

## 57. TRANSFERS OF ASSETS

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus its related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Management companies and audited at year end, still being analysed by the Bank;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received.

The results are calculated on the date of transfer of the assets and were recorded in 2016 under "Net gains / (losses) arising from trading and hedging activities - Sale of credits" (note 6), a gain of EuroS 1,053,000. During the 2017, no credits were sold to Specialized Credit Funds. The amounts accumulated as at 31 December 2017, related to these operations are analysed as follows:

	Assets transferred	Net assets transferred	Received value	Net gains / (losses)
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

As at 31 December 2017, the assets received under the scope of these operations are comprised of:

(Thousands of euros)

	2017				Total
	Senior securities		Junior securities		
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	
<b>Fundo Recuperação Turismo FCR</b>					
Gross value	287,930	-	31,737	-	319,667
Impairment	(46,791)	-	(31,737)	-	(78,528)
	241,139	-	-	-	241,139
<b>Fundo Reestruturação Empresarial FCR</b>					
Gross value	85,209	-	-	33,280	118,489
Impairment and other fair value adjustments	(6,118)	-	-	(33,280)	(39,398)
	79,091	-	-	-	79,091
<b>FLIT-PTREL</b>					
Gross value	261,502	-	38,155	2,939	302,596
Impairment	(3,697)	-	(38,155)	(2,939)	(44,791)
	257,805	-	-	-	257,805
<b>Vallis Construction Sector Fund</b>					
Gross value	203,172	36,292	-	-	239,464
Impairment	(203,172)	(36,292)	-	-	(239,464)
	-	-	-	-	-
<b>Fundo Recuperação FCR</b>					
Gross value	199,324	-	78,995	-	278,319
Impairment	(79,247)	-	(78,995)	-	(158,242)
	120,077	-	-	-	120,077
<b>Fundo Aquarius FCR</b>					
Gross value	138,045	-	-	-	138,045
Impairment	(6,993)	-	-	-	(6,993)
	131,052	-	-	-	131,052
<b>Discovery Real Estate Fund</b>					
Gross value	150,409	-	-	-	150,409
Impairment	(2,690)	-	-	-	(2,690)
	147,719	-	-	-	147,719
<b>Fundo Vega FCR</b>					
Gross value	47,087	-	70,770	-	117,857
Impairment	(1,902)	-	(70,770)	-	(72,672)
	45,185	-	-	-	45,185
<b>Total Gross value</b>	<b>1,372,678</b>	<b>36,292</b>	<b>219,657</b>	<b>36,219</b>	<b>1,664,846</b>
<b>Total Impairment</b>	<b>(350,610)</b>	<b>(36,292)</b>	<b>(219,657)</b>	<b>(36,219)</b>	<b>(642,778)</b>
	<b>1,022,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,022,068</b>

As mentioned in note 23, the book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 31 December 2017, corresponds to the NAV at that date, with the exception of the Fundo Vega FCR, which reports on 30 June 2017. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to 31 December 2017 except for Discovery Real Estate Fund, FLIT-PTREL and Vega whose reference date is 31 December 2016 and for the Vallis Fund which is 30 September 2016) do not present any reservations; (ii) the funds are subject to supervision by the competent authorities.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in 2017 amounts to Euros 52,149,000, of which Euros 45,956,000 are recorded in Other financial assets impairment (note 13) and Euros 6,193,000 in Other assets impairment (note 32).

As at 31 December 2016, the assets received under the scope of these operations are comprised of:

	(Thousands of euros)				Total
	2016				
	Senior securities		Junior securities		
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	
<b>Fundo Recuperação Turismo FCR</b>					
Gross value	287,929	-	31,274	-	319,203
Impairment	(45,611)	-	(31,274)	-	(76,885)
	242,318	-	-	-	242,318
<b>Fundo Reestruturação Empresarial FCR</b>					
Gross value	84,112	-	-	-	84,112
Impairment	(5,463)	-	-	-	(5,463)
	78,649	-	-	-	78,649
<b>FLIT-PTREL</b>					
Gross value	299,479	-	38,155	2,939	340,573
Impairment	(4,713)	-	(38,155)	(2,939)	(45,807)
	294,766	-	-	-	294,766
<b>Vallis Construction Sector Fund</b>					
Gross value	203,172	36,292	-	-	239,464
Impairment	(173,799)	(36,292)	-	-	(210,091)
	29,373	-	-	-	29,373
<b>Fundo Recuperação FCR</b>					
Gross value	215,996	-	77,085	-	293,081
Impairment	(70,698)	-	(77,085)	-	(147,783)
	145,298	-	-	-	145,298
<b>Fundo Aquarius FCR</b>					
Gross value	136,111	-	-	-	136,111
Impairment	(8,967)	-	-	-	(8,967)
	127,144	-	-	-	127,144
<b>Discovery Real Estate Fund</b>					
Gross value	151,086	-	-	-	151,086
Impairment	-	-	-	-	-
	151,086	-	-	-	151,086
<b>Fundo Vega FCR</b>					
Gross value	44,848	-	66,950	-	111,798
Impairment	-	-	(66,950)	-	(66,950)
	44,848	-	-	-	44,848
<b>Total Gross value</b>	<b>1,422,733</b>	<b>36,292</b>	<b>213,464</b>	<b>2,939</b>	<b>1,675,428</b>
<b>Total Impairment</b>	<b>(309,251)</b>	<b>(36,292)</b>	<b>(213,464)</b>	<b>(2,939)</b>	<b>(561,946)</b>
	<b>1,113,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,113,482</b>

As at 31 December 2017, the detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

	(Thousands of euros)		
	2017		
	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	101,133	85,237	15,896
FLIT-PTREL	260,244	260,244	-
Vallis Construction Sector Fund	238,929	238,929	-
Fundo Recuperação FCR	220,192	199,324	20,868
Fundo Aquarius FCR	156,100	138,045	18,055
Discovery Real Estate Fund	150,409	150,409	-
Fundo Vega FCR	51,185	47,087	4,098
	1,481,875	1,407,204	74,671

The amount of subscribed capital does not include additional subscription commitments, which amount to Euros 20,978,000 in FLIT-PTREL, Euros 9,689,000 in Discovery and Euros 5,000 in Vallis.

Additionally are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

Items	(Thousands of euros)	
	2017	2016
Loans and advances to customers	271,997	351,624
Guarantees granted and irrevocable credit lines	34,114	134,203
Gross exposure	306,111	485,827
Impairment	(75,571)	(101,795)
Net exposure	230,540	384,032

## 58. DISCONTINUED OR DISCONTINUING OPERATIONS

Banco Comercial Português, S.A agreed to carry out a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, for that reason, that entity has been considered as a discontinued operation since 31 March 2016. In this context, costs and income for the period from 1 January to 30 April 2016 are presented in a single line denominated Result of discontinued or discontinued operations. After the completion of the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were derecognized from the balance sheet, and the interest held in Banco Millennium Atlântico, S.A. was registered as an associated company, as described in note 26.

As provided in point a) of IFRS 5 paragraph 33, the net cash flow attributable to operating activities, investing and financing activities of discontinued operations should be disclosed not being however mandatory for groups of assets held for sale that are newly acquired subsidiaries that meet the criteria for classification as held for sale on acquisition.

Following the completion of the merger, the Group has no longer the control over the Banco Millennium Angola, and now holds significant influence over the new entity, Banco Millennium Atlântico S.A., of 22.5% of its share capital. In this context, the Group valued its investment in the associated company Banco Millennium Atlântico, S.A at fair value.

The fair value of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted to reflect the change in the local currency rate since the end of the year until that date and the date of opening balance, and the difference between the estimate of the combined Net Asset Value (which was based on the information available at the date of the fair value estimation) and the corresponding estimate in the Business Plan underlying the merger projection.