

The detail of the commitments of subscribed and unpaid capital for each of the corporate restructuring funds is analysed as follows:

	(Thousands of euros)					
	2019			2018		
	Subscribed capital	Capital realized	Subscribed and unpaid capital	Subscribed capital	Capital realized	Subscribed and unpaid capital
Fundo Recuperação Turismo FCR	292,000	276,246	15,754	303,683	287,929	15,754
Fundo Reestruturação Empresarial FCR	74,263	67,409	6,854	101,133	86,419	14,714
FLIT-PTREL	241,358	241,358	-	262,231	262,231	-
Fundo Recuperação FCR	206,805	187,742	19,063	213,635	193,729	19,906
Fundo Aquarius FCR	156,100	139,148	16,952	156,100	139,148	16,952
Discovery Real Estate Fund	156,121	156,121	-	153,243	153,243	-
Fundo Vega FCR	49,616	46,601	3,015	49,616	46,233	3,383
	1,176,263	1,114,625	61,638	1,239,641	1,168,932	70,709

In 2019, there are also additional subscription commitments for the funds FLIT-PTREL and Discovery, in the amount of Euros 18,227,000 and Euros 3,977,000, respectively.

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)	
	2019	2018
Loans and advances to customers	232,892	282,480
Guarantees granted and irrevocable credit lines	49,327	55,089
Gross exposure	282,219	337,569
Impairment	(88,337)	(85,884)
Net exposure	193,882	251,685

48. Relevant events occurred during 2019

Issue of perpetual subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. proceeded, on 31 January 2019, to an issue of perpetual bonds, representing subordinated debt, classified as additional Tier 1 core capital instrument ("Additional Tier 1" or "AT1").

The operation, in the amount of Euros 400 million and with no fixed term, has the option of early repayment by the Bank as of the end of the 5th year, and an interest rate of 9.25% per annum during the first 5 years. As an instrument classified as AT1, the corresponding interest payment is decided by the Bank at its discretion and is still subject to compliance with a set of conditions, including compliance with the combined requirement of capital reserve and the existence of Distributable Funds in sufficient amount. The payment of interest may also be cancelled by imposition of the competent authorities.

The issuance, the first of its kind denominated in euros on the European market in 2019, was part of the Bank's strategy to strengthen and diversify the components of its capital base, contributing significantly to the strengthening of its eligible liabilities to meet the minimum requirement for eligible own funds and liabilities and to strengthen its presence in the capital market.

Issue of W-Series subordinated bonds of the Bank Millennium, S.A. (Poland)

On 30 January 2019 the Bank Millennium, S.A. (Poland) issued 1,660 series W subordinated bonds in the total amount of PLN 830 million (Euros 193 million). The maturity of the bonds is 30 January 2029 and the interest rate is variable, based on WIBOR 6M plus a margin of 2.30% per annum.

After the assent of Polish Financial Supervision Authority, the bonds were considered instruments in the Bank's Tier 2 capital in the meaning of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded on 22 May 2019, with 64.59% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the individual and consolidated annual report, balance sheet and financial statements of 2018, including the Corporate Governance Report;

Item Two – Approval of the proposal for the appropriation of profits for the 2018 financial year;

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 remuneration policy of Members of Management and Supervision Bodies;

Item Five – Approval of the alteration of the articles of association, giving a new wording to paragraph c) of article 14 and to nr. 1 of article 10, adding two new numbers 2 and 3 to article 10 with the consequent renumbering of current nrs. 2 and 3;

Item Six – Approval of the cooptation of Mr. Fernando Costa Lima as member of the Board of Directors and of the Audit Committee for the exercise of functions in the term-of-office ending in 2021. The effects of this cooptation are subject to obtaining the authorization for the exercise of functions from the European Central Bank;

Item Seven – Appointment of Prof. Cidália Maria da Mota Lopes as Chairperson of the Audit Committee to exercise functions during the term-of-office ending in 2021;

Item Eight – Election of Mr. Nuno Maria Pestana de Almeida Alves as member of the Remunerations and Welfare Board;

Item Nine – Election of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., that selected Mr. Paulo Alexandre de Sá Fernandes, ROC nr. 1456, to represent it, as the Single Auditor, and of Mr. Jorge Carlos Batalha Duarte Catulo, ROC nr. 992, as his alternate, during the two-year term-of-office 2019/2020;

Item Ten – Selection of Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, SA to perform functions of External Auditor in the 2019/2020 two-year period;

Item Eleven – Approval of the acquisition and sale of own shares and bonds.

Appropriation of profits for the 2018 financial year

In accordance with the Companies Code, and with the Bank's articles of association, was deliberated in the Annual General Meeting of Shareholders of 22 May 2019, that the year-end results amounting to Euros 59,266,674.99 and the reserve for the stabilization of dividends, in the amount of Euros 30,000,000.00, be applied as follows:

- a) For the reinforcement of legal reserve, Euros 5,926,667.50;
- b) For the attribution of dividends Euros 30,227,979.90, corresponding Euros 227,979.90 to earnings and Euros 30,000,000.00 to the reserve for the stabilization of dividends;
- c) to be distributed to employees Euros 12,587,009.00;
- d) Euros 40,525,018.59, that is, the remaining, to Retained Earnings.

It was also approved that:

- i) The payment to each share of the unit dividend of Euros 0.002;
- ii) The dividend on the shares owned by the Company on the first day of the dividend payment period shall not be paid and shall be registered in the retained earnings.

Acquisition of Euro Bank S.A. by Bank Millennium S.A.

Bank Millennium S.A., owned 50.1% by Banco Comercial Português, S.A., announced on 28 May 2019, having been informed of the non-objection by the Polish Financial Supervision Authority to its acquisition of Euro Bank S.A.. As at 31 May 2019, the Bank Millennium S.A. has completed the acquisition of shares representing 99.787% of the share capital of Euro Bank S.A.. On 1 October 2019, the legal merger of Bank Millennium S.A. with Euro Bank S.A. has been completed. The details of the acquisition are detailed in note 60.

Merger of Banco de Investimento Imobiliário, S.A. with Banco Comercial Português, S.A.

Following the announcement dated 19 June 2019, Banco Comercial Português, S.A. hereby informs that its Board of Directors and the Board of Directors of Banco de Investimento Imobiliário, S.A. approved during September 2019, the merger project of Banco de Investimento Imobiliário, S.A., a wholly-owned subsidiary of Banco Comercial Português, S.A., by incorporation into the latter. The process was concluded on 30 December 2019, after the signature of the merger deed.

Notification from the Competition Authority

On 9 September 2019, BCP was notified by the Portuguese Competition Authority ("AdC") of its decision of conviction under a litigation related to alleged restrictive competition practices regarding the sharing of sensitive commercial information between credit institutions in the segments of mortgage loans, consumer loans and corporate loans.

Thereby, BCP was one of the 14 banks to which AdC decided to apply the payment of fines in the global amount of Euros 225 million for alleged concerted practice of sensitive commercial information exchange, fining BCP in Euros 60 million. Under the same litigation, other 13 credit institutions were also condemned: BBVA, BIC/BPN, BPI, BES, BANIF, Barclays, CGD, Caixa Central de Crédito Agrícola Mútuo, Montepio, Santander (for facts practiced by itself and by Banco Popular), Deutsche Bank and UCI.

According to the referred decision, BCP's fine of Euros 60 million contemplated the duration of its participation in the alleged infringement (11 years, between May 2002 and March 2013) and the Bank's turnover related with the markets included in the infringement, i.e., mortgage loans, consumer loans and corporate loans.

The exchange of sensitive information for which BCP is condemned refers to: (i) information related to commercial conditions (as prices/spread rates that were not public in the moment of the information exchange or that were difficult to access or systematize); and (ii) monthly production amounts of each bank occurred during that period (disaggregated information relative to the amount of credit granted in Euros in a determined period, normally corresponding to the month before).

AdC did not constitute any evidence about the restrictive effect on competition due to the information exchange. AdC considered the information exchange as an infringement by object, hence considering there would not be need of constituting evidence of the restrictive effect on competition, which, in BCP's opinion, is not in conformity with the doctrine and relevant community jurisprudence.

On 21 October 2019, BCP filed an appeal to the Court of Competition, Regulation & Supervision ("TCRS"). The sentence, that will be given by TCRS, may be appealed to the Lisbon Court of Appeal ("TRL").

The Bank contested AdC's decision because it believes that the impugned facts and decisions are not properly supported and substantiated, considering the applied fine unjustified and unbalanced.

On 15 November 2019, BCP was notified of a ruling, by the Lisbon Court of Appeal, on an appeal that it had filed in an earlier moment, still at the pre-trial phase of these administrative proceedings, on the right by the concerned parties to attend the examination of witnesses enrolled by other parties, and such ruling was unfavourable to its claims. Because BCP did not agree with that ruling by the Lisbon Court of Appeal, on 25 November 2019 it appealed this decision to the Constitutional Court.

Issue of subordinated notes by Banco Comercial Português, S.A.

Banco Comercial Português, S.A. fixed, as at 20 September 2019, the terms for a new issue of medium term subordinated notes qualified as Tier 2 own funds, under its Euro Note Programme.

The issue, in the amount of Euros 450 million, will have a tenor of 10.5 years, with the option of early redemption by the Bank at the end of 5.5 year, and an annual interest rate of 3.871 per cent. during the first 5.5 years (corresponding to a spread of 4.231 per cent over the 5.5 year mid-swap rate, which, for the determination of the interest rate for the remaining 5 years, will be applied over the mid swaps rate in force at the beginning of that period).

Rating assessment

Long-term issuer default rating was affirmed by Fitch Ratings and by Standard & Poor's at BB and the outlook was revised to positive from stable.

Minimum prudential requirements

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 on a consolidated basis from 1 January 2020, 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 aforementioned decisions define, with regard to the minimum capital requirements to be observed as from 1 January 2020, the following ratios, determined according to the total value of risk-weighted assets (RWA):

Minimum capital requirements from 1 January 2020

BCP Conso lidade	Phased-in	of which:			Fully implemented	of which:		
		Pilar 1	Pilar 2	Buffers		Pilar 1	Pilar 2	Buffers
CET1	9,81%	4,50%	2,25%	3,06%	10,25%	4,50%	2,25%	3,50%
T1	11,31%	6,00%	2,25%	3,06%	11,75%	6,00%	2,25%	3,50%
Total	13,31%	8,00%	2,25%	3,06%	13,75%	8,00%	2,25%	3,50%

Buffers include the conservation buffer (2.5%), the countercyclical buffer (0%) and the buffer for other systemically important institutions (O-SII: 0.563%). Given the increased systemic importance of BCP for the Portuguese financial system, its future O-SII reserve requirement was revised from 0.75% to 1.00%, and BCP was granted an additional year (January 1st, 2022) to fulfill it, as communicated by the Bank of Portugal in its website.

According to ECB's decision under SREP, the Pillar 2 requirement for BCP was set at 2.25% for 2020, the same value as for 2019.

49. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, as the future business evolution. Therefore, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks and Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is -0.4% as at 31 December 2019 (31 December 2018: -0.4%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market).

Loans and advances to customers without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date.