

38. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal for the application of results for the year 2016 approved at the General Shareholders' Meeting held on 10 May 2017, the Bank increased its legal reserve in the amount of Euros 6,931,000. As at 31 December 2017, the amount of Legal reserves amounts to Euros 222,806,000 (31 December 2016: Euros 215,875,000).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2016: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

39. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

	(Thousands of euros)	
	2017	2016
Fair value reserves		
Financial assets available for sale (note 21)		
Potential gains and losses recognised in fair value reserves (*)	37,394	(138,490)
Financial assets held to maturity (**)	(451)	(703)
	36,943	(139,193)
Cash-flow hedge	26,236	77,360
	63,179	(61,833)
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(10,607)	41,318
Financial assets held to maturity	141	207
Cash-flow hedge	(8,212)	(22,767)
	(18,678)	18,758
Fair value reserve net of taxes	44,501	(43,075)
Actuarial losses (net of taxes)	(2,568,813)	(2,552,971)
Legal reserve	222,806	215,875
Statutory reserve	30,000	30,000
Other reserves and retained earnings	2,462,621	2,444,197
Reserves and retained earnings	146,614	137,101

(*) Includes the effects arising from the application of hedge accounting.

(**) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.