

46. ASSETS UNDER MANAGEMENT AND CUSTODY

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

	(Thousands of euros)	
	2017	2016
Banco Comercial Português, S.A.	3,004,040	2,220,048
Millennium bcp Bank & Trust	10,038	12,510
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	1,548,638	1,323,629
Millennium TFI S.A.	1,187,568	902,912
	5,750,284	4,459,099

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. There is no capital or profitability guaranteed by the Bank in these assets. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody by the Group companies are analysed as follows:

	(Thousands of euros)	
	2017	2016
Assets under deposit	59,725,277	52,428,167
Wealth management	3,014,078	2,232,558
Real-estate investment funds	1,548,638	1,323,629
Investment funds	1,187,568	902,912
	65,475,561	56,887,266

47. RELEVANT EVENTS OCCURRED DURING 2017

RESOLUTIONS OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Banco Comercial Português, S.A. concluded on 10 May 2017, with 54.17% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

- Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2016;
- Item Two – Approval of the proposal for the application of year-end results of 2016;
- Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;
- Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;
- Item Five – Approval of the appointment of two new directors: Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Palma as executive member of the Board of Directors of BCP;
- Item Six – Approval of the acquisition and sale of own shares and bonds;
- Item Seven – Election of the members of the Board of the General Meeting of Banco Comercial Português for the term-of-office of 2017/2019.

ADMINISTRATIVE LEGAL PROCEEDINGS

Banco Comercial Português, after having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund) which was announced to be included in a sale agreement of Novo Banco, has decided, in light of the legal deadline and for caution, to request the respective appreciation through administrative legal proceedings. This diligence does not comprise nor entail, the production of any suspensive effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays, which centres exclusively on the referred capitalization contingent obligation.

SHARE CAPITAL INCREASE OF BANCO COMERCIAL PORTUGUÊS, S.A. FROM EUROS 4,268,817,689.20 TO EUROS 5,600,738,053.72

The Board of Directors of Banco Comercial Português, S.A. (“BCP”) has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an Public Offering to existing holders of BCP’s ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of ordinary shares will be 15,113,989,952.

The subscription price was set at Euros 0.0940 per share. Each holder of BCP’s ordinary shares will receive one subscription right for each ordinary share it owns.

Further to the subscription by Chiado (Luxembourg) S.à r.l. (“Chiado”), a member of the Fosun group, of the reserved capital increase completed on 18 November 2016, through which Chiado holds a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares that, if satisfied in full, will increase its holding in BCP’s share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and/or the potential exercise of further subscription rights that may be acquired by Chiado. This order could not be withdrawn except under certain circumstances where material adverse changes have occurred, as long as the same circumstances have led to the termination of the Underwriting Agreement referred to below by the Joint Global Coordinators.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Public Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order.

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. in the BCP’s reserved share capital increase (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Euronext Lisbon as at 9 February 2017. As such, the BCP’s share capital from this date amounts to Euros 5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

REPAYMENT OF HYBRID CAPITAL INSTRUMENTS (COCOS) (NOTE 38)

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining Core Tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP’s activity, was previously approved by the European Central Bank, subject to the success of the share capital increase completed in this date.

NEW ISSUE OF COVERED MORTGAGE BONDS (NOTE 35)

Banco Comercial Português, S.A. fixed on 23 May 2017, the terms and conditions for a new issue of covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May. The issue, in the amount of Euros 1,000 million has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The operation was placed successfully with a very diverse group of European institutional investors. Demand for the issue was more than 180% the amount on offer, and the speed with which the placement was completed demonstrate unequivocally the confidence of the market in the Bank and its clear ability to access this important source of financing.

PLATFORM FOR THE INTEGRATED MANAGEMENT OF DELINQUENT LOANS

Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco signed, on 28 September 2017, a memorandum of understanding for the creation of “Plataforma de Gestão de Créditos Bancários, ACE” (“the Platform”), a tool that will allow for an enhanced co-ordination among lenders, aimed at increasing the effectiveness and speed of credit and companies’ restructuring processes.

Under this memorandum, the three parties involved have stated their intention to create the Platform, with the purpose of managing, in an integrated manner, an array of credits granted to a number of shared debtors and classified as NPE (“Non Performing Exposures”).

On an initial phase, the Platform will manage credits with a nominal aggregate value not lower than Euros 5,000,000 (five million euros) per eligible debtor. Assets to be managed by the Platform will remain in each of the banks’ balance sheets.

The Platform is designed as to allow other financial institutions or financial societies, sharing debtors with other members, to join on a voluntary basis in the future.

The Platform is to pursue the following goals:

- Recovering credit and speeding-up the reduction of NPE portfolios held by banks;
- Supporting the recovery of several sectors of the Portuguese economy, through credit and debtors’ restructuring, and increasing asset viability;
- Fostering companies’ re-composition and consolidation, when necessary to ensure debtors viability and soundness;
- Facilitating and fostering the access of companies, either already restructured or under restructuring, to public or private sources of new capital or of funding;
- Accelerating and facilitating debtors’ negotiations with banks, aimed at corporate restructuring;
- Lobbying the Government and the Bank of Portugal for changes to the legal, judicial and fiscal framework, as to render corporate restructuring processes swifter and more efficient.

ISSUE OF SUBORDINATED NOTES (NOTE 38)

Banco Comercial Português, S.A. (“Millennium bcp”) fixed, on 29 November 2017, the terms for a new issue of medium term subordinated debt notes eligible for approval by the ECB as Tier 2 capital, under its Euro Medium Term Notes Programme.

The issue, in the amount of Euros 300 million, has a tenor of 10 years, with the option of early redemption by the Bank at the end of the fifth year, and an annual interest rate of 4.5 per cent. during the first five years (corresponding to a spread of 4.267 per cent over the 5 year mid-swap rate, which, for the determination of the interest rate for the remaining five years, will be applied over the mid swaps rate in force at the beginning of that period).

The transaction was placed with a very diversified group of European institutional investors. The demand, which was approximately three times the amount of the issue, as well as the swiftness of the execution of the transaction, represent the confidence of the market in Bank, in the success of its restructuring process and its capacity to access this important segment of the capital markets.

The issue, which is the first issue of such an instrument by a Portuguese bank to take place in the market after completion of the Portuguese financial assistance programme, is part of the Bank’s strategy of strengthening its total capital ratio and its presence in the international capital markets.

MINIMUM PRUDENTIAL REQUIREMENTS APPLICABLE FROM 1 JANUARY 2018

Banco Comercial Português, S.A. (BCP) has been notified of the decision of the European Central Bank (ECB) regarding minimum prudential requirements to be fulfilled from 1st January 2018, based on the results of the Supervisory Review and Evaluation Process (SREP). In addition, BCP was informed by the Bank of Portugal on its capital buffer requirement as “other systemically important institution” (O-SII).

The above referred decisions define, as regards to the minimum capital requirements to be complied from 1 January 2018, the following ratios, determined by the total value of the risk-weighted assets (RWA):

BCP Consolidated	Minimum capital requirements from 1 January 2018			
	Minimum requirements	of which:		
		Pillar 1	Pillar 2	Buffers
CET1	8.8125%	4.5%	2.25%	2.0625%
T1	10.3125%	6.0%	2.25%	2.0625%
Total	12.3125%	8.0%	2.25%	2.0625%

Buffers include the conservation buffer (1.875%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.1875%).

According to ECB’s decision under the SREP, the Pillar 2 requirement for BCP was set at 2.25%, a 0.15 percentage point reduction from 2017.