

## 39. Legal and statutory reserves

Under Portuguese legislation, the Bank is required to annually set-up a legal reserve equal to a minimum of 10 percent of annual profits, until the reserve equals the share capital or until the sum of the free reserves constituted and the retained earnings, if higher. Such reserve is not normally distributable. In accordance with the proposal for the application of the 2017 results approved at the General Shareholders' Meeting on 30 May 2018, the Bank increased its legal reserve in the amount of Euros 11,802,000. Thus, as at 31 December 2018, the amount of Legal reserves amounts to Euros 234,608,000 (31 December 2017: Euros 222,806,000).

The amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2017: Euros 30,000,000) and correspond to a reserve to steady dividends that, according to the bank's by-laws, can be distributed.

## 40. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

	(Thousands of euros)	
	2018	2017
<b>Fair value changes - Gross amount</b>		
Financial assets at fair value through other comprehensive income (note 21)		
Debt instruments (*)	(19,971)	n.a.
Equity instruments	(34,107)	n.a.
Financial assets available for sale (note 21)		
Debt instruments (*)	n.a.	(6,715)
Equity instruments	n.a.	44,108
Financial assets held to maturity (**)	n.a.	(451)
	(54,078)	36,942
Cash-flow hedge	113,700	26,236
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	4,151	n.a.
	63,773	63,178
<b>Fair value changes - Tax</b>		
Financial assets at fair value through other comprehensive income		
Debt instruments	6,251	n.a.
Equity instruments	2,698	n.a.
Financial assets available for sale		
Debt instruments	n.a.	2,102
Equity instruments	n.a.	(12,708)
Financial assets held to maturity	n.a.	141
Cash-flow hedge	(35,588)	(8,212)
From financial liabilities designated at fair value through profit or loss related to changes in own credit risk	(1,299)	n.a.
	(27,938)	(18,677)
	35,835	44,501
Legal reserve (note 39)	234,608	222,806
Statutory reserves (note 39)	30,000	30,000
	264,608	252,806
<b>Other reserves and retained earnings</b>	487,060	(106,192)
	787,503	191,115

(\*) 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.

The fair value changes correspond to the accumulated changes of the Financial assets at fair value through other comprehensive income and Cash flow hedge, in accordance with the accounting policy presented in note 1 B (2017:1 C).

During 2018, the changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting and changes in credit risk associated with financial liabilities at fair value through profit or loss, are analysed as follows:

(Thousands of euros)

	2018						Balance as at 31 December 2018
	Balance as at 31 December 2017	Adjustments due to the implementation of IFRS 9	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals	
<b>Financial assets at fair value through other comprehensive income</b>							
Debt instruments							
Portuguese public debt securities	-	(65,731)	39,420	(5,337)	(3,526)	(10,459)	(45,633)
Others	-	56,141	(23,963)	(6,818)	2,738	(2,436)	25,662
	-	(9,590)	15,457	(12,155)	(788)	(12,895)	(19,971)
Equity instruments	-	(69,382)	(959)	-	-	36,234	(34,107)
<b>Financial assets available for sale</b>							
Debt instruments							
Portuguese public debt securities	(65,350)	65,350	-	-	-	-	-
Others	58,635	(58,635)	-	-	-	-	-
	(6,715)	6,715	-	-	-	-	-
Equity instruments							
Visa Inc.	2,112	(2,112)	-	-	-	-	-
Others	41,996	(41,996)	-	-	-	-	-
	44,108	(44,108)	-	-	-	-	-
<b>Financial assets held to maturity</b>	(451)	451	-	-	-	-	-
	36,942	(115,914)	14,498	(12,155)	(788)	23,339	(54,078)

The negative amount of Euros 115,914,000 of adjustments due to the implementation of IFRS 9 corresponds, as described in note 52, to the impact arising from the adoption of IFRS 9 in the balance Fair value changes and the variations resulting from changes in the classification of securities.

The Disposals regards to the derecognition of debt securities and equity instruments at fair value through other comprehensive income, corresponding in 2018 to a gain of Euros 12,895,000 and a loss of Euros 36,234,000, respectively.

The changes occurred in Fair value changes - Gross amount, excluding the effect of hedge accounting, during 2017, are analysed as follows:

(Thousands of euros)

	2017						Balance as at 31 December 2017
	Balance as at 1 January 2017	Fair value changes	Fair value hedge adjustment	Impairment in profit or loss	Disposals		
<b>Financial assets available for sale</b>							
Debt instruments							
Portuguese public debt securities	(225,170)	278,269	(84,995)	-	(33,454)	(65,350)	
Others	39,198	126,043	(767)	20	(105,859)	58,635	
	(185,972)	404,312	(85,762)	20	(139,313)	(6,715)	
Equity instruments							
Visa Inc.	462	1,650	-	-	-	2,112	
Others	47,020	(98,062)	-	70,290	22,748	41,996	
	47,482	(96,412)	-	70,290	22,748	44,108	
<b>Financial assets held to maturity</b>	(703)	252	-	-	-	(451)	
	(139,193)	308,152	(85,762)	70,310	(116,565)	36,942	