

# **Annual Report and Accounts 2018**

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## **Fidelidade Assistência – Companhia de Seguros, S.A.**

Registered Office: Av. José Malhoa, 13, 7º - 1070 157 Lisboa

Share Capital: 7,500,000 Euros

Legal Person No.: 503 411 515

Registered with the Lisbon Office of Commercial Records  
under the same number



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# Corporate Bodies



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**Board of Directors**

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Chairman	Francisco Xavier da Conceição Cordeiro
Members	José Manuel Alvarez Quintero Luis Filipe Mateus Alves João Eduardo de Noronha Gamito de Faria Luís Jaime Marques

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**Executive Committee**

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Chairman	José Manuel Alvarez Quintero
Members	Francisco Xavier da Conceição Cordeiro Luis Filipe Mateus Alves

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**Supervisory Board**

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Chairman	Luís Manuel Machado Vilhena da Cunha
Members	José António da Costa Figueiredo António José Pereira Cardoso Mota
Alternate	Isabel Gomes de Novais Paiva

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**Statutory Auditors**

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Ernst & Young Audit & Associados - SROC, S.A. represented by  
Ricardo Nuno Lopes Pinto, ROC

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**Presiding Board of the General Meeting**

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President	Maria Isabel Toucedo Lage
Secretary	Carla Cristina Curto Coelho

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**Company Secretary**

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Permanent	Maria Isabel Toucedo Lage
Alternate	Carla Cristina Curto Coelho



# 01

## Report of the Board of Directors



The Board of Directors of Fidelidade Assistência – Companhia de Seguros, S.A., hereinafter Fidelidade Assistance, hereby presents its Annual Report and Accounts for 2018.

The major aim of the Report of the Board of Directors, prior to presenting the financial statements, is to provide a broad outline of the most relevant aspects that characterise the company, an analysis of the development of the business, and the main principles that guide the way the business is conducted.



## 1. Business Environment

### 1.1. Macroeconomic Environment

In 2018, the Portuguese economy continued to display economic growth, following the positive trend that began in 2014.

In fact, economic activity in Portugal has grown since 2014 due to a favourable external climate in financial markets, and increased exports, as well as high levels of confidence of economic agents and positive improvements in the labour market.

Most recent estimates for 2018 suggest GDP growth of 2.1%, which, despite being lower than the figure for 2017 (2.8%), is above the euro area average (1.9%). The slowdown in Gross Fixed Capital Formation and Exports, both of which recorded high levels of growth in previous years, is the main reason for this downturn compared to 2017.

In 2018, private consumption continued the previous year's trend (with an increase of 2.3%), reflecting real growth in families' disposable income and historically high levels of consumer confidence.

Public consumption also increased from 2017 to 2018, reflecting the impact of one-off expenses related to the forest fires of 2017, and an increase in the number of State employees.

Accordingly, the Portuguese economy should maintain a positive financing capacity, despite a slight fall compared to the previous year (1.3% of GDP in 2018 compared to 1.4% in 2017).

In terms of inflation, the estimate for 2018 is 1.4%, which is lower than the figure for 2017 (1.6%). However, a slight increase in inflation is forecast for the next years, reflecting general salary increases, in a climate of lower unemployment and updating of the national minimum wage above the level of inflation.

Forecasts for the labour market suggest an increase in employment levels (+2.2%) and, consequently, a fall in the unemployment rate to around 7% at the end of 2018.

The growth rate of the Portuguese economy is expected to fall again in 2019 to 1.8%. Although the forecasts suggest an increase in GFCF (6.6%), a fall in private consumption and a greater increase in imports compared to exports will have a negative impact on GDP growth.

Also of note are certain continuing risks that may impact negatively on the Portuguese economy, in particular the trade dispute between the USA and China, Brexit and political uncertainty in some European countries.





## 1.2. Insurance Market Environment

The Portuguese insurance sector recorded total premiums of EUR 12,941 million, corresponding to an increase of 12% compared to 2017, reflecting the positive performance of both the Life and Non-Life segments.

In the Life segment, there was a 15% increase in premiums to EUR 8,114 million, approximately three times the growth seen in 2017, reflecting the performance of financial products.

Of particular note is the evolution of Retirement Savings Plans (PPR), which recorded growth of almost 56%. In the current context of low interest rates, this situation demonstrates the growing concern regarding retirement income and the attractiveness of these products.

It is also important to mention the consolidation in the growth of Life Risk Products, which have benefited from greater dynamism in the real estate market and an increase in new mortgages.

In the Non-Life segment, premiums continued the upward trend of recent years, recording an increase of around 8% compared to the previous year, totalling EUR 4,827 million.

In this segment, the Workers' Compensation and Health lines performed particularly well, in line with the positive trend in recent years associated with higher levels of employment. The motor line of business recorded an acceleration in premiums growth in 2018 (+7% compared to 5% in the previous year), reflecting the boost in vehicle ownership associated with fiscal changes announced for 2019.

In 2019, in line with the growth forecast for the Portuguese economy, the growth trend in the Non-Life segment can be expected to continue, benefiting from the contribution of some of the more dynamic lines of business, namely Health and Personal Accidents.

The Non-Life segment should also benefit from an increase in the lines of business more linked to business activity (Workers' Compensation, Property and Third Party Liability), reflecting the evolution forecast for investment (6.6% growth) and for the unemployment rate (1 pp decrease).



## 2. Company Activity

### 2.1. Executive Summary

Fidelidade Assistance recorded a net operating profit for 2018 of EUR 6.2 million, which represents an increase of 7.8% compared to the previous year. The increase in the operating profit is directly linked, in decreasing order of importance, to:

- The 14.8% increase in the technical margin, based on an improved claims ratio;
- The 5.7% increase in the financial results.

The Company recorded a volume of earned premiums of EUR 50.2 million, which represents growth of 6.2% compared to the previous year. The Assistance line of business grew 6.7% to EUR 45.0 million and the Legal Protection line of business progressed 4.5% to EUR 5.2 million.

The Combined Ratio for 2018 was 88.6%, down 3.1 pp on the previous year's figure of 91.7%. The improvement in this ratio is directly linked to the results of the Technical Account.

Fidelidade Assistance's Net Assets were EUR 55.0 million (-18.5%), and Shareholders' Equity increased to EUR 39.8 million (+13.7%). It is also worth noting that Liabilities decreased 53.3% to EUR 15.2 million, essentially due to the payment of reinsured balances as a result of the portfolio exit in November 2017.

The Company continues to comfortably meet the solvency capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

The company was audited for renewal of Quality Certification ISO 9001:2015, and no situations of Non-Conformity or Sensitive Areas were identified.

During 2018, as part of its internationalisation project, the Company carried out a series of actions to boost sales in Africa, which led to agreements with two Insurance Companies, one in Angola and the other in Mozambique.



## 2.2. Key Indicators

	(Million Euros)	
	<b>2018</b>	<b>2017</b>
<b>FINANCIAL INDICATORS</b>		
<b>Net Assets</b>	<b>55.0</b>	<b>67.5</b>
Investments (including Cash and Bank Deposits)	50.8	64.4
<b>Shareholders' Equity</b>	<b>39.8</b>	<b>35.0</b>
<b>Liabilities</b>	<b>15.2</b>	<b>32.5</b>
<b>Net income</b>	<b>6.2</b>	<b>5.7</b>
<b>Average Yield from Shareholders' Equity</b>	<b>16.51%</b>	<b>18.09%</b>
<b>Number of persons employed</b>	<b>169</b>	<b>169</b>
<b>Technical Yield (without Earned Premiums)</b>	<b>12.32%</b>	<b>12.14%</b>
<b>Technical Liabilities</b>	<b>12.4</b>	<b>14.2</b>
<b>Technical Indicators</b>		
Loss Ratio	74.76%	78.26%
Expense Ratio	13.88%	13.51%
Combined Ratio	88.64%	91.77%
<b>ACTIVITY INDICATORS</b>		
<b>Earned Premiums</b>	<b>50.2</b>	<b>47.3</b>
Assistance Line of Business	45.0	42.3
Legal Protection Line of Business	5.2	5.0
<b>Processes Opened</b>	<b>625,356</b>	<b>549,727</b>
Assistance Line of Business	621,209	545,653
Legal Protection Line of Business	4,147	4,074
<b>Telephone Contacts Received</b>	<b>972,697</b>	<b>985,610</b>
Assistance Line of Business	962,672	973,591
Efficacy Rate	94.96%	94.75%
Legal Protection Line of Business	10,025	12,019
Efficacy Rate	99.87%	99.57%
<b>Complaints</b>		
Number of Complaints	1,289	1,187
Complaints Rate (Number of Complaints/Processes Opened)	0.20%	0.19%
Average Response Time (days)	4.5	5.1
<b>Quality</b>		
Global Satisfaction Index	8.9	8.8
Net Promoter Score	68	66



### 2.3. Company History

The most important dates in the Company's history are:

- 1991** - CARES - Companhia de Assistência e Representação de Seguros, Lda. is set up with the corporate purpose of representing foreign companies;
- 1998** – Start of the insurance business. CARES – Companhia de Seguros de Assistência, S.A. is created with approval to operate the Assistance line of business;
- 2001** - CARES - Companhia de Seguros de Assistência, S.A. is bought by the CGD Group;
- 2002** – Start of operation of the Legal Protection line of business and a change in the company name to CARES – Companhia de Seguros, S.A.;
- 2010** - CARES - Companhia de Seguros, S.A. obtains the ISO 9001:2008 Quality Certification;
- 2014** – The Chinese Group FOSUN acquires 80% of the share capital of CARES – Companhia de Seguros, S.A.;
- 2015** – Change of the name and image of CARES – Companhia de Seguros, S.A. to Fidelidade Assistência – Companhia de Seguros, S.A., acting under the Fidelidade Assistance brand;
- 2015** - Fidelidade Assistência – Companhia de Seguros, S.A., obtains certification as a Family-Responsible Company in line with Standard FRC 1000-2, following an audit by APCER (the Portuguese Certification Association);
- 2016** - Fidelidade Assistência – Companhia de Seguros, S.A. launches a mobile application for Clients, which enables them to request any type of assistance, and to follow up on the development of each process.
- 2017** - Fidelidade Assistência – Companhia de Seguros, S.A. was audited for transition of its Quality Certification in line with ISO 9001:2015.



## 2.4. Positioning

Fidelidade Assistance operates in the Portuguese insurance market, and in Portuguese-speaking countries, essentially as a reinsurer in the Assistance and Legal Protection lines of business, with most of its revenues originating in Portugal (98.6% of earned premiums).

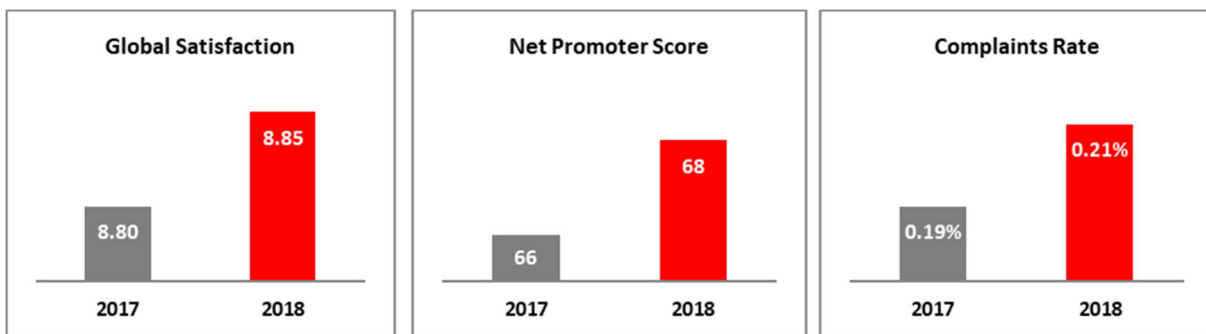
	Million Euros	
	Assistance	Legal Protection
Reinsurance Accepted	44.8	5.2
Direct Insurance	0.2	-

During 2018, within the area of Assistance, the Company provided a daily average of 1,700 acts of assistance and received over 962,000 telephone contacts, with an efficacy rate of 95%. In the area of Legal Protection, it initiated 4,147 new claims and answered over 10,000 telephone contacts, with an efficacy rate of 99.9%

The Company's strategy for medium and long-term development continues to be based on three key pillars:

- Digitalisation of the Company. Following the launch of the application for Clients and Insured Persons which enables assistance requests to be made and followed up, a providers' app will be launched;
- The internationalisation process, with special focus on Southern Africa;
- The launch of new products with wider-ranging and more disruptive coverages compared to the existing offer.

Alongside all the development activities, Fidelidade Assistance, an ISO 9001:2015 certified company, places emphasis on its service to its Insured Persons. In 2018 it achieved a Global Satisfaction level of 8.85 (on a scale of 1 to 10), and a Net Promoter Score of 68, and reduced its complaints rate.



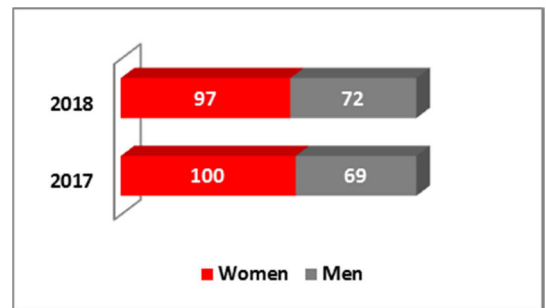
## 2.5. Human Resources

Fidelidade Assistance pays constant attention to human resources, a differentiating factor between organisations. The focus is on enhancing the value and motivation of staff, using appropriate means to achieve these aims.

On one hand, our employees' work-life balance is a constant concern, in a continuous service company. This concern led the company to seek EFR Certification (as a Family-Responsible Company).

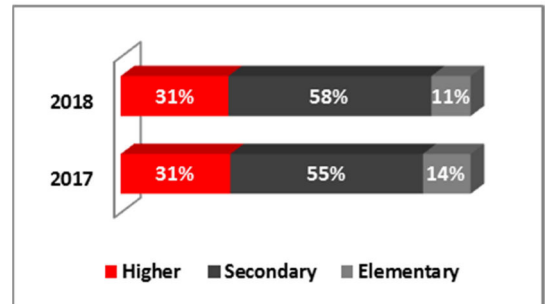
We believe that by guaranteeing harmony, we can build a more motivated and more productive team, with a positive impact on the society of which we are a part, while improving the quality of life of the employees and their families.

Despite the increase in business (625,356 claims initiated in 2018), the number of employees remained stable at 169 (146 FTE), owing to the productivity gains achieved, based on our continued commitment to training and due to new working tools. The key indicators of quality of service provided to Clients also improved.

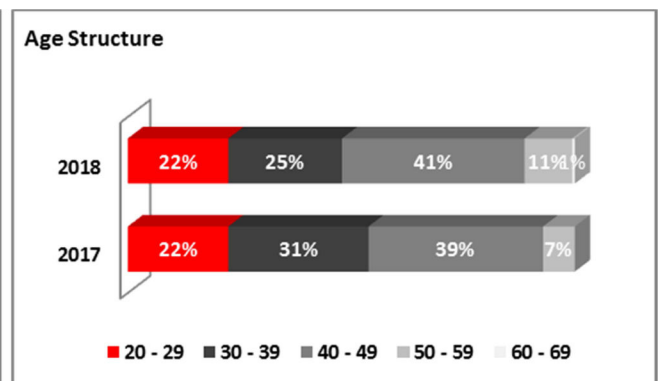
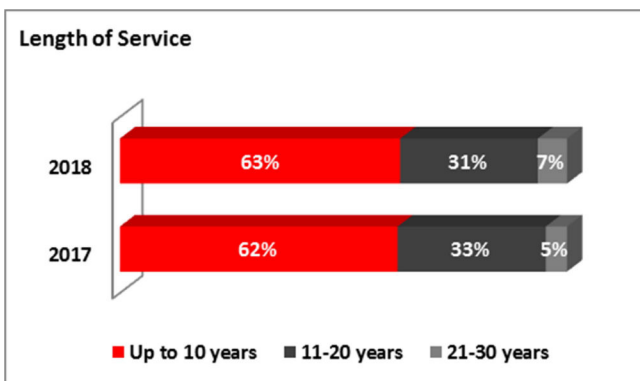


In terms of educational background, the number of employees with only elementary education has fallen to 11%.

The average age of the staff is 38.3, and it is of note that 47% of employees are under 40 years of age. At the end of the year, the age group with the highest percentage (41%) was between 40 and 49 years of age.



The average length of service increased to 9.7 years (compared to 9.3 in 2017).



### **3. Strategic Vision**

Fidelidade Assistência – Companhia de Seguros, S.A. continually assumes the role of innovator in its field of operation based on the development pillars and three major objectives which act as guiding principles for all its actions: creation of value for the shareholders; improvement of the product range and service quality to clients, enhancement and motivation of employees.

The macro-objectives established for 2018 were:

- I. Growth in the revenues of over 6%;
- II. Obtaining a technical margin greater than 25%;
- III. Obtaining an expense ratio lower than 14.5%;
- IV. Obtaining a combined ratio lower than 90%;
- V. Guaranteeing a Net Promoter Score greater than 65;
- VI. Reducing the complaints rate by 5%.



## 4. Financial Analysis

The following are highlights from an analysis of the Financial Statements.

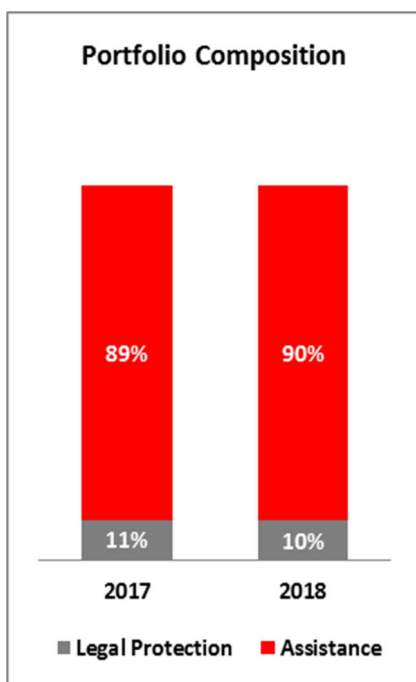
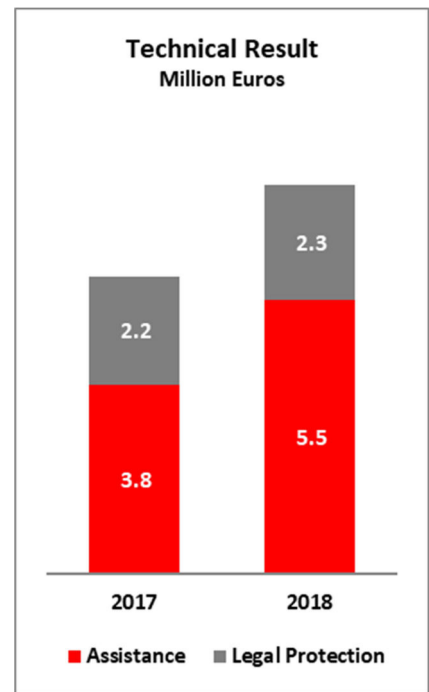
### 4.1. Technical Result

In 2018 the technical result was EUR 7.9 million, which represents growth of 30.9% compared to the previous year. This strong growth is the result of the increase in earned premiums (+6.2%), and the excellent performance of the financial activity, which produced an annual yield of 5.5%

Considering the technical result by line of business, when compared to the previous year, the Assistance Line of Business increased its profitability by 45.6%, recording a profit of EUR 5.5 million. The Legal Protection line of business had a profit of EUR 2.3 million, which is an increase of 5.6% compared to the previous year.

Earned premiums (mostly related to reinsurance accepted) reached EUR 50.2 million, a rise of 6.2%. The Assistance line of business represented EUR 45.0 million, growing 6.4% and the Legal Protection line of business EUR 5.2 million, growing 4.5%.

Gains from the financial activity were EUR 2.2 million, contributing significantly to the technical result achieved.



Claims costs (prior to allocation of costs by type) suffered an increase of 3.5%, reaching EUR 34.2 million, which represents a claims rate of 68.2%. Meanwhile, profit sharing in the ceding companies decreased compared to the previous year (-13.3%), settling at EUR 3.3 million. The resulting technical margin was 25.2%.

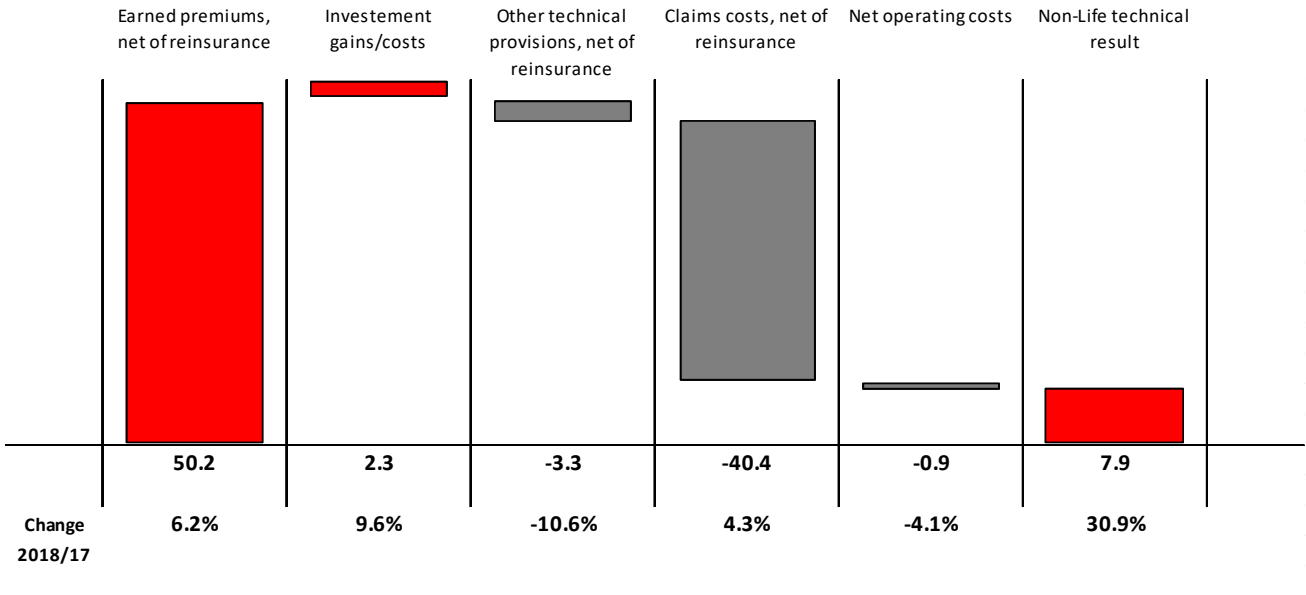




The technical result of EUR 7.9 million breaks down as follows:

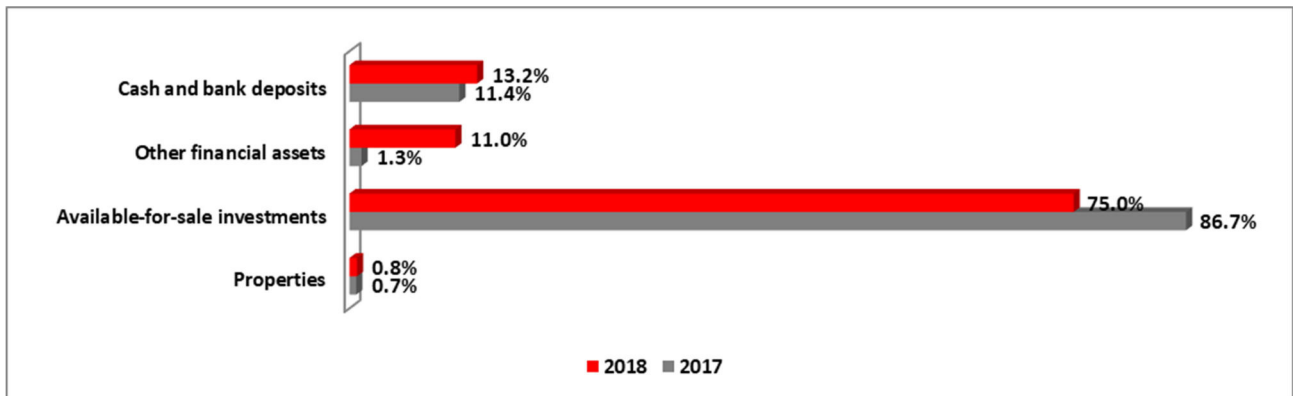
**Breakdown of Non-Life Technical Result**

(Million Euros)



**4.2. Income Structure and Yield**

Fidelidade Assistance’s investment portfolio, including Cash and Bank Deposits, was EUR 50.8 million, down 21.0% on the prior year, and was mostly composed of shares and debt securities classified as Available-for-sale investments.



In 2018, the average yield from the portfolio representing technical liabilities for reinsurance accepted and direct insurance was 5.5%.



## Net Income and Shareholders' Equity

In 2018, the Company recorded an increase in net income from operations, which was EUR 6.2 million, a rise of 7.8% compared to the EUR 5.7 million obtained in the prior year. This growth has two main causes: growth in earned premiums and the very positive result of the financial activity.

Shareholders' Equity is EUR 39.8 million, an increase of 13.7% compared to the previous year, basically as a result of improvement in the operating profit, and of the increase in other reserves by appropriation of the profits of the previous year.

## 4.3. Technical Liabilities and Solvency

Technical liabilities for reinsurance accepted and direct insurance is EUR 12.2 million, corresponding to a decrease of EUR 1.7 million compared to the previous year. This decrease is directly linked to the revision of claims processes that led to the adjustment.

In 2018 Fidelidade Assistance recorded EUR 43.3 million of assets representing technical liabilities for reinsurance accepted and direct insurance, giving a coverage level of 355.1%.

<b>Net Technical Liabilities for Reinsurance</b>		(Million Euros)	
	<b>2018</b>	<b>2017</b>	
Provision for Unearned Premiums	0.2	0.1	
Claims Provision			
From Other Lines of Business	12.0	13.8	
Provision for Unexpired Risks	-	-	
Technical Liabilities – Reinsurance Accepted and Direct Insurance	12.2	13.9	
Investments for representation	43.3	60.1	
<b>Coverage Rate</b>	<b>355.1%</b>	<b>433.7%</b>	

The above table clearly demonstrates that coverage of Fidelidade Assistance's technical liabilities is complete and solid.

The Company continues to comfortably meet the solvency capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.



## 5. Proposal for the Appropriation of Income

The Net Income for 2018 was EUR 6,183,481.79. In accordance with requirements of the Code of Commercial Companies, the Board of Directors proposes the following application:

- |                                                           |                |
|-----------------------------------------------------------|----------------|
| • Legal Reserve                                           | € 619,000.00   |
| • Remaining amount at the disposal of the General Meeting | € 5,564,481.79 |

## 6. Prospects for Growth

Fidelidade's ambition for the coming years is to be the leader in all lines of business and the insurer in the Portuguese market with the highest technical yields, in addition to becoming a benchmark international player, recognised for its operational skills and multi-channel management.

Based on this ambition, the strategic guidelines of the Fidelidade Group were defined, and are set out in the Compass Programme, and the four areas of intervention listed below are maintained. Fidelidade Assistance is aligned with these same strategic guidelines:

- a) Consolidation of leadership in the domestic insurance market:
  - (1) Maintaining profitability in the Assistance Line of Business, (2) Assuming market leadership in the Legal Protection Line of Business, (3) Launching innovative products.
- b) Transformation of the organisation:
  - (1) Focus on the Digital Programme, (2) Organisation adjusted to the business needs, (3) Enhancement of key competences.
- c) International expansion:
  - (1) Focus on expanding the business in Africa.
- d) Optimisation of asset management and increasing Solvency levels:
  - (1) Achieving adequate profitability and prudent asset management, (2) Increasing the Solvency level.



Following on from the guidelines referred to above, Fidelidade Assistance has identified the following Operational Objectives, the pursuit of which will involve all the company's resources:

- I. Growth of revenues  $\geq 5.0\%$ ;
- II. Technical Margin  $\geq 21.5\%$ ;
- III. Expense Ratio  $\leq 14\%$ ;
- IV. Combined Ratio  $\leq 92.5\%$ ;
- V. Net Promoter Score  $\geq 66$ ;
- VI. Reduction in complaints rate  $\geq 2.5\%$ .

## **7. Final Remarks**

In concluding this Report, the Board of Directors would like to express its thanks to all those who have contributed to the company's development and the results achieved, and in particular:

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special supervision of the sector and timely intervention;
- The Portuguese Insurers Association, for its efforts in representing insurers in common fields of interest;
- The members of the Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for the interest, availability and commitment they have displayed in accompanying and checking the Company's activity;
- The Shareholders for the support given throughout the year;
- The Clients for the preference afforded to Fidelidade Assistance and for the constant stimulus to improve service quality;
- The Suppliers for the constant support received;
- The members of staff who, with their professionalism and dedication, have contributed to enhancing and developing the Company's value.

Lisbon, 25 February 2019



**The Board of Directors**

Chairman          Francisco Xavier da Conceição Cordeiro \_\_\_\_\_

Members          José Manuel Alvarez Quintero \_\_\_\_\_

Luís Filipe Mateus Alves \_\_\_\_\_

João Eduardo de Noronha Gamito de Faria \_\_\_\_\_

Luís Jaime Marques \_\_\_\_\_



## Annex to the Report of the Board of Directors

**I. Relationship of the shareholders who held at least 1/10 of the Share Capital at 31/12/2018  
(Article 448(4) of the Code of Commercial Companies):**

- Longrun Portugal, SGPS, S.A. 1,200,000 Shares
- Caixa Geral de Depósitos, S.A. 300,000 Shares

**II. Shares held by members of the management and supervisory bodies at 31/12/2018  
(Article 447(5) of the Code of Commercial Companies):**

- None

**III. Other duties to report**

There is nothing to report regarding the duties of information set out in Article 66(5) b), d), e) and g) of the Code of Commercial Companies.



# 02

## Financial Statements



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.  
STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

Tax Number: 503411515

(Amounts in Euros)

Notes	Balance Sheet	31-12-2018			31-12-2017
		Gross amount	Impairment, depreciation/ amortisation or adjustments	Net amount	
	<b>ASSETS</b>				
5 and 7	Cash and cash equivalents	6.730.021	-	6.730.021	7.328.499
5 and 6	Investments in subsidiaries, associates and joint ventures	531.586	(83)	531.503	520.167
	Financial assets held for trading	-	-	-	-
5	Financial assets initially recognised at fair value through profit or loss	23.601	-	23.601	288.035
	Hedge derivatives	-	-	-	-
5	Available-for-sale investments	38.141.374	-	38.141.374	55.796.565
	Loans and accounts receivable	5.024.658	-	5.024.658	-
5	Deposits with ceding companies	-	-	-	-
5	Other deposits	-	-	-	-
	Loans made	5.024.658	-	5.024.658	-
	Accounts receivable	-	-	-	-
	Others	-	-	-	-
5	Held-to-maturity investments	-	-	-	-
	Properties	398.800	-	398.800	455.700
	Properties for own use	-	-	-	-
8	Investment properties	398.800	-	398.800	455.700
9	Other tangible assets	610.005	(602.931)	7.074	23.909
	Inventories	-	-	-	-
	Goodwill	-	-	-	-
11	Other intangible assets	457.298	(423.235)	34.063	94.780
	Technical provisions on reinsurance ceded	-	-	-	-
	Provision for unearned premiums	-	-	-	-
	Mathematical provision for life insurance	-	-	-	-
	Claims provision	-	-	-	-
	Profit-sharing provision	-	-	-	-
	Provision for portfolio stabilisation	-	-	-	-
	Other technical provisions	-	-	-	-
	Assets for post-employment and other long-term benefits	-	-	-	-
	Other debtors for insurance and other operations	3.435.811	-	3.435.811	1.968.167
5	Accounts receivable for direct insurance operations	23.230	-	23.230	19.889
5	Accounts receivable for other reinsurance operations	3.345.039	-	3.345.039	1.873.334
5	Accounts receivable for other operations	67.542	-	67.542	74.944
	Tax assets	403.893	-	403.893	770.001
21	Recoverable tax assets	-	-	-	3.373
21	Deferred tax assets	403.893	-	403.893	766.628
26	Accruals and deferrals	283.521	-	283.521	273.882
	<b>TOTAL ASSETS</b>	<b>56.040.568</b>	<b>(1.026.249)</b>	<b>55.014.319</b>	<b>67.519.705</b>

The Notes are an integral part of these balance sheets.

Certified Accountant

Board of Directors





### FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

#### STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

Tax Number: 503411515

(Amounts in Euros)

Notes	Balance Sheet	31-12-2018	31-12-2017
	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	<b>LIABILITIES</b>		
	Technical Provisions	208.485	97.826
4	Provision for unearned premiums	208.485	97.826
	Mathematical provision for life insurance	-	-
	Claims provision	11.985.226	13.770.514
	Life	-	-
	Workers' compensation	-	-
4	Other	11.985.226	13.770.514
4	Profit-sharing provision	-	-
	Provision for interest rate commitments	-	-
	Provision for portfolio stabilisation	-	-
	Equalisation provision	-	-
4	Provision for unexpired risks	-	-
	Other technical provisions	-	-
	Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	-
	Other financial liabilities	-	-
	Hedge derivatives	-	-
	Subordinate liabilities	-	-
	Deposits received from reinsurers	-	-
	Others	-	-
20	Liabilities for post-employment and other long-term benefits	225.544	285.709
	Other creditors for insurance and other operations	976.863	16.392.946
5	Accounts payable for direct insurance operations	-	11
5	Accounts payable for other reinsurance operations	-	15.054.856
5	Accounts payable for other operations	976.863	1.338.079
	Tax liabilities	538.630	790.009
21	Tax payable liabilities	132.605	115.062
21	Deferred tax liabilities	406.025	674.947
26	Accruals and deferrals	1.063.142	941.634
12	Other provisions	169.072	202.950
	<b>TOTAL LIABILITIES</b>	<b>15.166.962</b>	<b>32.481.588</b>
	<b>SHAREHOLDERS' EQUITY</b>		
22	Paid-in Capital	7.500.000	7.500.000
	(Treasury shares)	-	-
	Other equity instruments	-	-
23	Revaluation reserves	805.008	2.642.234
23	Adjustments in fair value of financial assets	806.664	2.642.234
	Revaluation of properties for own use	-	-
	Revaluation of intangible assets	-	-
	Revaluation of other tangible assets	-	-
	Exchange differences	(1.656)	-
23	Deferred tax reserve	(210.786)	(673.770)
23	Other reserves	25.300.028	19.614.057
23	Retained earnings	269.625	217.439
23	Net income for the year	6.183.482	5.738.157
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>39.847.357</b>	<b>35.038.117</b>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>55.014.319</b>	<b>67.519.705</b>

The Notes are an integral part of these balance sheets.

Certified Accountant

Board of Directors



Tax Number: 503411515

(Amounts in Euros)

Notes	Income Statement	2018			2017
		Technical Non-Life	Non-Technical	Total	Total
	Written premiums net of reinsurance	50.207.374	-	50.207.374	47.263.041
13	Gross premiums written	50.318.214	-	50.318.214	27.981.060
	Reinsurance ceded premiums	-	-	-	-
13	Provision for unearned premiums (change)	(110.840)	-	(110.840)	19.281.981
	Provision for unearned premiums, reinsurers' share (change)	-	-	-	-
	Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-
	Claims costs, net of reinsurance	(40.406.150)	-	(40.406.150)	(38.744.736)
	Amounts paid	(42.209.145)	-	(42.209.145)	(39.035.676)
4	Gross amount	(42.209.145)	-	(42.209.145)	(39.035.676)
	Reinsurers' share	-	-	-	-
	Claims provision (change)	1.802.995	-	1.802.995	290.940
4	Gross amount	1.802.995	-	1.802.995	290.940
	Reinsurers' share	-	-	-	-
	Other technical provisions, net of reinsurance	-	-	-	116.332
	Mathematical provision for life insurance, net of reinsurance	-	-	-	-
	Gross amount	-	-	-	-
	Reinsurers' share	-	-	-	-
4	Profit sharing, net of reinsurance	(3.299.077)	-	(3.299.077)	(3.806.200)
	Operating costs and expenses, net	(851.882)	-	(851.882)	(916.858)
18	Acquisition expenses	(193.113)	-	(193.113)	(176.140)
18	Deferred acquisition expenses (change)	182	-	182	(56.206)
18	Administrative costs	(658.951)	-	(658.951)	(684.512)
	Commissions and reinsurance profit sharing	-	-	-	-
	Income	825.787	62.466	888.253	1.824.128
14	From interest on financial assets not recognised at fair value through profit or loss	825.787	62.466	888.253	1.001.997
	From interest on financial liabilities not recognised at fair value through profit or loss	-	-	-	-
14	Others	-	-	-	822.131
	Financial expenses	(28.025)	-	(28.025)	(29.255)
	From interest on financial assets not recognised at fair value through profit or loss	-	-	-	-
	From interest on financial liabilities not recognised at fair value through profit or loss	-	-	-	-
18	Others	(28.025)	-	(28.025)	(29.255)
	Net income on financial assets and liabilities not recognised at fair value through profit or loss	1.494.106	-	1.494.106	1.303.820
15	Available-for-sale investments	1.494.106	-	1.494.106	1.303.820
	Loans and accounts receivable	-	-	-	-
	Held-to-maturity investments	-	-	-	-
	Financial liabilities recognised at amortised cost	-	-	-	-
	Others	-	-	-	-
	Net income on financial assets and liabilities recognised at fair value through profit or loss	12.284	(129)	12.155	30.209
	Net income on financial assets and liabilities held for trading	-	-	-	-
16	Net income on financial assets and liabilities initially recognised at fair value through profit or loss	12.284	(129)	12.155	30.209
17	Exchange differences	(33.822)	-	(33.822)	(6.927)
8 e 16	Net income on the sale of financial assets which have not been recognised as non-current assets held for sale and discontinued operations	(56.900)	-	(56.900)	-
5 e 16	Impairment losses (net of reversals)	-	-	-	(204.995)
	Available-for-sale investments	-	-	-	(204.995)
	Loans and accounts receivable recognised at amortised cost	-	-	-	-
	Held-to-maturity investments	-	-	-	-
	Others	-	-	-	-
	Other technical income/expenses, net of reinsurance	-	-	-	-
	Other provisions (change)	-	-	-	-
	Other income/expenses	-	237.557	237.557	488.864
	Negative goodwill recognised in profit and loss	-	-	-	-
	Gains and losses of associates and joint ventures (equity method)	-	-	-	-
	Gains and losses of non-current assets (or groups for disposal) recognised as held for sale	-	-	-	-
	<b>NET INCOME BEFORE TAX</b>	7.863.695	299.894	8.163.589	7.317.423
21	Income tax for the year - Current taxes	-	(1.423.310)	(1.423.310)	(1.614.309)
21	Income tax for the year - Deferred taxes	-	(556.797)	(556.797)	35.043
	<b>NET INCOME FOR THE YEAR</b>	7.863.695	(1.680.213)	6.183.482	5.738.157

The Notes are an integral part of this Income Statement.

Certified Accountant

Board of Directors



**FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.**  
STATEMENT OF CHANGES IN EQUITY FOR THE 2018 AND 2017 FINANCIAL YEARS

Notes	Statement of Changes in Equity	Paid-in capital	Revaluation reserves				Deferred tax reserve	Other reserves		Retained earnings	Net income for the Year	TOTAL
			Adjustments in fair value of investments in subsidiaries, associates and joint ventures	Adjustments in fair value of available-for-sale investments	Exchange differences	Legal reserve		Other reserves				
	<b>Balances at 31 December 2016</b>	7.500,000	-	1.462,545	14,204	(396,880)	5,334,124	12,356,360	215,936	1,925,076	28,411,365	
23	Net gains through adjustment of fair value for available-for-sale investments	-	-	1,179,689	-	-	-	-	-	-	1,179,689	
	Net gains through exchange differences	-	-	(14,204)	-	-	-	-	-	-	(14,204)	
23	Adjustments from recognition of deferred taxes	-	-	-	(276,890)	-	-	-	-	-	(276,890)	
23	Increase in reserves from application of income	-	-	-	-	-	192,357	1,731,216	1,503	(1,925,076)	-	
	Net income for the year	-	-	-	-	-	-	-	-	5,738,157	5,738,157	
	<b>Balances at 31 December 2017</b>	7.500,000	-	2,642,234	-	(673,770)	5,526,481	14,087,576	217,439	5,738,157	35,038,117	
23	Net gains through adjustment of fair value for available-for-sale investments	-	-	(1,835,570)	-	-	-	-	-	-	(1,835,570)	
	Net gains through exchange differences	-	-	(1,656)	-	-	-	-	-	-	(1,656)	
23	Adjustments from recognition of deferred taxes	-	-	-	462,984	-	-	-	-	-	462,984	
23	Increase in reserves from application of income	-	-	-	-	-	574,000	5,111,971	52,186	(5,738,157)	-	
	<b>Total changes in equity</b>	-	-	(1,835,570)	(1,656)	462,984	574,000	5,111,971	52,186	(5,738,157)	(1,374,242)	
	Net income for the year	-	-	-	-	-	-	-	-	6,183,482	6,183,482	
	<b>Balances at 31 December 2018</b>	7.500,000	-	806,664	(1,656)	(210,786)	6,100,481	19,199,547	269,625	6,183,482	39,847,357	

The Notes are an integral part of these Statements.

Certified Accountant

Board of Directors

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

Tax Number: 503 411 515

(Amounts in Euros)

	2018	2017
<b>NET INCOME FOR THE YEAR</b>	<b>6,183,482</b>	<b>5,738,157</b>
Change in potential gains on available-for-sale investments:		
Gross amount	( 1,835,570 )	1,179,689
Deferred tax	462,984	( 276,890 )
Exchange differences	( 1,656 )	( 14,204 )
<b>INCOME DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>( 1,374,242 )</b>	<b>888,595</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR</b>	<b>4,809,240</b>	<b>6,626,752</b>

The Notes are an integral part of these Statements.

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Certified Accountant

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Board of Directors



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

	2018	2017
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES:</b>		
Operating cash flows prior to changes in assets and liabilities:		
Premiums received, net of reinsurance	50,318,214	27,981,060
Claims paid, net of reinsurance	(36,036,474)	(33,471,419)
Commissions on insurance, investment and service contracts, net	(733)	(742)
Profit-sharing payments, net of reinsurance	(3,299,077)	(3,806,200)
Payments to employees and suppliers	(6,922,301)	(6,515,263)
Others	233,603	485,144
	<u>4,293,232</u>	<u>(15,327,420)</u>
(Increases) / decreases in operating assets:		
Debtors - direct insurance and reinsurance operations	(1,457,339)	1,173,997
Debtors - other operations	7,402	93,279
	<u>(1,449,937)</u>	<u>1,267,276</u>
Increases / (decreases) in operating liabilities:		
Creditors - direct insurance and reinsurance operations	(15,054,867)	15,054,867
Creditors - other operations	(361,216)	(3,966,881)
Other liabilities	(1,402,394)	(296,521)
	<u>(16,818,477)</u>	<u>10,791,465</u>
Net cash from operating activities before tax	<u>(13,975,182)</u>	<u>(3,268,679)</u>
Payments of income tax	<u>-</u>	<u>-</u>
<b>Net cash from operating activities</b>	<b><u>(13,975,182)</u></b>	<b><u>(3,268,679)</u></b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES:</b>		
Receipts from the sale or redemption of:		
Financial assets recognised at fair value through profit or loss	12,155	30,209
Available-for-sale investments	25,138,756	19,851,540
Loans and accounts receivable	37,808	-
Tangible and intangible assets	-	-
Income from financial assets	1,509,664	3,288,421
Other receipts	(33,822)	815,204
	<u>26,664,560</u>	<u>23,985,374</u>
Payment for the acquisition or initiation of:		
Financial assets recognised at fair value through profit or loss	-	-
Available-for-sale investments	(8,246,127)	(24,130,081)
Loans and accounts receivable	(5,000,000)	-
Tangible and intangible assets	(2,911)	(115,601)
Others	(38,818)	(29,067)
	<u>(13,287,856)</u>	<u>(24,274,749)</u>
<b>Net cash from investing activities</b>	<b><u>13,376,704</u></b>	<b><u>(289,375)</u></b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES:</b>		
Distribution of dividends	-	-
<b>Net cash from financing activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
Increase (decrease) net of cash and equivalents		
Cash and equivalents at the start of the year	7,328,499	10,886,553
Cash and equivalents at the end of the year	6,730,021	7,328,499
	<u>(598,478)</u>	<u>(3,558,054)</u>

The Notes are an integral part of these Statements.

Certified Accountant

Board of Directors



# 03

## Notes to the Financial Statements



1. INCORPORATION AND ACTIVITY

Fidelidade Assistência – Companhia de Seguros, S.A. (“Company” or “Fidelidade Assistência”) was set up on 16 March 1995 with the corporate name “Companhia de Seguros Tagus – Seguros de Assistência, S.A.”, which was changed to “CARES – Companhia de Seguros de Assistência, S.A.” on 31 March 1998. On 23 April 2002, the corporate name was changed to CARES – Companhia de Seguros, S.A., and on 11 May 2015 this was changed to the current name.

The Company, with legal person no. 503 411 515, registered with the Office of Commercial Records under the same number, has its registered office at Avenida José Malhoa no. 13, 7th floor.

The Company’s corporate purpose is the exercise of insurance activities in the Assistance and Legal Protection lines of business, for which it has obtained the due authorisations from the Insurance and Pension Funds Supervisory Authority (ASF).

In 2014, the process of privatisation of the share capital of Fidelidade Assistance took place, pursuant to Decree Law No. 80/2013 of 12 June, under which Longrun Portugal, SGPS, S.A. acquired from Caixa Seguros e Saúde, SGPS, S.A., in the meantime incorporated by merger into Caixa Geral de Depósitos, S.A., 1,200,000 shares representing 80% of the share capital and voting rights of Fidelidade Assistance, as a result of the direct sale operation to an investor who became the reference shareholder of Fidelidade Assistance, and the company became part of the Fosun Group.

The Company’s financial statements at 31 December 2018 were approved by the Board of Directors on 25 February 2019 and are pending approval of the General Meeting. However, the Company’s Board of Directors expects them to be approved without any significant changes.



### 2. INFORMATION BY SEGMENTS

In 2018 and 2017, 98.4% and 95.7% of the gross premiums written are from contracts entered into in Portugal.

In 2018 and 2017, the distribution of results by line of business is as follows:

2018			
Headings	Non-Life Lines of Business		
	Miscellaneous		Total
	Legal Protection	Assistance	
Gross premiums written	5,188,333	45,129,881	50,318,214
Earned premiums from reinsurance ceded	-	-	-
Gross premiums earned	5,187,095	45,020,279	50,207,374
Investment income	134,488	2,078,942	2,213,430
Gross claims costs	(637,230)	(39,768,920)	(40,406,150)
Gross operating costs	(85,170)	(766,712)	(851,882)
Profit sharing	(2,273,191)	(1,025,886)	(3,299,077)
Change in provision for unexpired risks	-	-	-
Technical results	2,325,992	5,537,703	7,863,695
Allocated assets	43,304,025		
Technical provisions	3,678,514	8,515,197	12,193,711

2017			
Headings	Non-Life Lines of Business		
	Miscellaneous		Total
	Legal Protection	Assistance	
Gross premiums written	2,600,897	25,380,163	27,981,060
Earned premiums from reinsurance ceded	-	-	-
Gross premiums earned	4,965,362	42,297,679	47,263,041
Investment income	250,274	1,844,186	2,094,460
Gross claims costs	(493,954)	(38,250,782)	(38,744,736)
Gross operating costs	(84,882)	(831,976)	(916,858)
Profit sharing	(2,435,189)	(1,371,011)	(3,806,200)
Change in provision for unexpired risks	-	116,332	116,332
Technical results	2,201,611	3,804,428	6,006,039
Allocated assets	60,145,801		
Technical provisions	4,692,599	9,175,741	13,868,340





3. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting principles established in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016 – R, of 15 September, of the Insurance and Pension Funds Supervisory Authority (“ASF”), and the remaining regulatory standards issued by ASF.

The standards set out in the PCES correspond in general terms to the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into the Portuguese legal order by Decree-Law No. 35/2005, of 17 February, except with regard to the application of IFRS 4 – “Insurance Contracts”, in respect of which only the classification principles relating to insurance type contracts were adopted.

3.1. ACCOUNTING POLICIES

The key accounting policies used in preparing the financial statements are:

a) Accrual basis accounting

Revenues and expenses are recognised in the accounts in accordance with the period in which the transactions underlying them occur, regardless of when collection or payment occurs.

Given that premiums are recognised as revenues when the related policies are issued or renewed and claims are recognised when they are reported by the insured persons, it is necessary to perform accruals of the revenues and expenses. These accruals basically affect the following headings:

i. Provision for unearned premiums

The provision for unearned premiums corresponds to the value of the gross premiums written on insurance contracts which relate to subsequent years, i.e. the part corresponding to the period between the balance sheet date and the end of the period to which the premium refers.

This provision is calculated by applying the *pro rata temporis* method to the gross premiums written of direct insurance and reinsurance accepted.

Expenditures incurred with the acquisition of an insurance contract and other expenses allocated to the acquisition function are deferred over the course of the period to which they relate, and are recognised as a deduction from the amount of the technical provisions on insurance contracts in provisions for unearned premiums.

ii. Provision for unexpired risks

This provision is calculated for all non-life insurance and is intended to respond to situations where premiums to be allocated to subsequent years for contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses of the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with ASF definitions.



### iii. Claims provision

This provision reflects the estimate of the Company's claims liabilities for claims which are pending at the balance sheet date, and the global liabilities regarding claims incurred but not reported (IBNR) up to the date of the financial statements. This provision also includes an estimate of the costs to be incurred with the future settlement of claims.

The provision for reported claims is calculated by estimating the claims one by one, considering a margin of error, and subtracting from the resulting figure for liabilities the amount of any costs already paid regarding those claims.

The provision for claims incurred but not reported (IBNR) is established based on statistical information relating to the Company's activity.

Following Circular No. 28/2004, of 17 November, from the ASF, the Company recognises a provision for claims settlement expenses, calculated on the basis of the ratio between the general expenses incurred by the Company and the number of processes managed, applied to the number of claims which are pending at the end of the financial year, plus the estimate for IBNR claims.

The claims provisions recognised by the Company are not discounted.

### iv. Profit-sharing provision

Most of the reinsurance contracts entered into with the ceding companies provide for a share in the Company's technical results.

Generally, the profit-sharing provision corresponds to a percentage of the Company's technical result (premiums earned less claims costs and management costs), if positive. Negative technical results are transported to the following year, to the Company's credit.

### b) Investments in subsidiaries

Subsidiaries are recognised at their acquisition cost, less any impairment losses.

### c) Other tangible assets

Other tangible assets are recognised at acquisition cost, less their accumulated depreciation.

Depreciation is calculated systematically throughout the estimated useful life of the asset, which corresponds to the period during which it is expected that the asset will be available for use, which is:

	Years of useful life
Administrative equipment	1 – 8
IT equipment	3
Interior installations	10
Transport material	4
Other equipment	8



## d) Financial instruments

### Financial assets

Financial assets are recognised at the contract date (trade date) at fair value. In the case of financial assets recognised at fair value through profit or loss, the costs directly attributable to the transaction are recognised in the “Direct investment expenditure” heading and in “Commissions on securities and investments operations”. In other situations, these costs are added to the value of the asset. Regarding their initial recognition, these assets are classified in one of the following categories defined in IAS 39:

#### i. Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, essentially corresponding to securities acquired with the objective of making a profit as a result of short-term fluctuations in market prices. This category also includes derivative financial instruments, except those which meet hedge accounting requirements;
- Financial assets whose initial recognition is irrevocably classified at fair value through profit or loss (“Fair Value Option”). This designation is limited to situations where its adoption leads to the production of more relevant financial information, namely:
  - If its application eliminates or significantly reduces an accounting mismatch which would otherwise occur as a result of inconsistent measuring of related assets and liabilities or recognition of related profits and losses;
  - Groups of financial assets, financial liabilities or both which are managed and the performance of which is assessed based on fair value, in line with formally documented risk management and investment strategies and information is reported to internal management bodies.

It is also possible to classify within this category financial instruments which contain one or more embedded derivative, unless:

- The embedded derivatives do not significantly modify the cash flows which would otherwise be produced by the contract;
- It is evident, with little or no analysis, that the embedded derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value, and the profits and losses generated by their subsequent changes in value are recognised as income for the year, in “Net income on financial assets and liabilities recognised at fair value through profit or loss”.



ii. Available-for-sale investments

This category includes the following financial instruments here designated on initial recognition:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments;
- Bonds and other debt instruments classified on initial recognition as available-for-sale;
- Units held in investment funds.

Available-for-sale investments are measured at fair value, except for equity instruments not quoted in an active market the fair value of which cannot be reliably measured, which continue to be recognised at cost. Revaluation gains or losses are recognised directly in shareholders' equity, in "Revaluation reserve for adjustments in the fair value of financial assets". At the time of sale or if impairment is determined, the cumulative changes in fair value are transferred to the income or expenses for the year, and are recognised in "Net gains on financial assets and liabilities not recognised at fair value through profit or loss" or "Impairment losses (net of reversal)", respectively.

Interest on the debt instruments classified in this category is determined on the basis of the effective rate method, and is recognised in "Income", in the profit and loss statement.

Dividends on equity instruments classified in this category are recognised in "Income", when the Company's right to receive them is established.

iii. Loans and accounts receivable

These are financial assets with fixed or determinable payments which are not quoted in an active market. This category includes deposits with ceding companies, loans made, deposits with credit institutions and also amounts receivable for the provision of services or disposal of assets, recognised in "Other debtors – insurance and other operations".

These assets are initially recognised at fair value, less any commissions included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost, less impairment losses. Interest is recognised based on the effective rate method.

iv. Held-to-maturity investments

Securities with fixed or determinable payments and with a defined maturity date which the Company intends to, and can, hold until maturity are classified within this category.

These financial assets are recognised at amortised cost less impairment losses. In line with this method, the value of the financial instrument at each balance sheet date corresponds to its initial cost, less capital repayments made and impairment losses, and adjusted for amortisation, based on the effective rate method, on any difference between the initial cost and the repayment value.



Interest is recognised on the basis of the effective interest rate method, which enables the amortised cost to be calculated and the interest to be split over the period of the operations. The effective interest rate is the rate that is used to discount the estimated future cash flows associated with the financial instrument, to reflect the value of the financial instrument at the date it is initially recognised.

#### Fair value

As stated above, financial assets in the categories of “Financial assets at fair value through profit or loss” and “Available-for-sale investments” are recognised at fair value.

A financial instrument’s fair value corresponds to the price that would be received for an asset if it was sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets is determined by a Company body which is separate from the business function, based on:

- The closing price at the balance sheet date, for instruments traded in active markets;
- Regarding debt instruments not traded in active markets (including unquoted securities or securities of limited liquidity), valuation methods and techniques are used, which include:
  - Bid prices published by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;
  - Bid prices obtained from financial institutions which operate as market-makers;
  - Internal valuation models, which take into account the market data which would be used to define a price for the financial instrument, reflecting the market interest rates and volatility, and the liquidity and credit risk associated with the instrument.
- Other unquoted equity instruments the fair value of which cannot be reliably measured (for example, due to an absence of recent transactions) continue to be recognised at cost, less any impairment losses.

#### e) Reclassification of financial assets between categories

The Company may reclassify non-derivative financial assets with fixed or determinable payments and with a defined maturity date from available-for-sale investments to held-to-maturity financial assets, provided it intends to, and can, hold those financial assets until maturity.

Reclassifications between these categories are at the fair value of the reclassified financial assets at the date of their reclassification. The difference between the fair value and the respective nominal value as well as the fair value reserve at the date of the reclassification are recognised gradually in the profit and loss statement, based on the effective rate method.



f) Impairment of financial assets

The Company periodically performs impairment analyses of its financial assets, including assets recognised at amortised cost and available-for-sale investments.

In line with IAS 39, the following events are deemed to constitute indicators of impairment:

- Significant financial difficulties of the issuer or the debtor;
- Breach of contract clauses, such as late payment of capital or interest;
- Restructuring of operations as a result of financial difficulties of the debtor or of the issuer of the debt;
- Probability that the debtor will go bankrupt or encounter financial difficulties;
- Disappearance of an active market for that financial asset as a result of financial difficulties of the issuer.

Financial assets at amortised cost

Evidence of impairment is identified on an individual basis regarding financial assets where the amount of exposure is significant, and on a collective basis regarding homogeneous assets the outstanding balances of which are not individually significant.

Whenever evidence of impairment is identified in assets analysed individually, the potential impairment loss corresponds to the difference between the present value of the expected future cash flows (recoverable value), discounted at the asset's original effective interest rate, and the value recorded on the balance sheet at the time of analysis.

Assets which are not the object of specific analysis are included in a collective analysis of impairment, and for this purpose are classified in homogeneous groups with similar risk characteristics. Future cash flows are estimated based on historical information regarding defaults and recoveries in assets with similar characteristics.

In addition, assets which are individually assessed and for which no objective evidence of impairment has been found are also collectively assessed for impairment, in the terms set out in the previous paragraph.

Impairment losses calculated collectively incorporate the time effect of estimated discounted cash flows receivable on each operation, at the balance sheet date.

The amount of impairment calculated is recognised in costs, in "Impairment Losses (net of reversal)", and is reflected on the balance sheet as a deduction from the value of the asset to which it relates.



## Available-for-sale investments

Available-for-sale investments are recognised at fair value, and changes in the fair value are reflected in shareholders' equity, in "Revaluation reserves".

Whenever there is objective evidence of impairment, the accumulated capital losses which have been recognised in reserves are transferred to costs for the year in the form of impairment losses, and are recognised in "Impairment losses (net of reversal)".

Besides the evidence of impairment, the following specific evidence is also considered with regard to equity instruments:

- i. Significant changes adversely affecting the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment may not be fully recovered;
- ii. A prolonged or significant fall in market value below cost.

On each of the financial statements' reference dates the Company analyses the existence of impairment losses on available-for-sale investments, considering for the purpose the nature and specific and individual characteristics of the assets being assessed.

Besides the results of this analysis, the events presented below are considered signs of objective evidence of impairment in equity instruments:

- Existence of potential capital losses greater than 50% of the respective acquisition cost;
- Situations where the financial instrument's fair value remains below the respective acquisition cost for a period greater than 12 months.

Another indication of potential impairment is the existence of potential capital losses greater than 30%.

Recognition of impairment according to this criterion is optional.

Impairment losses on equity instruments cannot be reversed, and therefore any potential capital gains occurring after the recognition of impairment losses are reflected in "Fair value reserves". If additional capital losses are subsequently determined, impairment is always considered to exist, and these are therefore recognised in the income statement.

The Company also periodically performs impairment analyses of financial assets recognised at cost, namely unquoted equity instruments the fair value of which cannot be reliably measured. In this case, the recoverable value corresponds to the best estimate of the future flows receivable from the asset, discounted at a rate which adequately reflects the risk associated with holding the asset.

The amount of the impairment loss is recognised directly in the income statement. Impairment losses on these assets also cannot be reversed.



g) Investment properties

These are properties held by the Company to earn income through rental and/or capital appreciation.

Investment properties are not amortised, and are recognised at fair value, determined based on valuations made every two years. Changes in the fair value are reflected in the income statement, in “Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations”.

h) Intangible assets

This heading includes the costs of acquisition, development or preparation for use of the software used in the development of the Company’s activities.

Intangible assets are recognised at acquisition cost, less depreciation and accumulated impairment losses. Amortisation is recognised systematically throughout the estimated useful life of the assets, which normally corresponds to a period of 3 years.

Software maintenance expenses are accounted for as a cost for the year in which they are incurred.

i) Holiday, holiday subsidy

In line with the legislation in force, employees are entitled to one month of annual leave and one month of holiday subsidy. These rights are acquired in the year prior to that in which they are paid. Accordingly, liabilities with holidays and holiday subsidies and the respective social contributions are recognised in costs for the year to which they relate, regardless of the year in which they are paid.

Costs with holidays and holiday subsidies were recognised in “Employee costs” against “Accruals and deferrals” in liabilities.

j) Seniority bonus

Pursuant to the Collective Employment Agreement in force for the Insurance Sector, an employee who completes one or more multiples of five years’ service in the Company is entitled to a monetary award equivalent to 50% of his salary for the month in which this situation arises, subject to several conditions.

Estimated future costs to be incurred with the seniority bonus relating to the time elapsed up until the balance sheet date are recognised in “Accruals and deferrals” in liabilities.

k) Income tax

In 2018 and 2017, the total income tax recognised in the income statement includes current and deferred taxes. Current tax is calculated on the basis of the taxable profit for the year, which is different from accounting income because of adjustments to taxable income resulting from costs or gains which are not considered for fiscal purposes, or which will only be considered in other accounting periods, in addition to value adjustments for the purposes of calculating taxable gains.





Deferred tax represents tax recoverable / payable in future periods resulting from temporary deductible or taxable differences between the book value of assets and liabilities and their tax basis, used to determine taxable income.

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised up to the amount for which it is probable that there will be future taxable income which will allow the use of the corresponding deductible tax differences or tax losses. On the date of each balance sheet the temporary differences underlying the deferred tax assets are reassessed, in order to recognise those not yet registered due to their not having fulfilled the conditions for their registration and/or to reduce the amount of deferred tax assets recognised according to the current expectations as to their future recovery. In addition, deferred taxes are not recognised when they relate to temporary differences arising in the initial recognition of assets and liabilities in transactions which do not affect the accounting results or taxable income. Situations leading to temporary differences at the Company level correspond to adjustments which are not deductible for tax purposes and to revaluation of securities and properties (Note 21).

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the rates approved, or substantially approved, at the balance sheet date. The impact of deferred taxes, including the change in the tax rate used to calculate them, is reflected in the income statement, except in cases where the transactions giving rise to them have been recognised in other shareholders' equity headings (for example, in the case of revaluations of securities). In these situations, the corresponding tax is also recognised as a charge to shareholders' equity, and does not affect the income statement for the year.

l) Employee benefits

In 2012 a defined contribution plan "IRP" (Individual retirement plan) was set up, as per Clauses 48 and 49 of the new Collective Employment Agreement for the insurance sector.

In 2014 an extraordinary contribution was made to the "IRP", in line with Clause 58-A of the agreement signed by APS, STAS and SISEP on 21/11/2016.

In 2016 and 2015 the liability for two pre-retirement agreements made in December 2016 and 2015 was recognised on the balance sheet. The total amounts of the liabilities were determined on an annual basis, by specialised actuaries using the Project Unit Credit Method and appropriate actuarial assumptions (Note 20).

The discount rate used in the actuarial update of the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with similar periods to maturity to the average periods for settlement of liabilities. Actuarial gains and losses are recognised in the income statement for the year in which they arise.



m) Short-term benefits

Short-term benefits, including performance-related productivity bonuses paid to employees, are recognised in “Employee Costs” in the period to which they relate, on an accrual basis (Note 3.1 a).

n) Critical accounting estimates and most relevant judgements in the application of the accounting policies

When applying the accounting principles described above, the Company’s Board of Directors is required to make estimates. The estimates with the greatest impact on the financial statements include those presented below.

Determination of impairment losses on available-for-sale investments

Impairment losses on financial assets are determined in line with the methodology defined in Note 3.1. d). Accordingly, the determination of impairment on available-for-sale investments considers the conclusions of the specific evaluation conducted by the Group to which the Company belongs on the basis of knowledge regarding the situation of the issuers of the financial instruments in question.

The Company considers that impairment determined on the basis of this methodology adequately reflects the risk associated with its portfolio of available-for-sale investments, taking into account the rules defined by IAS 39 (Note 5 and 16).

Valuation of financial instruments not traded in active markets

In line with IAS 39, the Company recognises all financial instruments at fair value, except for those recognised at amortised cost. Valuation models and techniques such as those described in Note 3.1. d) are used to value financial instruments not traded in liquid markets. The valuations obtained correspond to the best estimate of the fair value of these instruments at the balance sheet date (Note 5).

Determination of liabilities on insurance contracts

The Company’s liabilities for insurance contracts are determined based on methodologies and assumptions described in Note 3.1. a) above. These liabilities reflect a quantified estimate of the impact of future events on the Company’s accounts, calculated based on actuarial assumptions, claims history and other methods accepted in the sector.

Owing to the nature of the insurance activity, determining the claims provisions and other liabilities on insurance contracts is highly subjective and the actual amounts payable in the future may differ significantly from the estimates.

The Company considers, however, that the liabilities on insurance contracts recognised in the financial statements adequately reflect the best estimate at the balance sheet date of the amounts to be disbursed.



Determination of income tax

The Company determines income tax (both current and deferred) based on the rules defined by the tax framework in force in Portugal. However, in some situations the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recognised result from the best understanding of the Company's Board of Directors regarding the correct presentation of its operations, which may, however, be questioned by the Tax Authorities.

3.2. ADOPTION OF STANDARDS (NEW OR REVISED) ISSUED BY THE "INTERNATIONAL ACCOUNTING STANDARDS BOARD" (IASB) AND INTERPRETATIONS ISSUED BY THE "INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE" (IFRIC), AS ENDORSED BY THE EUROPEAN UNION

3.2.1. Adopted Standards (New or Revised)

During 2018 the Company adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2018. The relevant changes for the Company were as follows:

Standard/Interpretation	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 15 – Revenue from Contracts with Customers	2016/1905	01-01-2018
IFRS 15 – Revenue from Contracts with Customers (Amendment)	2016/1905	01-01-2018
IFRS 9 – Financial Instruments	2016/2067	01-01-2018
IFRS 4 – Insurance Contracts (Applying IFRS 9 Financial Instruments with IFRS 4)	2017/1988	01-01-2018
IAS 28 - Investments in Associates and Joint Ventures (Annual Improvements to IFRS Standards 2014-2016 Cycle)	2018/182	01-01-2018
IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendment)	2018/289	01-01-2018
IAS 40 - Transfers of Investment Property (Amendment)	2018/400	01-01-2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	2018/519	01-01-2018



3.2.2. Standards, Interpretations, Amendments and Revisions that will come into force in Future Accounting Periods

The following standards, interpretations, amendments and revisions, with mandatory application in future accounting periods, had been endorsed by the European Union up to the date these financial statements were approved:

Standard/Interpretation	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 16 – Leases	2017/1986	01-01-2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendment)	2018/498	01-01-2019
IFRIC 23 - Uncertainty over Income Tax Treatments	2018/1595	01-01-2019

These standards were endorsed by the European Union, but the Company did not apply them in the accounting period ended as at 31 December 2018.

IFRS 16 – Leases changes and redefines the principles for recognising, measuring, presenting and disclosing leases and requires lessees to present accounts in line with a model similar to financial lease accounting in accordance with IAS 17. This standard is of mandatory application for reporting periods beginning on or after 1 January 2019.

The standard sets out two exemptions for recognising leases – leases of “low value” assets (for example, laptops) and short-term leases (i.e. leases with a lease term of 12 months or less).

On the commencement date of the lease, the lessee recognises a liability for the obligation to make payments to the lessor and an asset representing the right to use the underlying asset for the lease term. Lessees are required to recognise separately interest on the lease liability and depreciation of the right-to-use asset.

The Company plans to apply the simplified approach in the transition, not re-expressing comparative information. The Company will opt to apply the standard to contracts previously identified as leases in line with IAS 17 and IFRIC 4. The Company will not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.



The Company will opt to use the exemptions applicable to the standard on lease contracts where the lease term ends within 12 months of the date of initial application (except for real estate leases), and on lease contracts where the underlying asset is of low value. The Company has leases of some office equipment (for example, laptops) that are considered low value. The Company has also decided to separate the leases from the non-lease (service) components and to consider only the lease component when applying this standard.

During 2018, the Company performed a detailed assessment of the impact of IFRS 16.

Regarding current commitments with operating leases, the Company estimates that the following amounts will be recognised for rights to use and lease liabilities as at 1 January 2019:

<b>Asset</b>		<b>Liability</b>	
Right to use	934,790	Payment obligation	934,790
	<u>934,790</u>		<u>934,790</u>

In order to ensure consistency in the insurance sector between the application of IFRS 9 – Financial instruments and the new Insurance Contracts standard (IFRS 17), the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allows insurance companies to defer the application of IFRS 9 to periods after 1 January 2021, thereby aligning the effective date of IFRS 9 and IFRS 17.

Fidelidade Assistência's liabilities related with the insurance activity account for over 80 per cent of all its liabilities, and the Company does not engage in any other significant activity not related with insurance. The Company's activity is therefore deemed to be predominantly connected with insurance as defined in the terms of the amendment to IFRS 4. In this context and taking into consideration the information received from ASF, Fidelidade Assistência meets the requirements imposed by the said amendment and has chosen to defer the application of IFRS 9 to periods after 1 January 2021.



### 3.2.3. Standards, Interpretations, Amendments and Revisions Not Yet Endorsed by the European Union

The following standards, interpretations, amendments and revisions, of mandatory application in future accounting periods, had not been endorsed by the European Union up to the date these financial statements were approved:

Standard/Interpretation	Applicable to accounting periods beginning on or after
IFRS 17 - Insurance Contracts	01-01-2021
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment)	01-01-2019
IFRS 3 - Business Combinations. Previously held interests in joint operation (Annual improvements to IFRS Standards 2015-2017 Cycle)	01-01-2019
IFRS 11 - Joint Arrangements. Previously held interests in joint operation (Annual improvements to IFRS Standards 2015-2017 Cycle)	01-01-2019
IAS 12 - Income Tax Consequences on Dividends of Equity Instruments. (Annual improvements to IFRS Standards 2015-2017 Cycle)	01-01-2019
IAS 23 - Borrowing costs eligible for capitalisation (Annual improvements to IFRS Standards 2015-2017 Cycle)	01-01-2019
IAS 19 - Plan amendment, curtailment or settlement (Amendment)	01-01-2019
IFRS 3 - Business Combinations (Amendment)	01-01-2020
IAS 1 – Definition of Material (Amendment)	01-01-2020
IAS 8 - Definition of Material (Amendment)	01-01-2020

## 4. NATURE AND EXTENT OF THE HEADINGS AND RISKS ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

At 31 December 2018 and 2017, the provision for unearned premiums and claims provision headings were composed as follows:

	31-12-2018						Total
	Assistance			Legal Protection			
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total	
Provision for unearned premiums:							
• Unearned premiums	3,491	203,971	207,462	-	1,842	1,842	209,304
• Deferred acquisition costs (Note 3.1 a) i)	(35)	(777)	(812)	-	(7)	(7)	(819)
	3,456	203,194	206,650	-	1,835	1,835	208,485
Claims provision:							
• Provision for reported claims	24,410	6,946,308	6,970,718	-	2,523,514	2,523,514	9,494,232
• Provision for IBNR	-	26,189	26,189	-	167,665	167,665	193,854
• Provision for claims settlement expenses	8,180	1,303,460	1,311,640	-	985,500	985,500	2,297,140
	32,590	8,275,957	8,308,547	-	3,676,679	3,676,679	11,985,226
	36,046	8,479,151	8,515,197	-	3,678,514	3,678,514	12,193,711



	31-12-2017						
	Assistance			Legal Protection			Total
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total	
Provision for unearned premiums:							
• Unearned premiums	3,441	94,419	97,860	-	604	604	98,464
• Deferred acquisition costs (Note 3.1 a) i))	(44)	(590)	(634)	-	(4)	(4)	(638)
	<u>3,397</u>	<u>93,829</u>	<u>97,226</u>	<u>-</u>	<u>600</u>	<u>600</u>	<u>97,826</u>
Claims provision:							
• Provision for reported claims	29,199	7,682,969	7,712,168	-	3,117,101	3,117,101	10,829,269
• Provision for IBNR	-	21,787	21,787	-	577,398	577,398	599,185
• Provision for claims settlement expenses	14,380	1,330,180	1,344,560	-	997,500	997,500	2,342,060
	<u>43,579</u>	<u>9,034,936</u>	<u>9,078,515</u>	<u>-</u>	<u>4,691,999</u>	<u>4,691,999</u>	<u>13,770,514</u>
	<u>46,976</u>	<u>9,128,765</u>	<u>9,175,741</u>	<u>-</u>	<u>4,692,599</u>	<u>4,692,599</u>	<u>13,868,340</u>

At 31 December 2018 and 2017, the claims provision was composed as follows:

Technical Lines of Business	31-12-2018			31-12-2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
<b>Assistance</b>						
Reported claims						
2018	23,121	5,679,965	5,703,086			
2017	1,289	1,085,187	1,086,476	22,332	6,524,729	6,547,061
2016	-	139,237	139,237	6,768	969,066	975,834
2015	-	40,116	40,116	99	187,335	187,434
2014	-	1,803	1,803	-	729	729
2012	-	-	-	-	10	10
2007	-	-	-	-	1,100	1,100
	<u>24,410</u>	<u>6,946,308</u>	<u>6,970,718</u>	<u>29,199</u>	<u>7,682,969</u>	<u>7,712,168</u>
Provision for IBNR						
2018	-	26,025	26,025			
2017	-	82	82	-	21,637	21,637
2016	-	82	82	-	150	150
	<u>-</u>	<u>26,189</u>	<u>26,189</u>	<u>-</u>	<u>21,787</u>	<u>21,787</u>
Provision for claims settlement expenses						
2018	7,500	1,164,180	1,171,680			
2017	680	121,860	122,540	11,560	1,189,980	1,201,540
2016	-	3,140	3,140	2,740	119,120	121,860
2015	-	1,540	1,540	80	7,200	7,280
2014	-	1,140	1,140	-	1,740	1,740
2013	-	980	980	-	1,060	1,060
2012	-	1,040	1,040	-	980	980
2011	-	540	540	-	860	860
2010	-	1,120	1,120	-	1,020	1,020
2009	-	1,180	1,180	-	1,500	1,500
2008	-	6,740	6,740	-	1,420	1,420
2007	-	-	-	-	5,300	5,300
	<u>8,180</u>	<u>1,303,460</u>	<u>1,311,640</u>	<u>14,380</u>	<u>1,330,180</u>	<u>1,344,560</u>
<b>Total Assistance</b>	<u>32,590</u>	<u>8,275,957</u>	<u>8,308,547</u>	<u>43,579</u>	<u>9,034,936</u>	<u>9,078,515</u>



Technical Lines of Business	31-12-2018			31-12-2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
<b>Legal Protection</b>						
Reported claims						
2018	-	946,181	946,181	-		
2017	-	657,229	657,229	-	1,158,695	1,158,695
2016	-	423,326	423,326	-	998,950	998,950
2015	-	218,546	218,546	-	419,985	419,985
2014	-	91,335	91,335	-	192,121	192,121
2013	-	74,854	74,854	-	116,868	116,868
2012	-	44,528	44,528	-	82,399	82,399
2011	-	22,571	22,571	-	54,588	54,588
2010	-	9,913	9,913	-	24,620	24,620
2009	-	8,817	8,817	-	15,390	15,390
2008	-	26,214	26,214	-	28,933	28,933
2007	-	-	-	-	24,552	24,552
	-	2,523,514	2,523,514	-	3,117,101	3,117,101
Provision for IBNR						
2018	-	79,800	79,800	-		
2017	-	9,800	9,800	-	443,644	443,644
2016	-	2,400	2,400	-	45,661	45,661
2015	-	600	600	-	13,552	13,552
2014	-	-	-	-	4,697	4,697
2008	-	75,065	75,065	-	69,844	69,844
	-	167,665	167,665	-	577,398	577,398
Provision for claims settlement expenses						
2018	-	608,700	608,700	-		
2017	-	174,300	174,300	-	633,600	633,600
2016	-	88,500	88,500	-	186,300	186,300
2015	-	47,400	47,400	-	77,400	77,400
2014	-	22,200	22,200	-	34,200	34,200
2013	-	16,800	16,800	-	22,800	22,800
2012	-	11,100	11,100	-	16,200	16,200
2011	-	6,900	6,900	-	11,100	11,100
2010	-	2,700	2,700	-	5,100	5,100
2009	-	1,800	1,800	-	2,700	2,700
2008	-	5,100	5,100	-	4,200	4,200
2007	-	-	-	-	3,900	3,900
	-	985,500	985,500	-	997,500	997,500
Total Legal Protection	-	3,676,679	3,676,679	-	4,691,999	4,691,999
Total	32,590	11,952,636	11,985,226	43,579	13,726,935	13,770,514





Claims provisions saw the following movement during 2018 and 2017:

SECTORS/LINES OF BUSINESS	Claims provision at 31/12/2017 (1)	Claims costs paid in the year (*) (2)	Claims provision at 31/12/2018 (*) (3)	Readjustments (3)+(2)-(-1)
NON-LIFE				
LEGAL PROTECTION	4,691,999	1,130,601	2,041,998	(1,519,400)
ASSISTANCE	9,078,515	5,991,248	1,407,756	(1,679,511)
<b>OVERALL TOTAL</b>	<b>13,770,514</b>	<b>7,121,849</b>	<b>3,449,754</b>	<b>(3,198,911)</b>

(\*) relating to claims occurred in the year N-1 and previous years.

SECTORS/LINES OF BUSINESS	Claims provision at 31/12/2016 (1)	Claims costs paid in the year (*) (2)	Claims provision at 31/12/2017 (*) (3)	Readjustments (3)+(2)-(-1)
NON-LIFE				
LEGAL PROTECTION	5,661,811	988,765	2,456,060	(2,216,986)
ASSISTANCE	8,492,449	5,235,081	1,308,277	(1,949,091)
<b>TOTAL</b>	<b>14,154,260</b>	<b>6,223,846</b>	<b>3,764,337</b>	<b>(4,166,077)</b>

(\*) relating to claims occurred in the year N-1 and previous years.

In 2018 and 2017, claims costs were composed as follows:

### 2018

SECTORS/LINES OF BUSINESS	Amounts Paid - Payments (1)	Amounts paid - claims management costs (2)	Change in claims provision (3)	Claims costs (4)=(1)+(2)+(3)
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	110,309	25,044	(10,990)	124,363
<b>TOTAL</b>	<b>110,309</b>	<b>25,044</b>	<b>(10,990)</b>	<b>124,363</b>
REINSURANCE ACCEPTED				
LEGAL PROTECTION	605,849	1,046,720	(1,015,339)	637,230
ASSISTANCE	35,320,316	5,100,907	(776,666)	39,644,557
<b>TOTAL</b>	<b>35,926,165</b>	<b>6,147,627</b>	<b>(1,792,005)</b>	<b>40,281,787</b>
<b>OVERALL TOTAL</b>	<b>36,036,474</b>	<b>6,172,671</b>	<b>(1,802,995)</b>	<b>40,406,150</b>

### 2017

SECTORS/LINES OF BUSINESS	Amounts Paid - Payments (1)	Amounts paid - claims management costs (2)	Change in claims provision (3)	Claims costs (4)=(1)+(2)+(3)
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	114,932	40,410	(52,859)	102,483
<b>TOTAL</b>	<b>114,932</b>	<b>40,410</b>	<b>(52,859)</b>	<b>102,483</b>
REINSURANCE ACCEPTED				
LEGAL PROTECTION	547,149	916,617	(969,812)	493,954
ASSISTANCE	32,809,338	4,607,230	731,731	38,148,299
<b>TOTAL</b>	<b>33,356,487</b>	<b>5,523,847</b>	<b>(238,081)</b>	<b>38,642,253</b>
<b>OVERALL TOTAL</b>	<b>33,471,419</b>	<b>5,564,257</b>	<b>(290,940)</b>	<b>38,744,736</b>



In 2018 and 2017, the breakdown of claims cost in the assistance line of business per year is as follows:

	2018			2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Assistance						
Amounts paid						
Payments						
2018	79,261	30,700,936	30,780,197	-	-	-
2017	21,117	5,085,113	5,106,230	80,856	28,704,627	28,785,483
2016	9,841	292,599	302,440	33,794	4,717,789	4,751,583
2015	90	181,923	182,013	282	330,619	330,901
2014	-	83,906	83,906	-	103,175	103,175
2013	-	70,612	70,612	-	79,387	79,387
2012	-	61,804	61,804	-	62,114	62,114
2011	-	38,986	38,986	-	59,553	59,553
2010	-	50,322	50,322	-	52,930	52,930
2009	-	79,816	79,816	-	115,534	115,534
2008	-	501,759	501,759	-	112,474	112,474
2007	-	-	-	-	462,503	462,503
	<u>110,309</u>	<u>37,147,776</u>	<u>37,258,085</u>	<u>114,932</u>	<u>34,800,705</u>	<u>34,915,637</u>
Claims reimbursements						
2018	-	(389,044)	(389,044)	-	-	-
2017	-	(391,106)	(391,106)	-	(374,468)	(374,468)
2016	-	(85,464)	(85,464)	-	(419,280)	(419,280)
2015	-	(77,600)	(77,600)	-	(154,340)	(154,340)
2014	-	(80,219)	(80,219)	-	(50,330)	(50,330)
2013	-	(67,989)	(67,989)	-	(80,503)	(80,503)
2012	-	(59,698)	(59,698)	-	(68,423)	(68,423)
2011	-	(40,242)	(40,242)	-	(61,094)	(61,094)
2010	-	(47,512)	(47,512)	-	(54,339)	(54,339)
2009	-	(84,580)	(84,580)	-	(116,140)	(116,140)
2008	-	(504,006)	(504,006)	-	(118,232)	(118,232)
2007	-	-	-	-	(494,218)	(494,218)
	<u>-</u>	<u>(1,827,460)</u>	<u>(1,827,460)</u>	<u>-</u>	<u>(1,991,367)</u>	<u>(1,991,367)</u>
Claims management costs						
2018	17,994	4,156,181	4,174,175	-	-	-
2017	4,796	841,070	845,866	28,428	3,897,386	3,925,814
2016	2,234	85,770	88,004	11,883	629,588	641,471
2015	20	5,203	5,223	99	64,541	64,640
2014	-	1,597	1,597	-	3,476	3,476
2013	-	1,250	1,250	-	1,604	1,604
2012	-	1,027	1,027	-	1,251	1,251
2011	-	870	870	-	1,051	1,051
2010	-	926	926	-	1,018	1,018
2009	-	1,307	1,307	-	1,427	1,427
2008	-	5,706	5,706	-	1,427	1,427
2007	-	-	-	-	4,461	4,461
	<u>25,044</u>	<u>5,100,907</u>	<u>5,125,951</u>	<u>40,410</u>	<u>4,607,230</u>	<u>4,647,640</u>
	<u>135,353</u>	<u>40,421,223</u>	<u>40,556,576</u>	<u>155,342</u>	<u>37,416,568</u>	<u>37,571,910</u>



	2018			2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Change in claims provision						
Payments						
2018	23,121	5,705,989	5,729,110	-	-	-
2017	(21,043)	(5,461,098)	(5,482,141)	22,332	6,546,367	6,568,699
2016	(6,769)	(829,896)	(836,665)	(53,107)	(5,146,123)	(5,199,230)
2015	(99)	(147,218)	(147,317)	(1,204)	(769,619)	(770,823)
2014	-	1,074	1,074	-	(101,917)	(101,917)
2013	-	-	-	-	(322)	(322)
2012	-	(10)	(10)	-	10	10
2011	-	-	-	-	(381)	(381)
2008	-	(1,100)	(1,100)	-	-	-
2007	-	-	-	-	(50)	(50)
	(4,790)	(732,259)	(737,049)	(31,979)	527,965	495,986
Claims settlement expenses						
2018	7,500	1,164,180	1,171,680			
2017	(10,880)	(1,068,100)	(1,078,980)	11,560	1,189,980	1,201,540
2016	(2,740)	(115,980)	(118,720)	(31,380)	(972,080)	(1,003,460)
2015	(80)	(5,660)	(5,740)	(1,060)	(103,700)	(104,760)
2014	-	(600)	(600)	-	(1,660)	(1,660)
2013	-	(80)	(80)	-	(480)	(480)
2012	-	60	60	-	(220)	(220)
2011	-	(320)	(320)	-	120	120
2010	-	100	100	-	-	-
2009	-	(320)	(320)	-	(60)	(60)
2008	-	20	20	-	(160)	(160)
2007	-	-	-	-	(780)	(780)
	(6,200)	(26,700)	(32,900)	(20,880)	110,960	90,080
Reimbursable claims						
2018	-	(69,938)	(69,938)	-	-	-
2017	-	41,710	41,710	-	(55,729)	(55,729)
2016	-	3,150	3,150	-	79,395	79,395
2015	-	4,895	4,895	-	21,467	21,467
2014	-	1,458	1,458	-	701	701
2013	-	(1,655)	(1,655)	-	4,224	4,224
2012	-	(1,505)	(1,505)	-	3,471	3,471
2011	-	1,313	1,313	-	1,949	1,949
2010	-	(3,036)	(3,036)	-	(2)	(2)
2009	-	4,778	4,778	-	606	606
2008	-	1,123	1,123	-	5,383	5,383
2007	-	-	-	-	31,341	31,341
	-	(17,707)	(17,707)	-	92,806	92,806
	(10,990)	(776,666)	(787,656)	(52,859)	731,731	678,872
	124,363	39,644,557	39,768,920	102,483	38,148,299	38,250,782



In 2018 and 2017, the breakdown of claims cost in the legal protection line of business per year is as follows:

	2018			2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Legal Protection						
Amounts paid						
Payments						
2018	-	24,522	24,522	-	-	-
2017	-	199,018	199,018	-	34,227	34,227
2016	-	185,957	185,957	-	175,734	175,734
2015	-	89,901	89,901	-	172,693	172,693
2014	-	44,204	44,204	-	78,758	78,758
2013	-	19,462	19,462	-	29,049	29,049
2012	-	12,319	12,319	-	18,542	18,542
2011	-	18,415	18,415	-	12,659	12,659
2010	-	5,809	5,809	-	9,016	9,016
2009	-	2,361	2,361	-	2,339	2,339
2008	-	3,881	3,881	-	11,791	11,791
2007	-	-	-	-	2,340	2,340
	-	605,849	605,849	-	547,148	547,148
Claims management costs						
2018	-	497,446	497,446	-	-	-
2017	-	359,356	359,356	-	440,774	440,774
2016	-	100,517	100,517	-	336,674	336,674
2015	-	42,713	42,713	-	78,323	78,323
2014	-	19,268	19,268	-	30,709	30,709
2013	-	13,810	13,810	-	15,777	15,777
2012	-	4,622	4,622	-	5,443	5,443
2011	-	3,338	3,338	-	4,006	4,006
2010	-	1,627	1,627	-	1,814	1,814
2009	-	856	856	-	906	906
2008	-	3,167	3,167	-	831	831
2007	-	-	-	-	1,361	1,361
	-	1,046,720	1,046,720	-	916,618	916,618
	-	1,652,569	1,652,569	-	1,463,766	1,463,766



	2018			2017		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Change in claims provision						
Payments						
2018	-	1,025,980	1,025,980	-	-	-
2017	-	(935,310)	(935,310)	-	1,602,339	1,602,339
2016	-	(618,885)	(618,885)	-	(1,227,380)	(1,227,380)
2015	-	(214,391)	(214,391)	-	(739,408)	(739,408)
2014	-	(105,482)	(105,482)	-	(294,079)	(294,079)
2013	-	(42,014)	(42,014)	-	(112,144)	(112,144)
2012	-	(37,871)	(37,871)	-	(60,508)	(60,508)
2011	-	(32,018)	(32,018)	-	(48,736)	(48,736)
2010	-	(14,707)	(14,707)	-	(23,375)	(23,375)
2009	-	(6,572)	(6,572)	-	(21,138)	(21,138)
2008	-	(22,049)	(22,049)	-	(21,313)	(21,313)
2007	-	-	-	-	(21,370)	(21,370)
	-	(1,003,319)	(1,003,319)	-	(967,112)	(967,112)
Claims settlement expenses						
2018	-	608,700	608,700	-	-	-
2017	-	(459,320)	(459,320)	-	633,600	633,600
2016	-	(97,800)	(97,800)	-	(491,100)	(491,100)
2015	-	(30,000)	(30,000)	-	(91,200)	(91,200)
2014	-	(12,000)	(12,000)	-	(32,400)	(32,400)
2013	-	(6,000)	(6,000)	-	(9,600)	(9,600)
2012	-	(5,100)	(5,100)	-	(3,300)	(3,300)
2011	-	(4,200)	(4,200)	-	(3,600)	(3,600)
2010	-	(2,400)	(2,400)	-	(1,500)	(1,500)
2009	-	(900)	(900)	-	(900)	(900)
2008	-	(3,000)	(3,000)	-	(1,500)	(1,500)
2007	-	-	-	-	(1,200)	(1,200)
	-	(12,020)	(12,020)	-	(2,700)	(2,700)
Change in claims provision	-	(1,015,339)	(1,015,339)	-	(969,812)	(969,812)
	-	637,230	637,230	-	493,954	493,954

At 31 December 2018 and 2017, the claims costs on direct insurance and reinsurance accepted – amounts paid include EUR 6,172,671 and EUR 5,564,257, respectively, relating to management costs charged to the lines of business exploited by the Company (Note 18).



In 2018 and 2017, the allocation to the profit-sharing provision was EUR 3,299,077 and EUR 3,806,200, respectively, broken down by ceding company as follows:

Ceding Company	Allocation	
	2018	2017
Fidelidade	2,897,320	3,103,282
Fidelidade Angola	116,799	397,720
Via Directa	202,566	209,196
Multicare	7,615	44,017
Garantia	74,746	51,985
Nossa	31	-
	<b>3,299,077</b>	<b>3,806,200</b>

The movement in the profit-sharing provision 2018 and 2017 was as follows:

2018			
Balance at 31-12-2017	Allocation 2018	Distributed income	Balance at 31-12-2018
-	3,299,077	3,299,077	-
2017			
Balance at 31-12-2016	Allocation 2017	Distributed income	Balance at 31-12-2017
-	3,806,200	3,806,200	-

At 31 December 2018 and 2017, most of the reinsurance contracts entered into with the ceding companies provide for a share in the Company's technical results.

Generally, the profit-sharing provision corresponds to a percentage of the Company's technical result (premiums earned less claims costs and management costs), if positive. Negative technical results are carried over to the following year, to the Company's credit.

#### MANAGEMENT OF INSURANCE CONTRACT RISKS

Below is a summary of the risk acceptance and risk management policies in force:

##### Risk underwriting

The Company's activity is essentially reinsurance accepted, and hence the underwriting policy is defined by the ceding insurers.

When a ceding insurer intends to launch a new product which includes the covers of Legal Protection or Assistance to be reinsured by the Company, the listing price of the business is defined based on an assessment of several parameters, including frequency, average cost, number and type of units at risk, sales format and channel and the sales objectives estimated by the insurer.



Regarding the risks guaranteed under reinsurance accepted, the Company performs a quality analysis of the ceding insurer, and an analysis of the assistance covers to be granted when the contract is entered into.

Direct insurance is not actively carried on, and therefore all and any acceptance of risk and the respective conditions will have to be subject to management approval.

Since the lines of business exploited are characterised by a great dispersal of risk, acceptance of risks is based on standard conditions and clauses, supported by long statistical series, established and respected by the commercial area, which does not accept risks which do not fit within the defined conditions.

### Technical management

The technical management of the Assistance and Legal Protection lines of business includes the definition of clauses and prices, definition and control of the underwriting policy, and also control and supervision of the evolution of processed income, risk characteristics, claims and the technical margin, which allows the portfolio's risks to be monitored.

### Risk control management tools

#### Internal risks of the Organisation

In order to control and minimise the Organisation's internal risk, claims management rules and procedures have been published. These are generally available and known, and the process for applying them is duly monitored by the competent areas.

#### Portfolio profile studies

Regular studies are produced on the risk profile of the portfolios, by type of market segment, distribution channels, units at risk and covers. Studies are also conducted on claims rate behaviour.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate, with the aim of correcting any distortions, and also, correlating the main price determination factors and changes in products being commercialised or the creation of new ones.

#### Periodic analyses of portfolio evolution

The portfolio being managed is subject to periodic monitoring of its evolution.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims.

#### Portfolio selection and reorganisation

With the aim of enabling greater control and activity in terms of the underwritten risk, the Company informs the ceding insurers of the policies which have benefited from more than three acts of assistance in the year.

At the time of the contracts' annual renewal, the Company makes adjustments to the premium, in order to adjust the contracts to the existing levels of claims.



### Insurance risk concentrations

Fidelidade Assistência is engaged in the sale of insurance in the Assistance and Legal Protection lines of business. Underwriting of the business is essentially performed by means of reinsurance accepted, through which the risk is assumed and the service provided within the scope of the lines of business sold by other insurers.

The insurers in the Group to which Fidelidade Assistência belongs are the main clients, with 99.33% of the written premiums and 99.79% of the claims costs managed by Fidelidade Assistência.

Although Fidelidade Assistance does not have an active role in the selection of the risk underwritten by the insurers who are its clients, 99.0% of these portfolios are 100% reinsured by Fidelidade Assistance and the remaining 1.0%, which corresponds to the business accepted in Angola, is reinsured at 90%. This therefore dilutes potential problems associated, for example, with anti-selection or excessive concentration in a given type of risk.

Regarding the lines of business exploited, in 2018 the Assistance line of business represented around 89.6% of the premiums underwritten and 98.4% of the claims costs.

### Portfolio behaviour

	2018			2017		
	Gross Premium Earned	Claims and expense ratio	Claims and expense ratio after investments	Gross Premium Earned	Claims and expense ratio	Claims and expense ratio after investments
Assistance	45,020,279	90.04%	85.42%	42,297,679	92.40%	88.04%
Legal Protection	5,187,095	13.93%	11.33%	4,965,362	11.66%	6.62%

### Reinsurance policies

As stated above, the Company's business is conducted within the scope of reinsurance accepted.

The number of claims of a significant individual value is low.

For this reason, the Company does not retrocede risk in reinsurance.

### Provision of qualitative information regarding the adequacy of premiums and of provisions

#### Assistance

In the Assistance line of business, in 2018 the premiums were sufficient to meet the costs associated with both direct insurance and reinsurance accepted, and it was not therefore necessary to set up a provision for unexpired risks. The provision was calculated in line with that set out in 4.2.2 of the Chart of Accounts for Insurance Companies, published in ASF Standard No. 3/2018 – R, of 29 March. The claims costs recognised in the accounts represented 55.2% of the gross premiums earned for direct insurance and 92.1% for reinsurance accepted. Acquisition and administrative costs jointly consumed 1.77% of the gross premiums earned. The Company's combined ratios, considering the investment income, were 55.1% for direct insurance and 89.2% for reinsurance accepted.





In line with 4.2.1 of the Chart of Accounts for Insurance Companies, the provision for unearned premiums (PPNA) must be calculated on a contract-by-contract basis – *pro rata temporis*. However, due to the nature of the information, Fidelidade Assistência applies two calculation methods:

1. Pro-rata;
2. Generic calculation formula.

In 2018, the amount of the Provision for Unearned Premiums with reference to 31 December continues to be much lower than previous periods, as a result of Fidelidade Assistência ceasing to calculate PPNA.

The provision for unearned premiums recognised in the accounts represents 0.5% of the gross premiums written.

### **Legal Protection**

In the Legal Protection line of business, in 2018 in overall terms the premiums were sufficient to meet the costs associated with that line of business. The claims costs recognised in the accounts represented 41.6% of the gross premiums earned, which was lower than the figure for the previous year. Operating costs consumed 1.6% of the gross premiums earned. Considering the investment income, Fidelidade Assistência obtained a combined ratio of 40.6%, and it was not necessary to set up a provision for unexpired risks, in line with that set out in 4.2.2 (3) of the Chart of Accounts for Insurance Companies, published in ASF Standard No. 3/2018 – R, of 29 March.

Regarding the provision for unearned premiums, the pro-rata method is applied in the Legal Protection line of business. The provision for unearned premiums recognised in the accounts represents 0.04% of the gross premiums written.

### **Sensitivity analyses**

With a view to confirming the level of claims costs that would lead to insufficiency of the earned premiums and the impact of a change in claims costs, 2 alternative scenarios were set up, with the following assumptions:

- In both scenarios it was assumed that the other costs (acquisition costs, administrative costs, reinsurance income and investment income) would remain the same as in 2018, totalling EUR 1,312,229 for Assistance and EUR 49,319 for Legal Protection;
- In scenario 1, the impact of a change in claims to 95% of the current earned premium was confirmed – the total gross premiums earned would become around 92.09% for Assistance and 94.1% for Legal Protection;
- Scenario 2 studied what change in claims costs for the year would be necessary for the level of earned premiums allocated to costs to reach 100% - we obtained a claims rate of 102.9% for the Assistance line of business and 100.1% for the Legal Protection line of business.



## Assistance – GPE consumption scenarios at 31-12-2018

	Real	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE
<b>Gross Premium Earned</b>	45,020,279		45,020,279		45,020,279	
<b>Claims costs for the year</b>	41,396,182	91.95%	42,769,265	95.00%	46,332,508	102.91%
<b>Other costs</b>	(1,312,229)	(2.91%)	(1,312,229)	(2.91%)	(1,312,229)	(2.91%)
<b>Total Costs</b>	40,083,953	89.04%	41,457,036	92.09%	45,020,279	100.00%

## Assistance - GPE consumption scenarios at 31-12-2017

	Real	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE
<b>Gross Premium Earned</b>	42,297,679		42,297,679		42,297,679	
<b>Claims costs for the year</b>	40,051,338	94.69%	40,182,795	95.00%	43,309,889	102.39%
<b>Other costs</b>	(1,012,210)	(2.39%)	(1,012,210)	(2.39%)	(1,012,210)	(2.39%)
<b>Total Costs</b>	39,039,128	92.30%	39,170,586	92.61%	42,297,679	100.00%

## Legal Protection - GPE consumption scenarios at 31-12-2018

	Real	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE
<b>Gross Premium Earned</b>	5,187,095		5,187,095		5,187,095	
<b>Claims costs for the year</b>	2,156,648	41.58%	4,927,740	95.00%	5,236,414	100.95%
<b>Other costs</b>	(49,319)	(0.95%)	(49,319)	(0.95%)	(49,319)	(0.95%)
<b>Total Costs</b>	2,107,329	40.63%	4,878,421	94.05%	5,187,095	100.00%

## Legal Protection - GPE consumption scenarios at 31-12-2017

	Real	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE
<b>Gross Premium Earned</b>	4,965,361		4,965,361		4,965,361	
<b>Claims costs for the year</b>	2,710,941	54.60%	4,717,093	95.00%	5,130,755	103.33%
<b>Other costs</b>	(165,393)	(3.33%)	(165,393)	(3.33%)	(165,393)	(3.33%)
<b>Total Costs</b>	2,545,548	51.27%	4,551,700	91.67%	4,965,361	100.00%

## Ratios

The ratio of the provision for unearned premiums to gross premiums written is 0.4% (2017: 0.4%), as the Company is not setting up a provision for reinsurance accepted in Portugal, in line with that agreed.



The ratios calculated by the Company evolved as follows:

	2018	2017
Claims ratios	68.2%	70.2%
Expense ratios	13.9%	13.5%
Combined ratio	88.6%	91.8%
Operating ratio	1.3	1.3

The claims ratio fell around 2 percentage points compared to the previous year due to an increase in net premiums. The combined ratio also fell for the same reason.

## 5. FINANCIAL INSTRUMENTS

The inventory of participations and financial instruments at 31 December 2018 is presented in Annex 1.

### Financial assets at fair value through profit or loss

At 31 December 2017, the Company has one security recognised at fair value through profit or loss since it contains embedded derivatives not related with the risks and characteristics of the host contract, the nominal value of which was EUR 216,957, and the balance sheet value of which was EUR 270,519.

Under this heading, at 31 December 2018 and 2017 there are also 22,504 units (16,604 units in 2017) of the employment compensation fund, the balance sheet value of which is EUR 23,601 Euros (EUR 17,516 in 2017).

### Available-for-sale investments

At 31 December 2018 and 2017, this heading is composed as follows:

	31-12-2018						
	Acquisition cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Fair value reserve (Note 23)	Balance sheet value
<u>Debt instruments</u>							
Public debt							
Foreign issuers	2,984,304	22,301	3,006,606	-	3,006,606	112,039	3,118,645
Domestic issuers	25,660,110	755,068	26,415,177	-	26,415,177	1,259,422	27,674,599
Other issuers							
Foreign issuers	5,322,218	87,752	5,409,970	-	5,409,970	(133,682)	5,276,288
	33,966,632	865,121	34,831,753	-	34,831,753	1,237,779	36,069,532
<u>Other instruments</u>							
Shares							
Foreign	2,055,930	-	2,055,930	-	2,055,930	(572,009)	1,483,921
Domestic	248,683	-	248,683	-	248,683	(8,369)	240,314
Investment units							
Resident	200,000	-	200,000	-	200,000	147,607	347,607
	36,471,245	865,121	37,336,366	-	37,336,366	805,008	38,141,374



	31-12-2017						
	Acquisition cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Fair value reserve (Note 23)	Balance sheet value
<b>Debt instruments</b>							
<b>Public debt</b>							
Foreign issuers	5,080,034	44,359	5,124,393	-	5,124,393	222,314	5,346,707
Domestic issuers	39,414,613	1,145,456	40,560,069	-	40,560,069	2,173,733	42,733,802
<b>Other issuers</b>							
Foreign issuers	8,060,805	92,965	8,153,770	(2,041,212)	6,112,558	126,919	6,239,477
Domestic issuers	500,967	18,873	519,840	-	519,840	588	520,428
	<u>53,056,419</u>	<u>1,301,653</u>	<u>54,358,072</u>	<u>(2,041,212)</u>	<u>52,316,860</u>	<u>2,523,554</u>	<u>54,840,414</u>
<b>Other instruments</b>							
<b>Shares</b>							
Foreign	507,527	-	507,527	(118,739)	388,788	-	388,788
Domestic	248,683	-	248,683	-	248,683	(4,617)	244,066
<b>Investment units</b>							
Resident	200,000	-	200,000	-	200,000	123,297	323,297
	<u>54,012,629</u>	<u>1,301,653</u>	<u>55,314,282</u>	<u>(2,159,951)</u>	<u>53,154,331</u>	<u>2,642,234</u>	<u>55,796,565</u>

During 2017 an impairment loss was recognised in “Debt Instruments” of EUR 86,256 relating to securities of OI BRASIL, while in 2016 a loss of EUR 1,954,956 in those same securities had been recognised.

During 2017 an impairment loss was also recognised in “Other Instruments” of EUR 118,739 relating to securities of SOHU.

### Fair value of financial instruments

At 31 December 2018 and 2017, the method for assessing the fair value of the financial instruments reflected in the Company’s financial statements can be summarised as follows:

	2018				
	Fair value assessment methodology			Not recognised at fair value	Total
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents				6,730,021	6,730,021
Investments in subsidiaries, associates and joint ventures				531,503	531,503
Financial assets initially recognised at fair value through profit or loss		23,601			23,601
Available-for-sale investments	37,793,767		347,607		38,141,374
Loans and accounts receivable				5,024,658	5,024,658
Other debtors				3,435,811	3,435,811
	<u>37,793,767</u>	<u>23,601</u>	<u>347,607</u>	<u>15,721,993</u>	<u>53,886,968</u>



	2017				Total
	Fair value assessment methodology			Not recognised at fair value	
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents				7,328,499	7,328,499
Investments in subsidiaries, associates and joint ventures				520,167	520,167
Financial assets initially recognised at fair value through profit or loss		288,035			288,035
Available-for-sale investments	54,222,858	945,540	628,167		55,796,565
Other debtors				1,968,167	1,968,167
	<u>54,222,858</u>	<u>1,233,575</u>	<u>628,167</u>	<u>9,816,833</u>	<u>65,901,433</u>

The tables above present the classification with the fair value hierarchy, as set out in IFRS 13 – Fair Value, of the financial instruments held by the Company at 31 December 2018 and 2017 that are recognised at fair value, in line with the following assumptions:

Level 1 – Financial instruments valued based on quoted prices in active markets to which the Company has access. Included in this category are securities valued based on executable prices (with immediate liquidity) published by external sources.

Level 2 - Financial instruments valued based on data that is observable, either directly or indirectly, in active markets. Included in this category are securities value don the basis of bids supplied by external counterparties and internal valuation techniques that only use observable market data.

Level 3 – All financial instruments measured at fair value that do not fit within Levels 1 and 2.

The movement in 2018 and 2017 in financial instruments classified as level 3 in the fair value hierarchy can be broken down as follows:

	Available-for-sale investments
Balance at 31 December 2016	<u>730,194</u>
Revaluations	
• as a charge to the income statement	252
• as a charge to shareholders' equity	59,642
Increases / reversal of impairment in the year	0
Disposals	(161,921)
Balance at 31 December 2017	<u>628,167</u>
	Available-for-sale investments
Balance at 31 December 2017	<u>628,167</u>
Revaluations	
• as a charge to the income statement	626
• as a charge to shareholders' equity	43,442
Increases / reversal of impairment in the year	0
Disposals	(324,628)
Balance at 31 December 2018	<u>347,607</u>



### Other debtors

At 31 December 2018 and 2017, this heading was composed as follows:

	31-12-2018	31-12-2017
Debtors – direct insurance operations		
• Invoices pending collection		
○ Policyholder in the group (Note 25)	19,186	19,774
○ Other policyholders	4,044	115
Total debtors – direct insurance operations	<u>23,230</u>	<u>19,889</u>
Debtors – reinsurance operations		
• Reinsureds in the group (Note 25)	3,249,904	1,857,763
• Other reinsureds	95,135	15,571
Total debtors – reinsurance operations	<u>3,345,039</u>	<u>1,873,334</u>
Debtors – other operations		
• Group companies (Note 25)	53,987	46,839
• Others	13,555	28,105
Total debtors – other operations	<u>67,542</u>	<u>74,944</u>

The heading “Debtors – reinsurance operations” corresponds to current accounts in the name of ceding companies, used to pay reinsurance accepted premiums.

The heading “Debtors – other operations” includes a balance with Fidelidade - Serviços de Assistência of EUR 272,444 (EUR 46,442 in 2017), relating to the invoicing of August to December 2018 and December 2017, respectively.

### Other creditors

At 31 December 2018 and 2017, this heading is composed as follows:

	31-12-2018	31-12-2017
Accounts payable – direct insurance operations		
• Commissions payable to agents	-	11
	-	11
Accounts payable – other reinsurance operations		
• Reinsureds in the group (Note 25)	-	15,054,856
Accounts payable – other operations		
• Operations pending settlement	509,835	-
• Group companies (Note 25)	328,800	1,219,480
• Others	138,228	118,599
	<u>976,863</u>	<u>1,338,079</u>
	<u>976,863</u>	<u>16,392,946</u>



## Management policies on financial risks inherent to Fidelidade Assistência's activity

The Company's objectives, rules and procedures on market risk management are governed by the Investments Policy.

This Policy is reviewed annually, or whenever other reviews are necessary in the light of changes in the law, trends in assets markets or changes to the company's investment guidelines and/or risk profile. The Policy defines:

- the main guidelines for managing investments and how the Company assesses, approves, implements, controls and monitors its investment activities and the risks resulting from those activities;
- activities related to the Company's investment process, including Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA), the decision-making process and control and reporting activities;
- the duties and responsibilities of those involved in the investment process.

The Investments Policy aims to ensure alignment between the portfolio objectives and the investment strategy, and to encourage effective and continual monitoring. It is the cornerstone of the Company's investment process.

Establishing an appropriate assets portfolio is, at any time, the result of a well-structured, disciplined and transparent investment process, which includes the following components:

- an investment strategy designed to create value, yet in line with the Company's business profile and risk appetite;
- an investments policy reflecting that strategy, implemented by investment managers with appropriate knowledge and resources;
- continual and independent control of the investment activity;
- appropriate reporting procedures;

These aspects having been established, the Company's investment management cycle is composed of the following key activities:

- **Defining** – Definition and approval of the general investment management cycle, including the global investment strategy, investment policies, asset and liability and liquidity management, and strategic asset allocation (SAA);
- **Investing** – Performance of all investment activities, in line with the strategies and policies defined (identification, assessment and approval of investment opportunities, and placing, settling and allocating investments);
- **Monitoring** – Monitoring the evolution of the assets portfolio in terms of performance, liquidity and credit quality;
- **Managing** – Reviewing the strategies, policies, benchmarks and limits in line with current and future market conditions/expectations and internal risk capacity;
- **Controlling** – Ensuring compliance with all the strategies, policies, procedures and responsibilities assigned.



The following items are also decisive within the scope of the investment activity:

## 1. Definition of the portfolio objective

The main objective of the Company's investments portfolio management is to optimise its return in a sound and prudent manner, ensuring that all stakeholders are protected, protecting in particular the interests of policyholders, insured persons and beneficiaries. Accordingly, the portfolio must be systematically optimised according to the nature of the business subscribed, the Company's risk appetite and its liquidity needs.

## 2. Rules for investment in assets

On one hand, the Company's assets are invested appropriately, considering both the nature and duration of the responsibilities assumed by the Company and the capacity to ensure the security, quality, availability, liquidity and profitability of the portfolio as a whole.

On the other hand, the assets are well diversified to avoid excessive concentration of risk in the portfolio as a whole. Lastly, the assets are invested to guarantee a regular cash return, thereby enabling the Company to adequately manage its liquidity.

## 3. Classes of assets

As a rule, the Company's portfolio is mainly composed of liquid assets (in line with the liquidity criteria set out in the ALM and Liquidity Policy), participation units in investment funds and real estate.

The classes of assets eligible for investment by the Company are:

- Treasury (cash, deposits and equivalent);
- Fixed income (medium and long-term debt instruments);
- Variable income (instruments which provide variable gains);
- Real estate (including properties for own use and for investment);
- Alternative investments.

Derivatives may be used exceptionally and in a simple format (swaps, forwards, futures, etc.) to hedge specific positions or for asset-liability management purposes.

## 4. Exposure limits

In order to enable the Company, in the light of market changes, to pursue its investment objectives without taking excessive risks, a set of targets and maximum and minimum limits has been established, in line with the following criteria:

- Class of asset;
- Credit quality and duration;
- Sector of activity;
- Geographical location;
- Concentration by position;
- Currency.





## 5. Risk management and control process

The Risk Management Division (DGR) is responsible for controlling and monitoring the allocation of assets, in the light of the targets and limits established.

Accordingly, procedures are defined, including those responsible for them, for when there is non-compliance with the targets and/or limits established.

Regarding asset losses control mechanisms, DGR provides information on the evolution of the most important risks related with investments, in particular, their impact on the solvency capital requirements. Based on the time-weighted return (TWR) evolution and solvency capital requirement estimates, DGR provides regular information on the estimated solvency position coverage, and procedures are defined to be adopted when certain warning levels are reached.

A regular process of reporting has been set up for the various levels of the Company involved in investment management, in order to enable adequate supervision and the activation of risk mitigation management mechanisms. Accordingly, the information which should be produced has been defined, including the type of report, its content, its frequency and the body responsible for producing it.

### Credit risk

At 31 December 2018 and 2017, Fidelidade Assistência's maximum exposure to credit risk was as follows:

	31-12-2018			31-12-2017		
	Gross book value	Accumulated impairment	Net book value	Gross book value	Accumulated impairment	Net book value
Sight deposits	6,730,021	-	6,730,021	7,328,499	-	7,328,499
Financial assets initially recognised at fair value through profit or loss	23,601	-	23,601	288,035	-	288,035
Available-for-sale investments	38,141,374	-	38,141,374	57,956,516	(2,159,951)	55,796,565
Loans and accounts receivable	5,024,658	-	5,024,658	-	-	-
Other debtors	3,435,811	-	3,435,811	1,968,167	-	1,968,167
	<u>53,355,465</u>	<u>-</u>	<u>53,355,465</u>	<u>67,541,217</u>	<u>(2,159,951)</u>	<u>65,381,266</u>

On 1 March 2018 a supplementary contributions agreement was signed between the Company and Fidelidade - Serviços de Assistência, S.A. for EUR 5,000,000, with the aim of providing the subsidiary with the necessary resources to acquire 49% of CARES – Assistência e Reparações, S.A. This agreement commenced on 2 March and terminates on 30 June 2028. The repayment will be in 10 successive annual instalments, the first of these on 30 June 2019 and the last on the maturity date. Interest is paid half-yearly at the annual rate of 1.5%, EUR 37,808 having been received on 2 September 2018.



### Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2018 and 2017, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

Class of asset/Ratings	31-12-2018				Total
	Portugal	Rest of European Union	North America	Others	
Deposits in Credit Institutions					
BB- to BB+	6,130,021	-	-	-	6,130,021
BBB- to BBB+	-	600,000	-	-	600,000
	<b>6,130,021</b>	<b>600,000</b>	-	-	<b>6,730,021</b>
<b>Total</b>	<b>6,130,021</b>	<b>600,000</b>	-	-	<b>6,730,021</b>

Class of asset/Ratings	31-12-2017				Total
	Portugal	Rest of European Union	North America	Others	
Deposits in Credit Institutions					
A- to A+	-	91,712	-	-	91,712
BB- to BB+	7,236,787	-	-	-	7,236,787
	<b>7,236,787</b>	<b>91,712</b>	-	-	<b>7,328,499</b>
<b>Total</b>	<b>7,236,787</b>	<b>91,712</b>	-	-	<b>7,328,499</b>

At 31 December 2018 and 2017, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

Class of asset/Ratings	31-12-2018				Total
	Portugal	Rest of European Union	North America	Others	
Financial assets recognised at fair value through profit or loss					
<i>Financial Institutions</i>					
A- to A+	-	-	-	-	-
	-	-	-	-	-
<b>Total financial assets recognised at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Available-for-sale investments (net of impairment)					
<i>Corporate</i>					
AAA	-	-	52,437	-	52,437
A- to A+	-	629,160	1,144,026	-	1,773,186
BBB- to BBB+	-	632,546	596,538	-	1,229,084
BB- to BB+	-	925,890	-	-	925,890
B- to B+	-	855,530	440,161	-	1,295,691
D	-	-	-	-	-
	-	<b>3,043,126</b>	<b>2,233,162</b>	-	<b>5,276,288</b>



Class of asset/Ratings	31-12-2018				
	Portugal	Rest of European Union	North America	Others	Total
<i>Governments and other local authorities</i>					
AA- to AA+	-	945,859	-	-	945,859
A- to A+	-	-	-	-	-
BBB- to BBB+	27,674,598	2,172,787	-	-	29,847,385
BB- to BB+	-	-	-	-	-
	<b>27,674,598</b>	<b>3,118,646</b>	-	-	<b>30,793,244</b>
<i>Financial Institutions</i>					
AAA	-	-	-	-	-
A- to A+	-	-	-	-	-
BBB- to BBB+	-	-	-	-	-
BB- to BB+	-	-	-	-	-
	-	-	-	-	-
Total available-for-sale investments (net of impairment)	<b>27,674,598</b>	<b>6,161,772</b>	<b>2,233,162</b>	-	<b>36,069,532</b>
Class of asset/Ratings	31-12-2017				
	Portugal	Rest of European Union	North America	Others	Total
Financial assets recognised at fair value through profit or loss					
<i>Financial Institutions</i>					
A- to A+	-	270,519	-	-	270,519
	-	<b>270,519</b>	-	-	<b>270,519</b>
Total financial assets recognised at fair value through profit or loss	-	<b>270,519</b>	-	-	<b>270,519</b>
Available-for-sale investments (net of impairment)					
<i>Corporate</i>					
AAA	-	-	54,924	-	54,924
A- to A+	-	659,802	658,206	-	1,318,008
BBB- to BBB+	520,428	520,722	2,016,599	-	3,057,749
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
D	-	945,540	-	-	945,540
	<b>520,428</b>	<b>2,126,064</b>	<b>2,729,729</b>	-	<b>5,376,221</b>
<i>Governments and other local authorities</i>					
AA- to AA+	-	974,079	-	-	974,079
A- to A+	-	270,519	-	-	270,519
BBB- to BBB+	-	4,372,629	-	-	4,372,629
BB- to BB+	42,733,802	-	-	-	42,733,802
	<b>42,733,802</b>	<b>5,617,227</b>	-	-	<b>48,351,029</b>
<i>Financial Institutions</i>					
AAA	-	898,245	-	-	898,245
A- to A+	-	335,346	-	-	335,346
BBB- to BBB+	-	100,082	-	-	100,082
BB- to BB+	-	50,010	-	-	50,010
	-	<b>1,383,683</b>	-	-	<b>1,383,683</b>
Total available-for-sale investments (net of impairment)	<b>43,254,230</b>	<b>9,126,974</b>	<b>2,729,729</b>	-	<b>55,110,933</b>



### Liquidity risk

At 31 December 2018 and 2017, the estimated cash flows (not discounted) of the financial instruments, according to the respective contractual maturity, were as follows:

	31-12-2018									Total
	Up to 1 month	Up to 3 months	From 3 to 6 months	From 6 months to one year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	6,730,021	-	-	-	-	-	-	-	-	6,730,021
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	531,503	531,503
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-	-	-	23,601	23,601
Available-for-sale investments	629,250	340,675	745,263	168,013	21,679,365	3,189,970	10,008,292	-	8,011,198	44,772,025
Loans and accounts receivable	-	-	-	-	-	-	-	5,024,658	-	5,024,658
Other debtors	3,435,811	-	-	-	-	-	-	-	-	3,435,811
	<b>10,795,082</b>	<b>340,675</b>	<b>745,263</b>	<b>168,013</b>	<b>21,679,365</b>	<b>3,189,970</b>	<b>10,008,292</b>	<b>5,024,658</b>	<b>8,566,302</b>	<b>60,517,619</b>

	31-12-2017									Total
	Up to 1 month	Up to 3 months	From 3 to 6 months	From 6 months to one year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	7,328,499	-	-	-	-	-	-	-	-	7,328,499
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss	-	-	216,957	-	-	-	-	-	-	216,957
Available-for-sale investments	427,920	1,310,877	1,203,425	731,675	16,089,971	16,051,063	19,724,190	-	-	55,539,121
Loans and accounts receivable	-	-	-	-	-	-	-	-	-	-
Other debtors	1,968,167	-	-	-	-	-	-	-	-	1,968,167
	<b>9,724,586</b>	<b>1,310,877</b>	<b>1,420,382</b>	<b>731,675</b>	<b>16,089,971</b>	<b>16,051,063</b>	<b>19,724,190</b>	<b>-</b>	<b>520,167</b>	<b>65,572,910</b>

The main assumptions used to calculate the cash-flow estimates were:

- Equity instruments were classified as being of "Indefinite" maturity;
- The contractual maturity was considered to be the earlier of the following dates: call, put or maturity.

### Market risk

At 31 December 2018 and 2017, breakdown of financial instruments by type of exposure to interest rate risk was as follows:

	31-12-2018			Total
	Exposure to		Not subject to interest rate risk	
	Fixed rate	Variable rate		
<b>Assets</b>				
Investments in subsidiaries, associates and joint ventures	-	-	531,503	531,503
Financial assets initially recognised at fair value through profit or loss	-	-	23,601	23,601
Available-for-sale investments	36,069,532	-	2,071,842	38,141,374
Loans and accounts receivable	5,024,658	-	-	5,024,658
	<b>41,094,190</b>	<b>-</b>	<b>2,626,946</b>	<b>43,721,136</b>



	31-12-2017			Total
	Exposure to		Not subject to interest rate risk	
	Fixed rate	Variable rate		
<b>Assets</b>				
Investments in subsidiaries, associates and joint ventures	-	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss	-	270,519	17,516	288,035
Available-for-sale investments	54,385,451	454,963	956,151	55,796,565
Loans and accounts receivable	-	-	-	-
	<u>54,385,451</u>	<u>725,482</u>	<u>1,493,834</u>	<u>56,604,767</u>

At 31 December 2018 and 2017, the sensitivity of the fair value of financial instruments with exposure to interest rate risk to positive and negative changes of 50, 100 and 200 basis points (bp's), respectively, corresponds to:

	2018					
	Change 200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
<b>Assets</b>						
Available-for-sale investments	(2,079,803)	(1,077,609)	(545,593)	559,633	1,133,791	2,300,763
	<u>(2,079,803)</u>	<u>(1,077,609)</u>	<u>(545,593)</u>	<u>559,633</u>	<u>1,133,791</u>	<u>2,300,763</u>
	2017					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
<b>Assets</b>						
Financial assets initially recognised at fair value through profit or loss	(1,949)	(983)	(493)	498	1,000	2,017
Available-for-sale investments	(3,919,115)	(2,017,478)	(1,023,776)	1,055,028	2,142,543	4,420,266
	<u>(3,921,064)</u>	<u>(2,018,460)</u>	<u>(1,024,269)</u>	<u>1,055,526</u>	<u>2,143,542</u>	<u>4,422,283</u>

### Exchange rate risk

At 31 December 2018 and 2017, the financial instruments are mostly in Euros.



6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

At 31 December 2018 and 2017, the balance of this heading refers to:

- i. 5,000 shares representing the entirety of the share capital of Fidelidade - Serviços de Assistência, S.A. (formerly CARES RH), with its registered office at Avenida José Malhoa, no. 13 – 7º, in Lisbon.

At 31 December 2018 and 2017, this participation is valued at its acquisition cost of EUR 429,386.

The most significant financial data taken from the financial statements of Fidelidade - Serviços de Assistência at 31 December 2018 and 2017 are the following:

	2018	2017
Net assets	5,553,162	1,211,895
Liabilities	5,246,886	160,395
Capital and reserves	1,051,500	1,085,669
Net income for the year	- 745,224	- 34,169
Total gains	1,184,668	1,099,832

At 31 December 2018 and 2017, Fidelidade - Serviços de Assistência holds a participation corresponding to 100% (51% in 2017) of the share capital of CARES – Assistência e Reparações, S.A..

Pursuant to the legislation in force, the Company is not required to produce consolidated financial statements since Longrun Portugal, SGPS, S.A., with its registered office in Lisbon, holds 80% of its capital and presents consolidated accounts, which include the financial statements of the Company and of its subsidiary. In 2017, the Company received dividends of EUR 818,824 (Note 14).

- ii. One share in Fidelidade Angola – Companhia de Seguros, S.A. (Republic of Angola) representing 0.43% of its share capital, which Fidelidade Assistência acquired on 7 April 2011 for 12,304,976 Kwanzas, including acquisition expenses, equivalent to EUR 89,112. At 31 December 2018 and 2017, this participation is valued at its acquisition cost.

Fidelidade Angola – Companhia de Seguros, S.A., with its registered office in Luanda, at Rua 1º Congresso MPLA, no. 11, 1º A, Ingombota, Republic of Angola, was set up on 2 June 2009 and has the corporate purpose of exercising the insurance activity in the life and non-life segments in Angola.

In 2017, the Company received dividends of EUR 3,307 (Note 14).

- iii. One share in Fidelidade - Assistência e Serviços, Limitada, representing 20% of its share capital, which Fidelidade Assistência acquired when it was set up on 23 July 2015 for 4,000 Meticais, including acquisition expenses, equivalent to EUR 84. This participation is valued at its acquisition cost less impairment. In 2018 and 2017, due to the impairment recognised in 2016, its value is nil.



Fidelidade - Assistência e Serviços, Limitada, with its registered office in Maputo, at Rua 1393, no. 47, Bairro da Polana, Mozambique, was set up on 23 July 2015 and has the corporate purpose of providing assistance services and claims management support services.

- iv. Ten shares in Fidelidade Macau – Insurance Company Limited, representing 0.01% of its share capital, which Fidelidade Assistência acquired when it was set up on 1 October 2015 for 10,000 Patacas, including acquisition expenses, equivalent to EUR 1,118. At 31 December 2018, this participation was valued at its acquisition cost.

Fidelidade Macau – Insurance Company Limited, with its registered office in Macao, at Avenida da Praia Grande, no. 567, Edifício BNU, 14º andar, was set up on 1 October 2015 and has the corporate purpose of exercising the insurance activity in the life and non-life segments in Macau.

- v. One share in GEP Cabo Verde, Gestão de Peritagens Limitada representing 25% of its share capital, which Fidelidade Assistência acquired when it was set up on 28 February 2018 for 1,250,000 Cape Verdean Escudos, which is equivalent to EUR 13,336. At 31 December 2018, this participation was valued at its acquisition cost.

GEP Cabo Verde, Gestão de Peritagens Limitada, with its registered office at Rua Serpa Pinto no. 9, 4º andar direito, Plateau, Cidade da Praia, was set up on 28 February 2018 with the main corporate purpose of providing and managing loss adjusting services.

## 7. CASH AND CASH EQUIVALENTS

At 31 December 2018 and 2017, this heading is composed as follows:

	31-12-2018	31-12-2017
Sight deposits in national institutions:		
in Euros		
• Caixa Geral de Depósitos, S.A. (Note 25)	6,130,021	7,236,787
• Bankinter, S.A.	600,000	-
• Banco Santander, S.A.	-	91,712
	6,730,021	7,328,499

## 8. PROPERTIES

At 31 December 2018 and 2017, the heading “Investment properties” is composed of a building allocated to the non-life technical provisions, which ceased to be used by the Company’s services in 2005 and is now held to earn rentals.

Following the adoption of the new Chart of Accounts for Insurance Companies (PCES), the Company adopted the option permitted by IAS 40 of valuing the building using the valuation through profit or loss model.

In December 2018 the building was valued by the independent assessor João Ferreira Lima, Avaliação Imobiliária, Lda, and the current value was calculated using the Income/ Dynamic Residual Value method.



As a result of that valuation, a loss of EUR 56,900 was recognised in 2018 under the heading “Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations” in the income statement.

### 9. OTHER FIXED TANGIBLE ASSETS

In 2018 and 2017, these headings saw the following movements:

Headings	31-12-2017		Additions	Transfers	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2018	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER TANGIBLE ASSETS									
Administrative equipment	183,715	(182,690)	2,911	-	-	2	(946)	186,626	(183,634)
IT equipment	318,277	(295,393)	-	-	-	-	(18,802)	318,277	(314,195)
Interior installations	94,322	(94,322)	-	-	-	-	-	94,322	(94,322)
Other tangible assets	10,780	(10,780)	-	-	-	-	-	10,780	(10,780)
	607,094	(583,185)	2,911	-	-	2	(19,748)	610,005	(602,931)

Headings	31-12-2016		Additions	Transfers	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2017	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER TANGIBLE ASSETS									
Administrative equipment	584,968	(583,508)	383	-	(401,636)	401,636	(818)	183,715	(182,690)
IT equipment	408,088	(372,264)	12,858	-	(102,669)	102,669	(25,798)	318,277	(295,393)
Interior installations	95,792	(95,792)	-	-	(1,470)	1,470	-	94,322	(94,322)
Other tangible assets	10,780	(10,780)	-	-	-	-	-	10,780	(10,780)
	1,099,628	(1,062,344)	13,241	-	(505,775)	505,775	(26,616)	607,094	(583,185)

### 10. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

At 31 December 2018 and 2017, investments and other assets were allocated as follows:

	31-12-2018		
	Non-life insurance	Not allocated	Total
Cash and cash equivalents (Note 7)	1,417,993	5,312,028	6,730,021
Properties (Note 8)	398,800	-	398,800
Investments in subsidiaries, associates and joint ventures (Note 6)	-	531,503	531,503
Financial assets initially recognised at fair value through profit or loss (Note 5)	-	23,601	23,601
Available-for-sale investments (Note 5)	38,141,374	-	38,141,374
Loans and accounts receivable (Note 5)	-	5,024,658	5,024,658
Other tangible assets (Note 9)	-	7,074	7,074
Other intangible assets (Note 11)	-	34,063	34,063
Other debtors (Notes 5, 21 and 26)	3,345,039	778,186	4,123,225
	<u>43,303,206</u>	<u>11,711,113</u>	<u>55,014,319</u>





	31-12-2017		
	Non-life insurance	Not allocated	Total
Cash and cash equivalents (Note 7)	1,749,045	5,579,454	7,328,499
Properties (Note 8)	455,700	-	455,700
Investments in subsidiaries, associates and joint ventures (Note 6)	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss (Note 5)	270,519	17,516	288,035
Available-for-sale investments (Note 5)	55,796,565	-	55,796,565
Loans and accounts receivable (Note 5)	-	-	-
Other tangible assets (Note 9)	-	23,909	23,909
Other intangible assets (Note 11)	-	94,780	94,780
Other debtors (Notes 5, 21 and 26)	1,873,334	1,138,716	3,012,050
	<u>60,145,163</u>	<u>7,374,542</u>	<u>67,519,705</u>

### 11. INTANGIBLE ASSETS

At 31 December 2018 and 2017, the other intangible assets headings saw the following movement:

Headings	31-12-2017		Additions	Transfers and write-offs	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2018	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER INTANGIBLE ASSETS									
Costs with IT applications – acquired from third parties	457,298	(362,518)	-	-	-	-	(60,717)	457,298	(423,235)
	457,298	(362,518)	-	-	-	-	(60,717)	457,298	(423,235)

Headings	31-12-2016		Additions	Transfers and write-offs	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2017	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER INTANGIBLE ASSETS									
Costs with IT applications – acquired from third parties	377,116	(323,795)	102,360	-	(22,178)	22,178	(60,901)	457,298	(362,518)
	377,116	(323,795)	102,360	-	(22,178)	22,178	(60,901)	457,298	(362,518)

### 12. OTHER PROVISIONS

In the years ending 31 December 2018 and 2017, the movement in these headings was as follows:

	31-12-2018				
	Balance at 31-12-2017	Increases (Note 18)	Recoveries and cancellations (Note 18)	Usage	Balance at 31-12-2018
Provisions for litigation	84,904	194	(17,639)	-	67,459
Provisions for contingencies	101,613	-	-	-	101,613
Others	16,433	-	(16,433)	-	-
	<u>202,950</u>	<u>194</u>	<u>(34,072)</u>	<u>-</u>	<u>169,072</u>



	31-12-2017				Balance at 31-12-2017
	Balance at 31-12-2016	Increases (Note 18)	Recoveries and cancellations (Note 18)	Usage	
Provisions for litigation	170,003	3,685	(88,785)	-	84,904
Provisions for contingencies	101,613	-	-	-	101,613
Others	16,433	-	-	-	16,433
	<u>288,049</u>	<u>3,685</u>	<u>(88,785)</u>	<u>-</u>	<u>202,950</u>

The provisions of EUR 67,459 and EUR 84,904 at 31 December 2018 and 2017, respectively, seek, for the most part, to respond to future costs resulting from legal proceedings in progress related to labour issues.

At 31 December 2018 and 2017, the provision of EUR 101,613 is for potential labour contingencies relating to previous years, following a change in the Company's remunerations policy in 2005.

The heading "Others", at 31 December 2017, refers to a provision for tax on dividends to be recovered from agreements that was cancelled in 2018.

### 13. INSURANCE CONTRACT PREMIUMS

In 2018 and 2017, this heading is composed as follows:

	2018			
	Direct Insurance	Reinsurance Accepted	Direct Insurance and Reinsurance Accepted	Net
Gross premiums written				
Legal Protection	-	5,188,333	5,188,333	5,188,333
Assistance	<u>231,773</u>	<u>44,898,108</u>	<u>45,129,881</u>	<u>45,129,881</u>
	<u>231,773</u>	<u>50,086,441</u>	<u>50,318,214</u>	<u>50,318,214</u>
Change in provision for unearned premiums				
Legal Protection	-	(1,238)	(1,238)	(1,238)
Assistance	<u>(50)</u>	<u>(109,552)</u>	<u>(109,602)</u>	<u>(109,602)</u>
	<u>(50)</u>	<u>(110,790)</u>	<u>(110,840)</u>	<u>(110,840)</u>
Earned premiums in the year				
Legal Protection	-	5,187,095	5,187,095	5,187,095
Assistance	<u>231,723</u>	<u>44,788,556</u>	<u>45,020,279</u>	<u>45,020,279</u>
	<u>231,723</u>	<u>49,975,651</u>	<u>50,207,374</u>	<u>50,207,374</u>



	2017			
	Direct Insurance	Reinsurance Accepted	Direct Insurance and Reinsurance Accepted	Net
Gross premiums written				
Legal Protection	-	2,600,897	2,600,897	2,600,897
Assistance	198,637	25,181,526	25,380,163	25,380,163
	<u>198,637</u>	<u>27,782,423</u>	<u>27,981,060</u>	<u>27,981,060</u>
Change in provision for unearned premiums				
Legal Protection	-	2,364,465	2,364,465	2,364,465
Assistance	(12)	16,917,528	16,917,516	16,917,516
	<u>(12)</u>	<u>19,281,993</u>	<u>19,281,981</u>	<u>19,281,981</u>
Earned premiums in the year				
Legal Protection	-	4,965,362	4,965,362	4,965,362
Assistance	198,625	42,099,054	42,297,679	42,297,679
	<u>198,625</u>	<u>47,064,416</u>	<u>47,263,041</u>	<u>47,263,041</u>

In 2018 and 2017, the figures by line of business were as follows:

2018				
SECTORS/LINES OF BUSINESS	Gross premiums written	Gross premiums earned	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	231,773	231,723	124,363	2,367
<b>TOTAL</b>	<b>231,773</b>	<b>231,723</b>	<b>124,363</b>	<b>2,367</b>
REINSURANCE ACCEPTED	50,086,441	49,975,651	40,281,787	849,515
<b>OVERALL TOTAL</b>	<b>50,318,214</b>	<b>50,207,374</b>	<b>40,406,150</b>	<b>851,882</b>

2017				
SECTORS/LINES OF BUSINESS	Gross premiums written	Gross premiums earned	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	198,637	198,625	102,483	2,555
<b>TOTAL</b>	<b>198,637</b>	<b>198,625</b>	<b>102,483</b>	<b>2,555</b>
REINSURANCE ACCEPTED	27,782,423	47,064,416	38,642,253	914,303
<b>OVERALL TOTAL</b>	<b>27,981,060</b>	<b>47,263,041</b>	<b>38,744,736</b>	<b>916,858</b>



### 14. INVESTMENT INCOME/REVENUE

The accounting policies for recognising revenue from investments are described in Note 3. In 2018 and 2017, these income statement headings were composed as follows:

	2018			2017		
	Interest	Dividends	Total	Interest	Dividends	Total
Income						
From interest on financial assets not recognised at fair value through profit or loss						
Available-for-sale investments						
Investments in group companies	-	-	-	-	-	-
Equity instruments and investment units						
Shares	-	71,663	71,663	-	13,493	13,493
	-	71,663	71,663	-	13,493	13,493
Debt instruments						
Bonds - domestic issuers	649,557	-	649,557	865,713	-	865,713
Bonds – other issuers	104,567	-	104,567	122,791	-	122,791
	754,124	-	754,124	988,504	-	988,504
Shares in the capital of subsidiaries (Note 6)	-	-	-	-	822,131	822,131
	-	-	-	-	822,131	822,131
Loans granted and accounts receivable	62,466	-	62,466	-	-	-
Deposits in credit institutions	-	-	-	-	-	-
	62,466	-	62,466	-	-	-
	816,590	71,663	888,253	988,504	835,624	1,824,128
Others						
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-
	-	-	-	-	-	-
	816,590	71,663	888,253	988,504	835,624	1,824,128



### 15. GAINS AND LOSSES ON INVESTMENTS

In 2018 and 2017, gains and losses on investments are as follows:

	2018			2017		
	Non-Life	Not allocated	Total	Non-Life	Not allocated	Total
<b><u>GAINS ON INVESTMENTS</u></b>						
From available-for-sale investments						
Investments in group companies						
Debt securities and other loans	-	-	-	-	-	-
Equity instruments and investment units						
Shares	237,113	-	237,113	-	-	-
Investment units	-	-	-	(1,015)	-	(1,015)
	<u>237,113</u>	<u>-</u>	<u>237,113</u>	<u>(1,015)</u>	<u>-</u>	<u>(1,015)</u>
Debt instruments						
Bonds – domestic issuers	858,128	-	858,128	1,144,115	-	1,144,115
Bonds – other issuers	463,705	-	463,705	162,426	-	162,426
	<u>1,321,833</u>	<u>-</u>	<u>1,321,833</u>	<u>1,306,541</u>	<u>-</u>	<u>1,306,541</u>
	<u>1,558,946</u>	<u>-</u>	<u>1,558,946</u>	<u>1,305,526</u>	<u>-</u>	<u>1,305,526</u>
<b><u>LOSSES ON INVESTMENTS</u></b>						
From available-for-sale investments						
Investments in other participated companies						
Debt securities and other loans	-	-	-	-	-	-
Equity instruments and investment units						
Shares	(24,869)	-	(24,869)	-	-	-
Investment units	-	-	-	-	-	-
	<u>(24,869)</u>	<u>-</u>	<u>(24,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt instruments						
Bonds – domestic issuers	-	-	-	-	-	-
Bonds – other issuers	(39,971)	-	(39,971)	(1,706)	-	(1,706)
	<u>(39,971)</u>	<u>-</u>	<u>(39,971)</u>	<u>(1,706)</u>	<u>-</u>	<u>(1,706)</u>
	<u>(64,840)</u>	<u>-</u>	<u>(64,840)</u>	<u>(1,706)</u>	<u>-</u>	<u>(1,706)</u>
<b><u>NET GAINS</u></b>	<u>1,494,106</u>	<u>-</u>	<u>1,494,106</u>	<u>1,303,820</u>	<u>-</u>	<u>1,303,820</u>

### 16. GAINS AND LOSSES FROM ADJUSTMENTS TO THE FAIR VALUE OF INVESTMENTS

In 2018 and 2017, gains and losses from adjustments to the fair value of investments are composed as follows:

Unrealised gains and losses	2018		
	Gains	Losses	Net
Initially recognised at fair value through profit or loss			
Debt securities and other loans	12,284	-	12,284
Impairment losses (net of reversals) on available-for-sale investments			
Debt securities and other loans	-	-	-
Properties (Note 8)	-	(56,900)	(56,900)
	<u>12,284</u>	<u>(56,900)</u>	<u>(44,616)</u>



Unrealised gains and losses	2017		
	Non-Life portfolio		
	Gains	Losses	Net
Initially recognised at fair value through profit or loss			
Debt securities and other loans	33,546	(3,726)	29,820
Impairment losses (net of reversals) on available-for-sale investments			
Debt securities and other loans	-	(204,995)	(204,995)
Properties (Note 8)	-	-	-
	<u>33,546</u>	<u>(208,721)</u>	<u>(175,175)</u>

### 17. EXCHANGE DIFFERENCES GAINS AND LOSSES

In 2018 and 2017, gains and losses from exchange differences were as follows:

	2018		2017	
	Technical account	Total	Technical account	Total
Exchange rate gains	-	-	2,962	2,962
Exchange rate losses	(33,822)	(33,822)	(9,889)	(9,889)
	<u>(33,822)</u>	<u>(33,822)</u>	<u>(6,927)</u>	<u>(6,927)</u>

### 18. MISCELLANEOUS EXPENSES BY FUNCTION AND TYPE

This profit and loss heading is composed as follows:

	2018	2017
Employee costs (Note 19)	5,018,267	4,667,953
External supplies and services:		
• Specialist work	1,074,853	1,028,580
• Rents and leases	296,219	296,767
• Communication	137,766	145,529
• Cleanliness and hygiene	47,082	48,637
• Expenditure with self-employed workers	50,496	50,796
• Conservation and repairs	42,878	44,278
• Travel and accommodation	28,465	30,560
• Software licences	24,903	18,875
• Printed material and office supplies	16,792	21,566
• Advertising and publicity	191,803	9,676
• Others	44,481	55,000
	<u>1,955,738</u>	<u>1,750,264</u>
Direct insurance costs	733	742
Taxes and charges	3,953	3,721
Depreciation in the year:		
• Intangible assets (Note 11)	60,717	60,901
• Tangible assets (Note 9)	19,748	26,616
Net allocation of provisions (Note 12)	(33,878)	(85,100)
Bank commissions and interest paid	27,482	29,067
	<u>78,022</u>	<u>35,205</u>
	<u>7,052,760</u>	<u>6,454,164</u>



In the year ending 31 December 2018, the most relevant figures in the “Others” heading relate to APS contributions, fuel and food products for consumption in the buildings, of EUR 10,000, EUR 10,881 and EUR 10,430 Euros, respectively.

In the profit and loss statement, these costs were allocated as follows:

	2018	2017
Claims costs (Note 4)	(6,172,671)	(5,564,257)
Administrative costs	(658,951)	(684,512)
Acquisition costs	(193,113)	(176,140)
Investment management costs	(28,025)	(29,255)
	<u>(7,052,760)</u>	<u>(6,454,164)</u>

#### 19. EMPLOYEE COSTS

During the years ending 31 December 2018 and 2017 the Company had, on average, 190 and 186 employees in its service, respectively, spread across the following professional categories:

	2018	2017
Senior management	5	5
Line management	7	7
IT technical	4	4
Other technical staff	8	8
Administrative staff	166	162
Total	<u>190</u>	<u>186</u>

Employee costs during 2018 and 2017 break down as follows:

	2018	2017
Remuneration		
Statutory Bodies	217,779	176,378
Employees	3,516,822	3,282,879
Remuneration expenses	740,591	719,278
Post-employment benefits		
Defined contribution plans	39,915	37,421
Defined benefits plans	67,099	69,187
Termination of employment benefits	35,115	7,904
Mandatory insurance	56,470	53,407
Social action costs	300,325	279,288
Other employee costs	44,151	42,211
Total employee costs	5,018,267	4,667,953

The increase in employee costs in 2018 compared to 2017 is due to the increase in the number of staff and an increase in full-time contracts as opposed to part-time.



Costs incurred with staff on loan within the Fidelidade Group in 2018 were EUR 152,399 for Statutory Bodies (EUR 145,794 in 2017) and EUR 124,814 for employees (EUR 111,242 in 2017). These are distributed across the various employee costs headings according to their type (Note 25).

In 2018 and 2017 costs with post-employment benefits regarding the defined contribution plans relate to liabilities for retirement pensions connected to the “IRP” (Individual Retirement Plan), in the amount of EUR 37,421 and EUR 33,434 respectively (Note 3.1 I). In 2018, the costs of post-employment benefits regarding the defined benefit plans relate to costs with pre-retirement liabilities (Note 20).

### Remuneration of Statutory Bodies

The Remunerations Committee is responsible for approving the remuneration of the members of the Statutory Bodies, in line with criteria established by the shareholder.

In 2018 and 2017, the remuneration and benefits paid to members of the Corporate Bodies were as follows:

	REMUNERATION				OTHER BENEFITS		SOCIAL BENEFITS COSTS			
	Fixed Remuneration		Variable remuneration		Meal Allowance		Health insurance		Life insurance	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>Executive Committee</b>										
<b>Chairman</b>										
Jose Manuel Alvarez Quintero	-	-	-	-	-	-	-	-	-	-
<b>Members</b>										
Francisco Xavier da Conceição Cordeiro	-	-	-	-	-	-	-	-	-	-
Luis Filipe Mateus Alves	107,955	114,724	35,430	38,000	2,630	2,510	1,189	1,872	181	181
<b>Supervisory Board</b>										
<b>Chairman</b>										
Vasco Jorge Valdez Ferreira Matias	3,797	-	-	-	-	-	-	-	-	-
Luis Manuel Machado Vilhena da Cunha	11,704	17,664	-	-	-	-	-	-	-	-
<b>Members</b>										
João Filipe Gonçalves Pinto	2,848	-	-	-	-	-	-	-	-	-
António José Pereira Cardoso Mota	9,753	14,720	-	-	-	-	-	-	-	-
José António Costa Figueiredo	9,753	14,720	-	-	-	-	-	-	-	-

### Statutory Auditor

The fees paid to Ernst & Young Audit & Associados, SROC, the Company’s Statutory Auditor, relating to the year ending 31 December 2018 were EUR 36,080 for statutory auditor services and EUR 21,000 for other information certification services related to Solvency II.





20. OBLIGATIONS WITH EMPLOYEE BENEFITS

In 2016 and 2015, the Company entered into pre-retirement agreements with three employees. These entitle the employees to a payment up to the normal retirement age. Future liabilities with these agreements were EUR 223,050 at 31 December 2018, calculated using the following assumptions:

Actuarial Method	2018
	Projected Unit Credit
<u>Demographic assumptions:</u>	
• Mortality Table	
• Men	TV 73/77 (-2)
• Women	TV 88/90 (-2)
<u>Financial assumptions:</u>	
• Discount rate	2.0%
• Pensions growth rate	0.75%

The movement in “Liabilities for post-employment benefits and other long-term benefits” during 2018 and 2017 can be summarised as follows:

Balance at 31 December 2016	362,209
Costs in the year	83,046
Payments in 2017	(159,546)
Balance at 31 December 2017	285,709
Costs in the year	83,644
Payments in 2018	(143,809)
Balance at 31 December 2018	225,544

At 31 December 2018 the balance of “Liabilities for post-employment benefits and other long-term benefits”, of EUR 225,544, refers to the sum of the pre-retirements at 31 December (223,050) and to the IRP for December (EUR 2,494) (Note 3.1 I)).



The costs with these agreements reflected in the profit and loss statements for 2018 and 2017 are:

	2017
Pre-retirement agreements	
Interest costs	5,353
Actuarial (gains) / losses	43,195
Changes to assumptions	0
Difference between assumptions and realised amounts	43,195
	48,548
	48,548
	2018
Pre-retirement agreements	
Interest costs	4,135
Actuarial (gains) / losses	42,771
Changes to assumptions	(809)
Difference between assumptions and realised amounts	43,580
	46,906
	46,906

## 21. INCOME TAX

At 31 December 2018 and 2017, the income tax assets and liabilities headings break down as follows:

	31-12-2018	31-12-2017
Current tax assets		
Corporate Tax – Payments on Account – Special Payments - Withholdings	-	3,373
Income tax recoverable	-	3,373
	(65,299)	(58,869)
Social Security Contributions	(65,299)	(58,869)
Withholdings	(43,900)	(48,026)
Other taxes and charges	(23,406)	(8,167)
	(132,605)	(115,062)
	(132,605)	(115,062)
Deferred tax assets		
Impairment losses	-	550,809
Devaluation of properties – investment properties	116,688	100,662
Provisions not allowed for fiscal purposes	91,966	113,980
Devaluation of available-for-sale investments	195,239	1,177
	403,893	766,628
	403,893	766,628
Deferred tax liabilities		
Appreciation of available-for-sale investments	(406,025)	(674,947)
	(406,025)	(674,947)
	(2,132)	91,681



The movement in deferred taxes in 2018 and 2017 was as follows:

	2018			Balance at 31-12-2018
	Balance at 31-12-2017	Change		
		Shareholders' Equity	Income	
Deferred taxes for temporary differences				
Revaluation of available-for-sale investments	(673,770)	462,984	-	(210,786)
Impairment on debt securities	550,809	-	(550,809)	-
Revaluation of investment properties	100,662	-	16,026	116,688
Increase in provisions not deductible for tax purposes	113,980	-	(22,014)	91,966
	<u>91,681</u>	<u>462,984</u>	<u>(556,797)</u>	<u>(2,132)</u>
	2017			Balance at 31-12-2017
	Balance at 31-12-2016	Change		
		Shareholders' Equity	Income	
Deferred taxes for temporary differences				
Revaluation of available-for-sale investments	(396,880)	(276,890)	-	(673,770)
Impairment on debt securities	498,535	-	52,274	550,809
Revaluation of investment properties	100,662	-	-	100,662
Increase in provisions not deductible for tax purposes	131,211	-	(17,231)	113,980
	<u>333,528</u>	<u>(276,890)</u>	<u>35,043</u>	<u>91,681</u>

Tax on profit recognised in the profit and loss statement breaks down as follows:

	2018	2017
Current tax		
• Tax	1,203,029	1,359,306
• Autonomous taxation	7,489	8,723
• Surcharge	85,931	97,093
• State surcharge	126,861	149,187
	<u>1,423,310</u>	<u>1,614,309</u>
Deferred tax:		
• Impairment on debt securities	550,809	(52,274)
• Appreciation of investment properties	(16,026)	-
• Provisions for other risks and charges	22,014	17,231
	<u>556,797</u>	<u>(35,043)</u>
Total tax in income statement	<u>1,980,107</u>	<u>1,579,266</u>
Income before tax	8,163,589	7,317,423
Tax burden	24.26%	21.58%



Reconciliation between the nominal tax rate and the effective tax rate in 2018 and 2017 was as follows:

	2018		2017	
	Rate	Tax	Rate	Tax
Income before tax		8,163,589		7,317,423
Tax calculated at nominal rate	24.95%	2,036,715	24.89%	1,820,943
Dividends	(0.22%)	(18,274)	(2.90%)	(212,241)
Fiscal benefits	(0.62%)	(50,805)	(0.52%)	(37,813)
Over / under estimation of tax	0.01%	749	0.02%	1,186
Autonomous taxation	0.09%	7,489	0.12%	8,723
Others	0.05%	4,233	(0.02%)	(1,532)
Effective tax rate	24.26%	1,980,107	21.58%	1,579,266

In 2015 and 2014 the company was taxed individually, since it was not part of any fiscal group, given that the purchase by Longrun Portugal, SGPS, S.A. took place in May 2014.

Since 2016, as a controlled entity the Company has been covered by the special rules for the taxation of corporate groups, set out in Article 70 of the Corporate Income Tax Code (CIT). Under these rules, the Company's fiscal income is included within the taxable amount of the controlling entity, Longrun Portugal, SGPS, S.A. The choice of this regime means that the corporate tax cost/income is recognised in the Company's individual sphere, and the corresponding payments or reimbursements are made by/to the controlling entity. The corporate tax payable is reflected in liabilities in the accounts of Longrun Portugal, SGPS, S.A, less additional payments on account.

In line with Article 63 of the Corporate Income Tax Code (CIT), regarding transfer pricing rules, with the wording applicable from 1 January 2002, in commercial operations, including, namely, operations or series of operations on goods, rights or services, and on financial operations carried out between a taxable person and any other entity, whether or not subject to taxation, with whom it is in a special relationship (Note 25), terms and conditions must be contracted, agreed and practised which are substantially similar to those normally contracted, agreed and practised between independent entities in comparable operations. Failure to comply with the transfer pricing rules in question in the operations carried out between the taxable person and any other entity, whether or not subject to taxation, with whom it is in a special relationship, may give rise to corrections for the purposes of determining the profit subject to corporate income tax.

In line with the legislation in force, tax declarations may be subject to review and correction by the tax authorities during a period of four years (five years for Social Security) counting from the financial year they relate to. Accordingly, the tax declarations for 2015 to 2018 may still be reviewed

The Board of Directors considers that any possible corrections resulting from reviews/inspections by the tax authorities of those tax declarations will not have a significant effect on the financial statements at 31 December 2018.



## 22. CAPITAL

The new solvency regime (Solvency II), approved by Directive 2009/138/EC of the European Parliament and of the Council, of 25 November, and transposed into Portuguese Law by Law No. 147/2015, of 9 September, came into force on 1 January 2016.

The Solvency II rules are divided into three pillars.

### **Pillar I - Quantitative requirements**

The Solvency II rules define criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance company's assets and liabilities. They also define two levels of capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The SCR is calculated considering all the risks that Insurance Companies may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which Insurance Companies may be exposed.

The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer's compliance with its liabilities.

If it is detected that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the Company's risk profile has been reduced.

In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the company's risk profile.

### **Pillar II – Qualitative requirements and supervision**

This pillar defines qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who effectively run the Insurance Companies, supervise them and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA), which must be performed at least once a year. Through this exercise, the Insurance Companies must conduct a prospective assessment of the adequacy of the capital available to achieve their business objectives, considering their risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The resulting report must be sent to the ASF.

### **Pillar III – Prudential reporting and public disclosures**

Pillar III sets out the obligations for disclosing public information and information to the Supervisor.



Within this context, Fidelidade Assistência's capital management objectives meet the following general principles:

- Complying with the legal requirements by which Fidelidade Assistência is bound;
- Generating adequate profitability, creating value for the shareholder and providing it with remuneration on the capitals applied;
- Sustaining the development of the operations that Fidelidade Assistência is legally authorised to perform, maintaining a solid capital structure capable of responding to growth in the business and to the risks arising from it.

To achieve the objectives described, Fidelidade Assistência has defined a set of policies and processes.

On one hand, it has implemented a risk management system which is an integral part of the Company's daily activities, with an integrated approach being applied to ensure that the strategic objectives (clients' interests, financial solidity and efficiency of processes) are being maintained. This integrated approach also ensures value creation by identifying an appropriate balance between risk and return, at the same time guaranteeing the Company's obligations to its stakeholders.

Risk management aids the Company in identifying, assessing, managing and monitoring risks, enabling appropriate and immediate actions to be adopted in the event of material changes in its risk profile.

In establishing its risk profile, the Company identifies the different risks to which it is exposed and then assesses those risks. Risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks not included in that formula, the Company has opted to use a qualitative analysis in order to classify the foreseeable impact on capital needs.

On the other hand, the ORSA enables risk, capital and return to be related, in a prospective vision, in the context of the Company's business strategy.

The ORSA, which coincides timewise with the Company's strategic planning (which is never less than 3 years), plays a key role in the Company's Capital Management, and supports its main activities, namely:

- Assessing, together with risk management, the risk appetite structure in relation to the business and capital management strategy;
- Contributing to the commencement of the strategic planning process, by performance of a capital adequacy assessment in the most recent period;
- Monitoring capital adequacy in line with the regulatory capital requirements and internal capital needs.

Taking into account the results obtained in the ORSA, and if the capital requirements differ from those defined, both in terms of the regulations and other limits defined internally, corrective actions to be implemented are prepared, in order to restore the capital level to the adequate or intended level.

Lastly, the obligations regarding public information, in particular, the obligation to disclose an annual "Solvency and Financial Condition Report", enable detailed information to be provided on the Company's activities and performance, governance system, risk profile, solvency assessment and capital management.



Given the time lag between the disclosure of these financial statements and the prudential information contained in the “Solvency and Financial Condition Report”, it is important to state that the Company complies comfortably with the capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

To ensure compliance with the policies and processes, the Company has implemented an appropriate system of governance involving, among others, an organisational structure which involves several bodies that perform key risk management and internal control functions: the Risk Management Division, the Compliance Division, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, the Products Committee and Assets and Liability Management.

At 31 December 2018 and 2017, the Company’s capital is represented by 1,500,000 shares, with the nominal value of EUR 5 each, and is fully subscribed and paid up.

At 31 December 2018 and 2017, 80% of the Company’s capital is held by Longrun Portugal, SGPS, S.A. and 20% by Caixa Geral de Depósitos, S.A. (by Caixa Seguros e Saúde, SGPS, S.A. in 2017).

## 23. OTHER SHAREHOLDERS’ EQUITY HEADINGS

At 31 December 2018 and 2017, the other shareholders’ equity headings break down as follows:

	<u>31-12-2018</u>	<u>31-12-2017</u>
Revaluation reserves:		
Fair value adjustments		
• Available-for-sale investments (Note 5)	805,008	2,642,234
	<u>805,008</u>	<u>2,642,234</u>
Deferred tax reserve:		
• Available-for-sale investments	(210,786)	(673,770)
Other reserves and retained earnings		
• Legal reserve	6,100,481	5,526,481
• Other reserves	19,199,547	14,087,576
	<u>25,300,028</u>	<u>19,614,057</u>
Retained earnings	269,625	217,439
Income for the year	6,183,482	5,738,157
	<u><u>32,347,357</u></u>	<u><u>27,538,117</u></u>

In accordance with the legislation in force, a percentage of not less than 10% of the net profits for each year must be transferred to the legal reserve, until it totals the amount of share capital. The legal reserve may not be distributed but may be used to increase the share capital or to offset accumulated losses.

The Company’s General Meeting of 28 March 2018 passed a resolution to apply the company’s net profit from 2017 as follows:

Legal reserve	574,000
Free reserves	5,111,971
Retained earnings	52,186
	<u><u>5,738,157</u></u>



24. INCOME PER SHARE

In 2018 and 2017, the Company's basic income per share was:

	2018	2017
Net income for the year	6,183,482	5,738,157
Total number of shares (Note 22)	1,500,000	1,500,000
Basic income per share (Euros)	4.1223	3.8254

The concept of diluted income per share is not applicable since there are no ordinary shares which are contingently issuable, namely via options, warrants or equivalent financial instruments at the balance sheet date.

25. TRANSACTIONS BETWEEN RELATED PARTIES

Fidelidade Assistência's related parties are deemed to be the subsidiaries and associates of the Group. In 2018 and 2017, the Company's related parties were:

Name of Related Party	Registered Office
<b>Companies that, directly or indirectly, control the Company</b>	
Longrun Portugal, SGPS, S.A.	Portugal
Caixa Seguros e Saúde, SGPS, S.A.	Portugal
Caixa Geral de Depósitos, S.A.	Portugal
<b>Companies that, directly or indirectly, are under common control with the Company</b>	
Fidelidade - Companhia de Seguros, S.A.	Portugal
Via Directa - Companhia de Seguros, S.A.	Portugal
Multicare - Seguros de Saúde, S.A.	Portugal
Fidelidade - Serviços de Assistência, S.A.	Portugal
Fidelidade Angola – Companhia de Seguros, S.A.	Angola
Garantia - Companhia de Seguros, S.A.R.L.	Cape Verde
CARES – Assistência e Reparações, S.A.	Portugal
Fidelidade - Assistência e Serviços, Limitada	Mozambique
Fidelidade Macau - Companhia de Seguros, S.A.	Macao
Fidelidade - Property Europe, S.A.	Portugal
EAPS – Empresa de Análise, Prevenção e Segurança, S.A.	Portugal
GEP – Gestão de Peritagens, S.A.	Portugal
GEP Cabo Verde, Gestão de Peritagens, Limitada	Cape Verde
<b>Members of the Company's Board of Directors</b>	
Francisco Xavier da Conceição Cordeiro	Chairman
José Manuel Alvarez Quintero	Member
Luis Filipe Mateus Alves	Member
João Eduardo de Noronha Gamito de Faria	Member
Luis Jaime Marques	Member
<b>Members of the Supervisory Board</b>	
Luis Manuel Machado Vilhena da Cunha	Chairman
José António Costa Figueiredo	Member
António José Pereira Cardoso Mota	Member





At 31 December 2018 and 2017, Fidelidade Assistência's financial statements include the following balances and transactions with related parties:

	31-12-2018	31-12-2017
<u>Balance sheet values</u>		
Investments in subsidiaries and associates (Note 6):		
Fidelidade - Serviços de Assistência, S.A.	429,386	429,386
Fidelidade Angola – Companhia de Seguros, S.A.	89,662	89,662
Fidelidade - Assistência e Serviços, Limitada	-	-
Fidelidade Macau – Insurance Company Limited	1,118	1,118
GEP Cabo Verde - Gestão de Peritagens, Limitada	11,336	-
Sight deposits (Note 7):		
Caixa Geral de Depósitos, S.A.	6,130,021	7,236,787
Loans and accounts receivable (Note 5):		
Fidelidade - Serviços de Assistência, S.A.	5,024,658	-
Debtors/ Creditors – direct insurance and reinsurance operations (Note 5):		
Caixa Geral de Depósitos, S.A.	19,186	19,774
Fidelidade - Companhia de Seguros, S.A.	996,600	(13,361,756)
Via Directa - Companhia de Seguros, S.A.	1,081,308	(1,315,008)
Multicare - Seguros de Saúde, S.A.	47,311	(169,200)
Garantia - Companhia de Seguros, S.A.	8,502	15,501
Fidelidade Angola – Companhia de Seguros, S.A.	1,116,184	1,633,370
Debtors – other operations (Note 5):		
Fidelidade - Companhia de Seguros, S.A.	-	398
Fidelidade - Serviços de Assistência, S.A.	53,791	46,442
GEP - Gestão de Peritagens, S.A.	40	-
CARES - Assistência e Reparações, S.A.	156	-
Creditors – other operations (Note 5):		
Fidelidade - Companhia de Seguros, S.A.	(277,768)	(229,311)
Multicare - Seguros de Saúde, S.A.	(105)	-
Fidelidade - Serviços de Assistência, S.A.	-	(771)
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(122)	(773)
Longrun Portugal, SGPS, S.A.	(4,092)	(900,575)
Fidelidade Angola - Companhia de Seguros, S.A.	(46,022)	(86,137)
Garantia - Companhia de Seguros, S.A.	(690)	(1,913)
Deferred costs (Note 26):		
Fidelidade - Companhia de Seguros, S.A.	271,354	254,911
Via Directa - Companhia de Seguros, S.A.	742	923
Cost accruals (Note 26):		
Fidelidade - Companhia de Seguros, S.A.	(29,152)	(480)
Caixa Geral de Depósitos, S.A.	(4,200)	(3,871)
Provision for unearned premiums – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(12,491)	(11,397)
Garantia - Companhia de Seguros, S.A.	(33,592)	(24,828)
Fidelidade Angola - Companhia de Seguros, S.A.	(132,825)	(58,592)
Claims provision:		
GEP - Gestão de Peritagens, S.A.	(529)	(644)
CARES - Assistência e Reparações, S.A.	(489)	(1,021)
Fidelidade Angola - Companhia de Seguros, S.A.	(6,836)	(5,643)



The balances for Debtors and Creditors – Other Operations relate to invoice amounts pending for assignment of staff, the contract for provision of administrative services and support for insurance receipt management.

	31-12-2018	31-12-2017
<u>Income statement amounts</u>		
Change in provision for unearned premiums – reinsurance accepted:		
Fidelidade - Companhia de Seguros, S.A.	(1,095)	16,928,050
Via Directa - Companhia de Seguros, S.A.	-	2,187,716
Multicare - Seguros de Saúde, S.A.	-	169,494
Garantia - Companhia de Seguros, S.A.	(8,764)	(19,407)
Fidelidade Angola - Companhia de Seguros, S.A.	(74,233)	16,138
Profit sharing – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(2,897,320)	(3,103,282)
Via Directa - Companhia de Seguros, S.A.	(202,566)	(209,196)
Multicare - Seguros de Saúde, S.A.	(7,615)	(44,018)
Garantia - Companhia de Seguros, S.A.	(74,746)	(51,986)
Fidelidade Angola - Companhia de Seguros, S.A.	(116,799)	(397,720)
Claims costs – amounts paid:		
GEP - Gestão de Peritagens, S.A.	(5,985)	(4,313)
CARES - Assistência e Reparações, S.A.	(11,087)	(40,828)
Fidelidade Angola - Companhia de Seguros, S.A.	(7,588)	693
CETRA - Centro Técnico de Reparação Automóvel, S.A.	(24,414)	(233)
Change in claims provision:		
GEP - Gestão de Peritagens, S.A.	116	26
CARES - Assistência e Reparações, S.A.	532	5,356
Fidelidade Angola - Companhia de Seguros, S.A.	(1,193)	(4,546)
Accounts relating to the assignment of corporate bodies (Note 19):		
Fidelidade - Companhia de Seguros, S.A.	(152,399)	(145,794)
Accounts relating to the assignment of employees (Note 19):		
Fidelidade - Companhia de Seguros, S.A.	(124,814)	(127,620)
Fidelidade - Property Europe, S.A.	-	16,378
Other expenses (employees, ESS, commissions and financial expenses):		
Fidelidade - Companhia de Seguros, S.A.	(530,616)	(497,647)
Via Directa - Companhia de Seguros, S.A.	(1,959)	(2,441)
GEP - Gestão de Peritagens, S.A.	-	(208)
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(10,684)	(11,905)
Caixa Geral de Depósitos, S.A.	(15,481)	(16,807)
CETRA - Centro Técnico Reparação Automóvel, S.A.	-	(1,085)
CARES - Assistência e Reparações, S.A.	(224)	-
Gross premiums written - reinsurance accepted and direct insurance:		
Fidelidade - Companhia de Seguros, S.A.	43,499,111	23,789,950
Via Directa - Companhia de Seguros, S.A.	5,043,859	2,452,604
Multicare - Seguros de Saúde, S.A.	626,308	429,311
Garantia - Companhia de Seguros, S.A.	266,119	216,371
Fidelidade Angola - Companhia de Seguros, S.A.	452,404	833,188
Caixa Geral de Depósitos, S.A.	95,066	18,141
Provision of services – other services:		
Fidelidade - Serviços de Assistência, S.A.	524,016	485,213
Investment income (interest and dividends):		
Caixa Geral de Depósitos, S.A.	-	87
Fidelidade - Serviços de Assistência, S.A.	62,466	818,824
Fidelidade Angola - Companhia de Seguros, S.A.	-	3,307



The number of employees assigned / received from the various group companies is:

	<u>31-12-2018</u>	<u>31-12-2017</u>
<u>Employees assigned to group companies:</u>		
Fidelidade - Companhia de Seguros, S.A.	-	1
<u>Employees received from group companies:</u>		
Fidelidade - Companhia de Seguros, S.A.	3	4

The figure for rents relates to the rental of the building where Fidelidade Assistência - Companhia de Seguros, S.A. has its registered office.

As a rule, transactions with related parties are performed based on the market values on the respective dates.

## 26. ACCRUALS AND DEFERRALS

At 31 December 2018 and 2017 the assets accruals and deferrals heading is composed as follows:

	<u>31-12-2018</u>	<u>31-12-2017</u>
• Deferred expenses		
○ Insurance	249,577	233,565
○ Rents and leases	22,519	22,270
○ Software licences	190	2,905
○ Others	11,235	15,142
Total deferred expenses	<u>283,521</u>	<u>273,882</u>
Total assets accruals and deferrals	<u><u>283,521</u></u>	<u><u>273,882</u></u>

At 31 December 2018 the heading “Deferred expenses – Insurance” refers to insurance taken out for employees, for 2018.

At 31 December 2018 and 2017 the liabilities accruals and deferrals heading is composed as follows:

	<u>31-12-2018</u>	<u>31-12-2017</u>
Holidays and holiday subsidies (Note 3. i)	492,380	479,477
Employee bonuses payable	291,521	230,200
Others	279,241	231,957
	<u>1,063,142</u>	<u>941,634</u>

## 27. SUBSEQUENT EVENTS

Up until the authorised date for issuance of the financial statements, no subsequent events were identified which imply adjustments or additional disclosures.



# 04

## Inventory of Participations and Financial Instruments



## FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

## Inventory of Participations and Financial Instruments at 31 December 2018

(Amounts in Euros)

SECURITY NAME	Quantity	Nominal amount	% nominal value	Average acquisition cost	Total acquisition cost	Value in the Statement of Financial Position	
						Unitary	Total
<b>1 - SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER PARTICIPANT AND PARTICIPATED COMPANIES</b>							
<b>1.1 - Domestic Securities</b>							
<b>1.1.1 - Investments in subsidiaries</b>							
FIDELIDADE - SERVIÇOS DE ASSISTENCIA, S.A.	5,000			85.88	429,386	85.88	429,386
Sub-Total	5,000	0			429,386		429,386
<b>1.1.2 - Investments in associates</b>							
sub-total	0	0			0		0
<b>1.1.3 - Investments in joint ventures</b>							
sub-total	0	0			0		0
<b>1.1.4 - Investments in other participated and participant companies</b>							
sub-total	0	0			0		0
<b>1.1.5 - Debt securities in subsidiaries</b>							
sub-total	0	0			0		0
<b>1.1.6 - Debt securities in associates</b>							
sub-total	0	0			0		0
<b>1.1.7 - Debt securities in joint ventures</b>							
sub-total	0	0			0		0
<b>1.1.8 - Debt securities in other participated and participant companies</b>							
sub-total	0	0			0		0
sub-total	5,000	0			429,386		429,386
<b>1.2 - Foreign securities</b>							
<b>1.2.1 - Investments in subsidiaries</b>							
FIDELIDADE ANGOLA - COMPANHIA DE SEGUROS SA, AOA	1			89,662.06	89,662	89,662.00	89,662
FIDELIDADE ASSISTENCIA E SERVIÇOS, MZN	4,000			0.02	84	0.00	0
FIDELIDADE MACAU - COMPANHIA DE SEGUROS, MOP	10			111.82	1,118	111.80	1,118
GEP CABO VERDE, CVE	1,250,000			0.01	11,336	0.01	11,336
sub-total	1,254,011	0			102,200		102,116
<b>1.2.2 - Investments in associates</b>							
sub-total	0	0			0		0
<b>1.2.3 - Investments in joint ventures</b>							
sub-total	0	0			0		0
<b>1.2.4 - Investments in other participated and participant companies</b>							
sub-total	0	0			0		0
<b>1.2.5 - Debt securities in subsidiaries</b>							
sub-total	0	0			0		0
<b>1.2.6 - Debt securities in associates</b>							
sub-total	0	0			0		0
sub-total	1,254,011	0			102,200		102,116
<b>total</b>	<b>1,259,011</b>	<b>0</b>			<b>531,586</b>		<b>531,502</b>

<b>2 - OTHERS</b>						
<b>2.1 - Domestic securities</b>						
<b>2.1.1 - Equity instruments and participation units</b>						
<b>2.1.1.1 - Equity</b>						
REN, PL	98,732		2.52	248,682	2.43	240,314
sub-total	<b>98,732</b>	<b>0</b>		<b>248,682</b>		<b>240,314</b>
<b>2.1.1.2 - Participation securities</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>2.1.1.3 - Participation units in investment funds</b>						
FUNDO DE COMPENSACAO DE TRABALHO SAUDEINVEST (FII)	22,504		1.04	23,367	1.05	23,601
	200		1,000.00	200,000	1,738.04	347,607
sub-total	<b>22,704</b>	<b>0</b>		<b>223,367</b>		<b>371,208</b>
<b>2.1.1.4 - Others</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
sub-total	<b>121,436</b>	<b>0</b>		<b>472,049</b>		<b>611,522</b>
<b>2.1.2 - Debt securities</b>						
<b>2.1.2.1 - Public debt</b>						
PGB, 3.85%, 15/04/2021, GOVT		13,300,000	108.00	14,414,770	111.99	14,895,264
PGB, 4.8%, 15/06/2020, GOVT		4,500,000	110.00	4,969,693	110.10	4,954,544
PGB, 4.95%, 25/10/2023, GOVT		650,000	120.00	782,080	122.23	794,480
PGB, 5.65%, 15/02/2024, GOVT		5,400,000	121.00	6,555,870	130.19	7,030,311
sub-total	<b>0</b>	<b>23,850,000</b>		<b>26,722,413</b>		<b>27,674,599</b>
<b>2.1.2.2 - Other public issuers</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>2.1.2.3 - Other issuers</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
sub-total	<b>0</b>	<b>23,850,000</b>		<b>26,722,413</b>		<b>27,674,599</b>
total	<b>121,436</b>	<b>23,850,000</b>		<b>27,194,462</b>		<b>28,286,121</b>
<b>2.2 - Foreign securities</b>						
<b>2.2.1 - Equity instruments and participation units</b>						
<b>2.2.1.1 - Equity</b>						
PANDORA, DC, DKK	27,325		49.94	1,364,607	35.50	970,077
BANCO BPM SPA, IM	261,126		2.65	691,323	1.97	513,844
sub-total	<b>288,451</b>	<b>0</b>		<b>2,055,930</b>		<b>1,483,921</b>
<b>2.2.1.2 - Participation securities</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>2.2.1.3 - Participation units in investment funds</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>2.2.1.4 - Others</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
sub-total	<b>288,451</b>	<b>0</b>		<b>2,055,930</b>		<b>1,483,921</b>
<b>2.2.2 - Debt securities</b>						
<b>2.2.2.1 - Public debt</b>						
BTPS, 3.75%, 01/09/2024, GOVT		1,300,000	117	1,518,530	110.29	1,433,785
FRTR, 4.25%, 25/10/2023, GOVT		777,000	96	747,426	121.73	945,859
BTPS, 0.05%, 15/04/2021, GOVT		750,000	98	732,008	98.53	739,002
sub-total	<b>0</b>	<b>2,827,000</b>		<b>2,997,964</b>		<b>3,118,646</b>
<b>2.2.2.2 - Other public issuers</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>2.2.2.3 - Other issuers</b>						
DISCOVERY COMMUNICATIONS, 1.9%, 19/03/2027, CORP, CALL		600,000	97	583,800	99.42	596,538
JOHNSON & JOHNSON, 4.75%, 06/11/2019, CORP		50,000	99	49,735	104.87	52,437
TAURON POLSKA ENERGIA SA, 2.375%, 05/07/2027, CORP		650,000	103	668,070	97.31	632,546
THREE GORGES FNCE II, 1.3%, 21/06/2024, CORP		650,000	102	662,285	99.15	644,491
TOTAL CAPITAL, 4.875%, 28/01/2019, CORP		600,000	108	649,440	104.86	629,160
TRICERATOPS CAPITAL, 0.817%, 25/01/2021, CORP		500,000	100	500,000	99.91	499,535
HANESBRAND LUX, 3.5%, 15/06/2024, CORP, CALL		490,000	107	522,830	100.84	494,125
TEVA NETHER, 0.375%, 25/07/2020, CORP		444,000	97	430,236	97.24	431,765
MALIN 2007-1X D, FRN, 07/05/2023, MTGE - nao usar		0	0	0	0.00	0
RADISSON HOTEL, 6.875%, 15/07/2023, CORP, CALL		410,000	108	444,235	109.70	449,757
PROMONTORIA HOLDING, 6.75%, 15/08/2023, CORP, CALL		410,000	102	417,585	98.97	405,773
BWAY, 4.75%, 15/04/2024, CORP, CALL		440,000	101	443,520	100.04	440,161
sub-total	<b>0</b>	<b>5,244,000</b>		<b>5,371,736</b>		<b>5,276,288</b>
sub-total	<b>0</b>	<b>8,071,000</b>		<b>8,369,700</b>		<b>8,394,934</b>
total	<b>288,451</b>	<b>8,071,000</b>		<b>10,425,630</b>		<b>9,878,855</b>
<b>2.4 - Hedge derivatives</b>						
sub-total	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>3 - GRAND TOTAL</b>						
	<b>1,668,898</b>	<b>31,921,000</b>		<b>38,151,679</b>		<b>38,696,478</b>

# 05

## Corporate Governance Report



## INTRODUCTION

FIDELIDADE ASSISTÊNCIA – Companhia de Seguros, S.A., (hereinafter “Company” or “FIDELIDADE ASSISTÊNCIA”) produces its Corporate Governance Report in a clear and transparent manner, applying the rules in force and observing best practice and recommendations, to communicate its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2018 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies and in Article 32(1) a) iv) of Regulatory Standard No. 8/2016 – R, of 16 August.

## INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

### A. SHAREHOLDER STRUCTURE

#### I. Capital Structure

##### 1. CAPITAL STRUCTURE

FIDELIDADE ASSISTÊNCIA’s share capital, of EUR 7,500,000 is represented by 1,500,000 nominative shares, with a nominal value of EUR 5 each, which are fully subscribed and paid up. All the shares have identical rights and are mutually fungible.

In line with its Articles of Association, besides the ordinary shares, FIDELIDADE ASSISTÊNCIA may issue preferential shares without a vote, in line with Article 341 of the Portuguese Code of Commercial Companies. FIDELIDADE ASSISTÊNCIA has only issued ordinary shares.

In 2014, the process of privatising FIDELIDADE ASSISTÊNCIA’s share capital took place, pursuant to Decree-Law No. 80/2013, of 12 June, within the scope of which Longrun Portugal, SGPS, S.A. (hereinafter “Longrun”) acquired from Caixa Seguros e Saúde, SGPS, S.A. (hereinafter “CSS”), in the meantime incorporated by merger into Caixa Geral de Depósitos, S.A., (hereinafter “CGD”), 1,200,000 shares representing 80% of the share capital and voting rights of FIDELIDADE ASSISTÊNCIA, as a result of a direct sale operation to an investor which became FIDELIDADE ASSISTÊNCIA’s reference shareholder (Direct Reference Sale or DRS).





**2. RESTRICTIONS ON THE TRANSFER OF SHARES**

There are no limits on the transferability of shares.

**3. NUMBER OF OWN SHARES, PERCENTAGE OF CORRESPONDING SHARE CAPITAL AND PERCENTAGE OF VOTING RIGHTS TO WHICH THE OWN SHARES WOULD CORRESPOND**

At 31 December 2018, FIDELIDADE ASSISTÊNCIA FIDELIDADE ASSISTÊNCIA did not hold any own shares.

**4. REGIME WHICH IS SUBJECT TO THE RENEWAL OR WITHDRAWAL OF COUNTER MEASURES, IN PARTICULAR THOSE WHICH PROVIDE FOR LIMITATION OF THE NUMBER OF VOTES WHICH MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN A CONCERTED MANNER WITH OTHER SHAREHOLDERS**

The Company's Articles of Association do not provide for any limitation on the number of votes that may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders.

**5. SHAREHOLDERS AGREEMENTS WHICH THE COMPANY IS AWARE OF AND WHICH MAY LEAD TO RESTRICTIONS REGARDING THE TRANSFER OF SECURITIES OR VOTING RIGHTS**

See point 2 above.

**II. Shareholdings held**

**6. IDENTIFICATION OF THE NATURAL OR LEGAL PERSONS WHO ARE HOLDERS OF QUALIFYING SHARES, WITH AN INDICATION OF THE PERCENTAGE OF CAPITAL AND VOTES ATTRIBUTED AND THE SOURCE AND CAUSES OF ATTRIBUTION**

The qualifying shares in the company's share capital at 31 December 2018, with an indication of the percentage of capital and votes and the source and causes of attribution, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights	Method of Attribution
Longrun Portugal, SGPS, S.A.	1,200,000	80%	80%	Acquisition
Caixa Geral de Depósitos, S.A.	300,000	20%	20%	Acquisition

**7. INDICATION OF THE NUMBER OF SHARES AND BONDS HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES**

At 31 December 2018, the members of the management and supervisory bodies did not hold any shares in the Company.

At 31 December 2018, the members of the management and supervisory bodies did not hold any bonds in the Company.



## **B. CORPORATE BODIES AND COMMITTEES**

### **I. General Meeting**

#### **a) Composition of the Presiding Board of the General Meeting**

**8. IDENTIFICATION AND POSITION OF THE MEMBERS OF THE PRESIDING BOARD OF THE GENERAL MEETING AND RESPECTIVE MANDATE**

For the three-year period 2017/2019, as at 31 December 2018, the Presiding Board of the General Meeting is composed as follows:

<b>Position</b>	<b>Name</b>
<b>President</b>	Maria Isabel Toucedo Lage
<b>Secretary</b>	Carla Cristina Curto Coelho

#### **b) Exercise of the right to vote**

**9. POTENTIAL RESTRICTIONS ON THE RIGHT TO VOTE, SUCH AS LIMITATIONS TO THE EXERCISE OF THE VOTE SUBJECT TO OWNERSHIP OF A NUMBER OR PERCENTAGE OF SHARES, TIME LIMITS IMPOSED FOR THE EXERCISE OF THE VOTE OR SYSTEMS WHEREBY THE FINANCIAL RIGHTS ATTACHING TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES**

Pursuant to Article 7 of the Company's Articles of Association, one vote corresponds to every 100 (one hundred) shares. Holders of any shares transferred in the 15 days prior to each General Meeting are not entitled to participate in that General Meeting.

Shareholders without voting rights who perform functions in the General Meeting or in the management body may, however, make proposals and intervene in the work of the General Meeting. Shareholders without voting rights who do not perform functions in the General Meeting or in the management body may not attend General Meetings, but they may be represented at them, in the terms set out in the Code of Commercial Companies.

Postal voting is not permitted.

**10. INDICATION OF THE MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT MAY BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS THAT ARE IN A RELATIONSHIP WITH HIM AS SET OUT IN ARTICLE 20(1) OF THE SECURITIES CODE**

The Articles of Association do not contemplate any maximum percentage of voting rights which may be exercised by a single shareholder or by a shareholder that is in a relationship with him as set out in Article 20(1) of the Securities Code.

**11. IDENTIFICATION OF THE SHAREHOLDERS' RESOLUTIONS WHICH, BY IMPOSITION OF THE ARTICLES OF ASSOCIATION, MAY ONLY BE TAKEN BY A QUALIFIED MAJORITY, BESIDES THOSE PROVIDED FOR IN LAW, AND INDICATION OF THOSE MAJORITIES**

Resolutions of the General Meeting are approved by a majority of the votes of the shareholders present or represented at the General Meeting, whenever the law or the Articles of Association do not require a greater number (Article 8 of the Articles of Association).



Resolutions concerning any amendments to the Company's Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company, suppression or reduction of the preference right of the Company shareholders in increases in share capital, cancellation of shares representing the share capital, the suspension or cessation of the exercise of the principal activity included in the Company's corporate purpose, authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis, and the appointment of the company's supervisory body and the respective external auditor when this is not one of the four largest international auditing companies, may only be approved if there is a vote in favour with a majority of at least 95% of the voting rights representing the entirety of the share capital.

## II. Management

### Board of Directors

#### *a) Composition*

#### **12.** IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL ADOPTED

FIDELIDADE ASSISTÊNCIA adopts a unitary corporate governance model with a Board of Directors which includes an Executive Committee and is supervised by a Supervisory Board and a Statutory Auditor.

#### **13.** ARTICLES OF ASSOCIATION RULES ON THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are elected by the General Meeting. The Chairman of the Board of Directors is chosen by the Board of Directors itself, except when he is appointed by the General Meeting of shareholders which elects the Board of Directors.

Vacancies or impediments in the Board of Directors are filled by co-opting until a resolution is submitted to the first subsequent General Meeting.

#### **14.** COMPOSITION OF THE BOARD OF DIRECTORS, WITH AN INDICATION OF THE ARTICLES OF ASSOCIATION'S MINIMUM AND MAXIMUM NUMBER OF MEMBERS, DURATION OF THE MANDATE, NUMBER OF EFFECTIVE MEMBERS, DATE WHEN FIRST APPOINTED AND DURATION OF THE MANDATE OF EACH MEMBER

Pursuant to the Company's Articles of Association, the Board of Directors is composed of at least three and at most seventeen members, elected for mandates of three years, which are renewable.

At 31 December 2018, the Board of Directors was composed of five members appointed to exercise duties for the three-year period 2017/2019, two of whom were non-executive members and three of whom were executive members, as reflected in the following table:



Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Francisco Xavier da Conceição Cordeiro	Chairman	31-03-2017	2017/2019	Executive
José Manuel Alvarez Quintero	Member	31-03-2017	2017/2019	Executive
Luís Filipe Mateus Alves	Member	31-03-2017	2017/2019	Executive
João Eduardo de Noronha Gamito de Faria	Member	31-03-2017	2017/2019	Non-executive
Luís Jaime Marques	Member	31-03-2017	2017/2019	Non-executive

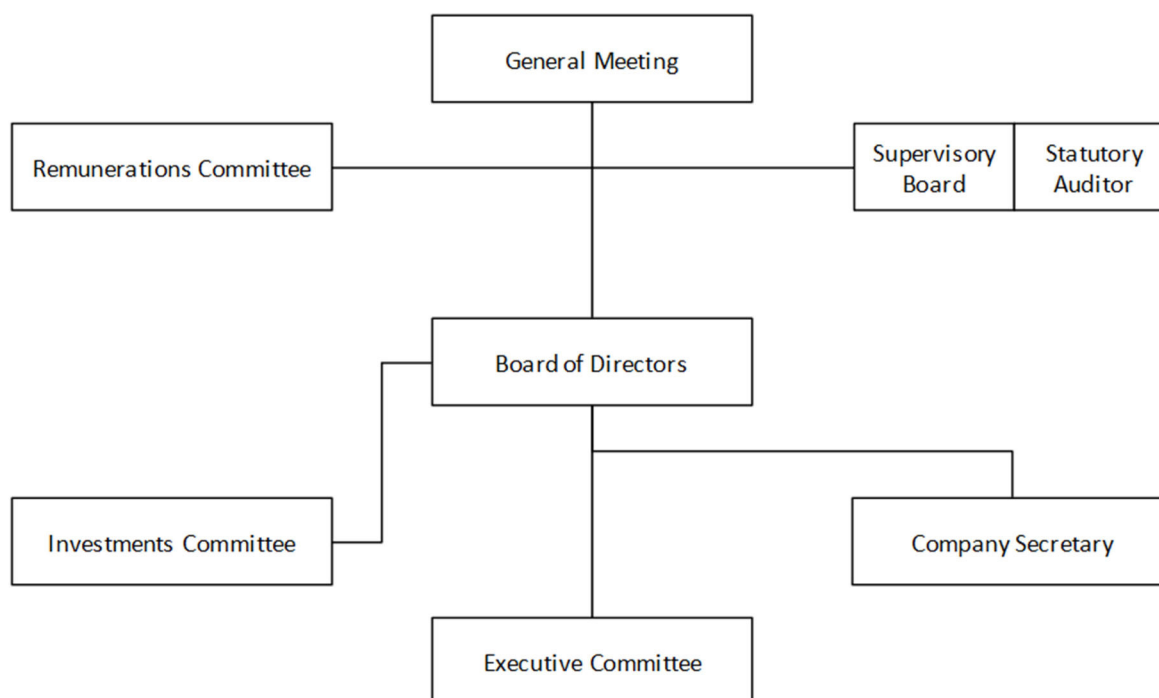
At 31 March 2018, the Board of Directors appointed from among its members an Executive Committee composed of three members, pursuant to Article 407(3) and (4) of the Code of Commercial Companies and Article 14 of the Articles of Association. The Executive Committee performs the day-to-day management of the Company other than that reserved for the Board of Directors.

At 31 December 2018, the Executive Committee was composed as follows:

Members of the Executive Committee (EC)	Position	Date of Appointment to Mandate	Duration of Mandate
José Manuel Alvarez Quintero	Chairman	31-03-2017	2017/2019
Francisco Xavier da Conceição Cordeiro	Member	31-03-2017	2017/2019
Luís Filipe Mateus Alves	Member	31-03-2017	2017/2019

**15. ORGANISATION CHART CONCERNING THE SHARING OF COMPETENCES BETWEEN THE VARIOUS GOVERNING BODIES, INCLUDING INFORMATION ON DELEGATION OF COMPETENCES**

The following table represents FIDELIDADE ASSISTÊNCIA's Corporate Governance structure during 2018:



Board of Directors

Pursuant to Article 18(1) of the Articles of Association, the Board of Directors, as a corporate body of the Company, has the broadest of powers to manage the company, represent it in and out of court, actively and passively, and perform all the acts related to the corporate purpose, and is responsible, in particular, for:

- a) Setting up, maintaining, transferring or closing offices, branches or any other forms of company representation;
- b) Acquiring, selling and otherwise encumbering shares, share capital participations, bonds or other securities of an equivalent or similar nature, and also public debt securities;
- c) Acquiring and selling any other movable property, and encumbering it in any way;
- d) Acquiring immovable property, and selling it and encumbering it by any acts or contracts, even if constituting real guarantees;
- e) Admitting, withdrawing from or settling any claims or jurisdictional suits and, also, establishing arbitration agreements;
- f) Appointing legal representatives in the terms of the law;
- g) Performing any other functions provided for in the Articles of Association or in the law.

Resolutions of the Board of Directors which deal with the following issues may only be taken by a majority of 6 of its 7 members:

- a) Material change in the business, including the disposal of the whole or a substantial part of the company's assets;
- b) The entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code;
- c) Definition of the voting choices to be adopted by company representatives at general meetings and in the boards of directors of the companies in which the company holds the majority of the voting rights or the right to appoint the majority of the members of the management body, when resolutions on the following matters are at issue:



- i. amendments to the Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company;
- ii. suppression or reduction of the preference right of the shareholders in increases in share capital;
- iii. cancellation of shares representing the share capital;
- iv. suspension or cessation of the exercise of the principal activity included in the corporate purpose;
- v. authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis;
- vi. appointment of the supervisory body and the respective external auditor when this is not one of the four largest international auditing companies;
- vii. a material change in the business, including the disposal of the whole or a substantial part of the assets of the company in question;
- viii. the entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code.

#### Executive Committee

Without prejudice to the possibility of rescinding powers delegated to the Executive Committee, the Board of Directors has delegated the day-to-day management of the Company to this committee, which includes:

- a) All insurance and reinsurance operations and operations which are connected or complementary to insurance and reinsurance operations, including those which relate to acts and contracts regarding salvage, the rebuilding and repair of real estate, vehicle repair, and the application of provisions, reserves and capital;
- b) Representation of the Company before the supervisory authorities and associations for the sector;
- c) Acquisition of services;
- d) Employees' admissions, definition of levels, categories, remuneration conditions and other benefits, and appointment to management positions;
- e) Exercise of disciplinary powers and the application of any sanctions;
- f) Representation of the Company before any bodies which represent the employees;
- g) Opening and closing of branches or agencies;



- h) Nomination of the person representing the Company at the general meetings of companies in which it holds shares, with determination of how the vote is to be cast;
- i) Nomination of the persons who will take up company positions for which the Company is elected, and the persons that the Company will indicate to take up company positions in companies in which it holds a share;
- j) Issuing of instructions which are binding on the companies which are in a group relationship with the Company involving full control;
- k) Representation of the Company in and out of court, actively and passively, including initiating and defending any judicial or arbitration proceedings, and accepting liability in, withdrawing from or settling any actions, and assuming arbitration commitments;
- l) Appointment of legal representatives, with or without power of attorney, to perform certain acts, or categories of acts, with definition of the scope of the respective mandates.

The delegation of powers to the Executive Committee does not cover matters which remain the exclusive competence of the Board of Directors.

#### Investments Committee

All of the Company's investment decisions are subject to supervision by the Investments Committee, and the Executive Committee reports operations performed to the Investments Committee.

The Investments Committee is responsible for defining the investment guidelines and the decisions which require its prior approval.

The members of the Investments Committee are appointed by the Board of Directors, and their mandate coincides with the mandate of the Board of Directors.

### **III. Supervision**

#### **Supervisory Board and Statutory Auditor**

##### ***a) Composition***

##### **16. IDENTIFICATION OF THE SUPERVISORY BODY AND COMPETENCES**

Supervision of the company is the responsibility, pursuant to Article 413(1) a) of the Code of Commercial Companies, of a Supervisory Board and a Statutory Auditor Firm, with the competences set out in law and the current mandate of which corresponds to the period 2017/2019.

The Company's Articles of Association define the Supervisory Board's competences as those which are set out in the law.



**17. COMPOSITION OF THE SUPERVISORY BOARD, WITH AN INDICATION OF THE POSITION OF EACH MEMBER, DATE OF APPOINTMENT AND DURATION OF THE MANDATE ACCORDING TO THE ARTICLES OF ASSOCIATION**

The Supervisory Board is composed of 3 permanent members and one alternate, with mandates of three years, which are renewable, and was composed as follows at 31 December 2018:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Luís Manuel Machado Vilhena da Cunha	Chairman	31-03-2017	2017/2019
José António da Costa Figueiredo	Member	31-03-2017	2017/2019
António José Pereira Cardoso Mota	Member	31-03-2017	2017/2019
Isabel Gomes de Novais Paiva	Alternate	31-03-2017	2017/2019

**IV. Statutory Auditor**

**18. IDENTIFICATION OF THE STATUTORY AUDITOR AND THE PARTNER OF THE STATUTORY AUDITOR REPRESENTING IT**

The Statutory Auditor Firm is Ernst & Young Audit & Associados – SROC, S.A., represented by Ricardo Nuno Lopes Pinto, Statutory Auditor no. 1579 and registered with the Portuguese Securities Market Commission under license no. 20161189.

**19. INDICATION OF THE NUMBER OF YEARS THE STATUTORY AUDITOR HAS CONSECUTIVELY PERFORMED FUNCTIONS FOR THE COMPANY AND/OR GROUP**

The Statutory Auditor was appointed on 15 May 2014 and reappointed on 31-03-2017 to perform functions until the end of the three-year period 2017/2019.

**20. DESCRIPTION OF OTHER SERVICES PROVIDED BY THE STATUTORY AUDITOR TO THE COMPANY**

Besides the work required of the statutory audit, Ernst & Young Audit & Associados – SROC, S.A. provide the following services required by law:

- Certification on Solvency and Financial Condition Annual Report pursuant to Regulation No. 2/2017-R, of 24 March of the ASF;
- Review of the Annual Report on Organisational Structure and Risk Management and Internal Control Systems pursuant to Circular No. 1/2017 of the ASF.

Besides the work above-mentioned, Ernst & Young Audit & Associados – SROC, S.A. does not provide other type of services on a recurring basis to the Company or to companies controlled by it.

However, when this does occur, the provision of other services to the Company or companies controlled by it is in strict compliance with the procedures defined in law, namely in Law No. 140/2015, of 7 September.





## **C. INTERNAL ORGANISATION**

### **I. Articles of Association**

#### **21. RULES APPLICABLE TO AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (ARTICLE 245 –A(1) H)**

Any amendment to the Company's Articles of Association requires a resolution of the General Meeting with a vote in favour with a majority of at least 95% of the voting rights representing the entirety of the share capital.

### **II. Reporting of irregularities**

#### **22. MEANS AND POLICY FOR REPORTING IRREGULARITIES OCCURRING IN THE COMPANY**

FIDELIDADE ASSISTÊNCIA has a culture of responsibility and compliance, and recognises the importance of the process of reporting and analysing irregularities as a corporate best practice tool. The Company implements appropriate means for receiving, investigating and archiving reports of irregularities alleged to have been committed by members of the corporate bodies and by Company employees or employees of companies within the Fidelidade Group.

Irregularities are deemed to be any acts or omissions, whether wilful or negligent, relating to the Company's management, accounting organisation and internal supervision which may seriously:

- a) Break the law, regulations and other rules in force;
- b) Jeopardise the property of clients, shareholders and FIDELIDADE ASSISTÊNCIA;
- c) Cause damage to FIDELIDADE ASSISTÊNCIA's reputation or that of the companies within the Fidelidade Group.

Irregularities can be reported by employees, representatives, agents or any other persons who provide services on a permanent or occasional basis at the Company or at any Group entity, shareholders and any other persons.

### **III. Internal control and risk management**

#### **23. BODIES OR COMMITTEES RESPONSIBLE FOR THE INTERNAL AUDIT AND FOR THE IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS**

The Legal Rules on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR), approved by Law No. 147/2015, of 9 September, which transposes the Solvency II Directive into Portuguese law, came into force on 1 January 2016.

Accordingly, the Company implemented a global risk management system, in order to meet these requirements.



The implementation of this system, besides complying with the rules applicable to the insurance business, is regarded as an opportunity to improve the processes for assessing and managing risk, thereby contributing to maintaining the solidity and stability of the insurance group to which Fidelidade Assistência belongs.

The risk management system is therefore an integral part of the Company's daily activities, and an integrated approach is applied, enabling the Company to ensure that its strategic objectives (client interests, profitability, financial solidity and efficiency of processes) are upheld.

Moreover, the own risk and solvency assessment (ORSA) enables risk, capital and return to be related to each other in a prospective vision, in the context of the Company's business strategy.

The Company has policies, processes and procedures relating to the governance system that are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business. In terms of organisational structure, the risk management and internal control systems are managed by the following bodies of Fidelidade – Companhia de Seguros, S.A. which perform functions across the Group: the Risk Management Division, the Audit Division, the Compliance Division, the Risk Committee, Underwriting Policy Acceptance and Supervision Committee, the Life and Non-Life Products Committee and the Assets and Liabilities Management Committee.

The remaining Management Bodies are responsible for enhancing the risk management and internal control process, so as to ensure that the management and control of operations is performed in a sound and prudent manner. They are also responsible for the existence and updating of documentation relating to the business processes, their risks and control activities.

Included within the set of prudential recommendations of the supervisory authorities, in order to guarantee operational continuity of the processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of a structured assessment of damage and agile decision-making regarding the type of recovery to be undertaken.

Regarding the public reporting requirements, in 2018 the Company prepared and disseminated, on its Internet site, the "2017 Solvency and Financial Condition Report", which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2017. This information, together with the annual quantitative reports submitted to the ASF, is certified by the statutory auditor and the responsible actuary.

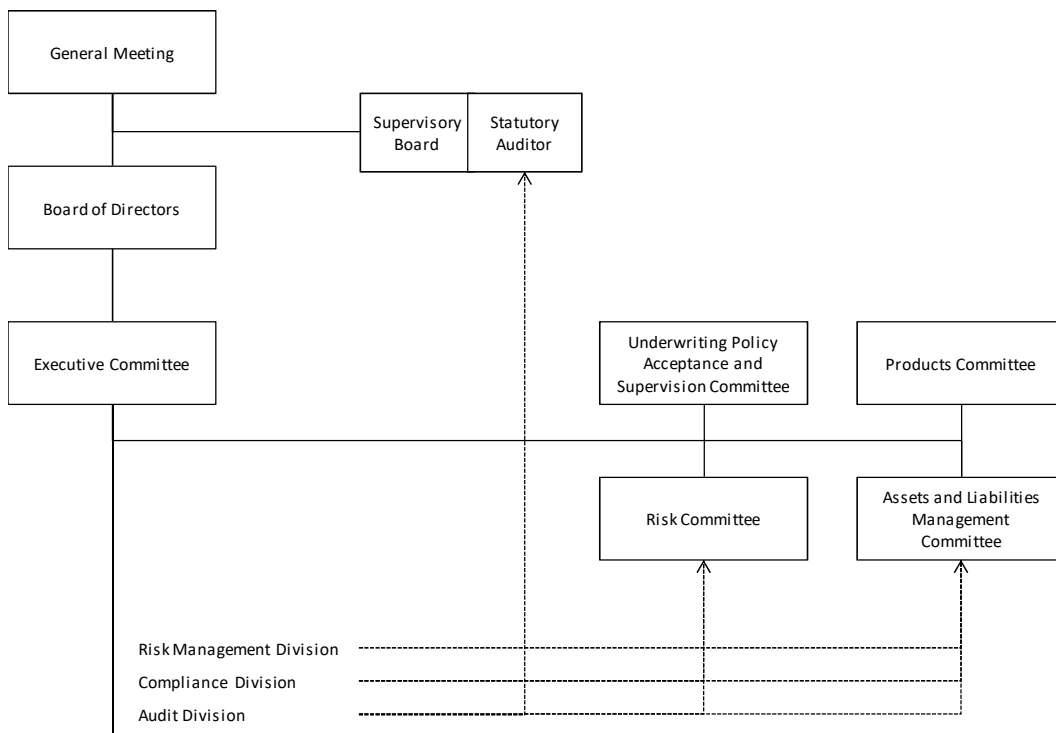


The Company also conducted the annual own risk and solvency assessment (ORSA) in 2018, reporting its findings to the ASF in a supervision report, and provided quarterly quantitative information for supervisory purposes.

Accordingly, the measures adopted during the preparatory phase for applying the Solvency II rules, which have been further consolidated during these first years of application, place the Company at a comfortable level of compliance with these new rules.

**24. EXPLANATION OF THE HIERARCHICAL AND/OR FUNCTIONAL RELATIONSHIPS OF DEPENDENCE IN RELATION TO OTHER BODIES OR COMMITTEES OF THE COMPANY**

The hierarchical and functional relationship of dependence of the Risk Management Division, the Audit Division and the Compliance Division, in relation to the Company’s other bodies or committees, is reflected in the following table:



**25. EXISTENCE OF OTHER FUNCTIONAL AREAS WITH RISK CONTROL COMPETENCES**

Alongside the areas with key functions within the scope of the internal control and risk management systems, and the control of legal risks performed by the Legal Affairs Division, there is an information and reporting system which supports decision-making and control processes, both internally and externally. This system falls within the competence of the Accounting and Financial Information Division, which ensures the existence of substantial, current, coherent, timely and reliable information, enabling a global and comprehensive vision of the financial situation, the development of the activity, compliance with the defined strategy and objectives, identification of the Company’s risk profile, market behaviour and growth prospects.



The process of financial and management information is supported by accounting and management support systems which record, classify, connect and archive all the operations performed by the company and its subsidiaries in a systematic, timely, reliable, complete and consistent manner, in line with the decisions and policies issued by the Executive Committee.

Consequently, the Risk Management Division, the Audit Division, the Compliance Division and the Accounting Department ensure the implementation of the procedures and means necessary to obtain all the necessary information for the process of consolidation and reporting at the Company level – with regard to both accounts and support for the management and supervision and control of risks – which include, in particular:

- Definition of the content and format of the information to be reported by the bodies included within the consolidation perimeter, in line with the accounting policies and guidelines defined by the management body, and the dates on which the reports are required;
- Identification and control of intra-Company operations; and
- A guarantee that the management information is coherent between the various entities, so that it is possible to measure and follow the evolution and profitability of each business and confirm that the established objectives have been met, as well as assess and control the risks relative to each entity, in both absolute and relative terms.

As a result of the new Solvency II rules, the Company has new obligations to inform the public and the regulator, in particular, the annual disclosure of a report on solvency and financial condition.

**26.** IDENTIFICATION AND DESCRIPTION OF THE MAIN TYPES OF RISK (ECONOMIC, FINANCIAL AND LEGAL) TO WHICH THE COMPANY IS EXPOSED IN THE PERFORMANCE OF ITS ACTIVITY

This information is provided in the Notes to the Financial Statements.

**27.** DESCRIPTION OF THE PROCESS OF IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT OF RISKS

The risk management system enables the Company to identify, assess, manage and monitor risks, enabling appropriate and immediate actions to be adopted in the event of material changes in its risk profile.

In establishing its risk profile, the Company identifies the different risks to which it is exposed and then assesses those risks. Risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks not included in that formula, the Company has opted to use a qualitative analysis in order to classify the foreseeable impact on capital needs.



The ORSA plays a key role in monitoring the Company's risk profile and the capital adequacy in terms of meeting the regulatory requirements and the internal capital needs.

## IV. Internet Site

### 28. ADDRESS(ES)

The address of FIDELIDADE ASSISTÊNCIA's website is: [www.fidelidade-assistance.pt](http://www.fidelidade-assistance.pt)

### 29. PLACE WHERE INFORMATION ON THE COMPANY, CORPORATE BODIES AND DOCUMENTS RELATING TO THE COMPANY ACCOUNTS CAN BE FOUND

Information about the Company and the corporate bodies and documents relating to the accounts are available on the Company's website, at the address indicated above.

### 30. PLACE WHERE THE ARTICLES OF ASSOCIATION AND THE RULES GOVERNING THE FUNCTIONING OF THE CORPORATE BODIES CAN BE FOUND

The Articles of Association and the rules governing the functioning of the bodies and committees are available from the Company's Registered Office, from the Company Secretary.

### 31. PLACE WHERE THE NOTICE CONVENING THE GENERAL MEETING AND ALL THE PREPARATORY AND SUBSEQUENT INFORMATION RELATED THERETO IS DISCLOSED

Notices convening general meetings and all the preparatory and subsequent information related to these are available at the Company's Registered Office, from the Company Secretary.

### 32. PLACE WHERE THE HISTORICAL ARCHIVE ON THE RESOLUTIONS PASSED AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF THE VOTES, RELATING TO THE LAST THREE YEARS, IS DISCLOSED

The historical archive of resolutions passed at the Company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is available from the Company's Registered Office, from the Company Secretary.

## D. REMUNERATION

### I. Competence to determine

### 33. INDICATION AS TO THE COMPETENCE TO DETERMINE THE REMUNERATION OF THE CORPORATE BODIES, THE MEMBERS OF THE EXECUTIVE COMMITTEE OR CHIEF EXECUTIVE OFFICER AND THE DIRECTORS OF THE COMPANY

The Remunerations Committee is responsible for fixing the remuneration of the members of the corporate bodies.

### II. Remunerations Committee

### 34. COMPOSITION OF THE REMUNERATIONS COMMITTEE

The composition of the Remunerations Committee, appointed on 31 March 2017, is as follows:

Chair	Lan KANG
Member	Yongquing ZHANG



**35. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE REMUNERATIONS COMMITTEE ON REMUNERATION POLICY ISSUES**

The members of the Remunerations Committee are persons who, given their professional experience and curriculum vitae, have the appropriate knowledge and profile with regard to remuneration policy issues.

**III. Remunerations structure**

**36. DESCRIPTION OF THE REMUNERATION POLICY FOR THE MANAGEMENT AND SUPERVISORY BODIES AS SET OUT IN ARTICLE 2 OF LAW NO. 28/2009, OF 19 JUNE**

The Remunerations Committee submitted a declaration to the General Meeting of 28 March 2018, in compliance with the provisions of Article 2 of Law No. 28/2009, of 19 June, on the remuneration policy for the members of the respective management and supervisory bodies, which was unanimously approved.

According to this declaration, the remuneration policy was based on the following principles:

“The remuneration of the members of the Company’s management and supervisory bodies is established by the Remunerations Committee in the light of the current Remuneration Policy, with reference to the applicable laws and regulations, and the guiding principles of the remuneration policy for the members of the corporate bodies of the Group companies.

The Remuneration Policy for the members of the Company’s management and supervisory bodies is as follows:

- When the position is remunerated and to ensure alignment with the interests of the company, the remuneration of the executive members of the management body is composed of a fixed component and a variable component;
- The fixed component is defined with reference to the amounts used in companies of a similar dimension, nature and complexity, and is paid in 14 monthly instalments, with the corresponding holiday and Christmas subsidies included within these, pursuant to the legislation in force;
- The variable component is determined according to performance, assessed on the basis of a series of defined objectives, namely, financial, operational, risk and strategic objectives, and is granted on an individual and annual basis, in relation to the year ended. It may not be more than a percentage of the monthly gross fixed remuneration in force at the end of that year, so that these are appropriately balanced;
- The members of the Board of Directors without executive functions do not receive any remuneration, either fixed or variable;
- The members of the Supervisory Board only receive fixed remuneration;

There are no share allocation or stock option plans for members of the Company’s management and supervisory bodies.”



The aforementioned remuneration policy was applied in 2018.

Information on the annual amount of remuneration paid to the members of the corporate bodies is set out in this Corporate Governance Report.

Given the above, the level of compliance with the recommendations contained in Circular No. 6/2010, of 1 April, from the then Portuguese Insurance Institute, now the Insurance and Pension Funds Supervisory Authority, regarding the remuneration policy is summarised below:

Item	Recommendation	Level of Compliance	Observations
I. General Principles	I.1. Institutions should adopt a remuneration policy consistent with effective management and control of risks which avoids excessive exposure to risk and potential conflicts of interest, and which is consistent with the objectives, values and long-term interests of the institution, particularly with the prospects for sustainable growth and profitability and protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers.	Met	
	I.2. The remuneration policy should be appropriate to the size, nature and complexity of the activity carried on or to be carried on by the institution and, in particular, as regards the risks taken or to be taken.	Met	
	I.3. Institutions should adopt a clear, transparent and appropriate structure for defining, implementing and monitoring the remuneration policy, which identifies, in an objective way, the employees involved in each case and their respective responsibilities and competences.	Met	
II. Approval of the remuneration policy	II.1 Without prejudice to the provisions of Article 2(1) of Law No. 28/2009, of 19 June, with regard to the remuneration of the members of the management and supervisory bodies, the remuneration policy should be approved by a remunerations committee or, where the existence of such a body is not feasible or appropriate given the size, nature and complexity of the institution concerned, by the General Meeting or by the general and supervisory board, as applicable.	Met	
	II.2. With regard to the remuneration of the remaining employees covered by the Circular, the remuneration policy should be approved by the management body.	Met	
	II.3. When determining the remuneration policy the involvement should be sought of persons with functional independence and adequate technical capacity, including persons who belong to structural units responsible for key functions and, whenever necessary, human resources, in addition to external experts, in order to avoid conflicts of interests and to enable an independent value judgement to be formed as to the adequacy of the remuneration policy, including its effects on the management of the institution's risks and capital.	Met	



Item	Recommendation	Level of Compliance	Observations
	II.4. The remuneration policy should be transparent and accessible to all employees of the institution. The remuneration policy should also be subject to periodic review and be formalised in a separate document, duly updated, showing the date of the introduced changes and the justification for them, and an archive should be kept of earlier versions.	Met	
	II.5. The employees should be informed of the evaluation process, including the criteria used to determine the variable remuneration, prior to the time period covered by the evaluation process.	Met	
III. Remunerations committee	III.1. The remunerations committee, if any, should carry out a review, at least once a year, of the institution's remuneration policy and its implementation, in particular with regard to the remuneration of the executive members of the management body, including their remuneration based on shares or options, to enable an independent and substantiated value judgement to be formed as to the adequacy of the remuneration policy, in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	III.2. The members of the remunerations committee should be independent from the members of the management body and should meet suitability requirements and possess professional qualifications which are appropriate to the performance of their duties, in particular having knowledge and / or professional experience in remuneration policy issues.	Met	
	III.3. If the remunerations committee seeks, in the exercise of its functions, the provision of external services in relation to remuneration, it should not recruit a natural or legal person that provides or has provided, in the previous three years, services to any structure in a relationship of dependence to the management body, to the management body itself or a structure that has a current relationship as a consultant of the institution. This recommendation also applies to any natural or legal person who is connected to any of the above by means of an employment or provision of services contract.	Not applicable	External services are not used in relation to remuneration.
	III.4. The remunerations committee should report annually to the shareholders on the exercise of its functions and should attend any general meetings where the remuneration policy is included on the agenda.	Met	
	III.5. The remunerations committee should meet at least once a year, and should prepare minutes of all meetings held.	Met	





Item	Recommendation	Level of Compliance	Observations
<b>IV. Remuneration of members of the management body</b>			
<b>Executive members</b>	IV.1. The remuneration of directors performing executive duties should include a variable component, which is determined by a performance assessment carried out by the competent bodies of the institution, according to predetermined measurable criteria, including non-financial criteria, which considers, in addition to individual performance, the real growth of the institution and the wealth effectively created for shareholders, protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers, its long-term sustainability and the risks taken, as well as compliance with the rules applicable to the institution's activity.	Met	
	IV2. The fixed and variable components of the total remuneration should be appropriately balanced. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	
	IV.3. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Not met	No financial instruments were issued by the institution.
	IV.4. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the continued positive performance of the institution over this period.	Not met	No part of the variable remuneration was deferred.
	IV.5. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration.	Not applicable	No part of the variable remuneration was deferred.
	IV.6. The members of the Board of Directors should not enter into contracts with the institution, or with third parties, the purpose of which is to mitigate the risk inherent in the variability of the remuneration established for them by the institution.	Met	



Item	Recommendation	Level of Compliance	Observations
	IV.7. Up until the end of their mandate, the executive members of the management body should maintain the shares in the institution which they have obtained via variable remuneration schemes, up to the limit of twice the value of the total annual remuneration, with the exception of those which need to be sold in order to pay taxes resulting from the gains from those same shares.	Not applicable	No Company shares were awarded.
	IV.8. When the variable remuneration includes options, the beginning of the period for them to be exercised should be deferred for a period of not less than three years.	Not applicable	No options were awarded.
	IV.9. After the period referred to in the previous paragraph, the executive members of the management body should retain a given number of shares, until the end of their mandate, subject to the need to finance any costs related to the acquisition of shares, and the number of shares to be retained should be fixed.	Not applicable	No shares were awarded.
<b>Non-executive members</b>	IV.10. The remuneration of the non-executive members of the management body should not include any component the value of which depends on the performance or the value of the institution.	Not applicable	Non-executive members do not receive remuneration.
<b>Compensation in the event of dismissal</b>	IV.11. Appropriate legal instruments should be established so that the compensation fixed for any form of unfair dismissal of a member of the management body is not paid if the dismissal or termination by agreement is the result of the inadequate performance of the member of the management body.	Not applicable	No compensation has been established.
<b>V. Remuneration of employees</b>			
<b>Relationship between fixed remuneration and variable remuneration</b>	V.1. If the remuneration of the institution's employees includes a variable component, this must be properly balanced in relation to the fixed component of the remuneration, taking into account, namely, the performance, the responsibilities and functions of each employee and the activity performed by the institution. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	
	V.2. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Not met	No financial instruments were issued by the institution to be awarded to its employees.



Item	Recommendation	Level of Compliance	Observations
<b>Criteria for awarding variable remuneration</b>	V.3. The performance assessment should take into account not only the individual performance but also the collective performance of the business unit of which the employee is a part and of the institution itself, and it should include relevant non-financial criteria, such as respect for the rules and procedures applicable to the activity being carried on, namely the internal control rules and those concerning the relationship with policyholders, insured persons, participants, beneficiaries and taxpayers, in order to promote the sustainability of the institution and the creation of value in the long term.	Met	
	V.4. The criteria for awarding variable remuneration according to performance should be predetermined and measurable, and should be related to a multi-annual framework of three to five years, to ensure that the assessment process is based on long-term performance.	Partially met	The remuneration policy for employees is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.
	V.5. The variable remuneration, including the deferred portion of that remuneration, should only be paid or constitute an acquired right if it is sustainable in the light of the financial situation of the institution as a whole and if it is justified in the light of the performance of the employee in question and of the business unit to which he or she belongs. The total variable remuneration should, in general terms, be severely reduced in the event of a regression in the performance or a negative performance for the institution.	Met	There is no deferred portion of the variable remuneration.
<b>Deferral of the variable remuneration</b>	V.6. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the future performance criteria, measured on the basis of criteria adjusted to the risk, which consider the risks associated with the activity from which its allocation results.	Not met	The remuneration policy for employees is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.
	V.7. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration, and the deferred percentage should increase significantly in line with the employee's level in the hierarchy or responsibility.	Not applicable	No portion of the variable remuneration is subject to deferral.



Item	Recommendation	Level of Compliance	Observations
<b>Remuneration of employees who perform key functions</b>	V.8. Employees involved in performing tasks associated with key functions should be remunerated based on the pursuit of the objectives linked to their functions, regardless of the performance of the areas under their control, and the remuneration should provide a reward which is appropriate to the importance of the exercise of their duties.	Met	
	V.9. In particular, the actuarial function and the chief actuary should be remunerated in a manner consistent with their role in the institution and not in relation to the company's performance.	Not applicable	The actuarial function and the chief actuary are not remunerated by Fidelidade Assistência.
<b>VI. Assessment of the remuneration policy</b>	VI.1. The remuneration policy should be subject to an independent internal assessment, at least once a year, to be carried out by employees with key functions in the institution, working in conjunction with each other.	Met	
	VI.2. The assessment provided for in the previous paragraph should include, namely, an analysis of the remuneration policy and its implementation in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	VI.3. The employees with key functions should provide the management body and the General Meeting or the remunerations committee, if any, with a report containing the results of the analysis referred to in VI.1., which, namely, identifies the measures needed to correct any possible insufficiencies in the light of these recommendations.	Met	

#### IV. Disclosure of Remunerations

**37.** INDICATION OF THE ANNUAL AMOUNT OF REMUNERATION PAID BY THE COMPANY AS A WHOLE AND INDIVIDUALLY TO MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS, INCLUDING FIXED AND VARIABLE REMUNERATION AND, IN RELATION TO THE LATTER, REFERENCE TO THE DIFFERENT COMPONENTS THAT HAVE GIVEN RISE TO IT

The annual amount of remuneration paid by the Company, as a whole and individually, to the executive members of the Company's Board of Directors, is set out in the following table:

Executive Members of the Board of Directors (BD)	Fixed Remuneration	Variable Remuneration*
José Manuel Alvarez Quintero	0	0
Francisco Xavier da Conceição Cordeiro	0	0
Luis Filipe Mateus Alves	114,724	38,000
<b>TOTAL</b>	<b>114,724</b>	<b>38,000</b>

\*Paid in 2018 and related to 2017

Non-executive members of the Board of Directors do not receive any remuneration.



**38. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS CONCERNING CONTRACT TERMINATION DURING THE YEAR**

No executive director terminated his functions during 2018.

**39. INDICATION OF THE ANNUAL AMOUNT OF REMUNERATION PAID BY THE COMPANY AS A WHOLE AND INDIVIDUALLY TO MEMBERS OF THE COMPANY'S SUPERVISORY BODIES, FOR THE PURPOSES OF LAW NO. 28/2009, OF 19 JUNE**

The amount of gross remuneration paid in 2018, as a whole and individually, to the members of the Company's supervisory body is set out in the following table:

Members of the Supervisory Board	Amount (€)	Observations
Luís Manuel Machado Vilhena da Cunha	17,664	
José António da Costa Figueiredo	14,720	
António José Pereira Cardoso Mota	14,720	
Isabel Gomes de Novais Paiva	0	(Reserve)
<b>TOTAL</b>	<b>47,104</b>	

**40. INDICATION OF THE REMUNERATION IN THE YEAR IN QUESTION OF THE PRESIDENT OF THE PRESIDING BOARD OF THE GENERAL MEETING**

The President of the Presiding Board of the General Meeting does not receive any remuneration.

**V. Agreements with remuneration implications**

**41. REFERENCE TO THE EXISTENCE AND DESCRIPTION, WITH AN INDICATION OF THE SUMS INVOLVED, OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGEMENT BODY, IN THE SENSE OF ARTICLE 248-B(3) OF THE SECURITIES CODE, WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION OR UNFAIR DISMISSAL OR TERMINATION OF THE EMPLOYMENT FOLLOWING A CHANGE IN THE CONTROL OF THE COMPANY (ARTICLE 245-A, (1) I))**

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the Company.

**VI. Share allocation or stock option plans**

**42. IDENTIFICATION OF THE PLAN AND RESPECTIVE RECIPIENTS**

There are no plans with these characteristics.

**43. STOCK OPTIONS FOR EMPLOYEES AND COMPANY STAFF**

There are no stock options for employees and staff.



## **E. RELATED PARTY TRANSACTIONS**

### **I. Control mechanisms and procedures**

**44.** MECHANISMS IMPLEMENTED BY THE COMPANY FOR THE PURPOSE OF CONTROLLING TRANSACTIONS WITH RELATED PARTIES

FIDELIDADE ASSISTÊNCIA has adopted a set of transparent and objective rules which are applicable to transactions with related parties, which are subject to specific approval mechanisms.

**45.** INDICATION OF THE TRANSACTIONS WHICH WERE SUBJECT TO CONTROL IN THE YEAR IN QUESTION

All transactions with related parties were subject to control.

**46.** DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO THE INTERVENTION OF THE SUPERVISORY BODY FOR THE PURPOSES OF PRIOR ASSESSMENT OF THE BUSINESS TO BE CONDUCTED BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHARES OR ENTITIES WHICH ARE IN ANY KIND OF RELATIONSHIP WITH THEM, PURSUANT TO ARTICLE 20 OF THE SECURITIES CODE

Operations to be performed between the Company and holders of qualifying shares or entities which are in any kind of relationship with them are subject to assessment and a decision of the Board of Directors, and these operations, like all others performed by the Company, are subject to supervision by the Supervisory Board.

### **II. Information on the transactions**

**47.** INDICATION OF THE LOCATION OF ACCOUNTING INFORMATION INCLUDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Information on transactions with related parties is included in Note 25 to the Financial Statements.



# 06

## Statutory Auditor's Report



*(Translation of a report originally issued in Portuguese)*

## Statutory Auditor's Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Qualified Opinion

We have audited the accompanying financial statements of Fidelidade Assistência – Companhia de Seguros, S.A. (the “Company”), which comprise the Statement of Financial Position as at December 31, 2018 (which establishes a total of 55,014,319 euros and total equity of 39,847,357 euros, including a net profit for the year of 6,183,482 euros), the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Fidelidade Assistência – Companhia de Seguros, S.A. as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal (“Autoridade de Supervisão de Seguros e Fundos de Pensões” - “ASF”).

#### Basis for qualified opinion

With reference to December 31, 2017, Claims Provisions registered by the Company presented globally an excess amount of 2,796 thousand euros, which represented 20% of the amount recorded at this date, of which 1,478 thousand euros were from the Assistance line of business and 1,318 thousand euros from the Legal Protection line of business. During the year ended on December 31, 2018, the Company reduced the Claims Provision which included the derecognition of the referred excess to an acceptable level, even though this way, the headings of Claims Provision and Income Before Tax were overvalued in approximately 2,003 thousand euros, of which 1,477 thousand euros were from the Assistance line of business and 526 thousand euros from the Legal Protection line of business and the Retained Earnings is undervalued in the same amount. These amounts do not reflect the effect that the correction had on the profit sharing under the reinsurance accepted and the respective tax effect.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section below. We are independent of the Company in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors’ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the material described in the section “Basis for qualified opinion”, we consider that there were no other key audit matters of the current period.

#### Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- ▶ the preparation of the financial statements which present a true and fair view of financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;





- ▶ the preparation of the Management Report, in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Company's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the of the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of Management Report with financial statements.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Management Report

Pursuant to article 451, no. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Company, we have not identified any material misstatement.

### On additional items set out in article 10<sup>o</sup> of Regulation (EU) n<sup>o</sup> 537/2014

Pursuant to article 10<sup>o</sup> of Regulation (EU) no. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of Company for the first time in the shareholders' general meeting held on May 15, 2014 for the period between 2014 and 2016. We were reappointed for a second mandate in the shareholders' general meeting held on March 31, 2017 for the period between 2017 and 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Company;
- ▶ We declare that we have not provided any prohibited services as described in article 77, no. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Company in conducting the audit.

Lisbon, March 12, 2019

Ernst & Young Audit & Associados – SROC, S.A.  
Sociedade de Revisores Oficiais de Contas  
Represented by:

*(signed)*

Ricardo Nuno Lopes Pinto - ROC no. 1579  
Registered with the Portuguese Securities Market Commission under license no. 20161189

# 07

## Report and Opinion of the Supervisory Board



FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.

REPORT AND OPINION OF THE SUPERVISORY BOARD

2018

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of the accounting records and compliance with the applicable legal and statutory regulations, having made the checks considered appropriate.

We were provided with regular information and clarifications on the operations of the company and its corporate business by the Board of Directors and other corporate bodies.

We have examined the Report of the Board of Directors and the other separate accounting documents for the year, in addition to the Statutory Auditor's Report, with which we are in agreement.

In consideration of the above, the Supervisory Board issues the following:

OPINION

- That the Report of the Board of Directors and other separate accounting documents for the year, as submitted by the Board of Directors, should be approved;
- That the proposal for the application of income set out in the Report of the Board of Directors should be approved.

The Supervisory Board wishes to express its gratitude to the Board of Directors and other governing bodies for their excellent collaboration during the course of the year.

Lisbon, 13 March 2019

SUPERVISORY BOARD

Luís Manuel Machado Vilhena da Cunha – Chairman

José António da Costa Figueiredo – Member

António José Pereira Cardoso Mota - Member



DECLARATION OF COMPLEMENTARY LIABILITY  
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD  
OF FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.  
FOR 2018

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the separate accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 13 March 2019.

SUPERVISORY BOARD

Luís Manuel Machado Vilhena da Cunha – Chairman

José António da Costa Figueiredo – Member

António José Pereira Cardoso Mota - Member

