservation of property

(b) Includes sole proprietorships and self-employed professionals

Private Customers

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 Private Customers of the Private Banking segment have at their disposal an added value service that is based, with the support of an account manager, on the definition and implementation of the most adequate solutions for the safeguarding, valuation and control of the financial assets of Customers, according to their individual needs.

In 2016, interest rates remained at extremely low levels, which brought new challenges to the investment decision-making process of Customers, such as the need for longer-term planning, and the diversification of financial investments, with the inclusion of new asset classes. In this context, the Bank remained focused on a differentiated offer of products, allowing Customers to diversify by manager, geographic area and asset class, within a range of investment fund, indexed deposit and structured product solutions. In this latest asset class, the Bank maintains its flexibility regarding the structuring of tailor-made products, adjusted to the needs of Customers in terms of maturity and risk-return objectives.

Asset Management

Banco Invest 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.

In 2016, the products created and managed by Banco Invest once again achieved exceptional returns, both in absolute and relative terms. From among the products marketed by Banco Invest in 2016, the following are worthy of mention:

- The Alves Ribeiro PPR fund registered an appreciation of 9.4% during 2016. Since its creation in November 2001, the fund has registered an annual average return of 7.2%.

- In the Discretionary Management service, the annualised return (net of commissions) of the Moderate profile since the start of activity, in November 2012, came to 4.7% with a volatility of 5.5%.

- The complex financial product “PFC Global Dez-15” with 95% of guaranteed capital, yield indexed to shares of six multinational companies and maturity of 12 months, was repaid in December with a return of 11.55% (AGNR).

- The complex financial product “PFC Invest Technology Set-15” with 97.5% of guaranteed capital, yield indexed to shares of five international technological companies and maturity of 12 months, was repaid in September with a return of 6.02% (AGNR).

- The complex financial product “PFC Invest Healthcare Agosto-15” with 97.5% of guaranteed capital, yield indexed to shares of five international pharmaceutical companies and maturity of 12 months, was repaid in August with a return of 6.76% (AGNR).

- The complex financial product “PFC Invest Water Julho-15” with 97.5% of guaranteed capital, yield indexed to shares of five multinational companies connected to the water distribution and treatment sector and maturity of 12 months, was repaid in August with a return of 6.07% (AGNR).

- The indexed deposit “Depósito Indexado Invest Defesa Jan-16” with guaranteed capital, yield indexed to shares of five multinational companies connected to the security and defence sector and maturity of up to 18 months, was repaid early in August with a return of 5.10% (AGNR).

During 2016, the Bank issued 27 new structured products for Private Customers.

Brokerage

Banco Invest offers two brokerage services: Prime Brokerage and online brokerage.

In the Prime Brokerage segment, for the purpose of guaranteeing the quality of the service provided, the Bank focuses on the direct relationship of Customers with traders, and offers personalised access to fundamentals and technical information. The Prime Brokerage service allows the Customer to benefit from the follow-up of order management, trend analysis and entry and exit levels of securities.

The online brokerage service is based on the offer of two trading platforms (Invest Trader and Invest BTrader) which allow the Customer to trade different financial products. In fact, in 2016, Banco Invest began to offer a new trading platform known as “Invest BTrader”. This platform supports more than 100 markets worldwide and allows direct access to the CFD, Options, Futures, Forex, Shares and ETF markets, through the desktop, tablet and smartphone. As a result, the weight of online brokerage relative to total brokerage increased 46% in 2015 to 67% in 2016. In the previous year there was also a significant growth of brokerage in international markets to the detriment of the national market.

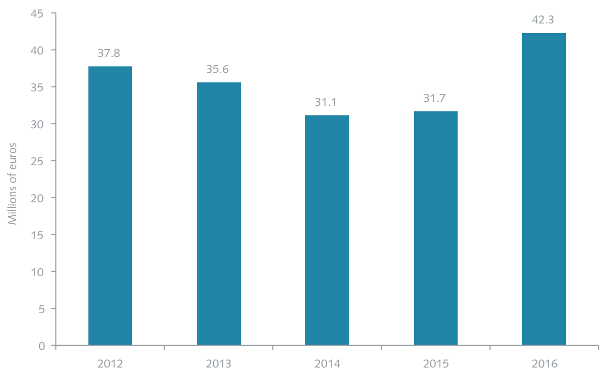
Loans

In September 2016, through the Bi Credit brand, Banco Invest initiated its auto loan concession activity.

In addition, the Bank continues to offer two products directed at Private Customers: the Margin Account and loans with precious metals as collateral. The Margin Account allows Customers to leverage their own funds under the pledge of their respective security 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 2016, Gross Credit to Private Customers increased 10.6 million euros (+33.4%) to 42.3 million euros, mainly as a result of the start of the activity of the new auto loan concession activity.

Gross Performing Loans Private Customers



Source: Banco Invest

Institutional Customers

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

During 2016, Banco Invest consolidated its position as a specialised partner among medium-sized and large national institutional operators. The Bank differentiates itself through its service quality, quick response time and high degree of specialisation, having an organisational structure with few hierarchical levels and an Administration closely involved in the day-to-day management of the business.

Brokerage

The brokerage service is structured to offer customised solutions and respond to very active investors who are extremely demanding. This service has been gaining market share among Institutional Customers. The Bank combines a proactive attitude in the search for solid business opportunities that it proposes to its Customers, as much on the sell 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. The offer includes derivatives whose underlying assets include equities, equity indices, interest rates, exchange rates, ETFs and commodities.

In 2016, the Bank continued to act as counterpart of various Institutional Customers, namely other banks, providing risk coverage for products issued by the latter and placed with their Customer base. The main products traded continued to be the Equity Swap Options, mostly on baskets of international shares. To a lesser extent, the Bank continued to issue Reverse Convertibles Notes and trade OTC Options on Single Stocks.

Over the year under analysis, the Bank traded 35 new derivatives for Institutional Customers, in the form of swaps, options and notes.

Risk Management

Due to the increasing complexity and volatility of financial products and markets, the issue of risk management is increasingly important, for both the Bank and Institutional Customers. The Bank's offer in this area seeks to meet this challenge 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.

Custody

If 2014 and 2015 were particularly difficult years for capital markets in Portugal, with clear consequences for the investment funds industry, 2016 maintained the trend of previous years, with a decrease in the number of operators and overall revenues from custody services.

In this context, it is nonetheless motivating that Banco Invest maintained its position of reference as a custodian bank for the independent (mutual, real estate and venture capital) fund management companies operating in the domestic market, having increased the net amounts of funds under custody.

The year ended with the Bank solidifying its market share in this segment, maintaining the custody of close to 45 investment funds of various types.

Own Portfolio Activity

Market Risk Management

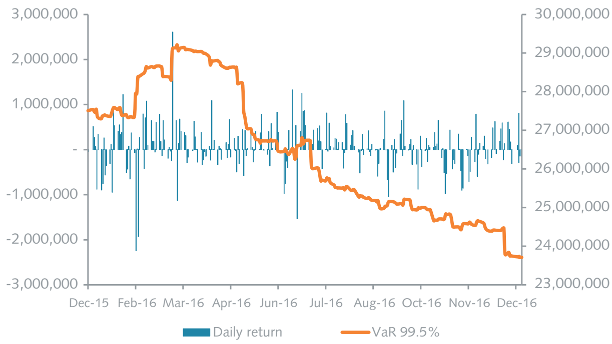
The Bank proactively manages its exposure to the various market risks (equities, bonds, funds, exchange rates and respective derivatives) with the objective of taking advantage of opportunities that arise in the national and international markets.

The Bank's Investment Committee, comprising various members of the Administration and the head of the investment area, regularly determines specific guidelines regarding exposure to credit risk, market risk and interest rate risk. It is then up to the Trading Room to manage the Bank's portfolio on a day-to-day basis according to the guidelines received and within the defined risk limits. The Trading Room does not necessarily have to be present with market positions on a continuous basis.

The definition of overall and partial risk limits is based on different risk quantification methodologies, according to their nature. For credit risk the Bank uses internal and external ratings, for market risk the Bank uses the Value-at-Risk (VaR) methodology, as well as concentration limits per asset, per sector and per country. For measuring the interest rate risk, the basis point value indicator is used.

The total annual VaR of the Trading Room reached its maximum level in March, as a result of the high market volatility arising from the fall in the price of oil. From that date onwards, the VaR of the Market Room registered a downward trend due to the risk reduction policy that has been followed by the Bank, with the objective of selling securities whose return does not justify the respective market risk. At the end of the year, the total annual VaR of the Trading Room stood at 23.7 million euros.

Risk Level: Annual VaR of the Total Portfolio



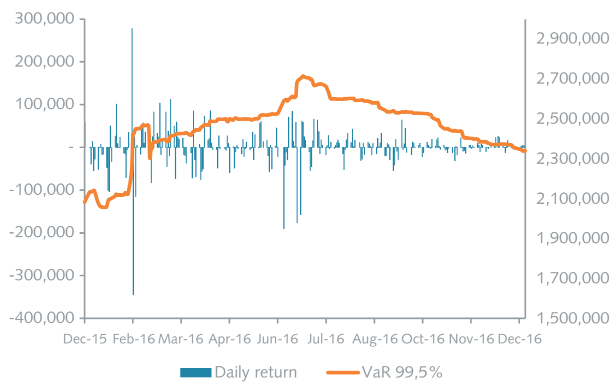
Source: Banco Invest

Equity-Risk Management

The strategies, risk limits and the trading portfolio budget are approved before the year commences by the Bank's Investment Committee, and the manager may intervene, throughout the year, within the parameters previously defined. The operations undertaken result from strategies that can include technical analysis, Systematic Trading (use of systematic models for the identification of trading opportunities) and the identification of recurring behavioural patterns, as well as indicators that determine significant market movements. These operations are proposed by the Trading Room, following a macroeconomic analysis and a sectoral and specific analysis of the proposed company, and approved by the Bank's Investment Committee. The analyses undertaken take into account share evaluation models, together with a comparison of expected returns on equities and bonds.

In 2016, the annual VaR of the Bank's equity portfolio oscillated approximately between 2.1 million euros and 2.7 million euros.

Risk Level: Annual VaR of the Portfolio of Shares



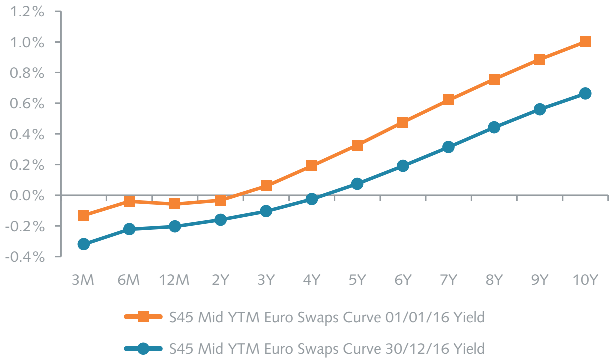
Source: Banco Invest

Interest-Rate Risk Management

As a result of the reinforcement and extension in time of the asset purchase programme of the ECB, in 2016 there was a widespread decline in interest rates for the euro, which was most marked for maturities of 5 years or more.

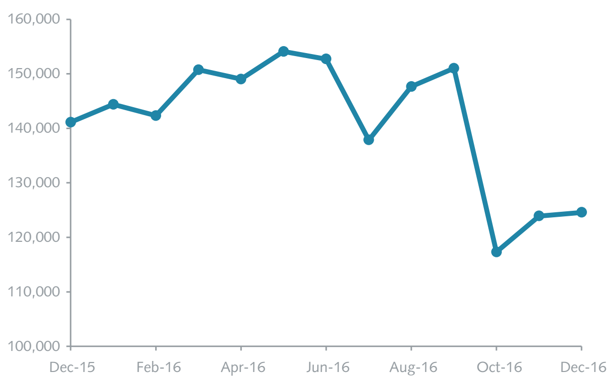
The Bank actively managed its exposure to interest rate risk, increasing its exposure up to May 2016 and reducing it as of September, owing to the reduced attractiveness of the market. During the year under analysis, the sale of medium and long-term fixed-rate securities came to 88.4 million euros.

Euro interest rate curve in 2016



Source: Bloomberg

BPV interest rate evolution



Source: Banco Invest

Bond Risk Management

As at 31 December 2016, the bond portfolio presented an average rating of BBB- and 69% of the bond portfolio presented an investment grade rating:

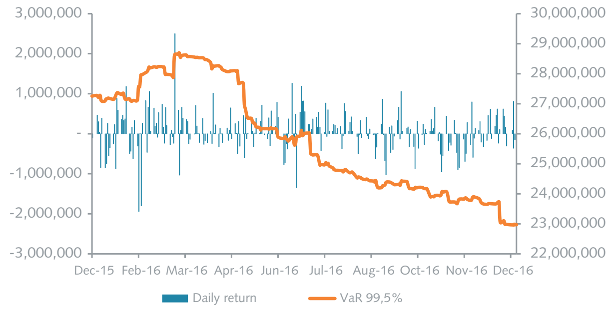
Bond portfolio	Available for sale	Maturity	Trading	Total Portfolio
[AA+, AA-]	2%	-	-	1%
[A+, A-]	4%	6%	14%	6%
[BBB+, BBB-]	65%	59%	63%	62%
[BB+, BB-]	5%	23%	11%	13%
[B+, B-]	2%	13%	-	6%
[CCC+, D]	3%	-	-	1%
No rating	19%	-	11%	10%

In 2016, the main rating agencies maintained the rating of Portugal unchanged (Moody's: Ba1; S&P: BB+; Fitch: BB+; DBRS: BBB low) and with a stable outlook. The 10-year debt yield of the Portuguese Republic reached the maximum of 4.11% on 11 February, reflecting an increase of the risk premium relative to the other Eurozone countries. Over the course of 2016 the yield increased 1.25 pp, having reached 3.76% on 30 December.

10-year debt yield of the Portuguese Republic

In 2016, the annual VaR of the Bank's bond portfolio remained in line with the VaR of the assets managed by the Trading Room (equities and bonds). The VaR of the bond portfolio reached a maximum of 28.7 million euros in March and closed the year at 23.0 million euros.

Risk Level: Annual VaR of the Bond Portfolio



Source: Banco Invest

Foreign Exchange Risk Management

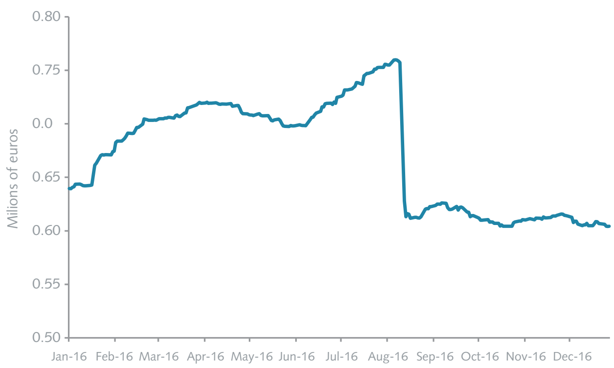
Foreign exchange management is essentially centred on hedging the positions in US dollars, sterling and Swiss francs. The exposure of the Bank's balance sheet to foreign exchange activity remained low-level.

Volatility Risk Management

The Bank manages options and other derivatives, an 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. In 2016, the average monthly VaR, with a 99.99% confidence interval, of the Derivatives Portfolio, came to 671 thousand euros.

Annual VaR of the Derivatives Portfolio



Source: Banco Invest

Risk Control

The Board of Directors defines and approves policies for all risks undertaken by the Bank: strategic, market, credit, interest rate, liquidity, information system safety, operational and reputational risk. In addition, there are functional bodies that work together to ensure compliance with the limits set by the Board of Directors: the Investment Committee, the Credit Division, the Accounting and Control Division and the Internal Audit Division.

Developing its tasks autonomously, according to the requirements set out in Notice No. 5/2008 of the Bank of Portugal, the main duties of the Risk Management function – regarding which the person responsible reports directly to the Board of Directors – are the identification, monitoring and mitigation of the risks to which the Bank is exposed. The risk management system is divided into four major areas.

- **Compliance with regulations governing risk management:** The Risk Management department is responsible for ensuring that the Bank complies with all the regulation governing risk management issued by the supervisory bodies. In addition, it prepares a range of analysis documents that define minimum requirements with a view to ensuring the solvency of the Bank, among which the ICAAP, the Stress Tests and the Recovery Plan are noteworthy. These requirements translate into procedures, indicators and limits that are included in the risk management procedures and in the definition of the Bank's strategy.

- **Definition of Strategic Objectives:** In the planning of the Bank's strategic objectives, the Board of Directors, incorporating the recommendations of the Risk Management department, defines the main ratios and indicators – of capital, liquidity and performance – with which it intends to operate within the legal requirements, and establishes the risk tolerance limits for all the risks incurred by the Bank, in its various areas of activity. In addition, the Risk Management department conducts risk analyses whenever the possibility of introducing new products or new business lines in the Bank is considered.

- **Risk Monitoring:** The Risk Management department monitors the risks that the Bank is exposed to, gauging compliance with the limits and promoting the achievement of the strategic objectives. Risk management policies, validation of risk models and follow-up of the approval/change of limits are included in risk monitoring.

- **Risk Management System Assessment:** Periodically, the Risk Management department assesses the risk management procedures, verifying the compliance of the risk models used by the Bank in the different business areas, and the adequacy of these models in the valuation and mitigation of risks.

The aim of the implemented system is to cover all Bank products, activities, processes and systems in order to permit, on the one hand, the identification and prioritisation of all the material risks and the documentation of the associated assessment, follow-up and control processes and, on the other hand, the monitoring and continuous assessment of the risk of each functional area through risk matrices that ensure the prevention of unwanted situations for the Bank or the adoption of corrective measures.

Risk management also involves the systematic control of the dimension and composition of the assets and liabilities of the Bank, which can change according to the activities of the Customers, the activities of the Bank, and market conditions. The dimension and composition of the Balance Sheet reflect at every moment the overall tolerance to risk, the nature and availability of stable funding sources and the level of own funds of the Bank.

Market Risk

Market Risk control is designed to assess and monitor the potential devaluation of the Bank's assets 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 Market Risk, defining risk limits per portfolio and considering the potential impacts of the devaluations of each one on results and on shareholders' equity.

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

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

- ***Value-at-Risk*** (VaR): VaR estimates for each portfolio, with a confidence interval of 99.99%, the daily maximum potential loss stemming from adverse variations to the underlying assets. This indicator takes into account the volatility and correlation of the financial assets and the distribution of the return rates of each financial asset.

- ***Basis Point Value*** (BPV): This indicator determines the potential losses in the value of the Bank's assets caused by a one-basis point change (1 bp or 0.01 pp) in interest rates.

The Bank resorts to the periodic undertaking of stress tests and reverse stress tests, which consist in the simulation of adverse scenarios, with the objective of measuring potential negative impacts in the value of the Bank's 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 self-assessment to the development of the Bank's economic activity.

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

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

Credit Risk

Credit Risk control consists in the assessment of the capacity of compliance with the current and future credit commitments of each Customer or counterparty of the Bank and in the monitoring of alterations of that same capacity. 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 involves autonomous opinions of the Risk Analysis area and of the Credit Division area, being supported by internal and external 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 impairments of the loan portfolio are calculated monthly, based on a collective analysis of the portfolio, on the individual analysis of the larger loans and on the analysis of the loans that are in default. The impairments in the loans subject to collective analysis are calculated based on a proprietary model, duly validated by external auditors, which estimate the probabilities of default and the amount of expected losses, based on the portfolio's past behaviour. Stress tests 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 sensitive variables (default rate, interest rate, real estate market prices, etc.).

The Credit Risk of the securities portfolio is calculated and monitored based on the Credit VaR and Basis Point Value methodologies. The Credit VaR determines the maximum expected loss, with a confidence level of 99.5%, 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. The Basis Point Value is used to determine the impact on the market value of a one-basis point change in the credit spread.

The concentration of credit risk is monitored through overall analyses of the (securitised credit and non-securitised credit) portfolio. Exposure by sector of activity and by the value of each counterparty is measured periodically.

Liquidity Risk

Liquidity Risk control is designed to evaluate and monitor the possibility of the occurrence of losses stemming from the Bank's inability to finance its assets in order to meet its financial commitments on the scheduled dates.

Liquidity risk is evaluated on the basis of an information system that allows the Bank's cash flow to be monitored and its cash requirements over a five-year horizon to be determined. Mismatch analyses and stress tests are undertaken to determine the liquidity levels required to cope with unexpected events.

In addition to the attraction of Customer funds, the Bank has interbank money market lines with several financial institutions, in order to ensure liquidity management with adequate safety levels.

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, avoiding the results of the Bank from 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, namely:

- Code of Conduct and Internal Regulations of the Bank.
- Procedures Manuals.
- Control of physical accesses.
- Control of accesses to the information systems.
- Reports of exceptions.
- Contingency planning.

The Bank has internal procedures that define the responsibilities of each area involved in the daily operation of the institution, the circuits of information and deadlines to be met, in order to mitigate the occurrence of operating errors. The Bank carries out internal audits regularly 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.

The Accounting and Control Division monitors, on a daily basis, fulfilment of the responsibilities of each functional area towards its counterparties, namely in terms of compliance with established limits and the levels of authorisation in approving transactions.

Net Income and its Appropriation

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

Individual net income came to 10,446,275.41 euros. It is proposed that this amount be appropriated as follows:

Legal Reserve ....1,044,627.54 Euros

Free Reserves......................................9,401,647.87 Euros

Acknowledgements

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

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

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

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

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

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

Lisbon, 24 March 2017

The Board of Directors

4. Financial Statements

Consolidated Balance sheets as at 31 December 2016 and 2015

(Amounts in euros)

ASSETS	Notes	2016 Gross assets	2016 Impairment and amortisations	2016 Net assets	2015 Net assets	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2016	2015
Cash and deposits at central banks	5	7,479,406	-	7,479,406	3,869,780	Resources at central banks	17	29,000,000	141,006,232
Amounts at other credit institutions	6	6,085,987	-	6,085,987	5,862,327	Financial liabilities held for trading	18	1,478,437	306,462
Financial assets held for trading	7	35,990,875	-	35,990,875	44,699,490	Resources from other credit institutions	19	988,912	1,486,255
Financial assets available for sale	8	95,390,540	(4,580,093)	90,810,447	151,401,007	Resources from customers and other loans	20	351,153,153	336,726,029
Loans and advances to credit institutions	6	5,400,123	-	5,400,123	400,180	Liabilities represented by securities	21	12,037,707	15,598,038
Loans and advances to customers	9	257,796,110	(28,766,522)	229,029,588	246,931,130	Provisions	22	-	500,000
Investments held to maturity	10	86,496,783	-	86,496,783	100,115,289	Deferred tax liabilities	15	450,256	42,283
Non-current assets held for sale	11	33,038,005	(7,931,998)	25,106,007	26,820,839	Deferred tax liabilities	15	1,445,948	1,257,936
Investment properties	12	5,323,514	(992,161)	4,331,353	4,251,472	Other liabilities	23	6,683,378	6,448,626
Other tangible assets	13	7,528,813	(4,483,882)	3,044,931	2,302,312				
Intangible assets	14	2,368,499	(2,001,233)	367,266	106,799	**Total Liabilities**		**403,237,791**	**503,371,861**
Current tax assets	15	-	-	-	1,076,033	Share capital	25	59,500,000	59,500,000
Deferred tax assets	15	8,189,624	-	8,189,624	8,733,906	Revaluation reserves	26	3,192,324	3,554,051
Other assets	16	3,988,052	-	3,988,052	6,856,270	Other reserves and retained earnings	26	35,472,693	33,289,409
						Annual profit and loss attributable to the Bank's shareholders	26	4,005,079	2,868,919
						Non-controlling interests	27	912,555	842,594
						Total Shareholders' Equity		**103,082,651**	**100,054,973**
Total Assets		**555,076,331**	**(48,755,889)**	**506,320,442**	**603,426,834**	**Total Liabilities and Shareholders' Equity**		**506,320,442**	**603,426,834**

The Notes are an integral part of these financial statements.

Consolidated income statements for the years ended on 31 December 2016 and 2015

(Amounts in euros)

	Not3s	2016	2015
Interest and similar income	28	16,814,474	18,264,619
Interest and similar charges	29	(3,823,412)	(6,013,384)
NET INTEREST INCOME		**12,991,062**	**12,251,235**
Income from equity instruments	30	-	-
Income from services and commissions	30	2,687,712	2,172,514
Fees and commission expenses	31	(389,665)	(461,175)
Result of assets and liabilities assessed at fair value through profit and loss	32	1,747,436	499,672
Result of financial assets available for sale	33	3,520,605	6,699,568
Income from exchange revaluation	34	(843,247)	150,889
Income from sale of other assets	35	(560,791)	(3,011,059)
Other operating income	36	374,446	154,500
NET OPERATING REVENUE		**19,527,558**	**18,456,144**
Personnel costs	37	(6,716,762)	(5,396,517
General administrative costs	38	(5,068,711)	(4,643,361
Depreciation costs	13 and 14	(712,615)	(455,811
Provisions, net of repositioning and cancellations	22	500,000	-
Impairment of loans, net of reversals and recoveries	22	(175,713)	(214,165
Impairment of other financial assets, net of reversals and recoveries	22	(512,702)	(3,942,703
Impairment of other assets, net of reversals and recoveries	22	(515,303)	(1,296,851
INCOME BEFORE TAXES		**6,325,752**	**2,506,736**
Taxes			
Current	15	(1,500,393)	(1,110,249)
Deferred	15	(750,319)	1,465,256
		(2,250,712)	**355,007**
INCOME AFTER TAXES BEFORE NON-CONTROLLING INTERESTS		**4,075,040**	**2,861,743**
Net profit attributable to non-controlling interests	27	(69,961)	7,176
ANNUAL CONSOLIDATED NET INCOME		**4,005,079**	**2,868,919**
Earnings per share		0,05	0,04

The Notes are an integral part of these financial statements.

Consolidated comprehensive income statements for the financial years ended on 31 December 2016 and 2015

(Amounts in euros)

	2016	2015
Consolidated net income before non-controlling interests	**4,075,040**	**2,861,743**
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	2,130,596	(3,460,387)
Impact on taxes	(514,669)	743,220
Transfer to results due to impairment	901,195	1,961,689
Impact on taxes	(220,793)	(441,380)
Transfer to results due to sale	(3,520,605)	(6,699,568)
Impact on taxes	862,548	1,507,403
Result not recognised in income statement	**(361,728)**	**(6,389,023)**
Consolidated comprehensive income before non-controlling interests	**3,713,312**	**(3,527,280)**
Non-controlling interests	69,961	7,176
Consolidated comprehensive income attributable to the Bank's shareholders	**3,783,273**	**(3,520,104)**

The Notes are an integral part of these financial statements.

Consolidated statements of changes in equity for the financial years ended on 31 de December 2016 and 2015

(Amounts in euros)

		Revaluations reserves			Others reserves and retained earnings							
	Share capital	Fair value reserves	Deferred taxes	Total	Legal reserve	Free reserve	Other reserves	Retained earnings	Total	Net income for the year	Non-controling interests	Total
Balances as 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**	**29,295,798**	**4,833,610**	**849,770**	**104,422,252**
Distribution of profit for 2014	-	-	-	-	1,788,965	-	-	3,044,645	4,833,610	(4,833,610)	-	-
Comprehensive income for 2015	-	(8,198,266)	1,809,243	(6,389,023)	-	-	-	-	-	2,868,919	(7,176)	(3,527,280)
Distribution of dividends to preferential shares	-	-	-	-	-	(840,000)	-	-	(840,000)	-	-	(840,000)
Balances as at 31 December 2015	**59,500,000**	**4,717,057**	**(1,163,006)**	**3,554,051**	**3,529,128**	**8,172,951**	**574,221**	**21,013,108**	**33,289,408**	**2,868,919**	**842,594**	**100,054,973**
Distribution of profit for 2015	-	-	-	-	286,892	-	-	2,582,027	2,868,919	(2,868,919)	-	-
Comprehensive income for 2016	-	(488,814)	127,086	(361,728)	-	-	-	-	-	4,005,079	69,961	3,713,312
Distribution of dividends to preferential shares	-	-	-	-	-	(840,000)	-	-	(840,000)	-	-	(840,000)
Other changes	-	-	-	-	-	-	154,366	-	154,366	-	-	154,366
Balances as at 31 December 2016	**59,500,000**	**4,228,243**	**(1,035,920)**	**3,192,324**	**3,816,020**	**7,332,951**	**728,587**	**23,595,135**	**35,472,693**	**4,005,079**	**912,555**	**103,082,651**

The Notes are an integral part of these financial statements.

Consolidated cash flow statements for the financial years ended on 31 december 2016 and 2015

(Amounts in euros)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Income from interest and commissions	19,367,628	17,559,275
Payment of interest and commissions	(5,725,005)	(7,921,677)
Payments to staff and suppliers	(11,568,794)	(9,890,000)
Income tax payable/receivable	(1,095,836)	(4,758,679)
Other payments related to the operating activity	(438,498)	335,692
Operating income before changes in operating assets	**539,495**	**(4,675,389)**
(Increases) / reductions in operating assets:		
Financial assets held for trading	11,584,050	14,644,288
Financial assets available for sale	64,113,339	110,003,657
Deposits at credit institutions	(4,999,943)	3,000,172
Loans and advances to customers	21,121,281	(60,960,949)
Investments held to maturity	15,849,337	(25,065,881)
Non-current assets held for sale	(3,646,314)	(1,964,941)
Other assets	3,220,706	(1,933,378)
	107,242,456	**37,722,968**
Increases / (reductions) in operating liabilities:		
Resources at central banks	(112,000,000)	(74,000,000)
Resources from other credit institutions	(497,343)	(984,398)
Resources from customers	14,427,124	58,605,529
Liabilities represented by securities	(3,557,496)	(9,264,570)
Other liabilities	234,752	(5,496,955)
	(101,392,963)	**(31,140,394)**
Cash, net of operating activities	**6,388,988**	**1,907,185**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase and sale of tangible and intangible assets	(1,715,702)	(739,556)
Cash net of investment activities	**(1,715,702)**	**(739,556)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Distribution of dividends - preferential shares	(840,000)	(840,000)
Cash net of financing activities	**(840,000)**	**(840,000)**
Net increase / (decrease) in cash and equivalents	3,833,286	327,629
Cash and equivalents at the start of the period	9,732,107	9,404,478
Cash and equivalents at the end of the period	13,565,393	9,732,107
	3,833,286	**327,629**

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, S.A., and started trading on 11 March 1997. The incorporation of the Bank was authorised by the Bank of Portugal on 4 December 1996. The Bank changed its name to the current one on 16 September 2005.

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

The Bank has six branches, located in Lisbon, Oporto, Leiria and Braga.

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

The Bank undertook two credit securitisation operations:

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

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

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

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

The consolidated financial statements as at 31 December 2016 were approved by the Board of Directors on 7 April 2017.

The financial statements of Banco Invest and the entities included in its consolidation perimeter as at 31 December 2016, await approval by the General Meeting. Banco Invest's Board of Directors believes, however, that the financial statements used in the preparation of the consolidated accounts will be approved without any significant changes.

2. ACCOUNTING POLICIES

2.1. Presentation bases

The consolidated financial statements as at 31 December 2016 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 of the 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 accounts of Banco Invest and the entities it directly or indirectly controls (Note 3), including special purpose entities.

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

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

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

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

2.3. Conversion of foreign currency balances and transactions

The Group's accounts are prepared in accordance with the currency used in the primary economic environment in which it operates (termed "operating currency"), namely the Euro.

Transactions in foreign currency are recorded based on exchange rates on the date of the transaction. Assets and liabilities expressed in foreign currency are converted into euros at the exchange rate displayed in each balance sheet date.

Exchange rate differences arising from currency conversion are shown in the profit/loss for the year, except where they arise from non-monetary financial instruments, such as equities, classified as available for sale, which are recorded under shareholders' equity until they are sold.

2.4. Financial instruments

a) *Financial Assets*

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

i) *Financial assets at fair value through profit and loss*

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

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

ii) *Loans and receivables*

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

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

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

Recognition of interest

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

iii) Financial assets available for sale

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

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

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

iv) Investments held to maturity

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

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

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

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

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

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

Fair Value

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

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

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

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

Reclassification of financial assets

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

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

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

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

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

b) Financial liabilities

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

i) Financial liabilities held for trading

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

ii) Other financial liabilities

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

These financial liabilities are valued at amortised cost.

c) Derivatives

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

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

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

Embedded derivatives

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

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

Trading derivatives

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

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

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

d) *Impairment of financial assets*

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

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

Loans and advances to customers

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

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

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

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

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

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

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

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

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

Debt instruments

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

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

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

Equity instruments

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

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

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

Financial assets at amortised cost

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

Financial assets available for sale

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

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

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

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

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

2.5. Non-current assets held for sale

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

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

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

2.6. Investment Properties

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

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

2.7. Other tangible assets

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

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

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

Land and artistic heritage are not depreciated/amortised.

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

2.8. *Financial leasing*

Financial leasing operations are recorded as follows:

As lessor

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

As lessee

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

2.9. *Intangible assets*

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

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

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

2.10. Income taxes

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

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

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

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

Under article 51 of the Corporate Income Tax Code (in the version in force until the financial year of 2016), distributed profits and reserves, as well as the capital gains and losses realised by the Bank through the sale of participations held in the share capital of companies, are not included in taxable profit, provided that the following cumulative requirements are met: (i) the Bank has holdings of not less than 10% of the share capital or of the voting rights in the entity that distributes profits, or in the entity whose participations held in the share capital of companies was sold, and provided the participation was held for a period of no less than 12 months (or, in the case of dividends, if held for a shorter period, that it be held for the time necessary to complete that period); (ii) the taxable person does not fall under the fiscal transparency scheme; (iii) the entity that distributes the profits or reserves, or whose capital is sold, is subject to and not exempt from corporate income tax (IRC), from a tax referred to in article 2 of Directive no. 2011/96/EU, of the Council, of 30 November, or from a tax of an identical or similar nature to corporate income tax and the applicable legal rate is not less than 60% of the corporate income tax rate; (iv) the entity that distributes profits or reserves, or the entity whose participations held in the share capital of companies were sold, do not reside in a tax haven.

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

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

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

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

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

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

Deferred tax assets and liabilities are measured by using the tax rates that are expected to be in force at the date of the reversion of the corresponding temporary differences, based on the tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date. As at 31 December 2016 and 2015, the Bank used a rate of 24.5% to calculate the deferred taxes.

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

2.11. Provisions and contingent liabilities

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

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

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

2.12. Employees' benefits

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

The Bank has not subscribed to the Collective Bargaining Agreement in effect for the banking industry since its staff is covered by the General Social Security Scheme. For this reason, the Bank had no liabilities for pensions or retirement pension supplements or other long-term benefits in respect of its employees as at 31 December 2016 and 2015.

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

2.13. Commissions

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

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

2.14. Amounts deposited

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

2.15. Cash and equivalents

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

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

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

CALCULATION OF IMPAIRMENT LOSSES IN FINANCIAL ASSETS

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

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

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

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

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

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

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

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

CALCULATION OF INCOME TAX

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

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

The following standards, interpretations, amendments and reviews endorsed by the European Union are of mandatory application for the first time in the financial year ended on 31 December 2016:

- IAS 19 - "Employee benefits - Contributions from employees" - This amendment clarifies the circumstances under which employee contributions for post-employment benefit plans are an actual reduction in the cost of short-term benefits.

- Improvements to the international financial reporting standards (2010 - 2012 cycle) - These improvements involve the clarification of some aspects related to: IFRS 2 – Share-based payments: definition of vesting condition; IFRS 3 – Business Combinations: accounting of contingent payments; IFRS 8 – Operating segments: disclosures related to the judgements applied in connection to the aggregation of segments, and clarification on the need for reconciliation of total assets by segment, with the total amount of assets in the financial statements; IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets: need for proportional revaluation of accumulated depreciations in the case of revaluation of fixed assets; IAS 24 – Related party disclosures: defines that an entity that provides management services to the Company or to its parent Company is considered a related party; and IFRS 13 – Fair Value: clarifications concerning the measurement of short-term accounts receivable or payable.

- Improvements to the international financial reporting standards (2012 - 2014 cycle) - These improvements involve the clarification of some aspects related to: IFRS 5 – Non-current assets held for sale and discontinued operations: introduces guidelines on how to proceed in case of changes to the expected method of realization (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impacts of asset monitoring contracts within the scope of disclosures associated with continuing involvement of derecognised assets, and exempts the interim financial statements from the disclosures required in respect of compensation of financial assets and liabilities; IAS 19 – Employee benefits: sets that the rate to be used for defined benefit discounting purposes shall be determined by reference to high quality corporate bonds that have been issued in the same currency in which the benefits will be paid; and IAS 34 – Interim financial reporting: clarification on the procedures to adopt when there is information available in other documents issued in connection with the interim financial statements.

- IFRS 11 - Joint Arrangements - Accounting of acquisitions of interests in joint arrangements – This amendment is related to the acquisition of interests in joint operations. It sets the mandatory implementation of IFRS 3 when the acquired joint operation is a business activity in accordance with IFRS 3. When the joint operation in question is not a business activity, the transaction shall be recorded as an asset acquisition. This change has a prospective application for new acquisitions of interests.

- IAS 16 - Tangible Fixed Assets and IAS 38 - Intangible Assets - Acceptable Depreciation Methods - This amendment establishes the presumption (which may be rebutted) that revenue is not an appropriate basis for amortizing an intangible asset, and prohibits the use of revenue as a depreciation base for tangible fixed assets. The presumption established for the amortization of intangible assets can only be rebutted when the intangible asset is expressed in terms of revenue generated or when the use of economic benefits is highly correlated with the revenue generated.

- IAS 1 – Submission of Financial Statements – Disclosure Initiative – This amendment clarifies some aspects related to the Disclosure Initiative , namely: (i) the entity shall not hamper the intelligibility of the financial statements by aggregating material items with immaterial items, or by aggregating material items with different natures; (ii) the disclosures specifically required by IFRS need only to be provided if the information in question is material; (iii) the headings of the financial statements specified in IAS 1 can be aggregated or disaggregated, according to what is most relevant for the purposes of financial reporting; (iv) the part of other comprehensive income resulting from the application of the equity method in associates and joint controlled entities should be presented separately from the other components of other comprehensive income, also segregating the items that are likely to be reclassified to profit and loss from those that will not be reclassified; (v) the structure of the notes should be flexible, and should respect the following order:
    - a statement of compliance with IFRS in the first section of the notes;
    - description of the significant accounting policies in the second section;
    - supporting information for the headings in the face of the financial statements in the third section; and
    - other information in the fourth section.

- IAS 27 - Application of the equity method to the separate financial statements - This amendment introduces the possibility of measurement of interests in subsidiaries, joint arrangements and associates in separate financial statements by the equity method, in addition to the currently existing measurement methods. This amendment applies retrospectively.

There were no significant impacts on the consolidated financial statements of the Bank for the financial year ended on 31 December 2016, arising from the adoption of the standards, interpretations, amendments and reviews mentioned above.

The following standards, interpretations, amendments and reviews, of mandatory application in future financial years, have, up to the date of approval of these financial statements, been endorsed by the European Union:

- IFRS 9 - Financial instruments - This standard is part of the draft revision of IAS 39 and establishes the requirements for the classification and measurement of financial assets and liabilities and for the application of hedge accounting rules. This standard is mandatory for financial years beginning on or after 1 January 2018.

- IFRS 15 – Revenue from contracts with customers – This standard introduces a recognition structure of revenue based on principles and on a model to be applied to all contracts established with customers, replacing the standards IAS 18 – Revenue, IAS 11 – Construction Contracts; IFRIC 13 – Loyalty programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of assets from customers and SIC 31 – Revenue - Barter transactions involving advertising services. This standard is mandatory for financial years beginning on or after 1 January 2018.

These standards, in spite of endorsed by the European Union, were not adopted by the Group in the financial year ended 31 December 2016, since its application is not yet mandatory. The Board of Directors is currently analysing the impact that IFRS 9 could have on the financial statements of the Bank. The Board of Directors is of the opinion that the application of the other standards shall not have a materially relevant impact on the financial statements.

In addition, up to the date of approval of the attached financial statements, the following standards and improvements were also issued, not yet endorsed by the European Union:

- IFRS 14 - Regulated assets - This standard establishes the reporting requirements for entities which are adopting IFRS for the first time, applicable to regulated assets.

- IFRS 16 - Leases - This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single model of accounting for lease contracts which results in the recognition by the lessee of assets and liabilities for all lease contracts, except for leases of duration of less than 12 months or for leases involving low value assets. Lessors shall continue to classify leases as operating or financial. IFRS 16 shall therefore not imply substantial changes for such entities with respect to the stipulations of IAS 17.

- IFRS 10 - Consolidated financial statements, IFRS 12 – Disclosures of interests in other entities and IAS 28 - Investments in associates and joint ventures: These amendments contemplate the clarification of various aspects related to the application of the consolidation exception by investment entities.

- IFRS 10 - Consolidated financial statements and IAS 28 – Investments in associates and joint ventures: These amendments eliminate a conflict between the referred to standards, concerning the sale or the contribution of assets between the investor and the associate or between the investor and the joint venture.

- IAS 12 – Income taxes: These amendments clarify the conditions for the recognition and measurement of tax assets resulting from unrealised losses.

- IAS 7 – Cash flow statement: These amendments introduce additional disclosures associated with cash flows from financing activities.

- IFRS 15 – Revenue from contracts with customers: These amendments introduce several clarifications in the standard in order to remove the possibility of different interpretations of various subjects arising.

- IFRS 2 – Share-based payments: These amendments introduce several clarifications in the standard concerning: (i) the recording of cash-settled share-based payment transactions; (ii) the recording of changes in share-based payment transactions (from cash-settled to equity-settled); (iii) the classification of transactions having characteristics of an offset settlement.

- IFRS 4 – Insurance contracts: These amendments provide guidelines on the implementation of IFRS 4 together with IFRS 9.

- IAS 40 – Investment properties: These amendments clarify that the change in classification from or to an investment property must only be carried out when there is evidence of a change in the use of the asset.

- Improvements to the international financial reporting standards (2014-2016 cycle): These improvements involve the clarification of certain aspects related to: IFRS 1 – First-time adoption of international financial reporting standards: eliminates certain short-term exemptions;

- IFRS 12 – Disclosure of interests in other entities: clarifies the scope of the standard concerning the application thereof to interests classified as held for sale or held for distribution under IFRS 5; (iii) IAS 28 – Investments in associates and joint ventures: introduces clarifications on the fair value measurement by investment results, such investments having been made in associates or joint ventures, held by venture capital companies or investment funds.

- IFRIC 22 - Foreign currency transactions and advance consideration: This interpretation sets out the date of the initial recognition of the advance consideration or of the deferred income as the transaction date for the purpose of determining the exchange rate of the revenue recognition.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Group in the financial year ended on 31 December 2016.

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

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:

	2016			2015		
Company	Net assets	Net equity	Net income	Net assets	Net equity	Net income
Banco Invest, S.A.	511,838,017	95,559,166	10,446,275	603,254,840	77,251,363	7,736,363
Invest Gestão de Ativos - SGFIM, S.A.	2,156,620	2,118,567	116,358	2,038,005	2,002,208	119,033
Fundo de Titularização de Créditos AR Finance 1 Fundo	12,315,686	(10,156,291)	(315,523)	15,330,840	14,603,811	121,612
AR Finance 1, plc	14,225,136	(8,922,388)	(189,079)	17,592,882	(8,733,309)	245,635
Fundo Tejo	7,266,503	7,152,907	517,715	6,729,874	6,635,192	(1,307,035)
Saldanha Holdings	137,967	133,491	(18,103)	174,503	151,594	(40,037)
Saldanha Finance	5,263,543	5,258,900	(28,183)	10,321,126	10,287,083	(46,975)

As at 31 December 2016 and 2015, the more significant financial highlights of the respective individual financial statements can be summed up as follows:

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

4. REPORT BY OPERATING SEGMENTS

Banco Invest adopted the following operating segments:

- Commercial – Loans and advances to customers, including the activity of concession of auto loans initiated in 2016, brokerage, discretionary management of customers' portfolios and custody of securities;
- Markets – Other areas.

In 2016 and 2015, the distribution of income and the main balance sheet items by operating segment is as follows:

	2016		
	Commercial	Markets	Total
Net interest income	10,392,850	2,598,212	12,991,062
Income from services and commissions	2,298,047	-	2,298,047
Result of assets and liabilities assessed at fair value through profit and loss	-	1,747,436	1,747,436
Result of financial assets available for sale	-	3,520,605	3,520,605
Other operating income and other	(186,345)	(843,247)	(1,029,592)
Net operating income	**12,504,552**	**7,023,006**	**19,527,558**
Personnel costs and general administrative costs	(8,839,105)	(2,946,368)	(11,785,473)
Depreciation costs	(534,462)	(178,154)	(712,616)
Provisions and impairment	1,380,245	(2,083,963)	(703,718)
Income before taxes	**4,511,230**	**1,814,522**	**6,325,752**
Taxes	(750,319)	(1,500,393)	(2,250,712)
Net income after taxes and before minority interests	**3,760,911**	**314,129**	**4,075,040**
Income attributable to minority interests			(69,961)
Consolidated annual net income			**4,005,079**
Financial assets held for trading	-	35,990,875	35,990,875
Financial assets available for sale	-	90,810,447	90,810,447
Loans and advances to customers	144,158,935	84,870,653	229,029,588
Investments held to maturity	-	86,496,783	86,496,783
Resources from central banks	-	29,000,000	29,000,000
Resources from other credit institutions	-	988,912	988,912
Resources from customers and other loans	351,153,153	-	351,153,153
Liabilities represented by securities	12,037,707	-	12,037,707

	2015		
	Commercial	Markets	Total
Net interest income	9,800,988	2,450,247	12,251,235
Income from services and commissions	1,711,339	-	1,711,339
Result of assets and liabilities assessed at fair value through profit and loss	-	499,672	499,672
Result of financial assets available for sale	-	6,699,568	6,699,568
Other operating income and other	(2,856,559)	150,889	(2,705,670)
Net operating income	**8,655,768**	**9,800,376**	**18,456,144**
Personnel costs and general administrative costs	(7,529,908)	(2,509,970)	(10,039,878)
Amortisation in the year	(341,858)	(113,953)	(455,811)
Provisions and impairment	(1,511,016)	(3,942,703)	(5,453,719)
Income before taxes	**(727,014)**	**3,233,750**	**2,506,736**
Taxes	1,465,256	(1,110,249)	355,007
Net income after taxes and before minority interests	**738,242**	**2,123,501**	**2,861,743**
Income attributable to minority interests			7,176
Net income for the year			**2,868,919**
Financial assets held for trading	-	44,699,490	44,699,490
Financial assets available for sale	-	151,401,007	151,401,007
Loans and advances to customers	136,812,531	110,118,599	246,931,130
Investments held to maturity	-	100,115,289	100,115,289
Resources from central banks	-	141,006,232	141,006,232
Resources from other credit institutions	-	1,486,255	1,486,255
Resources from customers and other loans	336,726,029	-	336,726,029
Liabilities represented by securities	15,598,038	-	15,598,0383

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

5. CASH AND BALANCES AT CENTRAL BANKS

This item was made up as follows:

	2016	2015
Cash in hand	464,074	391,764
Sight deposits at the Bank of Portugal	7,015,332	3.478,016
	7,479,406	**3,869,780**

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 AT OTHER CREDIT INSTITUTIONS

These items were made up as follows:

	2016	2015
Amounts at other credit institutions		
Sight deposits		
- In Portugal	1,523,459	1,716,734
- Abroad	4,562,529	4,145,593
	6,085,987	**5,862,327**
Deposits at credit institutions:		
- Credit institutions in Portugal	5,400,000	400,000
Interest receivable	123	180
	5,400,123	**400,180**

As at 31 December 2016 and 2015, the times to maturity of deposits at credit institutions were as follows:

	2016	2015
Up to three months	5,000,000	-
Three months to one year	400,000	400,000
	5,400,000	**400,000**

As at 31 December 2016 and 2015, placements with credit institutions abroad include 2,246,485 euros and 2,580,040 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 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:

	2016	2015
Debt instruments		
Other residents		
- Other national public issuers	39,514	-
- Companies	-	50,335
Non-residents		
- Foreign public issuers	914,292	1,461,468
- Credit issuers	10,463,947	26,573,595
- Companies	13,931,689	9,021,740
	25,349,442	**37,107,138**
Interest receivable	220,724	221,109
	25,570,166	**37,328,247**
Equity instruments		
Residents		
- Shares	94,614	57,082
Non-residents		
- Shares	8,183,741	5,416,195
- Fund units	232,352	6,767
	8,510,707	**5,480,044**
Derivates		
Swaps		
- Interest rate	346,069	232,450
- Other	1,509,660	1,406,044
Options	54,273	252,705
	1,910,002	**1,891,199**
	35,990,875	**44,699,490**

As at 31 December 2016 and 2015, the nominal value of the debt instruments is as follows:

	2016	2015
Other residents		
- Public issuers	43,000	-
- Companies	-	50,000
Non-residents		
- Foreign public issuers	900,000	1,450,000
- Credit institutions	12,200,000	28,100,000
- Companies	13,650,000	9,530,982
	26,793,000	**39,130,982**

As at 31 December 2016 and 2015, 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:

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

	2015			
	Notional amount	Book value		
	Trading derivatives	Assets held for trading	Liabilities held for trading	Total
			(Note 18)	
Derivatives				
Over the counter (OTC)				
- *Swaps*				
Interest rate	133,582,383	232,450	(30,170)	202,280
Foreign exchange	684,427	-	(23,184)	(23,184)
Other	5,878,247	1,406,044	-	1,406,044
- Options embedded in structured deposits	29,776,635	114,255	(252,401)	(138,146)
- Equity options	397,676	138,450	(707)	137,743
	170,319,368	**1,891,199**	**(306,462)**	**1,584,737**
Traded on the stock exchange				
- Futures				
Interest rate	118,409,963	-	-	-
Equities	2,839,665	-	-	-
Foreign exchange	2,895,684	-	-	-
	124,145,312	**-**	**-**	**-**
	294,464,680	**1,891,199**	**(306,462)**	**1,584,737**

As at 31 December 2016 and 2015, the notional amount of interest rate swaps relative to transactions within the scope of the credit securitisations set up by the Bank, came to 20,974,041 and 26,561,950 euros, respectively (Note 9).

The distribution of derivative transactions as at 31 December 2016 and 2015, by times to maturity, was as follows (by notional amount):

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

	2015					
	<= 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	-	-	37,720,000	69,300,433	26,561,950	133,582,383
Foreign exchange	684,427	-	-	-	-	684,427
Other	-	-	-	5,878,247	-	5,878,247
- Options embedded in structured deposits	2,000,062	4,545,636	11,893,536	11,337,401	-	29,776,635
- Equity options	259,236	74,400	64,040	-	-	397,676
	2,943,725	**4,620,036**	**49,677,576**	**86,516,081**	**26,561,950**	**170,319,368**
Traded on the stock exchange						-
- Futurus						
Interest rate	7,762,788	24,293,650	43,578,701	42,774,824	-	118,409,963
Equities	2,839,665	-	-	-	-	2,839,665
Foreign exchange	2,895,684	-	-	-	-	2,895,684
	13,498,137	**24,293,650**	**43,578,701**	**42,774,824**	**-**	**124,145,312**
	16,441,862	**28,913,686**	**93,256,277**	**129,290,905**	**26,561,950**	**294,464,680**

The distribution of derivative transactions as at 31 December 2016 and 2015, by type of counterparty, was as follows:

	2016	2015
Over the counter (OTC)		
Swaps		
Interest rate		
- Financial institutions	144,675,305	133,582,383
Foreign exchange		
- Customers	-	684,427
Other		
- Customers	5,878,247	5,878,247
Options embedded in structured deposits		
- Customers	32,528,809	29,776,635
Equity options		
- Financial institutions	33,546	138,440
- Customers	7,872,181	259,236
	190,988,088	**170,319,368**
Traded on the stock exchange		
Futures		
- Interest rate	90,009,255	118,409,963
- Equities	1,922,872	2,839,665
- Foreign exchange	2,875,364	2,895,684
	94,807,491	**124,145,312**
	285,795,579	**294,464,680**

8. FINANCIAL ASSETS AVAILABLE FOR SALE

This item was made up as follows:

	2016	2015
Debt instruments		
Portuguese government debt	108,080	112,640
- Other residents		
- Credit institutions	-	2,503,250
- Other bonds	14,702,194	24,212,138
Non-residents		
- Foreign public issuers	15,486,714	16,748,265
- Other bonds	55,944,472	101,524,752
	86,241,460	**145,101,045**
Interest receivable	1,125,768	2,060,73
	87,367,228	**147,161,775**
Equity instruments		
Issued by residents		
- Valued at fair value	7,722,829	7,990,717
Issued by non-residents		
- Valued at fair value	300,483	811,717
	8,023,312	**8,802,434**
	95,390,540	**155,964,209**
Impairment (Note 22)	(4,580,093)	(4,563,202)
	90,810,447	**151,401,007**

The movement under impairment is given in Note 22.

As at 31 December 2016 and 2015, the "Equity instruments – Issued by residents" item includes the shareholding in Fundo Especial de Investimento Imobiliário Fechado - Inspirar, in the amount of 5,233,000 euros. Regarding this shareholding, the Bank signed a fixed-term sales contract with an entity of the Alves Ribeiro Group, for a value exceeding the acquisition cost.

As at 31 December 2016 and 2015, the nominal value of the debt instruments is as follows:

	2016	2015
Debt instruments		
Portuguese government debt	100,000	100,000
Other residents		
- Credit institutions	-	2,500,000
- Other bonds	13,750,000	23,171,428
Non-residents		
- Foreign public issuers	13,100,100	14,500,100
- Other bonds	54,111,000	98,940,000
	81,061,100	**139,211,528**

As at 31 December 2016 and 2015, the unrealised gains and losses in financial assets available for sale were as follows:

	2016	2015
Debt instruments		
Portuguese government debt	11,338	16,655
Other residents		
- Other bonds	921,257	937,943
Non-residents		
- Foreign public issuers	2,304,535	2,089,785
- Other bonds	1,723,368	2,021,825
	4,960,498	**5,066,208**
Equity instruments	(732,255)	(349,151)
Net potential gains (Note 26)	**4,228,243**	**4,717,057**

9. LOANS AND ADVANCES TO CUSTOMERS

This item was made up as follows:

	2016	2015
Securitised domestic loans:		
- Property leasing transactions	7,035,628	9,499,297
- Medium and long-term loans	5,462,920	6,330,746
	12,498,548	**15,830,043**
Non-securitised domestic loans:		
- Property leasing transactions	47,726,077	51,198,665
- Medium and long-term loans	37,273,584	42,576,917
- Current account loans	16,707,967	11,889,597
- Equipment leasing	565,060	592,589
- Consumption and auto loans	14,375,383	-
- Current account overdrafts	1,879,244	2,417,821
- Other loans	8,664,956	6,893,540
	127,192,271	**115,569,129**
Foreign loans:		
- Current account overdrafts	401,905	627,779
	140,092,724	**132,026,951**
Interest receivable	**233,030**	**218,568**
Other loans and receivables - debt securities:		
Other residents		
- Other national public issuers	10,000,000	10,000,000
- Companies	46,273,756	48,946,395
- Commercial paper	17,947,418	39,352,072
- Interest receivable	420,759	676,917
Non-residents		
- Companies	10,523,555	11,296,109
Interest receivable	58,961	75,995
	85,224,449	**110,347,488**
Commissions associated to amortised cost:		
- Deferred charges	1,108,528	123,465
- Deferred income	(505,513)	(65,619)
	603,015	**57,846**
Past due principal and interest	31,642,892	36,675,379
	257,796,110	**279,326,232**
Impairment		
- Loans granted	(28,412,726)	(31,621,795)
- Other loans and receivables - debt securities:	(353,796)	(773,307)
	(28,766,522)	**(32,395,102)**
	229,029,588	**246,931,1300**

The movement under impairment in 2016 and 2015 is given in Note 22.

In September 2016 the Bank initiated its auto loan concession activity, which as at 31 December 2016 had registered an amount of credit concession of 14,375,383 euros.

As at 31 December 2016 and 2015, the "Securitised domestic loans" item refers to the AR Finance securitisation operation. This operation has 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 2016 and 2015, the characteristics of the debt issued by this entity are as follows:

						Reimbursement	
	Amount issued	Reimbursement date	Amount in circulation 2016	2015	Step up date	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	September 2036	11,938,331	15,148,099	September 2008	Euribor 3 m + 0.09%	Euribor 3 m + 0.18%
Class C	11,360,000	September 2036	9,921,029	9,921,029	-	Fixed rate of 19%	Fixed rate of 19%
Residual certificates	1,200,000	September 2036	1,200,000	1,200,000	-	Residual return from securitised portfolio net of other classes of bonds	
	154,560,000		**23,059,360**	**26,269,128**			

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 increased as from September 2008, giving rise to an increase of the financing costs as from that date.

As at 31 December 2016 and 2015, Class B bonds 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 credit 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 2016, the outstanding principal and past due debt resulting from assigned credits amounted to 12,498,548 euros and 5,117,635 euros, respectively (as at 31 December 2015, the amounts came to 15,830,043 euros and 7,370,994 euros, respectively).

As the structure of the securitisation operation 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 bonds issued under these transactions are reflected under liabilities, in the "Liabilities represented by securities" item (Note 21).

As at 31 December 2016 and 2015, the breakdown of times to maturity of loans and advances to customers, including securitisation and excluding past due loans, is as follows:

	2016	2015
Up to three months	8,305,019	9,170,284
Three months to one year	4,846,818	3,477,933
One to five years	30,407,525	20,812,857
More than five years	96,533,362	98,565,877
	140,092,724	**132,026,951**

As at 31 December 2016 and 2015, the breakdown of past due loans by age is as follows:

	2016	2015
Up to three months	184,938	188,852
Three months to one year	6,495,408	3,688,177
More than five years	24,962,546	32,798,350
	31,642,892	**36,675,379**

As at 31 December 2016 and 2015, performing loans associated with past due loans (more than 3 months) amounted to 14,905,173 euros and 22,030,028 euros, respectively.

As at 31 December 2016 and 2015, the breakdown of past due loans by type of guarantee was as follows:

	2016	2015
Mortgage guarantee or financial leasing (property)	24,575,393	26,213,699
Commercial pledge of pharmacy	4,245,766	5,317,998
Other real guarantees	734,144	797,181
Personal guarantee	1,121,553	1,155,103
No guarantee	966,036	3,191,398
	31,642,892	**36,675,379**

As at 31 December 2016 and 2015, the breakdown of performing loans and past due loans and the fair value of the underlying guarantees by type of loan was as follows:

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

	2015			
	Outstanding	Past due	Total	Fair value of associated guarantees
Loans and advances to customers				
Real estate leasing	61,617,934	6,335,811	67,953,745	136,965,122
Medium and long/term loans	47,987,691	24,374,428	72,362,119	99,878,165
Current account loans	11,889,597	5,018,642	16,908,239	878,742
Equipment leasing	592,589	2,044	594,633	98,528
Other loans	6,893,540	944,454	7,837,994	9,476,339
Other loans and receivables - debt securities	110,347,488	-	110,347,488	-
Current account overdrafts	3,045,600	-	3,045,600	6,115,154
	242,374,439	**36,675,379**	**279,049,818**	**253,412,050**

The breakdown of the loan portfolio, exclusing securitised credit, as at 31 December 2016 and 2015, excluding securitised credit, by sector of activity, was as follows:

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

	2015		
	Perfoming loans	Past due loans	Total
Wholesale and retail trade; repair of motor vehicles	32,228,995	10,685,473	42,914,468
Individuals	31,684,721	7,248,243	38,932,964
Real estate activities	12,648,680	7,001,256	19,649,936
Financial activities and insurance	14,808,610	272,939	15,081,549
Manufacturing industries	12,237,697	2,136,533	14,374,230
Construction	3,794,453	6,783,725	10,578,178
Agriculture, animal production, hunting, forestry and fisheries	5,524,344	207,006	5,731,350
Administrative and support service activities	5,005,694	681,922	5,687,616
Human health and social work activities	2,996,298	304,127	3,300,425
Consulting, scientific, technical and similar activities	2,628,480	239,359	2,867,839
Hotels and restaurants	2,365,624	66,039	2,431,663
Transportation and storage	1,756,247	586,754	2,343,001
Other service activities	2,306,088	-	2,306,088
Arts, entertainment, sports and recreational activities	1,743,965	207,746	1,951,711
Education	183,531	254,257	437,788
Information and communication activities	113,524	-	113,524
Total loans	**132,026,951**	**36,675,379**	**168,702,330**

To comply with the requirements for disclosure of IAS 17 – Leasings, the Bank prepared for the financial leasing portfolio, with reference to 31 December 2016 and 2015, 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:

	2016	2015
Minimum lease payments		
Up to 1 year	8,007,468	8,599,675
1 to 5 years	25,800,635	28,838,103
More than 5 years	35,643,173	40,304,210
	69,451,276	**77,741,988**
Unearned financial income	(13,290,037)	(15,531,465)
	56,161,239	**62,210,523**
Present value of minimum lease payments		
Up to 1 year	6,069,584	6,328,799
1 to 5 years	20,142,404	22,265,315
More than 5 years	29,949,251	33,616,409
	56,161,239	**62,210,523**

As at 31 December 2016 and 2015 the Bank´s financial leasing portfolio contains no contracts whose residual value is guaranteed by external entities, nor are there any contingent rents.

10. INVESTMENTS HELD TO MATURITY

This item was made up as follows:

	2016	2015
Debt instruments		
Residents		
- Portuguese government debt	14,716,011	14,631,285
- Other	5,300,532	10,129,216
Non-residents		
- Public debt	47,973,894	58,289,855
- Other	16,052,866	16,485,398
	84,043,303	**99,535,754**
Interest receivable	2,453,480	2,810,366
	86,496,783	102,346,120
Impairment	-	(2,230,831)
	86,496,783	**100,115,289**

As at 31 December 2016 and 2015, the fair value of investments held to maturity, including accrued interest, totalled 98,305,584 euros and 108,317,117 euros, respectively (Note 40).

As at 31 December 2016 and 2015, the breakdown of investments held to maturity, by maturity, was as follows:

	2016	2015
Up to one year	-	12.745.256
One to five years	22,547,808	22,966,032
More than five years	63,948,975	66,634,832
	86,496,783	**102,346,120**

At the end of the financial year of 2015, the Bank disposed of a set of securities of an entity that presented a significant deterioration of the credit risk, having resulted in a loss in the financial year of 2,138,500 euros (Note 35). In addition, an impairment was recorded in other securities of the same entity, of the value of 2,230,831, which were sold at the start of 2016.

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

11. NON-CURRENT ASSETS HELD FOR SALE

This item was made up as follows:

	2016	2015
Non-current assets held for sale		
- Real estate	33,038,005	36,682,061
- Impairment (Note 22)	(7,931,998)	(9,861,222)
	25,106,007	**26,820,839**

Changes in this item in 2016 and 2015 are shown below:

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

2015									
	31 December 2014						31 December 2014		
	Gross value	Impairment	Acquisitions	Disposals	Impairment Reinstatements / (Appropriations)	Use of Impairment	Gross value	Impairment	Net value
		(Note 22)			(Note 22)	(Note 22)		(Note 22)	
Real Estate	39,284,922	(9,129,228)	2,671,261	(5,274,122)	(1,218,569)	486,575	36,682,061	(9,861,222)	26,820,839

As at 31 December 2016 and 2015, the breakdown of non-current assets held for sale is as follows, according to the Group acquisition date:

	2016			2015		
Year of acquisition	Gross value	Impairment	Net value	Gross value	Impairment	Net value
prior to 2007	1,556,756	(551,609)	1,005,147	1,556,756	(551,609)	1,005,147
2007	701,389	(163,924)	537,465	701,389	(163,924)	537,465
2008	558,962	(366,206)	192,756	558,962	(366,206)	192,756
2009	2,659,352	(1,070,921)	1,588,431	3,518,265	(837,947)	2,680,318
2010	3,014,124	(1,079,576)	1,934,548	4,867,516	(1,893,165)	2,974,351
2011	5,347,977	(1,367,675)	3,980,302	8,820,600	(2,573,157)	6,247,443
2012	4,440,685	(891,914)	3,548,771	5,039,878	(885,318)	4,154,560
2013	5,880,502	(1,059,327)	4,821,175	6,413,531	(980,404)	5,433,127
2014	2,241,230	(120,940)	2,120,290	2,533,903	(101,735)	2,432,168
2015	2,422,178	(336,335)	2,085,843	2,671,261	(258,659)	2,412,602
2016	4,214,850	(883,571)	3,331,279	-	-	-
Overall impairment	-	(40,000)	(40,000)	-	(1,249,098)	(1,249,098)
	33,038,005	**(7,931,998)**	**25,106,007**	**36,682,061**	**(9,861,222)**	**26,820,839**

In 2016, the impairment which as at 31 December 2015 was presented in the table above as an overall impairment is now presented next to the respective real estate.

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 2016 and 2015, the Group recorded net losses from the sale of real estate received in lieu of payment, totalling 430,075 euros and 735,704 euros, respectively (Note 35), which were determined in some situations relative to the gross value of the real estate.

12. INVESTMENT PROPERTIES

This item was made up as follows:

	2016	2015
Gross value	5,323,514	5,484,014
Accumulated depreciation and impairment losses (Note 22)	(992,161)	(1,232,542)
	4,331,353	**4,251,472**

As at 31 December 2016 and 2015, the balance of this item corresponds to real estate which has been rented by the Group and for which there are no prospects of selling in the short term. On these dates, the Group has registered an impairment of 992,161 euros and 1,232,542 euros, respectively, arising from the updating of the assessments for these assets (Note 22).

Investment properties are recorded at acquisition cost, less accumulated depreciation and impairment losses. As at 31 December 2016 and 2015, the Group did not record depreciation for the year due to the fact that all real estate presented a valuation value lower than its acquisition value less depreciation that would be calculated from the date of its acquisition until 31 December 2016. For the same reason, the balance sheet value of this real estate is similar to its fair value. (4,372,875 euros as at 31 December 2016).

During 2016 and 2015 the value of investment property rents charged by the Group came to 331,330 euros and 330,425 euros, respectively (Note 36).

13. OTHER TANGIBLE ASSETS

Changes in the “Other tangible assets” items during 2016 and 2015 were as follows:

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

2015							
	31 December 2014				Disposals and write-offs		
Description	Gross value	Accumulated depreciation	Acquisitions	Depreciation for the year	Gross value	Depreciation	Net value 31-12-2015
Real estate							
- Premises	705,226	(197,137)	-	(10,302)	-	-	497,787
- Leasehold expenses	2,525,661	(1,466,550)	144,147	(190,136)	-	-	1,013,121
	3,230,887	**(1,663,687)**	**144,147**	**(200,438)**	**-**	**-**	**1,510,908**
Equipament							
- Furniture and material	415,423	(343,194)	44,553	(26,905)	-	-	89,877
- Machines and tool	76,459	(49,939)	2,619	(7,418)	-	-	21,721
- IT equipment	732,818	(697,277)	67,690	(37,055)	(2,386)	2,386	66,176
- Fixtures and fittings	611,513	(438,846)	2,108	(58,941)	(1,763)	1,763	115,834
- Vehicles	627,941	(547,846)	443,034	(71,193)	(339,380)	339,380	451,936
- Safety equipment	23,759	(19,949)	1,555	(871)	-	-	4,494
	2,487,913	**(2,097,051)**	**561,560**	**(202,383)**	**(343,529)**	**343,529**	**750,039**
Other tangible assets							
- Artistic assets	41,364	-	-	-	-	-	41,364
	5,760,164	**(3,760,738)**	**705,707**	**(402,821)**	**(343,529)**	**343,529**	**2,302,312**

14. INTANGIBLE ASSETS

Changes in the "Intangible assets" items during 2016 and 2015 were as follows:

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

2015						
	31 December 2014					
Description	Gross value	Accumulated amortisations	Acquisitions	Transfers	Amortisations for the year	Net value
Intangible						
Software	1,980,212	(1,863,454)	13,205	5,006	(52,990)	81,979
Intangible assets in progress	9,181	-	20,645	(5,006)	-	24,820
	1,989,393	**(1,863,454)**	**33,850**	**-**	**(52,990)**	**106,799**

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

15. INCOME TAX

The asset and liability balances by income tax as at 31 December 2016 and 2015 were as follows:

	2016	2015
Deferred tax assets		
- *By temporary differences*	8,189,624	8,733,906
Deferred tax liabilities		
- By temporary differences	(1,445,948)	(1,257,936)
	6,743,676	**7,475,970**
Deferred tax assets / (liabilities)		
- Tax assessed	(1,201,041)	(1,057,843)
- State surcharge	(121,751)	(101,512)
- Surcharge	(83,376)	(75,560)
- Autonomous taxation	(94,224)	(42,283)
	(1,500,392)	**(1,277,198)**
Payments on account	959,887	2,228,877
Tax withheld at source	90,250	82,071
	1,050,136	**2,310,948**
Income tax (payable) / receivable	**(450,256)**	**1,033,750**

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 reserves and the difference between credit impairments and the relevant values for tax purposes.

The breakdown of changes in deferred taxes in 2016 and 2015 was as follows:

	2016				
	Balance as at 31-12-2015	Change in income	Change in reserves	Other	Balance as at 31-12-2016
Deferred tax assets					
- Differential between impairment losses on loans accepted for tax purposes and those registered by the bank	7,098,536	(582,451)	-	(200,923)	6,315,162
- Financial assets available for sale	-	-	224,628	-	224,628
- Valuation of trading derivatives	5,190	(3,213)	-	(4)	1,973
- Impairment of securities	1,015,278	(20,249)	-	182,336	1,177,365
- Impairment of non-current assets held for sale	614,902	(144,406)	-	-	470,496
	8,733,906	**(750,319)**	**224,628**	**(18,591)**	**8,189,62**
Deferred tax liabilities					
- Financial assets available for sale	(1,257,936)	-	(97,542)	(90,470)	(1,445,948)
	7,475,970	**(750,319)**	**127,086**	**(109,061)**	**6,743,676**

	2015						
		Change in Income		Change in Reserves			
	Balance as at 31-12-2014	Rate change	For the year	Rate change	For the year	Other	Balance as at 31-12-2015
Deferred tax assets							
- Differential between impairment losses on loans accepted for tax purposes and those registered by the bank	6,503,112	796,299	(200,875)	-	-	-	7,098,536
- Valuation of trading derivatives	8,773	1,074	(4,657)	-	-	-	5,190
- Impairment of securities	769,980	94,283	151,015	-	-	-	1,015,278
- Impairment of non-current assets held for sale	381,474	46,711	581,406	-	-	(394,689)	614,902
	7,663,339	**938,367**	**526,889**	**-**	**-**	**(394,689)**	**8,733,906**
Deferred tax liabilities							
- Financial assets available for sale	(2,914,876)	-	-	(101,668)	1,758,608	-	(1,257,936)
	4,748,463	**938,367**	**526,889**	**(101,668)**	**1,758,608**	**(394,689)**	**7,475,970**

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

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

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

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

Given that a positive net income for the year was recorded in 2016 and 2015, there was no conversion of eligible assets into tax credit in the current financial year.

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

	2016	2015
Current taxes		
For the year	(1,500,393)	(1,277,227)
Corrections from previous years	-	166,978
	(1,500,393)	**(1,110,249)**
Deferred taxes		
Entry and reversal of temporary differences	(750,319)	1,465,256
Total tax recognised in profit and loss	(2,250,712)	355,007
Income before taxes and non-controlling interests	6,325,752	2,506,736
Tax burden	35.58%	(14.16%)

Pursuant to current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years, except for financial years in which tax losses are carried forward, in which case the expiration period is the end of the period for which that right exists. In this way, therefore, the tax returns of the Bank and Invest Gestão de Activos for the years from 2013 to 2016 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 2016.

The reconciliation between the nominal and effective rate of tax in 2016 and 2015 is given below:

	2016		2015	
	Rate	Tax	Rate	Tax
Income before taxes		6,325,752		2,506,736
Tax at nominal rate	22.50%	1,423,294	22.50%	564,016
State surcharge	1.92%	121,751	1.60%	101,512
		1,545,045		**665,528**
Effect of change in tax rate	0.00%	-	(14.83%)	(938,368)
Costs not accepted for tax purposes:				
- Write-ups	0.17%	10,868	0.05%	3,365
- Other	5.64%	356,495	0.00%	-
Contribution on the banking sector	1.11%	70,341	1.07%	67,772
Tax benefits	(0.08%)	(4,748)	(0.07%)	(4,515)
Gains and losses	(0.21%)	(13,270)	(0.16%)	(9,825)
Autonomous taxation	1.49%	94,224	0.67%	42,283
Other	3.03%	191,757	(2.87%)	(181,247)
	35.58%	**2,250,712**	**(14.16%)**	**(355,007)**

Following the entry into force of Notice 5/2015 of the Bank of Portugal, which revoked, among others, Notice 3/95 of the Bank of Portugal, the Bank started to prepare its financial statements on an individual basis, similarly to its consolidated financial statements, when applicable, according to the International Financial Reporting Standards (IFRS), as adopted, from time to time, by European Union Regulations, including the accounting policies relative to the determination of impairment losses for credit risk.

In this respect, Regulatory Decree No. 5/2016, of 18 November, establishes the maximum limits of impairment losses and other value adjustments for specific credit risk deductible for the purposes of establishing the profit liable for corporation tax. Notice No. 3/95 of the Bank of Portugal is expected to be considered for the establishment of the maximum limits of the impairment losses accepted for tax purposes, including the treatment of the impairments included in the transition adjustments to IFRS of the entities that prepared their financial statements in accordance with adjusted accounting standards (NCA).

In addition, the abovementioned Regulatory Decree set up a transitory scheme applicable to the effect on shareholders' equity of the annulment or reduction of the impairment losses for credit risk, resulting from the first-time adoption of IFRS in 2016. The Bank did not apply the abovementioned transitory provision since it does not have tax losses carried forward that were generated in fiscal years beginning on or after 1 January 2012 and which have still not been used.

16. OTHER ASSETS

As at 31 December 2016 and 2015 this item was made up as follows:

	2016	2015
Debtors and other financial investments		
Debtors by transactions on futures	2,091,690	554,536
Other sundry debtors	105,200	40,920
Sundry financial investments	38,100	38,100
	2,234,990	**633,556**
Other assets		
Gold and other precious metals	417,802	290,031
Income receivable		
Commissions	710,534	371,465
Deferred charges		
Rents	80,512	61,886
Other	114,026	143,028
	194,538	**204,914**
Other accruals and deferrals		
Stock market transactions pending settlement	326,804	2,176,516
Non-stock market transactions pending settlement	-	2,445,388
Lending operations pending settlement	103,382	734,400
	430,187	**5,356,304**
	3,988,052	**6,856,270**

As at 31 December 2016 and 2015, "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 2016 and 2015 this item was made up as follows:

	2016	2015
Resources from the Bank of Portugal	29,000,000	141,000,000
Interest payable	-	6,232
	29,000,000	**141,006,232**

As at 31 December 2016 and 2015, "Resources from Bank of Portugal" corresponds to resources obtained by discounting securities at the European Central Bank.

As at 31 December 2016 and 2015, the times to maturity of resources obtained from the Bank of Portugal are as follows:

	2016	2015
Up to three months	14,000,000	101,000,000
Three months to one year	-	40,000,000
More than one year	15,000,000	-
	29,000,000	**141,000,000**

Resources obtained from the Bank of Portugal as at 31 December 2016 and 2015 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 2016 and 2015, this item relates to derivatives recorded at fair value offset against profit and loss and is broken down as follows:

	2016	2015
Swaps		
Interest rate	431,112	30,170
Foreign exchange	-	23,184
Options	1,047,325	253,108
	1,478,437	**306,462**

19. RESOURCES FROM OTHER CREDIT INSTITUTIONS

As at 31 December 2016 and 2015 this item was made up as follows:

	2016	2015
Term deposits and other resources		
Credit institutions in Portugal	988,912	1,486,255
	988,912	**1,486,255**

20. RESOURCES FROM CUSTOMERS AND OTHER LOANS

As at 31 December 2016 and 2015 this item was made up as follows:

	2016	2015
Deposits		
Sight	93,130,143	57,025,169
Term	223,978,567	246,847,877
Structured	32,431,539	29,331,637
	349,540,248	**276,179,514**
Interest payable		
Interest on customers' resources	1,612,905	3,521,346
	351,153,153	**336,726,029**

As at 31 December 2016 and 2015, the times to maturity of customers' resources are as follows:

	2016	2015
Up to three months	68,873,091	83,768,277
Three months to one year	160,801,451	172,305,511
One to five years	26,735,563	22,105,726
	256,410,105	**276,179,514**

21. LIABILITIES REPRESENTED BY SECURITIES

As at 31 December 2016 and 2015 this item was made up as follows:

	2016	2015
Customer debt securities	97,270	444,998
"Floating rate notes" AR Finance 1, plc		
- Class B	11,938,331	15,148,099
	12,035,601	**15,593,097**
Interest payable	2,106	4,941
	12,037,707	**15,598,038**

22. PROVISIONS AND IMPAIRMENT

Changes in Banco Invest's provisions and impairment during 2016 and 2015 were as follows:

	2016				
	Balances as at 31-12-2015	Net charges	Utilisations	Transfers and settlements	Balances as at 31-12-2016
Provisions	500,000	(500,000)	-	-	-
Loan impairment to customers (Note 9):					
- Credit extended	31,621,795	366,334	(3,575,401)	(2)	28,412,726
- Loans and advances to customers - debt securities	773,307	(190,621)	(228,890)	-	353,796
Impairment of financial assets available for sale (Note 8)	4,563,202	512,702	(499,327)	3,516	4,580,093
Impairment in investments held to maturity (Note 10)	2,230,831	-	(2,230,831)	-	-
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	9,861,222	515,303	(2,444,527)	-	7,931,998
- Investment properties (Note 12)	1,232,542	-	(240,381)	-	992,161
	50,782,899	**703,718**	**(9,219,357)**	**3,514**	**42,270,774**

	2015				
	Balances as at 31-12-2014	Net charges	Utilisations	Transfers and settlements	Balances as at 31-12-2015
Provisions	500,000	-	-	-	500,000
Loan impairment to customers (Note 9):					
- Credit extended	31,765,404	70,980	(245,943)	31,354	31,621,795
- Loans and advances to customers - debt securities	978,430	124,620	(329,743)	-	773,307
Impairment of financial assets available for sale (Note 8)	3,601,513	1,961,689	(1,000,000)	-	4,563,202
Impairment in investments held to maturity (Note 10)	-	2,230,831	-	-	2,230,831
Impairment of other assets:					
- Non-current assets held for sale (Note 11)	9,129,228	1,218,569	(486,575)	-	9,861,222
- Investment properties (Note 12)	1,385,512	(152,970)	-	-	1,232,542
	47,360,087	**5,453,719**	**(2,062,261)**	**31,354**	**50,782,899**

23. OTHER LIABILITIES

As at 31 December 2016 and 2015 this item was made up as follows:

	2016	2015
Creditors and other resources		
Creditors by operations on futures	1,252,664	129,492
Public Administration Sector		
- Tax withheld at source	494,274	448,110
- VAT payable	188,870	109,787
- Social Security contributions	155,334	162,784
Advances on account, third parties	1,818	3,267
Sundry creditors		
- Other creditors	1,276,301	680,540
	3,369,260	**1,533,980**
Charges payable		
Personnel costs		
- Provision for holiday pay and allowance	766,337	646,540
General administrative costs	74,336	53,550
Other	172,338	172,338
	1,013,010	**872,428**
Other accruals and deferrals		
Stock market transactions pending settlement	812,719	1,020,094
Non-stock market transactions pending settlement	-	2,429,108
Other transactions pending adjustment	1,488,389	593,016
	2,301,108	**4,042,218**
	6,683,378	**6,448,626**

As at 31 December 2016 and 2015, “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.

24. CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2016 and 2015, contingent liabilities and commitments are recorded in off-balance sheet items and are broken down as follows:

	2016	2015
Guarantees provided and other liabilities:		
Guarantees and stand-by letters of credit	3,660,674	3,996,545
Assets pledged as collateral	96,401,140	208,562,483
	100,061,815	**212,559,028**
Commitments to third parties		
Liabilities for provision of services		
- Deposit and custody of securities		
Customers	173,864,516	171,178,605
Funds	17,132,230	12,766,392
- Assets assigned in securitisation operations		
Home loans	1,304,636	1,555,050
Mortgages	4,158,284	4,775,696
Property leasing	7,035,628	9,499,297
- Other		
Portfolio management	7,947,903	4,638,439
	211,443,197	**204,413,479**
	311,505,012	**416,972,507**

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 2016 and 2015, the total sum of this item corresponds to securities given as guarantee to the Bank of Portugal (Note 17).

Resolution Fund

BES / Novo Banco

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

Following the resolution measure, capital requirements of Novo Banco, S.A. to the value of 4,900 million euros were to be met by the Resolution Fund under existing legislation. Considering that the Resolution Fund only had own resources of approximately 377 million euros, the subscription of capital was made via two loans:

- 3,900 million euros from the Portuguese State; and
- 700 million euros from eight participating institutions in the Fund (not including the Bank).

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

On 29 December 2015, the Board of Directors of the Bank of Portugal approved a set of decisions that completed the resolution measure applied to BES, including the re-transfer to BES of the responsibility for non-subordinated bonds issued by it and that were destined for institutional investors, with a nominal value of 1,941 million euros. It was further clarified that it is the responsibility of the resolution fund to neutralise the eventual negative effects of future decisions deriving from the resolution process which may result in liabilities or contingencies, by compensating Novo Banco, In 2016, the Bank of Portugal resumed the sales process, defining the terms of the sale. The proposals were submitted until November 2016, with the Bank of Portugal subsequently entering into individual negotiations with the potential investors. In February 2017, the Bank of Portugal announced that it entered the definitive phase of negotiations with Lone Star.

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

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

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

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

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

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

The terms agreed also provide for mechanisms to safeguard the interests of the Resolution Fund and to align incentives as well as monitoring mechanisms, notwithstanding the limitations arising from State Aid rules.

The completion of the sale is conditional on the customary regulatory approvals (including by the European Central Bank and the European Commission) and on a liability management exercise covering the senior bonds of Novo Banco and subject to bondholders' acceptance having created CET1 of at least € 500 million."

Banif – Banco Internacional do Funchal, S.A.

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

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

General aspects

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

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

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

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

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amount to 4,953,000 thousand, of which 4,253,000 thousand euros were granted by the Portuguese State and 700,000 thousand euros were granted by a syndicate of banks.
- "Those loans are now due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted so as to guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions."
- "The review of the loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable cost for the banking sector".
- "The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

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

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

25. CAPITAL

As at 31 December 2016 and 2015, the Bank's shareholder structure is as follows:

	2016			2015		
Entity	Number of shares	Amount	%	Number of shares	Amount	%
Alves Ribeiro - IF, SGPS, S.A. (Ordinary Shares)	9,413,008	47,065,040	79.10%	9,412,008	47,060,040	79.09%
Alves Ribeiro - IF, SGPS, S.A. (Preferential Shares)	2,400,000	12,000,000	20.17%	2,400,000	12,000,000	20.17%
Other	86,992	434,960	0.73%	87,992	439,960	0.74%
	11,900,000	**59,500,000**	**100%**	**11,900,000**	**59,500,000**	**100%**

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

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

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

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

As at 31 December 2016 and 2015, the breakdown of the reserves and retained earnings items is as follows:

	2016	2015
Revaluation reserves		
- Reserves arising from fair value valuation of financial assets available for sale	4,228,243	4,717,057
- Reserves for deferred and current taxes of financial assets available for sale	(1,035,919)	(1,163,006)
	3,192,324	**3,554,051**
Legal reserve	3,816,020	3,529,128
Free reserve	7,332,951	8,172,951
Merger reserve	574,221	574,221
Other reserves	154,366	-
Retained earnings	23,595,135	21,013,108
	35,472,693	**33,289,408**
Net income for the year	**4,005,079**	**2,868,919**
	42,670,097	**39,712,378**

Revaluation reserves

Fair value reserves

The fair value reserve reflects the potential gains and losses in financial assets available for sale (Note 8), net of the corresponding tax (Note 15).

Legal reserve

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

Free reserve

By deliberation of the General Meeting held on 31 March 2015, the Bank distributed free reserves in the amount of 840,000 euros to the shareholder Alves Ribeiro - IF, SGPS, S.A., as holder of the redeemable preferential shares, which corresponds to 7% of the nominal value of the respective shares. On 22 July 2016 the Bank distributed 840,000 euros as payment of the remuneration of the redeemable preference shares.

Merger reserve

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

Net income for the year

In 2016 and 2015, the breakdown of the consolidated net income of the Bank was as follows:

	2016	2015
Individual results:		
Banco Invest	10,446,276	7,736,361
Invest Gestão de Activos	116,358	119,033
AR Finance 1, PLC	(189,079)	245,635
AR Finance 1, FTC	(315,523)	121,612
Fundo Tejo	517,715	(1,307,035)
Saldanha Holdings	(18,103)	(40,037)
Saldanha Finance	(28,183)	(46,975)
	10,529,461	**6,828,594**
Adjustments, net of tax:		
Differences between NCA and IAS/IFRS (impairment)	-	1,697,775
Cancellation of movements recorded in the individual accounts:		
Provision for past due loans of AR Finance 1, FTC	315,523	(121,612)
Appropriation / (Reversal) of impairment for AR Finance PLC Class C bonds	(1,753,952)	107,767
Other adjustments:		
Reinforcement / (Elimination) of impairment registered for Fundo Tejo	(97,315)	1,380,967
Correction in the consolidation of the amortisation costs incurred in setting up the securitisation operation	68,291	92,888
Elimination of income of AR Finance PLC in recovery of class C interest	-	(95,749)
Elimination of dividends distributed by Saldanha Finance and Saldanha Holdings	(5,000,000)	(7,000,000)
Other	13,032	(14,535)
	4,075,040	**2,876,095**
Net profit attributable to non-controlling interests	(69,961)	(7,176)
Consolidated annual net income	**4 005,079**	**2,868,919**

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

27. NON-CONTROLLING INTERESTS

As at 31 December 2016 and 2015, the balance of this item refers entirely to third-party shareholdings in Fundo Especial de Investimento Imobiliário Fechado Tejo .

Changes in this item during 2016 and 2015 were as follows:

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

	2015		
	Balaces as at 31-12-2015	Net income	Balances as at 31-12-2016
Fundo Especial de Investimento Imobiliário Fechado Tejo	849,770	(7,176)	842,594

28. INTEREST AND SIMILAR INCOME

In 2016 and 2015 this item was made up as follows:

	2016	2015
Interest from bank deposits	531	1.502
Interest from loans and advances to credit institutions	1,897	5,225
Interest from loans and advances to customers:		
- Domestic loans	4,111,996	4,407,741
- Foreign loans	25,131	21,391
- Other loans and receivables – debt securities	2,732,575	2,490,140
- Securitised assets	465,777	618,521
Interest from past due loans	1,360,718	1,396,620
Interest from financial assets held for trading:		
- Securities	637,970	895,889
- Derivatives	427,604	245,023
Interest from financial assets available for sale:		
- Securities	2,990,221	4,173,732
Interest from investments held to maturity	3,999,460	3,949,291
Interest on debts owed and from other financial investments	631	-
Other interest and similar income	22,604	59,544
Other commissions received:		
- Commissions received associated to amortised cost	37,359	-
	16,814,474	**18,264,619**

29. INTEREST AND SIMILAR CHARGES

In 2016 and 2015 this item was made up as follows:

	2016	2015
Interest on central banks resources	23,937	78,329
Interest on other credit institutions resource		
- in Portugal	-	162
- abroad	17,668	23,129
Interest on customers and other loans resources	3,730,551	5,812,125
Interest on liabilities represented by securities of a non-subordinate nature	-	68,684
Interest on derivatives	7,171	30,955
Commissions paid associated to amortised cost	44,085	-
	3,823,412	**6,013,384**

30. INCOME FROM SERVICES AND COMMISSIONS

In 2016 and 2015 this item was made up as follows:

	2016	2015
Guarantees provided	66,910	52,407
Services provided	1,707,383	1,516,929
On transactions carried out on behalf of third parties	913,419	603,178
	2,687,712	**2,172,514**

31. FEES AND COMMISSION EXPENSES

In 2016 and 2015 this item was made up as follows:

	2016	2015
For loan operations	-	47,419
For banking services provided by third parties	368,543	364,811
Other commissions paid	21,122	48,945
	389,665	**461,175**

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

In 2016 and 2015 this item was made up as follows:

	2016	2015
Securities		
Issued by residents		
- Bonds	160,538	393,130
- Shares	(18,005)	149,351
Issued by non-residents		
- Bonds	1,396,655	(174,715)
- Shares	366,824	(190,116)
- Other equity instruments	-	(123)
	1,906,012	**177,527**
Derivatives		
- Swaps		
Foreign currency	24,355	(23,200)
Interest-rate *swaps*	(348,605)	136,145
- Futures		
On interest rates	137,351	217,164
On equities	(160,714)	(83,350)
Foreign currency	240,687	(23,916)
- Options		
On equities	(51,651)	99,302
	(158,576)	**322,145**
	1,747,436	**499,672**

33. INCOME FROM FINANCIAL ASSETS AVAILABLE FOR SALE

In 2016 and 2015 this item was made up as follows:

	2016	2015
Debt instruments		
Residents	364,040	72,123
Foreign public issuers	34,863	5,403,829
Other non-residents	2,832,923	1,612,533
Equity instruments		
Residents	(22,952)	(58,156)
Non-residents	311,732	(330,761)
	3,520,605	**6,699,568**

34. INCOME FROM EXCHANGE REVALUATION

The balance for this item in 2016 and 2015 wholly corresponded to the income calculated in the revaluation of the forward positions in foreign currency carried by the Bank.

35. INCOME FROM SALE OF OTHER ASSETS

In 2016 and 2015 this item was made up as follows:

	2016	2015
Investments held to maturity (Note 10)	46,812	(2,138,500)
Non-current assets held for sale (Note 11)	(430,075)	(735,704)
Gold and precious metals	(290,710)	(184,809)
Other	113,183	47,954
	(560,791)	**(3,011,059)**

36. OTHER OPERATING INCOME

In 2016 and 2015 this item was made up as follows:

	2016	2015
Other operating income/(expenses)		
Other operating income:		
- Reimbursement of expenses	142,557	120,385
- Income from provision of sundry services	8,505	5,835
- Rents from real estate rented	984,433	699,971
- Other	724,274	203,963
	1,859,769	**1,030,154**
Other operating expenses		
Other taxes:		
- Special contribution on the banking sector	312,625	301,210
- Direct taxes	3,490	1,647
- Indirect taxes	284,174	156,011
Other operating expenses and losses:		
- Subscriptions and donations	51,303	44,016
- Contributions to the Resolution Fund	146,971	182,666
- Contributions to the Deposit Guarantee Fund	182	11,780
- Other operating expenses and losses	686,578	178,324
	1,485,323	**875,654**
Other operating results	**374,446**	**154,500**

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

a) Liabilities deducted from tier 1 and tier 2 capital and from the deposits covered by the Deposits Guarantee Fund. The following are deducted from liabilities:
   - Elements that according to the applicable accounting standards are recognised as shareholders' equity;

- Liabilities associated to defined benefit plans;
- Provisions;
- Liabilities resulting from the revaluation of derivatives;
- Deferred income, excluding results from borrowing operations; and
- Liabilities resulting from assets not derecognised in securitisation operations.

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

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

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

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

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

In 2016 and 2015 the Bank recorded a periodic contribution of 45,389 euros and 60,040 euros, respectively.

Under the terms of article 153-H of the General Regime for Credit Institutions and Financial Companies that transposed articles 100, no. 4, sub-paragraph a), and 103, no. 1, of Directive 2015/59/EU of the European Parliament and of the Council, of 15 May 2014, and article 20, of the Delegated Regulation (EU) No. 2015/63 of the Commission, of 21 October 2014 ("Delegated Regulation"), in 2015 the first ex-ante contribution to the Single Resolution Fund (SRF) in the amount of 122,626 euros was made. It is incumbent on the Bank of Portugal, as the resolution authority, to determine these contributions in proportion to the risk profile of the participating institutions, based on the information provided by those same institutions and on the methodology defined in the Delegated Regulation. In 2016 the contribution came to 101,582 euros.

37. PERSONNEL COSTS

In 2016 and 2015 this item was made up as follows:

	2016	2015
Salaries and earnings		
- Governing Bodies	812,230	717,081
- Employees	4,423,486	3,613,713
	5,235,716	**4,330,794**
Social Security charges		
- Charges related to remunerations:		
Social Security	1,218,124	938,965
- Other compulsory social charges:		
Other	33,993	21,513
	1,252,117	**960,478**
Other personnel costs:		
- Contractual indemnities	90,318	5,139
- Other	138,613	100,106
	228,931	**105,245**
	6,716,762	**5,396,517**

As at 31 December 2016 and 2015, the average number of employees at the service of the Bank, broken down by professional category, was as follows:

	2016	2015
Directors	7	7
Executives and managers	27	15
Technical staff	150	104
Administrative staff	6	5
	190	**131**

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

38. GENERAL ADMINISTRATIVE COSTS

In 2016 and 2015 this item was made up as follows:

	2016	2015
Supplies	281,041	231,185
Services	2,686,690	2,449,151
Specialised services	1,602,852	1,382,723
Other third-party services	498,127	580,302
	5,068,711	**4,643,361**

The fees of the Statutory Auditor for the legal certification of the accounts of the Bank and its subsidiaries with reference to the financial year ended on 31 December 2016 came to 41,925 euros. Over the course of the financial year ended on 31 December 2016, additional services in the amount of 68,000 euros were also invoiced to the Bank, of which 40,500 euros refer to work arising from the function of statutory auditor required by the regulations of the supervisory entities.

39. RELATED ENTITIES

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

- *Shareholders and entities controlled by the latter:*
  - Fundo Inspirar;
  - 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 (Presidente)
  - António Miguel R. R. Branco Amaral (Vice-presidente)
  - Francisco Manuel Ribeiro (Vogal)
  - Luís Miguel Barradas Ferreira (Vogal)

Balances with related entities

As at 31 December 2016 and 2015, the main balances with related entities were as follows:

	2016	2015
Financial assets held for trading		
Alves Ribeiro Consultoria de Gestão, S.A.	1,509,660	1,406,044
Financial assets available for sale		
Fundo Inspirar	5,233,000	5,233,000
Loans and advances to customers		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	15,097,967	9,927,755
Motor Park - Comércio de Veículos Automóveis, S.A.	2,070,267	2,070,267
Imparidade Motor Park - Comércio de Veículos Automóveis, S.A.	(2,070,267)	(2,070,267)
US Gestar	1,070,000	1,122,230
Monvest, SGPS, S.A.	585,452	585,452
Resources from customers		
VALRI, SGPS, S.A.	6,164,025	6,096,269
SOTIF, SGPS, S.A.	3,799,824	1,780,829
MS - Participações, SGPS, S.A.	1,171,049	565,783
Fundo Inspirar	136,484	164,077
US Gestar	60,002	2,523
LERIMO, SGPS, S.A.	19,195	140,000
Alves Ribeiro Consultoria de Gestão, S.A.	9,644	2,762
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	1,143	733
Mundicenter, SGPS, S.A.	400	4,500,000
Others	149,174	147,913
Motor Park - Comércio de Veículos Automóveis, S.A.	-	-
Mundicenter II - Gestão de Espaços Comerciais, S.A.	-	-

Transactions with related entities, excluding governing bodies

In 2016 and 2015, the main balances on the consolidated income statement with related entities were as follows:

	2016	2015
Interest and similar income		
Monvest - SGPS, SA	15.817	13.078
US Gestar	8.791	10.332
Motor Park - Comércio de Veículos Automóveis, S.A.	-	7.114
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	191.134	185.145
Interest and similar charges		
VALRI, SGPS, S.A.	90.342	131.633
SOTIF, SGPS, S.A.	25.327	11.800
MS - Participações, SGPS, S.A.	14.488	9.892
LERIMO, SGPS, S.A.	2.911	5.788
Alves Ribeiro Consultoria de Gestão, S.A.	7.166	-
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	1.143	3.250
Mundicenter, SGPS, S.A.	68.438	182.922
Income from services and commissions		
Alves Ribeiro - Investimentos Financeiros, SGPS, S.A.	835	835
General administrative costs		
Alrisa	384.159	273.916

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

Employees that belong to the governing bodies

As at 31 December 2016, the amount of loans granted to members of the Board of Directors came to 480,000 euros, with the same conditions having been applied to the other employees.

Remuneration Policy

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

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

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

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

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

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

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

The annual amount of remuneration earned by the executive members of the Board of Directors was 811,893 euros.

40. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

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

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

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

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

Credit risk

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

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

Maximum exposure to credit risk

As at 31 December 2016 and 2015, the maximum exposure to credit risk by type of financial instrument was summarised as follows:

	2016		
	Gross value	Impairment	Net value
Assets			
Cash and deposits at Central Banks	7,015,332	-	7,015,332
Amounts owed by other credit institutions	6,085,987	-	6,085,987
Financial assets held for trading:			
- Securities	25,570,166	-	25,570,166
- Derivatives	1,910,002	-	1,910,002
Financial assets available for sale	87,367,228	(4,134,215)	83,233,013
Deposits at credit institutions	5,400,123	-	5,400,123
Loans and advances to customers:			
- Loans not represented by securities	171,735,616	(28,412,727)	143,322,888
- Other loans and receivables (securitised)	85,224,449	(353,796)	84,870,653
Investments held to maturity	86,496,783	-	86,496,783
Other assets:			
- Debtors and other financial applications	2,234,990	-	2,234,990
	479,040,675	**(32,900,738)**	**446,139,937**
Off-balance sheet			
Guarantees provided	3,660,674	-	3,660,674
	482,701,349	**(32,900,738)**	**449,800,611**

	2015		
	Gross value	Impairment	Net value
Assets			
Cash and deposits at Central Banks	3,478,016	-	3,478,016
Amounts owed by other credit institutions	5,862,327	-	5,862,327
Financial assets held for trading:			
- Securities	37,328,247	-	37,328,247
- Derivatives	1,891,199	-	1,891,199
Financial assets available for sale	147,161,775	(3,637,999)	143,523,776
Deposits at credit institutions	400,180	-	400,180
Loans and advances to customers:			
- Loans not represented by securities	168,702,330	(31,621,795)	137,080,535
- Other loans and receivables (securitised)	110,347,488	(773,307)	109,574,181
Investments held to maturity	102,346,120	(2,230,831)	100,115,289
Other assets:			
- Debtors and other financial applications	633,556	-	633,556
	578,151,238	**(38,263,932)**	**539,887,306**
Off-balance sheet			
Guarantees provided	3,996,545	-	3,996,545
	582,147,783	**(38,263,932)**	**543,883,851**

Credit quality of financial assets without defaults or impairments

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

- A more significant group, consisting of real estate financing operations for acquisition or own construction, directed at corporate customers, with long-term maturities and having as collateral legal property (in real estate leasing operations) or a first degree mortgage (in the case of mortgage loans) on the financed properties;

- The second group of loans, comprising vehicle leasing/loan operations, directed at corporate and private customers, with medium-term maturities, is a business with potential growth over the next few years;

- A third less significant group, formed by financing operations for margin accounts, with the pledge of securities portfolios, listing on an official market and liquidity, and also very short-term operations with pledging of precious metals.

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

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

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

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

1. *Regarding the risk management policy*

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

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

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

   - constantly monitor greatest risks, in terms of value;
   - follow-up on sectorial risk,

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

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

2. *Loan write-off policy:*

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

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

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

3. *Impairment reversal policy:*

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

- Upon full or partial payment of values at risk;
- Upon reinforcement of loan collateral;
- Following justified alteration of impairment calculation parameters:
  - 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 2016 and 2015, the Bank's loan portfolio according to the risk categories identified above is as follows:

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

	2015				
	Risk category				
Type of contract	**[0,1]**	**[2,3]**	**[4,5]**	**[6,+[**	**Total**
Current Accounts	12,991,827	-	-	5,038,642	18,030,469
Residential Mortgage Loans	31,193,031	1,060,123	1,076,612	24,908,682	58,238,448
Mutual Loans	6,982,152	1,184	33,466	5,984,637	13,001,439
Real Estate Leasing	51,798,559	2,733,733	1,425,310	11,996,143	67,953,745
Equipment Leasing	488,201	106,432	-	-	594,633
Other Loans	2,241,032	1,284,426	999,371	3,313,167	7,837,996
Current Account Overdrafts	3,045,600	-	-	-	3,045,600
	108,740,402	**5,185,898**	**3,534,759**	**51,241,271**	**168,702,330**

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

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

- In the case of real estate leasing transactions, the effective guarantee is comprised by the legal title of the property.
- In the case of medium and long-term loans, the collateral is generally comprised by a first mortgage of urban real property, a situation that is also common in loans associated with a current account regime.
- In one-off situations, the Bank also obtains commercial liens on financial assets, composed by liquid assets or securities quoted in official markets, as well as net intangible assets subject to current market valuation such as, for example, goodwill rights over pharmacy establishments.
- In general and considering the maturity date of the operations, independently of the form of ownership, the obtainment of personal guarantees (acceptances or sureties) is common practice.

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

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

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

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

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

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

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

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

Pursuant to the stipulations established in Circular Letter No. 2/2014-DSP of the Bank of Portugal, we break down the Bank's loan portfolio as at 31 December 2016 and 2015:

a) Details of exposures and established impairment:

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

	Exposure 31-12-2015						Impairment 31-12-2015		
Segment	Total Exposure	Loans due	Of which healed	Of which restructured	Loans overdue	Of which restructured	Total Impairment	Loans due	Loans Overdue
Construction and CRE	33,944,617	10,755,673	-	1,012,330	23,188,944	3,779,613	(7,356,131)	(348,143)	(7,007,988)
Corporate	703,380	177,294	-	24,207	526,086	-	(554,583)	(28,497)	(526,086)
Loans secured by Pledges	7,669,489	3,099,874	-	-	4,569,615	-	(896,656)	(103,105)	(793,551)
Traditional Loans	109,422,205	57,801,199	-	9,103,700	51,621,006	13,766,182	(17,457,436)	(3,908,276)	(13,549,160)
Current Account Overdrafts	32,996	-	-	-	32,996	-	(37,946)	-	(37,946)
Residential Mortgage Loans	13,340,398	6,572,234	-	720,064	6,768,164	847,269	(3,111,079)	(190,122)	(2,920,957)
Provision of Services	127,438	-	-	-	127,438	-	(137,697)	-	(137,697)
	165,240,523	**78,406,274**	**-**	**10,860,301**	**86,834,249**	**18,393,064**	**(29,551,528)**	**(4,578,143)**	**(24,973,385)**

Total exposure detailed in these tables corresponds to that which is used in terms of the Bank's credit impairment model, which in light of the amount of the credit exposure listed in Note 9 , has the following differences as at 31 December 2016 and 2015: (i) does not include 2,223,916 euros and 3,012,604 euros, respectively, 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 698,677 and 667,771 euros, respectively, 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 and iii) does not include debt securities recorded in loans and receivables, and; (iv) does not include the commissions associated to amortised cost. This criterion was consistently applied to the following tables of this Note.

		Of total exposure 31-12-2016					
		Loans due				Loans overdue	
	Total	Delay < 30 days		Overdue between		Delay <= 90	Delay >90
Segment	Exposure	without indicat	with indication	30 and 90 days	Sub Total	days	days
Construction and Real Estate (CRE)	29,175,399	9,441,441	437,692	1,844,246	11,723,380	5,599,473	11,852,545
Corporate	89,484	51,893	-	-	51,893	-	37,591
Auto Loans	14,434,655	14,410,696	-	23,958	14,434,655	-	-
Loans secured by Pledges	9,361,513	2,774,405	980,000	1,311,404	5,065,810	409,940	3,885,763
Traditional Loans	103,651,291	36,311,032	10,355,419	4,065,364	50,731,814	32,235,913	20,683,563
Current Account Overdrafts	57,234	-	-	-	-	-	57,234
Residential Mortgage Loans	12,149,040	5,276,390	432,202	132,867	5,841,459	87,690	6,219,892
Provision of Services	127,438	-	-	-	-	-	127,438
	169,046,053	**68,265,858**	**12,205,313**	**7,377,840**	**87,849,011**	**38,333,016**	**42,864,026**

		Of total exposure 31-12-2015					
		Loans due				Loans overdue	
	Total	Delay < 30 days		Overdue between		Delay <= 90	Delay >90
Segment	Exposure	without indicat	with indication	30 and 90 days	Sub Total	days	days
Construction and Real Estate (CRE)	33,944,617	8,298,143	1,787,965	669,565	10,755,673	6,793,955	16,394,989
Corporate	703,380	153,087	24,207	-	177,294	-	526,086
Loans secured by Pledges	7,669,489	1,462,475	595,084	1,042,316	3,099,874	372,279	4,197,336
Traditional Loans	109,422,205	42,816,017	13,046,537	1,938,645	57,801,199	24,558,229	27,062,777
Current Account Overdrafts	32,996	-	-	-	-	-	32,996
Residential Mortgage Loans	13,340,398	5,664,891	721,213	186,130	6,572,234	401,714	6,366,450
Provision of Services	127,438	-	-	-	-	-	127,438
	165,240,523	**58,394,613**	**16,175,005**	**3,836,655**	**78,406,274**	**32,126,177**	**54,708,072**

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

		Of total impairment 31-12-2015				
		Loans due			Loans overdue	
	Total	Delay < 30 days		Overdue between	Delay <= 90	Delay >90
Segment	Impairment	without indicat	with indication	30 and 90 days	days	days
Construction and CRE	(7,356,131)	(279,275)	(49,365)	(19,504)	(897,666)	(6,110,322)
Corporate	(554,583)	(4,290)	(24,207)	-	-	(526,086)
Loans secured by Pledges	(896,656)	(28,972)	(19,329)	(54,804)	(23,612)	(769,939)
Traditional Loans	(17,457,436)	(2,743,447)	(1,110,501)	(54,328)	(3,782,190)	(9,766,970)
Current Account Overdrafts	(37,946)	-	-	-	-	(37,946)
Residential Mortgage Loans	(3,111,079)	(158,750)	(24,454)	(6,919)	(98,617)	(2,822,340)
Provision of Services	(137,697)	-	-	-	-	(137,697
	(29,551,528)	**(3,214,733)**	**(1,227,856)**	**(135,555)**	**(4,802,085)**	**(20,171,300)**

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

2016:

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

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

2015:

Year of Production	Construction and CRE			Corporate			Loans secured by Pledges			Traditional Loans		
	Number of Operations	Amount	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted
2005 and previous	84	10,477,782	(1,408,006)	1	37,317	(37,317)	-	-	-	252	21,310,760	(2,196,600)
2006	34	8,494,983	(1,690,750)	-	-	-	-	-	-	67	9,691,653	(1,179,875)
2007	25	2,454,519	(791,972)	2	153,087	(4,290)	1	148	(42)	81	12,020,510	(1,606,243)
2008	23	4,641,920	(1,023,118)	-	-	-	3	501	(262)	64	15,791,840	(4,386,514)
2009	12	1,668,650	(398,122)	-	-	-	4	1,960	(1,438)	44	9,133,157	(1,777,097)
2010	16	2,042,350	(1,264,323)	-	-	-	21	157,249	(152,194)	30	4,171,179	(795,420)
2011	16	2,757,025	(458,155)	1	488,769	(488,769)	586	460,398	(98,742)	24	5,450,136	(349,763)
2012	5	524,604	(53,271)	-	-	-	1,745	1,207,726	(280,102)	37	4,932,269	(1,366,731)
2013	5	484,574	(208,366)	-	-	-	1,847	1,044,165	(114,249)	40	15,881,054	(1,873,822)
2014	4	105,941	(51,857)	-	-	-	2,886	1,521,209	(128,969)	49	6,652,591	(1,330,356)
2015	3	292,269	(8,191)	1	24,207	(24,207)	6,327	3,276,133	(120,658)	36	4,387,056	(595,015)
	227	**33,944,617**	**(7,356,131)**	**5**	**703,380**	**(554,583)**	**13,420**	**7,669,489**	**(896,656)**	**724**	**109,422,205**	**(17,457,436)**

Year of Production	Current Account Overdrafts			Residential Mortgage Loans			Provision of Services			Total		
	Number of Operations	Amount	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted	Number of Operations	Exposure	Impairment Constituted
2005 and previous	-	-	-	113	4,082,025	(374,026)	-	-	-	450	35,907,884	(4,015,949)
2006	-	-	-	22	1,951,293	(164,531)	-	-	-	123	20,137,929	(3,035,156)
2007	-	-	-	12	3,122,709	(2,118,640)	-	-	-	121	17,750,973	(4,521,187)
2008	-	-	-	16	1,263,327	(187,613)	-	-	-	106	21,697,588	(5,597,507)
2009	-	-	-	5	311,841	(75,218)	-	-	-	65	11,115,608	(2,251,875)
2010	-	-	-	4	393,955	(57,439)	-	-	-	71	6,764,733	(2,269,376)
2011	-	-	-	5	539,450	(15,117)	6	67,500	(72,934)	638	9,763,278	(1,483,480)
2012	-	-	-	1	20,055	(562)	4	29,958	(32,370)	1,792	6,714,612	(1,733,036)
2013	-	-	-	1	130,829	(3,666)	4	29,980	(32,393)	1,897	17,570,602	(2,232,496)
2014	24	32,379	(37,237)	9	1,285,279	(107,551)	-	-	-	2,972	9,597,399	(1,655,970)
2015	4	617	(709)	2	239,635	(6,716)	-	-	-	6,373	8,219,917	(755,496)
	28	**32,996**	**(37,946)**	**190**	**13,340,398**	**(3,111,079)**	**14**	**127,438**	**(137,697)**	**14,608**	**165,240,523**	**(29,551,528)**

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

c.1) By segment:

31 December 2016:

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

31 December 2015:

Segment	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Construction and CRE	28,862,732	5,081,886	33,944,617	(7,213,718)	(142,414)	(7,356,131)
Corporate	550,293	153,087	703,380	(550,293)	(4,290)	(554,583)
Loans secured by Pledges	4,569,615	3,099,874	7,669,489	(793,551)	(103,105)	(896,656)
Traditional Loans	83,628,844	25,793,361	109,422,205	(16,732,993)	(724,443)	(17,457,436)
Current Account Overdrafts	32,996	-	32,996	(37,946)	-	(37,946)
Residential Mortgage	8,182,315	5,158,083	13,340,398	(2,966,532)	(144,547)	(3,111,079)
Provision of Services	127,438	-	127,438	(137,697)	-	(137,697)
	125,954,232	**39,286,291**	**165,240,523**	**(28,432,729)**	**(1,118,799)**	**(29,551,528)**

c.2) By sector of activity:

31 December 2016:

Segmento	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Administrative and support services activities	3,300,201	303,910	3,604,111	(678,919)	(5,745)	(684,664)
Arts, entertainment, sports and recreational activities	1,437,420	492,229	1,929,648	(83,992)	(10,207)	(94,199)
Consulting, scientific, technical and similar activities	1,620,701	1,345,240	2,965,942	(764,154)	(27,946)	(792,100)
Information and communication activities	-	169,686	169,686	-	(2,845)	(2 845)
Human health and social work activities	3,431,784	330,722	3,762,506	(695,605)	(6,979)	(702,584)
Financial activities and insurance	22,518,602	203,218	22,721,820	(574,939)	(4,288)	(579,227)
Real estate activities	1,081,646	374,015	1,455,661	(262)	(7,705)	(7,967)
Agriculture, animal production, hunting, forestry and fisheries	4,789,827	667,371	5,457,198	(1,932,998)	(13,972)	(1,946,970)
Hotels and restaurantss	2,111,938	1,288,296	3,400,234	(632,829)	(26,983)	(659,812)
Wholesale and retail trade, repair of motor vehicles	25,893,000	8,970,557	34,863,557	(7,067,340)	(185,043)	(7,252,383)
Construction	24,391,289	4,981,978	29,373,267	(7,453,509)	(102,937)	(7,556,446)
Education	544,853	142,651	687,504	(276,113)	(2,873)	(278,986)
Manufacturing industries	7,511,144	5,347,210	12,858,354	(1,958,360)	(112,307)	(2,070,667)
Other service activities	1,925,685	518,383	2,444,069	(55,175)	(10,854)	(66,029)
Individuals	14,614,455	26,681,363	41,295,817	(5,121,386)	(468,136)	(5,589,522)
Transportation and storage	659,857	1,396,823	2,056,680	(100,887)	(27,438)	(128,325)
	115,832,401	**53,213,652**	**169,046,053**	**(27,396,468)**	**(1,016,258)**	**(28,412,726)**

31 December 2015:

Segmento	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Administrative and support services activities	5,062,409	283,279	5,345,688	(796,279)	(7,938)	(804,218)
Arts, entertainment, sports and recreational activities	1,707,623	410,339	2,117,962	(86,501)	(11,499)	(98,000)
Consulting, scientific, technical and similar activities	1,877,706	1,283,432	3,161,138	(736,056)	(35,966)	(772,023)
Information and communication activities	-	113,632	113,632	3,184	(3,184)	-
Human health and social work activities	3,488,612	379,453	3,868,065	(694,528)	(10,634)	(705,161)
Financial activities and insurance	14,651,783	235,032	14,886,815	(943,327)	(6,586)	(949,914)
Real estate activities	1,082,138	413,122	1,495,260	11,235	(11,576)	(341)
Agriculture, animal production, hunting, forestry and fisheries	5,084,454	808,828	5,893,282	(1,625,069)	(22,666)	(1,647,736)
Hotels and restaurantss	2,286,997	1,445,022	3,732,019	(548,757)	(40,495)	(589,252)
Wholesale and retail trade, repair of motor vehicles	32,376,905	10,197,649	42,574,554	(9,061,471)	(285,775)	(9,347,246)
Construction	28,873,826	5,088,787	33,962,613	(7,071,421)	(142,607)	(7,214,028)
Education	561,240	149,178	710,417	(188,143)	(4,181)	(192,324)
Manufacturing industries	9,141,746	5,340,614	14,482,360	(1,672,912)	(149,663)	(1,822,575)
Other service activities	1,890,425	658,285	2,548,710	(35,947)	(20,069)	(56,015)
Individuals	16,713,644	11,298,984	28,012,628	(4,893,666)	(332,873)	(5,226,538)
Transportation and storage	1,154,723	1,180,656	2,335,379	(93,070)	(33,086)	(126,157)
	125,954,232	**39,286,291**	**165,240,523**	**(28,432,729)**	**(1,118,799)**	**(29,551,528)**

c.3) By geographic location:

31 December 2016:

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

31 December 2015:

	Exposure			Impairment		
Geography	Individual	Collective	Total	Individual	Collective	Total
France	-	223,367	223,367	-	(6,260)	(6,260)
Portugal	125,909,247	38,971,841	164,881,088	(28,431,468)	(1,109,987)	(29,541,455)
Switzerland	-	91,082	91,082	-	(2,552)	(2,552)
United Kingdom	44,985	-	44,985	(1,261)	-	(1,261)
	125,954,232	**39,286,291**	**165,240,523**	**(28,432,729)**	**(1,118,799)**	**(29,551,528)**

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

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

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

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

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

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

e) Changes in the restructured loan portfolio:

	31-12-2016	31-12-2015
Initial balance of the portfolio of restructured loans (gross of impairment)	29,253,365	32,981,584
Loans restructured in the period	3,289,040	2,453,558
Accrued interest from the restructured portfolio	(29,050)	67,094
Settlement of restructured loans (partial or full)	(3,825,846)	(3,733,199)
Loans reclassified from 'restructured' to 'performing'	(3,615,193)	(2,515,672)
Final balance of the portfolio of restructured loans (gross of impairment)	**25,072,316**	**29,253,365**

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

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

31-12-2015												
	Construction and CRE				Construction and CRE				Construction and CRE			
	Real Estate		Other Real Collaterals		Real Estate		Other Real Collaterals		Real Estate		Other Real Collaterals	
Fair Value	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0.5 M€	144	14,515,387	1	3,993	-	-	1	129,077	1	35,219	154	8,009,833
>=0,5 M€ e <1 M€	30	7,176,352	-	-	-	-	-	-	12	5,125,037	-	-
>=1 M€ e <5 M€	9	9,130,338	-	-		-	-	-	-	-	-	-
	183	**30,822,077**	**1**	**3,993**	**-**	**-**	**1**	**129,077**	**13**	**5,160,256**	**154**	**8,009,833**

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

	31-12-2016				31-12-2015			
Segment / Ratio	Number of Properties	Performing Loans	Non-performing Loans	Impairment	Number of Properties	Performing Loans	Non-performing Loans	Impairment
Construction and CRE								
With no collateral (i)	n.a.	61,999	3,132,106	1,437,751	n.a.	48,038	3,070,509	1,008,836
<60 %	119	9,042,581	2,787,139	960,033	130	7,360,273	4,357,092	836,834
>=60% and <80%	20	2,164,719	4,693,535	1,061,856	25	3,189,086	8,429,422	1,774,816
>=80% and <100%	11	273,008	2,327,196	1,207,977	12	158,276	2,910,531	1,201,868
>=100%	19	181,073	4,512,043	2,886,867	17	-	4,421,391	2,533,778
Corporate								
With no collateral	n.a.	24,009	37,591	38,098	n.a.	48,217	526,086	550,966
<60 %	1	27,884	-	588	1	129,077	-	3,617
Residential Mortgage								
With no collateral	n.a.	185	225,363	290,930	n.a.	112	130,460	200,904
<60 %	115	3,548,407	1,859,556	118,195	127	3,581,513	2,067,041	167,777
>=60% e <80%	21	1,833,341	372,844	86,531	22	2,241,350	562,859	113,894
>=80% e <100%	7	459,527	681,087	230,969	11	749,259	778,302	213,209
>=100%	7	-	3,168,731	2,555,542	8	-	3,229,502	2,415,295

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

h) Details of fair value and net book value of real estate property received in lieu of payment, by type of asset and date:

	31-12-2016			31-12-2015		
Assets	Number of Properties	Fair Value of the Asset	Book Value	Number of Properties	Fair Value of the Asset	Book Value
Loand						
Urban	34	2,540,425	2,213,258	39	3,028,538	2,756,661
Rural	32	3,110,369	2,692,081	30	1,829,980	1,570,595
Built Properties						
Commercial	125	12,791,350	10,570,306	102	10,469,342	9,401,976
Residential	27	4,678,819	3,955,172	33	7,125,825	6,654,197
Other	34	8,235,775	5,675,190	31	8,276,160	6,437,410
Total	**252**	**31,356,738**	**25,106,007**	**235**	**30,729,845**	**26,820,839**

The time elapsed since lieu of payment/execution for the real estate in portfolio as at 31 December 2016 and 2015 can be presented as follows:

31-12-2016					
Time elapsed since repossession / discolosure	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Loand					
Urban	21,391	-	857,439	1,334,428	2,213,258
Rural	205,213	72,797	735,842	1,678,229	2,692,081
Built Properties					
Commercial	2,749,470	1,809,276	3,730,782	2,280,778	10,570,306
Residential	212,814	102,793	2,223,348	1,416,218	3,955,173
Other	142,391	746,697	2,297,106	2,488,996	5,675,190
	3,331,279	**2,731,563**	**9,844,516**	**9,198,649**	**25,106,008**

31-12-2015					
Time elapsed since repossession / discolosure	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Loand					
Urban	-	-	1,245,781	1,510,880	2,756,661
Rural	95,299	262,227	632,300	580,769	1,570,595
Built Properties					
Commercial	1,559,447	2,615,690	3,364,777	1,862,062	9,401,976
Residential	178,330	2,085,412	3,663,557	726,898	6,654,197
Other	494,616	1,175,068	2,882,846	1,884,880	6,437,410
	2,327,692	**6,138,397**	**11,789,261**	**6,565,489**	**26,820,839**

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

	31-12-2016						
	Low DR	Average DR		High DR			
	A	B	C	D	E	nd	Total
Construction and CRE	11,081,745	8,444,404	5,066,511	372,109	4,169,547	41,082	29,175,399
Corporate	51,893	37,591	-	-	-	-	89,484
Auto Loans	-	-	-	-	-	14,434,655	14,434,655
Loans secured by Pledges	-	-	-	-	1,773	9,359,740	9,361,513
Traditional Loans	51,058,290	35,838,168	8,500,963	1,284,750	6,969,118	-	103,651,291
Current Account Overdrafts	-	-	-	-	-	57,234	57,234
Residential Mortgage Loans	4,477,811	5,049,625	1,902,188	133,152	586,264	-	12,149,040
Provision of Services	-	-	-	-	-	127,438	127,438
Total	**66,669,739**	**49,369,788**	**15,469,663**	**1,790,012**	**11,726,703**	**24,020,149**	**169,046,053**

	31-12-2015						
	Low DR	Average DR		High DR			
	A	B	C	D	E	nd	Total
Construction and CRE	9,763,585	6,539,972	2,941,296	34,517	14,624,181	41,067	33,944,617
Corporate	153,087	24,207	-	-	526,086	-	703,380
Loans secured by Pledges	-	-	-	-	411	7,669,078	7,669,489
Traditional Loans	45,573,585	29,531,390	16,303,914	3,456,845	14,556,471	-	109,422,204
Current Account Overdrafts	-	-	-	-	-	32,996	32,996
Residential Mortgage Loans	5,099,944	2,105,201	1,695,353	779,078	3,660,822	-	13,340,398
Provision of Services	-	-	-	-	-	127,438	127,438
Total	**60,648,048**	**38,200,769**	**20,940,563**	**4,270,440**	**33,367,971**	**7,870,579**	**165,240,523**

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

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

	Imparidade			
	PD(%)			
31-12-2015	< 30 days with no signs of default	< 30 days with signs of default	Between 30-90 days	LGD
Segments				
Construction and CRE	7.381%	12.057%	52.572%	27.280%
Corporate	7.381%	-	-	27.280%
Loans secured by Pledges	29.013%	45.041%	63.391%	17.366%
Traditional Loans	7.381%	12.057%	52.572%	27.280%
Residential Mortgage	7.381%	12.057%	52.572%	27.280%

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

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

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

As at 31 December 2016 and 2015, the credit risk associated with the Bank's security portfolio, can be demonstrated via the rating, being presented as follows:

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

	2015										
	Ratings										
	AAA	AA	A	BBB	BB	B	CCC	CC	C	N,R,	Total
Assets											
Financial Assets held for trading	-	3,939,944	12,218,424	16,652,027	4,217,296	90,040	-	-	-	210,516	37,328,247
Financial Assetss available for sale	-	6,025,854	27,079,524	76,618,300	14,634,517	3,323,536	-	-	-	15,842,045	143,523,776
Investments held to maturity	-	-	10,322,793	56,541,530	22,606,907	10,644,058	-	-	-	-	100,115,289
Other loans and amounts receivable (securitised)	-	599,982	7,244,248	2,440,522	10,542,971	-	-	-	229,152	88,517,307	109,574,181
	-	**10,565,780**	**56,864,989**	**152,252,379**	**52,001,691**	**14,057,634**	-	-	**229,152**	**104,569,868**	**390,541,494**

N.R. – NotRated

In preparation of this disclosure, relative to 2016, the internal rating attributed by the Bank was considered. Relative to 2015, the rating was attributed by an external company specialised in risk assessment.

As at 31 December 2016 and 2015, the exposure by country associated to the Bank's security portfolio, is presented as follows:

	2016				2015			
	Banks	Government Debt	Other	Total	Banks	Government Debt	Other	Total
Portugal	-	29,469,911	80,680,579	110,150,490	9,750,071	15,138,397	114,033,550	138,922,018
Spain	517,340	58,151,562	12,116,759	70,785,661	14,412,927	60,273,294	13,366,410	88,052,631
Netherlands	523,298	-	40,824,436	41,347,734	3,987,776	-	43,234,657	47,222,433
Italy	9,342,522	5,201,129	3,806,975	18,350,626	14,200,827	5,226,706	5,184,170	24,611,703
Great Britain	4,114,717	-	7,422,394	11,537,111	10,031,196	-	2,430,296	12,461,492
USA	5,431,642	-	557,143	5,988,785	14,306,934	-	2,048,051	16,354,985
Germany	4,449,552	-	1,071,288	5,520,841	6,011,797	-	1,085,734	7,097,531
Luxembourg	-	-	3,252,979	3,252,979	-	3,042,254	90,041	3,132,294
France	-	1,923,602	1,032,842	2,956,444	1,036,034	3,010,083	2,508,158	6,554,274
Other	1,017,091	49,496	9,213,360	10,279,948	29,764,657	6,787,016	9,580,458	46,132,132
	25,396,161	**94,795,700**	**159,978,755**	**280,170,616**	**103,502,219**	**93,477,750**	**193,561,525**	**390,541,493**

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

Liquidity risk

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

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

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

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

Times to maturity

As at 31 December 2016 and 2015, the breakdown of the times to maturity of the financial instruments was as follows:

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

	2015							
	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	3,869,780	-	-	-	-	-	-	3,869,780
Amounts owed by other credit institutions	5,862,327	-	-	-	-	-	-	5,862,327
Financial assets held for trading	-	938,024	307,545	27,801,288	10,142,703	5,509,930	-	44,699,490
Financial assets available for sale	-	157,500	7,456,024	85,228,179	50,682,074	7,877,230	-	151,401,007
Deposits at credit institutions	-	-	400,000	-	-	180	-	400,180
Loans and advances to customers:								
- Loans not represented by securities	3,045,601	8,050,109	8,742,340	10,408,677	77,159,300	29,674,508	276,414	137,356,949
- Other loans and amounts receivable (securitised)	-	39,659,945	6,304,986	46,973,049	16,636,201	-	-	109,574,181
Investments held to maturity	-	-	10,322,793	19,631,921	70,160,575	-	-	100,115,289
Debtors and other financial investments	-	-	-	-	38,100	595,456	-	633,556
	12,777,708	**48,805,578**	**33,533,688**	**190,043,114**	**224,818,953**	**43,657,304**	**276,414**	**553,912,759**
Liabilities								
Resources at central banks	-	101,000,000	40,000,000	-	-	-	6,232	141,006,232
Financial liabilities held for trading	-	60,820	114,456	131,186	-	-	-	306,462
Resources of other credit institutions	1,486,255	-	-	-	-	-	-	1,486,255
Resources of customers and other loans	57,025,169	81,748,621	172,325,167	22,056,471	49,254	-	3,521,347	336,726,029
Liabilities represented by securities	-	143,449	502,890	5,864,975	9,081,783	-	4,941	15,598,038
	58,511,424	**182,952,890**	**212,942,513**	**28,052,632**	**9,131,037**	**-**	**3,532,520**	**495,123,016**
Liquidity gap	**(45,733,716)**	**(134,147,312)**	**(179,408,825)**	**161,990,482**	**215,687,916**	**43,657,304**	**(3,256,106)**	**58,789,743**

(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 column "Other" corresponds to values already received or paid that are being deferred;
- for equity instruments their maturity was considered indeterminate, having been included in the "Indeterminate" column;
- in financial assets held for trading and available for sale it was considered that the instruments were only settled on their maturity date; and
- in loans and advances to customers it was considered that the principal repayment was made in full on the date of the last credit instalment.

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

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

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

Market risk

Banco Invest's business through financial instruments entails the assumption or transfer of one or several kinds of risk. Market risks are those which arise from keeping financial instruments whose value can be affected by market fluctuations. Market risks include:

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

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

Exchange risk

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

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

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

As at 31 December 2016 and 2015, the breakdown of financial instruments by currency was as follows:

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

	2015 Currency				
	Euros Gross	US Dollars	Pound Sterling	Other	Total
Assets					
Cash and deposits at Central Banks	3,869,780	-	-	-	3,869,780
Amounts owed by other credit institutions	4,224,011	760,004	429,524	448,788	5,862,327
Financial assets held for trading	41,038,029	2,192,960	1,137,136	331,365	44,699,490
Financial assets available for sale	151,384,979	16,028	-	-	151,401,007
Deposits at credit institutions	400,180	-	-	-	400,180
Loans and advances to customers	246,718,658	212,472	-	-	246,931,130
Investments held to maturity	85,954,121	9,357,255	4,803,913	-	100,115,289
Debtors and other financial investments	531,761	40,953	37,768	23,073	633,556
	534,121,519	**12,579,672**	**6,408,342**	**803,226**	**553,912,759**
Liabilities					
Resources from Central Banks	141,006,232	-	-	-	141,006,232
Financial liabilities held for trading	305,755	707	-	-	306,462
Resources of other credit institutions	1,366,807	119,448	-	-	1,486,255
Resources from customers and other loans	326,382,528	10,231,347	111,392	762	336,726,029
Liabilities represented by securities	15,598,038	-	-	-	15,598,038
	484,659,360	**10,351,502**	**111,392**	**762**	**495,123,015**
Net exposure (Currency Position)	**49,462,159**	**2,228,170**	**6,296,950**	**802,464**	**58,789,743**

The Bank considers that a 5% increase in the market exchange rates of the main currencies that the Bank is exposed to would not have a significant impact on the financial statements as at 31 December 2016 and 2015.

Interest-rate risk

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

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

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

As at 31 December 2016 and 2015, the type of exposure to interest rate risk was summarised as follows:

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

	2015			
	Not subject to interest rate risk	Fixed rate	Variable rate	Total
Assets				
Cash and deposits at Central Banks	391,764	-	3,478,016	3,869,780
Amounts owed by other credit institutions	586,970	-	5,275,357	5,862,327
Financial assets held for trading:				
- Securities	5,480,048	20,274,462	17,053,781	42,808,291
- Derivatives	-	-	1,891,199	1,891,199
Financial assets available for sale	7,877,231	104,631,313	38,892,463	151,401,007
Deposits at credit institutions	-	-	400,180	400,180
Loans and advances to customers:				
- Loans not represented by securities	-	-	137,356,949	137,356,949
- Other loans and amounts receivable (securitised)	-	54,353,918	55,220,263	109,574,181
Investments held to maturity	-	89,792,496	10,322,793	100,115,289
Debtors and other financial investments	-	-	633,556	633,556
	14,336,013	**269,052,189**	**270,524,557**	**553,912,759**
Liabilities				
Resources from Central Banks	-	-	141,006,232	141,006,232
Financial liabilities held for trading:				
- Derivatives	-	-	306,462	306,462
Resources of other credit institutions	-	-	1,486,255	1,486,255
Resources of customers and other loans	-	22,105,725	314,620,304	336,726,029
Liabilities represented by securities	-	-	15,598,038	15,598,038
	-	**22,105,725**	**473,017,291**	**495,123,016**
	14,336,013	**246,946,464**	**(202,492,734)**	**58,789,743**
Off-balance sheet				
Derivatives (notional amount)				
- *Swaps*	-	-	133,582,383	133,582,383
- Options	30,174,311	-	-	30,174,311
- Futures	5,766,123	-	118,379,189	124,145,312
	35,940,434	**-**	**251,961,572**	**287,902,006**

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

As at 31 December 2016 and 2015, the exposure to interest rate risk was broken down into the following periods:

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

	2015						
	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	3,869,780	-	-	-	-	-	3,869,780
Amounts owed by other credit institutions	5,862,327	-	-	-	-	-	5,862,327
Activos financeiros detidos para negociação							
- Securities	5,480,048	17,163,268	50,517	10,949,532	9,164,926	-	42,808,291
- Derivatives	-	1,009,803	236,148	645,248	-	-	1,891,199
Financial assets available for sale	7,877,231	31,842,490	7,207,474	53,791,739	50,682,073	-	151,401,007
Deposits at credit institutions	-	-	400,000	-	-	180	400,180
Loans and advances to customers:							
- Loans not represented by securities	3,045,600	8,050,109	8,742,340	10,408,677	77,159,300	29,950,923	137,356,949
- Other loans and amounts receivable (securitised)	-	39,659,945	6,304,986	46,973,049	16,636,201	-	109,574,181
Investments held to maturity	-	-	10,322,793	19,631,921	70,160,575	-	100,115,289
Debtors and other financial investments	-	-	-	-	38,100	595,456	633,556
	26,134,986	**97,725,615**	**33,264,258**	**142,400,166**	**223,841,175**	**30,546,559**	**553,912,759**
Liabilities							
Resources from Central Banks	-	101,000,000	40,000,000	-	-	6,232	141,006,232
Financial liabilities held for trading:							
- Derivatives	-	59,489	115,787	131,186	-	-	306,462
Resources of other credit institutions	1,486,255	-	-	-	-	-	1,486,255
Resources of customers and other loans	57,020,514	81,748,621	172,325,167	22,056,471	49,254	3,526,002	336,726,029
Liabilities represented by securities	-	14,466,421	1,029,405	97,270	-	4,942	15,598,038
	58,506,769	**197,274,531**	**213,470,359**	**22,284,927**	**49,254**	**3,537,176**	**495,123,016**
	(32,371,783)	**(99,548,916)**	**(180,206,101)**	**120,115,239**	**223,791,921**	**27,009,383**	**58,789,743**

(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 2016 and 2015.

Fair Value

The Bank calculates the fair value of financial instruments based on market prices. If 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 "Claims on other credit institutions": Given the short-term nature of these assets, the accounting value is considered a reasonable estimate of their fair value;

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

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

Based on the fact that the current spreads in force exceed the average spread of the loan portfolio, the Bank calculated the fair value of the portfolio considering an additional spread of 1%. Based on this analysis, application of the fair value in the "Loans and advances to customers" item would result in a decline in its value of approximately 4,863,732 euros (5,851,228 euros on 31.12.15).

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

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

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

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

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

As at 31 December 2016 and 2015, the calculation of the fair value of the financial assets and liabilities of the Bank can be summed up as follows:

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

	2015					
		Financial instruments valued at fair value				
	Assets value at acquisition cost	Prices in an active market (Level 1)	Valuation techniques based on: Market data (Level 2)	Other (Level 3)	Total	Book value
Assets						
Financial assets held for trading						
- Securities	-	5,743,281	37,058,246	6,764	42,808,291	42,808,291
- Derivatives	-	-	1,891,199	-	1,891,199	1,891,199
Financial assets available for sale	-	849,245	147,161,775	7,953,189	155,964,209	155,964,209
Investments held to maturity	-	-	108,317,117	-	108,317,117	100,115,289
Loans and advances to customers - debt securities	39,524,463	-	70,281,264	2,551	109,808,278	110,347,487
	39,524,463	**6,592,526**	**364,709,601**	**7,962,504**	**418,789,094**	**411,126,475**
Liabilities						
Financial liabilities held for trading						
- Derivatives	-	-	306,462	-	306,462	306,462

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

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

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

41. RECLASSIFICATION OF FINANCIAL ASSETS

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

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

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

As at 31 December 2016 and 2015, the book value and fair value of the reclassified financial assets with reference to 1 July 2008 are as follows:

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

	2015		
	Balance sheet value the reclassification date	Balance sheet value as at 31-12-2015	Fair value as at 31-12-2015
Financial assets available for sale	775,141	1,204,721	1,204,721
Loans and advances to customers - debt securities	610,969	612,159	367,546
	1,386,110	**1,816,880**	**1,572,268**
Securities sold until 31 December 2008	1,046,135	n.a.	n.a.
Securities sold in 2009	31,918,772	n.a.	n.a.
Securities sold in 2010	53,293,236	n.a.	n.a.
Securities sold in 2011	28,197,278	n.a.	n.a.
Securities sold in 2012	13,574,736	n.a.	n.a.
Securities sold in 2013	23,660,808	n.a.	n.a.
Securities sold in 2014	17,089,211	n.a.	n.a.
Securities sold in 2015	12,585,879	n.a.	n.a.
	182,752,165	**1,816,880**	**1,572,268**

The fair value was calculated based on the methodologies described in Note 40.

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 2016 and 2015, are as follows:

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

	2015				
	Gains / (losses) associated to changes in fair value not recognised in:			Other gains/ (losses) recognised in:	
	Retained earnings	Annual net income	Reserves	Reserves	Net Income
Financial assets available for sale	(834,230)	(643,597)	198,371	173,751	99,236
Loans and advances to customers - debt securities	(44,267)	-	(44,267)	-	6,544
	(878,497)	**(643,597)**	**154,104**	**173,751**	**105,780**

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

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

42. OWN FUNDS

The 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 2016 and 2015, the Bank presented a solvency ratio of 25.09% and 18.5%, respectively.

6. Legal Certification of Accounts

6. Legal Certification of Accounts

LEGAL CERTIFICATION OF ACCOUNTS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the attached consolidated financial statements of Banco Invest, S.A. (Bank) and its subsidiaries, which consist of the consolidated balance sheet as at 31 December 2016, which reports total assets of 506,320,442 euros and total consolidated shareholders' equity of 103,082,651 euros, including consolidated net income attributable to the Bank's shareholders of 4,005,079 euros, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement relative to the year ended on that date, and the notes attached to the consolidated financial statements which include a summary of the significant accounting policies.

In our opinion, the attached consolidated financial statements present a true and fair view, in all relevant material aspects, of the consolidated financial position of Banco Invest, S.A. on 31 December 2016 and its consolidated financial performance and cash flows relative to the year ended on that date, according to the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for our opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Association of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and have fulfilled our other ethical responsibilities in accordance with the ethics code of the Portuguese Association of Statutory Auditors.

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

Relevant audit matters

Relevant audit matters are those that, in our professional judgement, had the greatest importance in the audit of the consolidated financial statements of the current year. These matters were considered within the context of the audit of the consolidated financial statements as a whole, and in forming our opinion, but we did not issue a separate opinion on these matters.

Description of the most significant risks of material distortion identified	Summary of the response to the most significant risks of material distortion identified
Impairment of properties classified as non-current assets held for sale (Notes 2.5, 2.16 and 11)	
Accumulated impairment losses on loans and advances to customers registered by the Bank on 31 December 2016 (excluding debt securities) come to 28,412,726 euros. The Bank determines impairment losses on loans granted according to the methodologies described in Notes 2.4 d) and 40 of the Notes to the consolidated financial statements. Given the characteristics of the Bank's loan portfolio and the impairment determination methodology it uses, a very significant part of the customers is subject to an individual impairment analysis (about 69% of the total gross balance as at 31 December 2016), including the customers with transactions 90 days or more in arrears or other indications of risk described in Note 40. The determination of impairment in assets analysed individually results from a specific evaluation conducted by the Bank mainly based on the guarantees associated to the transactions in question. Impairment of loans granted is subjective by nature and represents a material estimate carried out by management. For that reason, the impairment of loans granted calculated individually was defined as relevant audit material.	• Analysis of the relevant internal control procedures implemented by the Bank in terms of the process of quantification of impairment losses on loans granted through an individual analysis. • Review of compliance with the selection criteria for individual analysis defined by the Bank. • Selection of a sample of customers subject to individual analysis by the Bank. For the selected sample, analysis of the reasonableness of the impairment registered in the consolidated financial statements, based on the review of the main judgements carried out by the Bank on the prospects of collectability for each customer, taking into consideration the valuation of the collateral given as a guarantee of the loan granted, as well as the methodology and assumptions defined by the Bank to determine individual impairment.

Description of the most significant risks of material distortion identified	Summary of the response to the most significant risks of material distortion
Impairment of properties classified as non-current assets held for sale (Notes 2.5, 2.16 and 11)	
As at 31 December 2016, the net book value of the "Non-current assets held for sale" item came to 25,106,007 euros. This item is composed of properties received arising from recovered loans that are valued at the lower of their acquisition cost or fair value less the respective estimated sales costs, as provided for in IFRS 5 - Non-current assets held for sale and discontinued operating units. The fair value of these assets is determined based on evaluations conducted by independent expert appraisers, which include various assumptions, namely about the The assumptions used in the evaluations of these properties have an impact on their valuation and, consequently, on the determination of impairment. Taking into consideration the relevance of these assets on the Bank's consolidated financial statements and the judgement component incorporated in their valuation, this area was defined as a relevant audit matter.	• Analysis of the relevant control activities implemented by the Bank in the valuation process of properties classified as non-current assets held for sale. • Analysis of the reasonableness of the valuation registered in the consolidated accounts for a selected real estate sample, based on the evaluations undertaken by the external appraisers that include the methodology and main assumptions used, and of the application of the criteria defined by the Bank. In addition, verification of the registration of the external appraisers at the Securities Market Commission.

Description of the most significant risks of material distortion identified	Summary of the response to the most significant risks of material distortion identified
Resolution Fund (Note 24	

Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif — Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund now owns 100% of the share capital of Novo Banco, S.A. and of Oitante, S.A.. In this context, it obtained loans from the State and from a banking syndicate (in which the Bank does not participate) and undertook other responsibilities and contingent liabilities.

To repay these loans and settle other liabilities it may in future be called upon to accept, the Resolution Fund is financed by the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. The possibility of the member of Government responsible for the finance area to request, via ministerial order, that the participating institutions make special contributions in the situations foreseen in applicable legislation is also envisaged, namely in the event that the Resolution Fund does not have sufficient own resources to meet its obligations.

The cost with the periodic contributions and with the contribution on the banking sector is registered on an annual basis, as provided for in IFRIC 21 "Levies".

As at 31 December 2016, the loan of 3,900 million euros granted by the State to the Resolution Fund and the loan of 700 million euros of the banking syndicate, following a first addendum to the initial contracts, fell due on 31 December 2017, although its was public knowledge since September 2016 that all contracts were being renegotiated, including the extension of their maturity.

According to the press release of the Resolution Fund of 21 March 2017, the loan conditions that the Resolution Fund obtained for the financing of the resolution measures applied to BES and Banif were in fact renegotiated in the first quarter of 2017, including the extension of the maturity to 31 December 2046 and the possibility of adjustment of that date, with the objective of ensuring that the Resolution Fund has the capacity to fully meet its obligations through its regular income, without the need for special contributions or any other extraordinary contributions from the banking sector.

- Analysis of the press releases of the Resolution Fund and the Minister of Finance's Office of 28 September 2016 and of the press release of the Resolution Fund of 21 March 2017, relative to the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial equilibrium.

- Reading of the last Annual Report of the Resolution Fund with reference to 2015.

- Review of the accounting framework of the contributions to the Resolution Fund.

- Review of the disclosures in the financial statements relative to this matter.

Description of the most significant risks of material distortion identified	Summary of the response to the most significant risks of material distortion identified
Resolution Fund (Note 24)	
The consolidated financial statements as at 31 December 2016 repeat the Bank's expectations that it will not be required to make any special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif. Taking into consideration the potential impact of the Resolution Fund's liabilities on the Group and the judgement of management in this matter as described above, the latter was considered a relevant audit matter.	

Responsibilities of management and of the supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of the consolidated financial statements that present a true and fair view of the financial position, financial performance and cash flows of the Group according to the International Financial Reporting Standards (IFRS) as adopted by the European Union;

- the preparation of the management report in accordance with the applicable legal and regulatory rules;

- the creation and maintenance of an appropriate internal control system to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of appropriate accounting policies and criteria under the circumstances; and

- the evaluation of the capacity of the Group to continue its operations, disclosing, when applicable, matters that may raise doubts about the continuity of its activities.

The supervisory body is responsible for the supervision of the process involving the preparation and disclosure of the financial information of the Group.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- of the matters communicated to those charged with governance, including the supervisory body, we determine those that were most significant in the audit of the consolidated financial statements for the current year and that are the relevant audit matters. We describe those matters in our report, unless their public disclosure is prohibited by law or regulation;

- declare to the supervisory board that we complied with the ethical requirements relative to independence and communicated all our relations and other matters that can be perceived as threats to our independence and, when applicable, the respective safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Management report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the management report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Additional elements foreseen under article 10 of Regulation (EU) No. 537/2014

In compliance with article 10 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the relevant audit matters indicated above, we also declare the following:

- Deloitte & Associados, SROC, S.A. has audited Banco Invest, S.A. since 2002. The most recent appointment took place at the shareholders' general meeting held on 29 April 2013 for a mandate from 2013 to 2016.

- Management has confirmed to us that it has no knowledge of the occurrence of any fraud or suspicion of fraud with a material impact on the financial statements. In the planning and performance of our audit in accordance with ISAs we maintained professional scepticism and designed audit procedures responsive to the possibility of material misstatement of the consolidated financial statements due to fraud. As a result of our audit, we have not identified any material misstatements in the consolidated financial statements due to fraud.

- We confirm that the audit opinion that we issued is consistent with the additional report that we prepared and submitted to the supervisory body of the Bank on 16 May 2017.

- We declare that we have not provided any forbidden services according to number 8 of article 77 of the Statutes of the Portuguese Association of Statutory Auditors and that we maintained our independence relative to the Group during the performance of the audit.

Lisbon, 16 May 2017

DELOITTE & ASSOCIADOS, SROC S.A.
Representada por Luis Augusto Gonçalves Magalhães, ROC

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 2016, which have been prepared by the Board of Directors.

We accompanied, with the frequency and to the extent we deemed appropriate, the operations of the Bank and of the main companies included in the consolidation, the management acts of the Boards of Directors, the orderliness of their accounting entries and their compliance with statutory and legal requirements in force and instructions issued by the Bank of Portugal, having received from the Board of Directors and the various departments of the Bank all the information and clarifications requested. We also verified the effectiveness of the risk management, internal control and internal audit systems.

Our examination included the consolidated financial statements of the Bank as at 31 December 2016, which consist of the balance sheet, the consolidated income 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 2016 prepared by the Board of Directors, which, in our opinion, clarifies the main aspects of the consolidated activity of the Bank in 2016.

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 16 May 2017, which contains no reservations or emphasis and with which we agree.

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

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

Lisbon, 16 May 2017

The Board of Auditors

Artur Carmo Barreto
Chairman

Rosendo José
Member

Vítor Hugo Moreira Ferreira Lemos Sousa
Member

BANCO
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