

Annual Report and Accounts 2019

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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



Board of Directors

| | |
|----------|---|
| Chairman | José Manuel Alvarez Quintero |
| Members | Luis Filipe Mateus Alves João Eduardo de Noronha Gamito de Faria Luís Jaime Marques |

Executive Committee

| | |
|----------|------------------------------|
| Chairman | José Manuel Alvarez Quintero |
| Members | Luis Filipe Mateus Alves |

Supervisory Board

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

Statutory Auditors

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

Presiding Board of the General Meeting

| | |
|-----------|-----------------------------|
| President | Maria Isabel Toucedo Lage |
| Secretary | Carla Cristina Curto Coelho |

Company Secretary

| | |
|-----------|-----------------------------|
| 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 2019.

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 2019, the Portuguese economy continued to display economic growth, following the positive trend that began in 2014.

In fact, this trend has largely been the result of the 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.

However, although the results are positive, the most recent projections from Banco de Portugal suggest a deceleration in economic activity, indicating GDP growth of 2.0% in 2019, lower than the figure for 2018 (2.4%), but still above the euro area average (1.4%).

The slowdown in Exports and Domestic Consumption, both of which recorded high levels of growth in previous years, is the main reason for this change compared to 2018.

Notwithstanding estimated growth of 2.8% in 2019, Exports slowed by 1.0 pp when compared to the previous year.

Private Consumption also continued on an upward trend (+2.3%), but with more moderate growth than in the previous year (-0.8 pp), reflecting, on the one hand, real growth in families' disposable income, but on the other, deteriorating consumer confidence.

Similarly, Public Consumption followed the same trend as Private Consumption, recording a slowdown in 2019 when compared to the previous year. Growth of only 0.5% reflected a reversal of a one-off effect of expenditure relating to the 2017 wildfires (which had an impact on intermediate consumption in 2018).

It is also important to note the strong growth in Gross Fixed Capital Formation in 2019 (7.3% in 2019, compared to 5.8% in 2018), largely driven by the construction sector and influenced by buoyant residential construction and the execution of large infrastructure projects.

Projections for the labour market suggest an increase in employment levels (+1.0%) and, consequently, a fall in the unemployment rate to 6.3% at the end of 2019.

Inflation, measured by the rate of change in the HICP, is expected to decrease markedly in 2019 (from 1.2% in 2018 to 0.3% in 2019), reflecting both the drop in energy prices, in line with the evolution in oil prices, and the positive impact of some non-energy prices, including, for example, the fall in the price of public transportation travel cards and in education costs (as a result of the entitlement to free school textbooks being extended and the decline in higher education tuition fees).



The most noteworthy of the risks with potential negative effects at global level is uncertainty resulting from the possibility of an intensification of trade barriers due to tensions between China and the United States and the potential extension of these barriers to other countries. There is also the possibility of a slowdown in global economic activity, associated with the pass-through of recent weakness in manufacturing to other sectors of activity, especially services.



1.2. Insurance Market Environment

In 2019, following two consecutive years of growth, the Portuguese insurance sector recorded a decline in total direct insurance premiums, which stood at EUR 12.2 billion (a decrease of 5.8% compared to the previous year).

The Life segment, which recorded a decrease of 13.9% to EUR 7.0 billion, was the main catalyst for the decline in premiums recorded in the sector as a whole. After two consecutive years of growth (14.6% in 2018 and 6.2% in 2017), total premiums in this segment contracted once again in 2019, reflecting the performance of financial products.

Meanwhile, in contrast to the evolution in the Life segment, total premiums in the Non-Life segment continued the upward trend seen in recent years (7.4% in 2018 and 6.9% in 2017), recording a premiums increase of 8.0% compared to the previous year, with direct insurance premiums rising to EUR 5.2 billion.

In 2019, the Life segment recorded a drop in direct insurance premiums of 13.9% compared to the previous year, which represents a decrease in premiums of around EUR 1.1 billion to EUR 7.0 billion. The performance of financial products was the main cause for this decline in total premiums for this segment.

Of note is the fall in contributions for products not linked to investment funds, which fell significantly compared to the previous year, reflecting the current climate of low interest rates, combined with a decrease in families' savings rates and the current prudential regulations applicable to the sector (Solvency II) which are more sensitive to the risks inherent to financial guarantees.

Insurance linked to investment funds, which is less sensitive to the aforementioned macroeconomic and prudential context, also recorded a fall in premiums, albeit less accentuated.

Meanwhile, Life Risk products consolidated the growth trend seen in recent years, as a result of buoyancy in the real estate market and the corresponding increase in new mortgage agreements.

The Non-Life segment maintained the positive evolution seen in recent years, confirming signs of the economic recovery that began in 2015. Premiums in this segment grew at a higher rate than in the previous year (+8.0%, compared to +7.4% in 2018) and this increase was seen across all the main lines of business.



The Workers' Compensation line of business continued to display double-digit growth (+11.8%), reflecting the effect of growth in economic activity, with a positive impact on the wage bill and a decrease in the unemployment rate, as well as tariff adjustments that Companies have been implementing in recent years to rebalance the technical results. This important development in recent years has meant that this line of business is now the second most important in the Non-Life segment (overtaking the Health line of business). Total premiums in the Motor and Health lines of business also continued to grow in 2019, consolidating the trend seen in previous years.

The Health line of business, boosted not only by greater awareness among the population of the importance of health insurance as a complement to the National Health Service but also by employers' increasing inclusion of health insurance in employees' benefits plans, recorded growth of 8.9% (compared to 7.4% in 2018), bringing direct insurance premiums to EUR 878 million.

The Motor line of business, which is still by far the most important Non-Life line of business, also grew at a noticeable pace (7.0%), recording EUR 2.0 billion. This increase in premiums, essentially due to growth in the average premium associated with the rise in vehicle ownership, meant that the Motor line of business maintained its structural weight in the total Non-Life premiums (38% of all Non-Life premiums).

The Fire and Other Damage line of business, where Home Insurance products are particularly significant, displayed robust growth of 7.5%, with total premiums of EUR 914 million. Increases in business investment and buoyancy in residential construction in 2019 were important factors in this evolution.

The other less significant lines of business in the Non-Life segment also grew when compared to the previous year. Their aggregate increased 4.5%, totalling EUR 537 million.



2. Company Activity

2.1. Executive Summary

Fidelidade Assistance recorded a net operating income for 2019 of EUR 4.1 million, which represents a decrease of 33.0% compared to the previous year. The decrease in the operating income is directly linked, in decreasing order of importance, to:

- The 71.27% decrease in the financial income;
- The 10.1% decrease in the technical margin, as a result of an increase in the average claim cost in Motor Roadside Assistance;

The Company recorded a volume of earned premiums of EUR 52.8 million, which represents growth of 5.1% compared to the previous year. The Assistance line of business grew 5.3% to EUR 47.4 million and the Legal Protection line of business progressed 3.9% to EUR 5.4 million

The Combined Ratio for 2019 was 92.1%, up 3.5 pp on the previous year's figure of 88.6%. The decline in this ratio is directly linked to the results of the Technical Account.

Fidelidade Assistance's Net Assets were EUR 60.8 million (+9.5%). Shareholders' Equity increased to EUR 44.2 million (+9.9%) and Liabilities increased to EUR 16.6 million (+8.4%).

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 2019, besides consolidating its position in the Portuguese market with the launch of innovative products, the Company continued to pursue its internationalisation project, continuing its actions to boost sales in Africa.



2.2. Key Indicators

(Million Euros)

| | 2019 | 2018 |
|---|----------------|------------------|
| FINANCIAL INDICATORS | | |
| Net Assets | 60.8 | 55.0 |
| Investments (including Cash and Bank Deposits) | 57.4 | 50.8 |
| Shareholders' Equity | 44.2 | 39.8 |
| Liabilities | 16.6 | 15.2 |
| Net income | 4.1 | 6.2 |
| Average Yield from Shareholders' Equity | 9.85% | 16.51% |
| Number of persons employed | 177 | 169 |
| Technical Yield (without Earned Premiums) | 7.85% | 12.32% |
| Technical Liabilities | 13.3 | 12.2 |
| Technical Indicators | | |
| Loss Ratio | 78.40% | 74.76% |
| Expense Ratio | 13.71% | 13.88% |
| Combined Ratio | 92.11% | 88.64% |
| ACTIVITY INDICATORS | | |
| Earned Premiums | 52.8 | 50.2 |
| Assistance Line of Business | 47.4 | 45.0 |
| Legal Protection Line of Business | 5.4 | 5.2 |
| Processes Opened | 645,215 | 625,238 |
| Assistance Line of Business | 641,233 | 621,091 |
| Legal Protection Line of Business | 3,982 | 4,147 |
| Telephone Contacts Received | 993,589 | 1,000,518 |
| Assistance Line of Business | 983,751 | 990,093 |
| Efficacy Rate | 94.60% | 94.78% |
| Legal Protection Line of Business | 9,838 | 10,425 |
| Efficacy Rate | 96.74% | 96.60% |
| Complaints | | |
| Number of Complaints | 1,178 | 1,289 |
| Complaints Rate (Number of Complaints/Processes Opened) | 0.18% | 0.21% |
| Average Response Time (days) | 4.4 | 4.5 |
| Quality | | |
| Global Satisfaction Index | 8.9 | 8.9 |
| Net Promoter Score | 69 | 68 |



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 (97.7% of earned premiums).

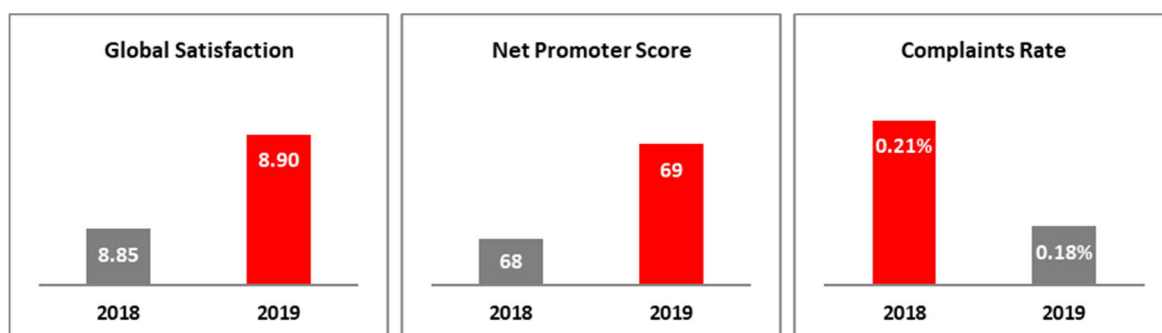
| | Million Euros | |
|-----------------------------|---------------|------------------|
| | Assistance | Legal Protection |
| Reinsurance Accepted | 47.1 | 5.4 |
| Direct Insurance | 0.3 | - |

During 2019, within the area of Assistance, the Company provided a daily average of 1,750 acts of assistance and received over 983,000 telephone contacts, with an efficacy rate of 94.6%. In the area of Legal Protection, it initiated 3,982 new claims and answered over 9,800 telephone contacts, with an efficacy rate of 96.7%.

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, the Company will invest heavily in automating assistance services processes;
- 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 2019 it achieved a Global Satisfaction level of 8.90 (on a scale of 1 to 10), and a Net Promoter Score of 69, 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 employees, 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).

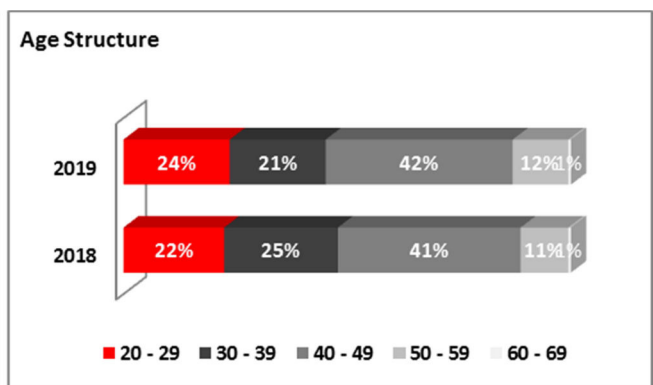
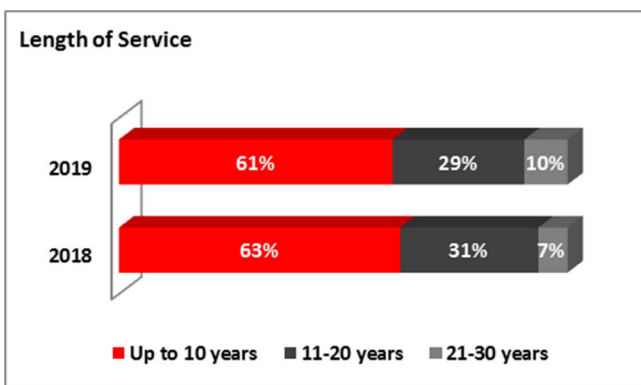
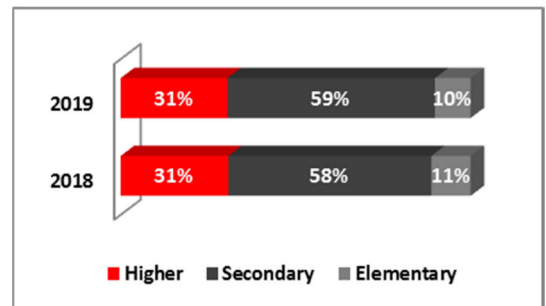
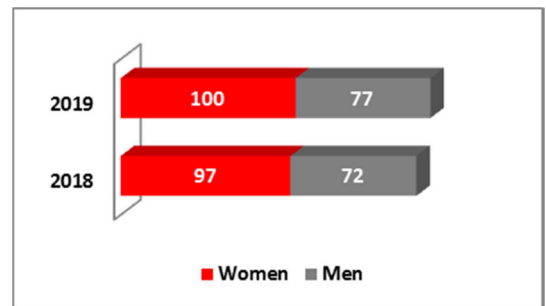
We believe that by guaranteeing harmony, we can build a more motivated and more productive team, with a positive impact on the society of which we are a part, while improving the quality of life of the employees and their families.

The increase in business (645,215 claims initiated in 2019), together with diversification of Assistance activities, meant that the Company increased the number of employees to 177 (154 FTE). 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 10%.

The average age of the employees providing services at Fidelidade Assistance was 38.5, and 45% of employees were under 40 years of age. At the end of the year, the age group with the highest percentage (42%) was between 40 and 49 years of age.

The average length of service remained at 9.7 years.



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 quality of service to clients; enhancement and motivation of employees.

The macro-objectives established for 2019 were:

- I. Growth in revenues of over 5.0%;
- II. Obtaining a technical margin greater than 21.5%;
- III. Obtaining an expense ratio lower than 14.0%;
- IV. Obtaining a combined ratio lower than 92.5%;
- V. Guaranteeing a Net Promoter Score greater than 66;
- VI. Reducing the complaints rate by 2.5%.



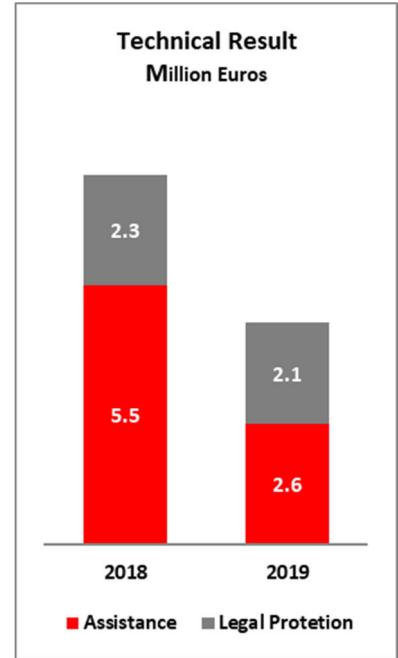
4. Financial Analysis

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

4.1. Technical Result

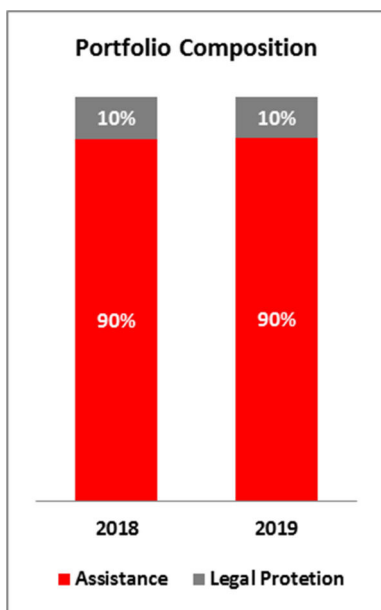
In 2019 the technical result was EUR 4.7 million, which represents a fall of 40.0% compared to the previous year. This decline is the result of the increase in claims costs brought about by the rise in the average cost of a claim, and also the sharp decrease (-71.2%) in the income from financial activity.

Considering the technical result by line of business, when compared to the previous year, the yield from the Assistance Line of Business fell by 52.9%, recording an income of EUR 2.6 million. The Legal Protection line of business had an income of EUR 2.1 million, which is a decrease of 7.9% compared to the previous year.



Earned premiums (mostly related to reinsurance accepted) reached EUR 52.8 million, a rise of 5.1%. The Assistance line of business represented EUR 47.4 million, growing 5.3% and the Legal Protection line of business EUR 5.4 million, growing 3.9%.

In this context, the composition of the Company's portfolio remained unaltered.



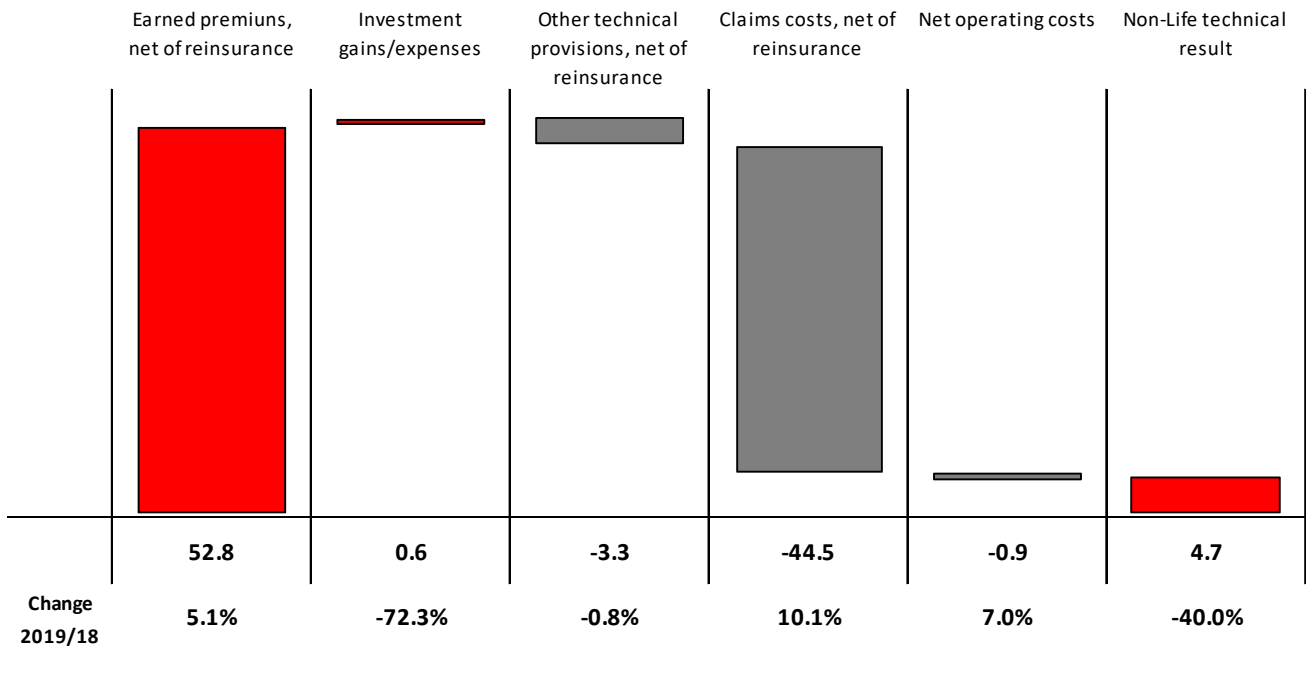
Claims costs (prior to allocation of costs by type) suffered an increase of 11.3%, reaching EUR 38.1 million, which represents a claims rate of 72.2%. Meanwhile, profit sharing in the ceding companies fell slightly compared to the previous year (-0.8%), settling at EUR 3.3 million. The Company's technical margin was 21.6%.



The technical result of EUR 4.7 million breaks down as follows:

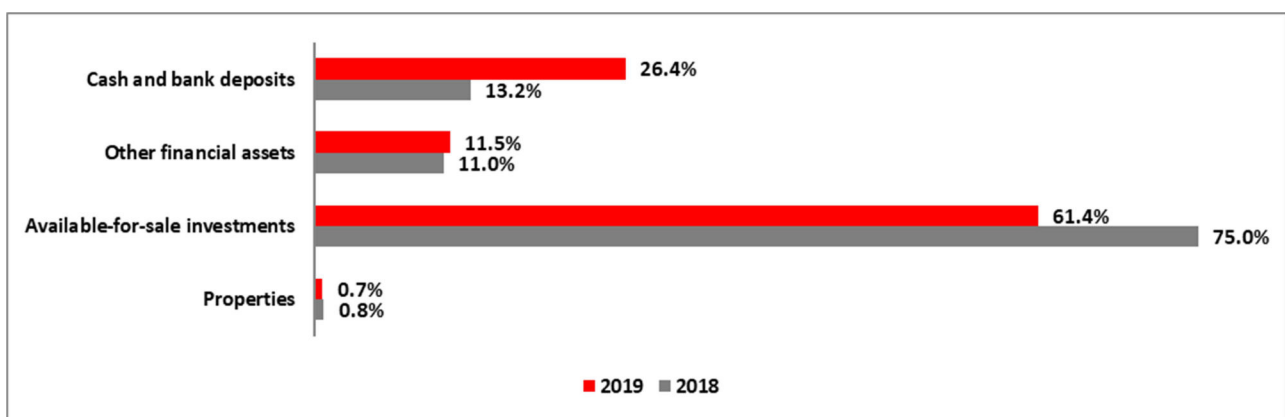
Breakdown of Non-Life Technical Result

(Million Euros)



4.2. Income Structure and Yield

Fidelidade Assistance's investment portfolio, including Cash and Bank Deposits, was EUR 57.4 million, up 12.9% on the previous year, and was mostly composed of equities and debt instruments classified as Available-for-sale Investments.



In 2019, the average yield from the portfolio representing technical liabilities for reinsurance accepted and direct insurance was 1.7%.



4.3. Net Income and Shareholders' Equity

In 2019, the Company recorded a decrease in net income from operations, which was EUR 4.1 million, a fall of 33.0% compared to the EUR 6.2 million obtained in the previous year. This decline is directly linked to the decrease in income from financial activity and the increase in claims due to the increase in the average cost of a claim.

Shareholders' Equity is EUR 44.2 million, a rise of 11.0% compared to the previous year, basically as a result of the increase in other reserves by application of the income of the previous year.

4.4. Technical Liabilities and Solvency

Technical liabilities for reinsurance accepted and direct insurance are EUR 13.3 million, corresponding to an increase of EUR 1.1 million compared to the previous year. This increase is directly linked to the increase in the average cost of a claim.

In 2019 Fidelidade Assistance recorded EUR 46.2 million of assets representing technical liabilities for reinsurance accepted and direct insurance, giving a coverage level of 346.8%.

Net Technical Liabilities for Reinsurance

| | (Million Euros) | |
|---|-----------------|---------------|
| | 2019 | 2018 |
| Provision for Unearned Premiums | 0.1 | 0.2 |
| Claims Provision | | |
| From Other Lines of Business | 13.2 | 12.0 |
| Provision for Unexpired Risks | - | - |
| Technical Liabilities – Reinsurance Accepted and Direct Insurance | 13.3 | 12.2 |
| Investments for representation | 46.2 | 43.3 |
| Coverage Rate | 346.8% | 355.1% |

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 Application of Income

The Net Income for 2019 was EUR 4,140,847.39. In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following application:

- | | |
|---|----------------|
| • Legal Reserve | € 415,000.00 |
| • Remaining amount at the disposal of the General Meeting | € 3,725,847.39 |

6. Prospects for Growth

Fidelidade's ambition for the next years is to be the leader in all lines of business and the Company 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:
 - (i) Maintaining profitability in the Assistance Line of Business, (ii) Assuming market leadership in the Legal Protection Line of Business, (iii) Launching innovative products.
- b) Transformation of the organisation:
 - (i) Focus on the Digital Programme, (ii) Organisation adjusted to the business needs, (iii) Enhancement of key competences.
- c) International expansion:
 - (i) Focus on expanding the business in Africa, (ii) Identifying new geographies with potential for expansion, in particular markets that are economically attractive and where Fidelidade Assistance has differentiating capabilities and competitive advantage to carry on the reinsurance business.
- d) Optimisation of asset management and increasing Solvency levels:
 - (i) Achieving adequate profitability and prudent asset management, (ii) 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 in revenues $\geq 4.5\%$;
- II. Technical Margin $\geq 22.0\%$;
- III. Expense Ratio $\leq 14.5\%$;
- IV. Combined Ratio $\leq 92.5\%$;
- V. Net Promoter Score ≥ 70 ;
- VI. Complaints rate $\leq 0.200\%$.

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, 26 February 2020



The Board of Directors

Chairman José Manuel Alvarez Quintero

Members Luis Filipe Mateus Alves

João Eduardo de Noronha Gamito de Faria

Luís Jaime Marques



Annex to the Report of the Board of Directors

I. Shareholders holding at least 1/10 of the share capital at 31/12/2019

(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 31/12/2019

(Article 447(5) of the Code of Commercial Companies):

- None

III. Other reporting obligations

There is nothing to report regarding the duties to report 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 2019 AND 2018

Tax Number: 503411515

(Amounts in Euros)

| Notes | Balance Sheet | 31-12-2019 | | | 31-12-2018 |
|---------|--|-------------------|---|-------------------|-------------------|
| | | Gross amount | Impairment, depreciation/ amortisation or adjustments | Net amount | |
| | ASSETS | | | | |
| 3 and 8 | Cash and cash equivalents | 15,157,434 | - | 15,157,434 | 6,730,021 |
| 4 and 8 | Investments in subsidiaries, associates and joint ventures | 531,586 | (83) | 531,503 | 531,503 |
| 5 and 8 | Financial assets initially recognised at fair value through profit or loss | 436,004 | - | 436,004 | 23,601 |
| 5 and 8 | Available-for-sale investments | 35,253,201 | - | 35,253,201 | 38,141,374 |
| 6 and 8 | Loans and accounts receivable | 5,625,005 | - | 5,625,005 | 5,024,658 |
| 6 | Loans made | 5,625,005 | - | 5,625,005 | 5,024,658 |
| 7 and 8 | Properties | 1,296,405 | (269,281) | 1,027,124 | 398,800 |
| 7 | Investment properties | 398,800 | - | 398,800 | 398,800 |
| 7 | Properties for own use | 897,605 | (269,281) | 628,324 | - |
| 8 and 9 | Other tangible assets | 785,534 | (669,170) | 116,364 | 7,074 |
| 10 | Other intangible assets | 457,298 | (457,298) | - | 34,063 |
| | Other debtors for insurance and other operations | 2,191,624 | - | 2,191,624 | 3,435,811 |
| 11 | Accounts receivable for direct insurance operations | 16,549 | - | 16,549 | 23,230 |
| 11 | Accounts receivable for other reinsurance operations | 2,053,929 | - | 2,053,929 | 3,345,039 |
| 11 | Accounts receivable for other operations | 121,146 | - | 121,146 | 67,542 |
| | Tax assets | 201,924 | - | 201,924 | 403,893 |
| 12 | Recoverable tax assets | 4,221 | - | 4,221 | - |
| 12 | Deferred tax assets | 197,703 | - | 197,703 | 403,893 |
| 13 | Accruals and deferrals | 257,402 | - | 257,402 | 283,521 |
| | TOTAL ASSETS | 62,193,417 | (1,395,832) | 60,797,585 | 55,014,319 |

The Notes are an integral part of these Statements.

Certified Public Accountant

Board of Directors



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

Tax Number: 503411515

(Amounts in Euros)

| Notes | Balance Sheet | 31-12-2019 | 31-12-2018 |
|-------|--|-------------------|-------------------|
| | LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| | LIABILITIES | | |
| | Technical Provisions | 13,322,712 | 12,193,711 |
| 14 | Provision for unearned premiums | 132,241 | 208,485 |
| | Claims provision | 13,190,471 | 11,985,226 |
| 14 | Other lines of business | 13,190,471 | 11,985,226 |
| 24 | Liabilities for post-employment and other long-term benefits | 272,854 | 225,544 |
| | Other creditors for insurance and other operations | 1,114,413 | 976,863 |
| 15 | Accounts payable for other reinsurance operations | 65,301 | - |
| 15 | Accounts payable for other operations | 1,049,112 | 976,863 |
| | Tax liabilities | 424,678 | 538,630 |
| 12 | Tax payable liabilities | 110,696 | 132,605 |
| 12 | Deferred tax liabilities | 313,982 | 406,025 |
| 16 | Accruals and deferrals | 1,282,974 | 1,063,142 |
| 17 | Other provisions | 145,186 | 169,072 |
| | TOTAL LIABILITIES | 16,562,817 | 15,166,962 |
| | SHAREHOLDERS' EQUITY | | |
| 18 | Paid-in Capital | 7,500,000 | 7,500,000 |
| 19 | Revaluation reserves | 1,134,247 | 805,008 |
| 19 | Adjustments in fair value of financial assets | 1,134,247 | 806,664 |
| 19 | Exchange differences | - | (1,656) |
| 19 | Deferred tax reserve | (293,461) | (210,786) |
| 19 | Other reserves | 31,752,961 | 25,300,028 |
| 19 | Retained earnings | 174 | 269,625 |
| 19 | Net income for the year | 4,140,847 | 6,183,482 |
| | TOTAL SHAREHOLDERS' EQUITY | 44,234,768 | 39,847,357 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 60,797,585 | 55,014,319 |

The Notes are an integral part of these Statements.

Certified Public Accountant

Board of Directors



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

Tax Number: 503411515

(Amounts in Euros)

| Notes | Income Statement | 2019 | | | 2018 |
|-----------|---|----------------------|------------------|------------------|------------------|
| | | Technical - Non-Life | Non-Technical | Total | Total |
| | Earned premiums net of reinsurance | 52,778,586 | - | 52,778,586 | 50,207,374 |
| 20 | Gross premiums written | 52,702,013 | - | 52,702,013 | 50,318,214 |
| 20 | Provision for unearned premiums (change) | 76,573 | - | 76,573 | (110,840) |
| | Claims costs, net of reinsurance | (44,476,175) | - | (44,476,175) | (40,406,150) |
| | Amounts paid | (43,339,543) | - | (43,339,543) | (42,209,145) |
| 21 and 22 | Gross amounts | (43,339,543) | - | (43,339,543) | (42,209,145) |
| | Claims provision (change) | (1,136,632) | - | (1,136,632) | 1,802,995 |
| 21 | Gross amount | (1,136,632) | - | (1,136,632) | 1,802,995 |
| 21 | Profit sharing, net of reinsurance | (3,273,823) | - | (3,273,823) | (3,299,077) |
| | Operating costs and expenses, net | (945,241) | - | (945,241) | (851,882) |
| 22 | Acquisition expenses | (132,530) | - | (132,530) | (193,113) |
| 22 | Deferred acquisition expenses (change) | (329) | - | (329) | 182 |
| 22 | Administrative expenses | (812,382) | - | (812,382) | (658,951) |
| | Financial Income | 751,798 | 76,023 | 827,821 | 888,253 |
| 25 | From Interest on financial assets not recognised at fair value through profit or loss | 749,902 | 76,023 | 825,925 | 888,253 |
| 25 | Others | 1,896 | - | 1,896 | - |
| | Financial expenses | (9,121) | - | (9,121) | (28,025) |
| 22 | Others | (9,121) | - | (9,121) | (28,025) |
| | Net income on financial assets and liabilities not recognised at fair value through profit or loss | (119,837) | - | (119,837) | 1,494,106 |
| 26 | Available-for-sale investments | (119,837) | - | (119,837) | 1,494,106 |
| | Net income on financial assets and liabilities recognised at fair value through profit or loss | 15,732 | 1,307 | 17,039 | 12,155 |
| 27 | Net income on financial assets and liabilities initially recognised at fair value through profit or loss | 15,732 | 1,307 | 17,039 | 12,155 |
| 28 | Exchange differences | (2,078) | - | (2,078) | (33,822) |
| 7 and 27 | 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) |
| 29 | Other income/expenses | - | 596,257 | 596,257 | 237,557 |
| | NET INCOME BEFORE TAX | 4,719,841 | 673,587 | 5,393,428 | 8,163,589 |
| 12 | Income tax for the year – current tax | - | (1,221,109) | (1,221,109) | (1,423,310) |
| 12 | Income tax for the year – deferred tax | - | (31,472) | (31,472) | (556,797) |
| | NET INCOME FOR THE YEAR | 4,719,841 | (578,994) | 4,140,847 | 6,183,482 |

The Notes are an integral part of this Income Statement.

Certified Public Accountant

Board of Directors



STATEMENT OF CHANGES IN EQUITY FOR THE 2019 AND 2018 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 available-for-sale investments | Exchange differences | | Legal reserve | Other reserves | | | |
| | Balances at 31 December 2017 | 7,500,000 | 2,642,234 | - | (673,770) | 5,526,481 | 14,087,576 | 217,439 | 5,738,157 | 35,038,117 |
| 19 | Net gains through adjustment of fair value for available-for-sale investments | - | (1,835,570) | - | - | - | - | - | - | (1,835,570) |
| 19 | Net gains through exchange differences | - | - | (1,656) | - | - | - | - | - | (1,656) |
| 19 | Adjustments from recognition of deferred taxes | - | - | - | 462,984 | - | - | - | - | 462,984 |
| 19 | Increase in reserves from application of income | - | - | - | - | 574,000 | 5,111,971 | 52,186 | (5,738,157) | - |
| | Net income for the year | - | - | - | - | - | - | - | 6,183,482 | 6,183,482 |
| | Balances at 31 December 2018 | 7,500,000 | 806,664 | (1,656) | (210,786) | 6,100,481 | 19,199,547 | 269,625 | 6,183,482 | 39,847,357 |
| 19 | Net gains through adjustment of fair value for available-for-sale investments | - | 327,583 | - | - | - | - | - | - | 327,583 |
| 19 | Net gains through exchange differences | - | - | 1,656 | - | - | - | - | - | 1,656 |
| 19 | Adjustments from recognition of deferred taxes | - | - | - | (82,675) | - | - | - | - | (82,675) |
| 19 | Increase in reserves from application of income | - | - | - | - | 620,000 | 5,832,933 | (269,451) | (6,183,482) | - |
| | Total changes in equity | - | 327,583 | 1,656 | (82,675) | 620,000 | 5,832,933 | (269,451) | (6,183,482) | 246,564 |
| | Net income for the year | - | - | - | - | - | - | - | 4,140,847 | 4,140,847 |
| | Balances at 31 December 2019 | 7,500,000 | 1,134,247 | - | (293,461) | 6,720,481 | 25,032,480 | 174 | 4,140,847 | 44,234,768 |

The Notes are an integral part of these Statements

Certified Public Accountant

Board of Directors



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

Tax Number: 503 411 515

(Amounts in Euros)

| | 2019 | 2018 |
|---|------------------|--------------------|
| NET INCOME FOR THE YEAR | 4,140,847 | 6,183,482 |
| Change in potential gains on available-for-sale investments: | | |
| Gross amount | 327,583 | (1,835,570) |
| Deferred tax | (82,675) | 462,984 |
| Exchange differences | 1,656 | (1,656) |
| INCOME/ (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY | 246,564 | (1,374,242) |
| TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR | 4,387,411 | 4,809,240 |

The Notes are an integral part of these Statements.

Certified Public Accountant

Board of Directors



FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

| | 2019 | 2018 |
|--|-------------------------|----------------------------|
| CASH FLOWS GENERATED BY OPERATING ACTIVITIES: | | |
| Operating cash flows prior to changes in assets and liabilities: | | |
| Premiums received, net of reinsurance | 52,702,013 | 50,318,214 |
| Claims paid, net of reinsurance | (36,969,615) | (36,036,474) |
| Commissions on insurance, investment and service contracts, net | (63) | (733) |
| Profit-sharing payments, net of reinsurance | (3,273,823) | (3,299,077) |
| Payments to employees and suppliers | (6,665,065) | (6,922,301) |
| Others | 591,223 | 233,603 |
| | <u>6,384,670</u> | <u>4,293,232</u> |
| (Increases) / decreases in operating assets: | | |
| Debtors - direct insurance and reinsurance operations | 1,366,404 | (1,457,339) |
| Debtors - other operations | (53,604) | 7,402 |
| | <u>1,312,800</u> | <u>(1,449,937)</u> |
| Increases / (decreases) in operating liabilities: | | |
| Creditors - direct insurance and reinsurance operations | 65,301 | (15,054,867) |
| Creditors - other operations | (887,713) | (361,216) |
| Other liabilities | (1,247,239) | (1,402,394) |
| | <u>(2,069,651)</u> | <u>(16,818,477)</u> |
| Net cash from operating activities before tax | <u>5,627,819</u> | <u>(13,975,182)</u> |
| Payments of income tax | | |
| Net cash from operating activities | <u>5,627,819</u> | <u>(13,975,182)</u> |
| CASH FLOWS GENERATED BY INVESTING ACTIVITIES: | | |
| Receipts from the sale or redemption of: | | |
| Financial assets recognised at fair value through profit or loss | 17,039 | 12,155 |
| Available-for-sale investments | 7,772,890 | 25,138,756 |
| Loans and accounts receivable | 75,676 | 37,808 |
| Income from financial assets | 1,027,139 | 1,509,664 |
| Other receipts | (182) | (33,822) |
| | <u>8,892,562</u> | <u>26,664,560</u> |
| Payment for the acquisition or initiation of: | | |
| Available-for-sale investments | (5,364,955) | (8,246,127) |
| Loans and accounts receivable | (600,000) | (5,000,000) |
| Tangible and intangible assets | (113,171) | (2,911) |
| Others | (14,842) | (38,818) |
| | <u>(6,092,968)</u> | <u>(13,287,856)</u> |
| Net cash from investing activities | <u>2,799,594</u> | <u>13,376,704</u> |
| Increase (decrease) net of cash and equivalents | | |
| Cash and equivalents at the start of the year | 6,730,021 | 7,328,499 |
| Cash and equivalents at the end of the year | 15,157,434 | 6,730,021 |
| | <u>8,427,413</u> | <u>(598,478)</u> |

The Notes are an integral part of these Statements.

Certified Public Accountant

Board of Directors



03

Notes to the Financial Statements



1. INTRODUCTORY NOTE

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. 503411515, 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 2019 were approved by the Board of Directors on 26 February 2020 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. ACCOUNTING POLICIES

2.1. Basis of presentation

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. 3/2018 – R, of 29 March, 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, with the amendments introduced by Law No. 53-A/2006, of 29 December and by Decree-Law No. 237/2008, of 15 December, 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.

In 2019, adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2019. These standards are listed in Note 2.14. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

The basis for the preparation of the financial statements from the accounting books and records was the accrual method, consistency of presentation, materiality and aggregation and the assumption of going concern.

The accounting policies used by the Company in the preparation of its financial statements relating to 31 December 2019 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely financial assets at fair value through profit or loss, available-for-sale investments and real estate. The remaining assets, namely investments in subsidiaries, are recognised at amortised cost or historical cost.

2.2. Investments in subsidiaries and associates

Subsidiaries are classified as companies over which the Fidelidade Group exercises effective control. Control is normally presumed to exist when the Company holds the ownership of the majority of voting rights. Control may also exist when the Group holds, directly or indirectly, the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, even though the percentage holding of its equity is less than 50%.



“Associates” are those entities over whose financial and operational policies the Group has the power to exercise significant influence, although it does not have control. Significant influence is presumed to exist whenever the Group holding in an invested company is, directly or indirectly, between 20% and 50% of the capital or voting rights. The Company may also exercise significant influence over an investee by means of a role in management of the associate or membership of the Board of Directors with executive powers.

These investments are recognised at cost and are subject to impairment tests. Dividends are recognised as income for the year in which a decision is taken to distribute them.

The recoverable amount of investments in subsidiaries and associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries or associates and their book value. The identified impairment losses are recorded in the income statement, and are subsequently reversed, if there is a reduction in the estimated loss, in a subsequent period. The recoverable amount is determined as the assets’ value in use or their fair value less selling costs, whichever is higher, and is calculated using valuation methodologies based on techniques of discounted cash-flows, considering market conditions, time value and business risk. When the value of the liabilities of a subsidiary or associate exceeds its assets, besides setting up impairment to cancel the investment, the Company sets up a provision when there is responsibility on the liabilities of that entity.

2.3. Conversion of foreign currency balances and transactions

Foreign currency transactions are recognised on the basis of the exchange rates in force on the date they were performed.

At each balance sheet date, monetary assets and liabilities in a foreign currency are converted to the functional currency based on the exchange rate in force.

Exchange rate differences calculated on exchange rate conversion are recognised in the income statement, with the exception of those resulting from non-monetary financial instruments recognised at fair value, such as securities classified as available-for-sale investments, which are recognised in a specific heading of shareholders’ equity until they are disposed of.

2.4. Financial instruments

a) 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. 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 for 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 interest rate method.

iii. Available-for-sale investments

This category includes the following financial instruments designated as such 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 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 income on financial assets and liabilities not recognised at fair value through profit or loss" or "Impairment losses (net of reversals)", respectively.

Interest on the debt instruments classified in this category is determined on the basis of the effective interest 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.

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 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.

b) 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 with regard to 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 on the basis of 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 reversals)”, 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 for adjustments in fair value of financial assets”.

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 reversals)”.

Besides the aforementioned 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 “Revaluation reserves for adjustments in fair value of financial assets”. 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.



2.5. 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. 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”.

Investment properties are assessed each year to ensure that their balance sheet value does not differ significantly from their fair value. The Company has set a maximum period of 2 years between evaluations carried out by independent experts.

2.6. 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 |

2.7. Leases

Leases are recognised in line with the principles defined in IFRS 16 – Leases.

Finance leases are deemed to be contracts that convey the right to use an identified asset for a period of time in exchange for consideration.

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-of-use of the underlying asset for the lease term. Lessees are required to recognise separately interest on the lease liability and depreciation of the right-of-use asset.

Fidelidade Assistência is applying the simplified approach in the transition, not re-expressing comparative information. Fidelidade Assistência chose to apply the standard to contracts previously identified as leases in line with IAS 17 and IFRIC 4. Fidelidade Assistência is not applying the standard to contracts that were not previously identified as containing a lease, applying IAS 17 and IFRIC 4.

Fidelidade Assistência 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 and vehicle leases), and on lease contracts where the underlying asset is of low value. The Group also decided to separate the leases from the non-lease (service) components and to consider only the lease component when applying this standard.



2.8. 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 amortisation 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.

2.9. Income tax

The Company is subject to taxation under the Corporate Income Tax Code (CIT Code) and to Municipal Surcharge, the aggregate rate of which, in 2018 and 2019, is 22.5%. Additionally, there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000.

The Company is subject to CIT under the Special Rules for the Taxation of Corporate Groups (SRTCG), in line with Article 69 and following of the CIT Code. Under these taxation rules, Longrun Portugal, SGPS, S.A. (the controlling company) presents a single tax declaration in which the results of the subsidiaries making up the SRTCG are consolidated. The amount of CIT to be paid or received by the Company is recorded in the balance sheet as an amount receivable from or payable to Longrun Portugal, SGPS, S.A.. The tax which corresponds to the Company's activity is recognised in the income statement and/or in shareholders' equity, depending on the case.

Total income tax recognised in the income statement includes current and deferred taxes.

Current tax is calculated on the basis of the taxable income for the year, which is different from accounting income because of adjustments to taxable income resulting from expenses or income which are not considered for fiscal purposes, or which will only be considered in other accounting periods.

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 to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding temporary deductible tax differences or tax losses carried forward.

In addition, deferred tax assets are not recognised where their recoverability may be questionable due to other situations, including issues regarding the interpretation of the tax legislation in force.

The main situations giving rise to temporary differences at Company level correspond to i) impairments, ii) provisions temporarily not accepted for fiscal purposes, iii) fair value adjustments on available-for-sale investments, and iv) fair value adjustments on properties.



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 tax rules that have been enacted, or substantially enacted, at the balance sheet date.

At 31 December 2019, the deferred tax assets and liabilities recognised by the Company were determined pursuant to Law No. 71/2018, of 31 December.

Income tax (current or deferred) is recognised in the income statement for the year, except for cases in which the originating transactions have been recognised in other shareholders' equity headings (for example, in the case of changes in fair value of available-for-sale investments). The corresponding tax, in these cases, is also recognised in shareholders' equity and does not affect the income statement for the year.

2.10. Provisions

Provisions are set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when such expenditure may be reliably assessed. The amount of the provision corresponds to the best estimate of the amount payable to settle the liability at the balance sheet date.

“Other provisions” are for legal, fiscal and other contingencies resulting from the Company's activity.

2.11. Employee benefits

Liabilities for employee benefits are recognised in line with the principles established in IAS 19 – Employee Benefits. The principal benefits granted by the Company correspond to retirement and survivors' pensions and healthcare benefits.

Defined benefit plan - Liabilities with pensions.

In line with the Collective Employment Agreement (CEA) then in force for the insurance activity, the Company is committed to making cash payments, to complement the retirement pensions paid by the Social Security services, to two employees. The amount of these payments varies according to the employee's remuneration, the number of years contributing to Social Security, and the history of remuneration on which Social Security was collected.

Liabilities recognised on the balance sheet relating to defined benefit plans correspond to the difference between the current value of liabilities and the fair value of the pension fund assets. The total amount of liabilities is determined annually by specialised actuaries using the Projected Unit Credit Method and actuarial assumptions considered appropriate (Note 24). The discount rate used to update the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid, and with similar maturity periods to the average periods for settlement of liabilities.

Gains and losses resulting from the differences between the actuarial and financial assumptions used and the actual amounts of the pension obligation and expected return from the pension fund, as well as the results of changes to actuarial assumptions, are recognised directly in shareholders' equity.

The cost in the year for retirement pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in “Employee Costs”.



The impact of employees' retirement prior to the standard retirement age, defined in the actuarial study, is directly recognised in "Employee Costs".

Defined contribution plan

The new Collective Employment Agreement for the insurance sector, published on 8 February 2019, entitles all active employees employed as permanent staff, with indefinite employment contracts, covered by this CEA, to an individual retirement plan ("IRP"), with guaranteed capital.

The Company's contributions to the defined contribution plan are made in line with the terms of the CEA and are recorded as a cost for the year to which they relate, in "Employee Costs".

Other long-term benefits

Liabilities regarding the Career Benefits, deriving from Clause 32 of the current CEA, are calculated annually using generally accepted actuarial methods.

Short-term benefits

Short-term benefits, including performance bonuses paid to employees for the performance of the different business units and their contribution to the company's results, are recognised in "Employee Costs" in the period to which they relate, on an accrual basis.

2.12. Insurance contracts

a) Classification of contracts

Transactions associated with insurance and reinsurance contracts issued by the Company are recognised in accordance with ASF regulations.

Calculation of contracts associated with insurance contracts is covered by specific regulations issued by the ASF.

b) Recognition of income and costs

Premiums for non-life insurance and reinsurance contracts are recognised when due in "Earned premiums net of reinsurance" in the profit and loss statement.

Premiums written on non-life insurance and reinsurance contracts and the associated acquisition costs are recognised as income and cost over the corresponding risk periods, through the use of the provision for unearned premiums.

c) Provision for unearned premiums and deferred acquisition costs

The provision for unearned premiums corresponds to the value of the premiums written on insurance and reinsurance contracts which relate to subsequent years, i.e. the part corresponding to the period between the balance sheet close and the end of the period to which the premium refers. It is calculated, for each contract, using the *pro rata temporis* method on the respective gross premiums written.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition function, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the technical provisions on insurance contracts in provisions for unearned premiums.



d) Claims provision

This provision recognises the estimated amount of indemnities payable on claims incurred, including claims incurred but not reported (IBNR), and administrative costs to be incurred for future settlement of claims which are currently being managed and those for IBNR claims. The claims provision set up by the Company is not discounted.

The claims provision is calculated on a case-by-case basis by the claims manager and other standard costs estimating is also used.

In addition, provisions are calculated for claims occurred but not reported (IBNR) using actuarial methods that analyse claims reporting speeds and the expected costs of claims not yet reported.

Analysis of sufficiency of the claims provisions

The sufficiency of the provisions for the various types of insurance is assessed / validated by actuarial studies performed throughout the year.

The estimates are for the most part based on claims reporting triangles and use both deterministic and stochastic models.

e) 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.

f) 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.

g) Impairment of debtor balances related with insurance and reinsurance contracts.

For each date the financial statements are presented, the Company assesses the existence of evidence of impairment on assets from insurance or reinsurance contracts, namely accounts receivable from insured and reinsured persons.



If impairment losses are identified, the balance sheet value of the respective assets is reduced in the profit and loss statement for the year, with the cost being recognised in “Impairment losses (net of reversals)”.

2.13. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include amounts recognised in the balance sheet with a maturity of less than three months from the date of their acquisition, readily convertible to cash and with low risk of a change in value, and cash and deposits with credit institutions which do not have an investment purpose.

2.14. Critical accounting estimates and most relevant judgements in the application of the accounting policies

When the accounting principles described above are applied, estimates must be made by the Company’s Board of Directors. The estimates with the greatest impact on the financial statements include those presented below.

Determination of impairment losses on financial assets

Impairment losses on financial assets are determined in line with the methodology defined in Note 2.4. b). Accordingly, the determination of impairment on available-for-sale investments takes into account 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.

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 2.4 a) 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. To guarantee adequate separation between functions, such financial instruments are valued by a body that is independent from the trading function.

Employee benefits

As stated in Note 2.11. the Company’s liabilities for post-employment and other long-term benefits granted to its employees are determined on the basis of actuarial assessments. These assessments incorporate, in particular, financial and actuarial assumptions on mortality, disability, wage and pensions growth, assets returns and discount rates. The assumptions adopted correspond to the best estimate of the Company and its actuaries regarding the future performance of the respective variables.



Determination of liabilities on insurance contracts

The Company's liabilities for insurance contracts are determined based on the methodologies and assumptions described in Note 2.12. 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 by the Company.

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 with regard to the correct presentation of its operations, which may, however, be questioned by the Tax Authorities.

2.15. 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

2.15.1. Adopted Standards (New or Revised)

During 2019 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 2019. The relevant changes for the Company were as follows:

| Standard / Interpretation | Date of Issue | E.U. Regulation | Applicable to accounting periods beginning on or after |
|---|---------------|-----------------|--|
| IFRS 16 – Leases | 13-01-2016 | 2017/1986 | 01-01-2019 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | 07-06-2017 | 2018/1595 | 01-01-2019 |
| IAS 19 – Plan Amendment, Curtailment or Settlement (Amendment) | 07-02-2018 | 2019/402 | 01-01-2019 |
| IFRS 3 – Business Combinations. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle) | 12-12-2017 | 2019/412 | 01-01-2019 |
| IFRS 11 – Joint Arrangements. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle) | 12-12-2017 | 2019/412 | 01-01-2019 |
| IAS 12 – Income tax consequences of dividends on equity instruments (Annual Improvements to IFRS Standards 2015-2017 Cycle) | 12-12-2017 | 2019/412 | 01-01-2019 |
| IAS 23 – Borrowing costs illegible for capitalisation (Annual Improvements to IFRS Standards 2015-2017 Cycle) | 12-12-2017 | 2019/412 | 01-01-2019 |



2.15.2. Standards, Interpretations, Amendments and Revisions with Mandatory Application 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 | Date of Issue | E.U. Regulation | Applicable to accounting periods beginning on or after |
|---|---------------|-----------------|--|
| IFRS 9 – Financial Instruments | 24-07-2014 | 2016/2067 | 01-01-2022 |
| IFRS 9 - Prepayment Features with Negative Compensation (Amendment) | 12-10-2017 | 2018/498 | 01-01-2022 |
| IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment) | 12-10-2017 | 2019/239 | 01-01-2022 |
| IAS 1 – Definition of material (Amendment) | 31-10-2018 | 2019/2075 | 01-01-2020 |
| IAS 8 - Definition of material (Amendment) | 31-10-2018 | 2019/2075 | 01-01-2020 |
| IFRS 9 – Interest rate benchmark reform (Amendment) | 26-09-2019 | 2020/34 | 01-01-2020 |
| IAS 39 - Interest rate benchmark reform (Amendment) | 26-09-2019 | 2020/34 | 01-01-2020 |
| IFRS 17 - Interest rate benchmark reform (Amendment) | 26-09-2019 | 2020/34 | 01-01-2020 |

These standards were endorsed by the European Union, but the Company did not apply them in the accounting period ended as at 31 December 2019.

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.

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

The following standards, interpretations, amendments and revisions, with 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 | Date of Issue | Applicable to accounting periods beginning on or after |
|--|---------------|--|
| IFRS 17 – Insurance Contracts | 18-05-2017 | 01-01-2022 |
| IFRS 3 - Business Combinations (Amendment) | 22-10-2018 | 01-01-2020 |



| | | |
|---|------------|------------|
| IAS 1 – Presentation of financial statements: classification of liabilities as current or non-Current (Amendment) | 23-01-2020 | 01-01-2022 |
|---|------------|------------|

These standards have not been endorsed by the European Union and, as such, have not been applied by the Company for the year ended 31 December 2019.

3. CASH AND CASH EQUIVALENTS

At 31 December 2019 and 2018, this heading was composed as follows:

| | 31-12-2019 | 31-12-2018 |
|---|-------------------|------------------|
| Sight deposits in national institutions in Euros: | | |
| • Caixa Geral de Depósitos, S.A. (Note 31) | 11,407,163 | 6,130,021 |
| • Bankinter, S.A. | 3,750,271 | 600,000 |
| | <u>15,157,434</u> | <u>6,730,021</u> |

4. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2019 and 2018, 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 2019 and 2018, this participation is valued at its acquisition cost of EUR 429,386.

The most significant financial data from the financial statements of Fidelidade - Serviços de Assistência at 31 December 2019 and 2018 are the following:

| | 2019 | 2018 |
|-------------------------|-----------|-----------|
| Net assets | 7,016,051 | 5,553,162 |
| Liabilities | 6,032,393 | 5,246,886 |
| Capital and reserves | 851,285 | 1,051,500 |
| Net income for the year | 132,373 | - 745,224 |
| Total income | 1,306,301 | 1,184,668 |

At 31 December 2019 and 2018, Fidelidade - Serviços de Assistência held a participation corresponding to 100% 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



- 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 89,662. At 31 December 2019 and 2018, this participation is valued at 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.

- 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 Meticaís, including acquisition expenses, equivalent to EUR 84. This participation is valued at acquisition cost less impairment. In 2019 and 2018, due to the impairment recognised in 2016, its value is null.

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 2019 and 2018, this participation was valued at 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 Macao.

- 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 11,336. At 31 December 2019 and 2018, this participation was valued at 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.



5. FINANCIAL ASSETS

The inventory of participations and financial instruments at 31 December 2019 is presented in Annex 1.

Financial assets initially recognised at fair value through profit or loss

At 31 December 2019, this heading includes one fixed income security with embedded derivatives of EUR 402,833. This security is recognised at its fair value, the value of which is based on the price indicated by its issuing entity for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

At 31 December 2019 and 2018 this heading also includes 29,704 participation units (22,504 participation units in 2018) of the employment compensation fund, the balance sheet value of which is EUR 33,171 Euros (EUR 23,601 in 2018).

At 31 December 2019 and 2018, the Company recognised net gains with the appreciation of these investments of EUR 15,732 and EUR 12,284.

Available-for-sale financial investments

At 31 December 2019 and 2018, this heading was composed as follows:

| | 31-12-2019 | | | | |
|---------------------------|-------------------|---------------------|-------------------|------------------------------|---------------------|
| | Acquisition cost | Interest receivable | Net amount | Fair value reserve (Note 23) | Balance sheet value |
| <u>Debt instruments</u> | | | | | |
| Group companies (Note 25) | 589,917 | 17,573 | 607,490 | (11,477) | 596,013 |
| Public debt | | | | | |
| Foreign issuers | 3,288,603 | 19,322 | 3,307,925 | 85,921 | 3,393,846 |
| Domestic issuers | 22,761,677 | 652,999 | 23,414,676 | 837,049 | 24,251,725 |
| Other issuers | | | | | |
| Foreign issuers | 4,149,661 | 41,017 | 4,190,678 | 9,599 | 4,200,277 |
| Domestic issuers | 1,399,635 | 358 | 1,399,993 | 40,349 | 1,440,342 |
| | <u>32,189,493</u> | <u>731,269</u> | <u>32,920,762</u> | <u>961,441</u> | <u>33,882,203</u> |
| <u>Other instruments</u> | | | | | |
| Equities | | | | | |
| Residents | 248,682 | - | 248,682 | 19,375 | 268,057 |
| Investment units | | | | | |
| Residents | 949,510 | - | 949,510 | 153,431 | 1,102,941 |
| | <u>33,387,685</u> | <u>731,269</u> | <u>34,118,954</u> | <u>1,134,247</u> | <u>35,253,201</u> |



| | 31-12-2018 | | | | |
|--------------------------|-------------------|---------------------|-------------------|------------------------------|---------------------|
| | Acquisition cost | Interest receivable | 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 | 112,039 | 3,118,645 |
| Domestic issuers | 25,660,110 | 755,068 | 26,415,177 | 1,259,422 | 27,674,599 |
| Other issuers | | | | | |
| Foreign issuers | 5,322,218 | 87,752 | 5,409,970 | (133,682) | 5,276,288 |
| | <u>33,966,632</u> | <u>865,121</u> | <u>34,831,753</u> | <u>1,237,779</u> | <u>36,069,532</u> |
| <u>Other instruments</u> | | | | | |
| Equities | | | | | |
| Non-residents | 2,055,930 | - | 2,055,930 | (572,009) | 1,483,921 |
| Residents | 248,683 | - | 248,683 | (8,369) | 240,314 |
| Investment units | | | | | |
| Residents | 200,000 | - | 200,000 | 147,607 | 347,607 |
| | <u>36,471,245</u> | <u>865,121</u> | <u>37,336,366</u> | <u>805,008</u> | <u>38,141,374</u> |

6. LOANS AND ACCOUNTS RECEIVABLE

At 31 December 2019 and 2018, these headings were composed as follows:

| | 31-12-2019 | 31-12-2018 |
|------------------|------------------|------------------|
| Loans made | | |
| Others (Note 31) | 5,625,005 | 5,024,658 |
| | <u>5,625,005</u> | <u>5,024,658</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 started on March 2 and ends 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%, and in 2019 the amount of EUR 74,790 was received (EUR 37,808 in 2018). In 2019 an addendum was made to the agreement postponing the payment of the 1st instalment until 2021 and the agreement's maturity date until 2030.

On 18 June and 23 September 2019 two supplementary contributions agreements were signed between the Company and Fidelidade - Serviços de Assistência, S.A. for EUR 300,000 each, to increase liquidity. These agreements have a maturity of 6 years and repayment will be in 6 successive annual instalments, the first of these on 30 September and 30 October 2020 and the last on the maturity date. Interest is paid half-yearly at the annual rate of 0.55%, EUR 852 having been received in 2019.



7. PROPERTIES

At 31 December 2019 and 2018, 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.

At 31 December 2019, the heading “Properties for own use” is composed of a set of units of a building leased from Fidelidade – Companhia de Seguros, S.A. and used as the Company’s registered office. As defined in IFRS 16 it is now included on the Balance Sheet as a right-of-use.

In 2019 and 2018, the “Properties” headings saw the following movements:

| | <u>Investment Properties</u> | <u>Right-of-Use</u> | <u>Total</u> |
|---|----------------------------------|---------------------|------------------|
| Balances at 31 December 2017 | | | |
| Gross Amount | 455,700 | - | 455,700 |
| Revaluation | | | |
| As a credit to the income statement (Note 27) | (56,900) | - | (56,900) |
| Balances at 31 December 2018 | | | |
| Gross Amount | <u>398,800</u> | <u>-</u> | <u>398,800</u> |
| Additions | | | |
| IFRS 16 adoption | - | 897,605 | 897,605 |
| Depreciation for the year (Note 22) | - | (269,281) | (269,281) |
| Balances at 31 December 2019 | | | |
| Gross Amount | 398,800 | 897,605 | 1,296,405 |
| Accumulated depreciation and impairment | | (269,281) | (269,281) |
| | <u>398,800</u> | <u>628,324</u> | <u>1,027,124</u> |



8. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

At 31 December 2019 and 2018, investments and other assets were allocated as follows:

| | 31-12-2019 | | |
|---|--------------------|-------------------|-------------------|
| | Non-life insurance | Not allocated | Total |
| Cash and cash equivalents (Note 3) | 8,088,514 | 7,068,920 | 15,157,434 |
| Investments in subsidiaries, associates and joint ventures (Note 4) | - | 531,503 | 531,503 |
| Financial assets initially recognised at fair value through profit or loss (Note 5) | 402,833 | 33,171 | 436,004 |
| Available-for-sale investments (Note 5) | 35,253,201 | - | 35,253,201 |
| Loans and accounts receivable (Note 6) | - | 5,625,005 | 5,625,005 |
| Properties (Note 7) | 398,800 | 628,324 | 1,027,124 |
| Other tangible assets (Note 9) | - | 116,364 | 116,364 |
| Other intangible assets (Note 10) | - | - | - |
| Other debtors (Notes 11, 12 and 13) | 2,053,929 | 597,021 | 2,650,950 |
| | <u>46,197,277</u> | <u>14,600,308</u> | <u>60,797,585</u> |
| | 31-12-2018 | | |
| | Non-life insurance | Not allocated | Total |
| Cash and cash equivalents (Note 3) | 1,417,993 | 5,312,028 | 6,730,021 |
| Investments in subsidiaries, associates and joint ventures (Note 4) | - | 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 6) | - | 5,024,658 | 5,024,658 |
| Properties (Note 7) | 398,800 | - | 398,800 |
| Other tangible assets (Note 9) | - | 7,074 | 7,074 |
| Other intangible assets (Note 10) | - | 34,063 | 34,063 |
| Other debtors (Notes 11, 12 and 13) | 3,345,039 | 778,186 | 4,123,225 |
| | <u>43,303,206</u> | <u>11,711,113</u> | <u>55,014,319</u> |

9. OTHER TANGIBLE ASSETS

In 2019 and 2018, these headings saw the following movement:

| Headings | 31-12-2018 | | Additions | Disposals and write-offs (net) | | Depreciation for the year (Note 22) | 31-12-2019 | |
|------------------------------|----------------|--------------------------|----------------|--------------------------------|-----------------------------|-------------------------------------|----------------|--------------------------|
| | Gross amount | Accumulated depreciation | | Gross amount | Depreciation and impairment | | Gross amount | Accumulated depreciation |
| OTHER TANGIBLE ASSETS | | | | | | | | |
| Administrative equipment | 186,626 | (183,634) | - | - | - | (553) | 186,627 | (184,187) |
| IT equipment | 318,277 | (314,195) | 112,822 | - | - | (41,684) | 431,099 | (355,881) |
| Interior installations | 94,322 | (94,322) | - | - | - | - | 94,322 | (94,322) |
| Other tangible assets | 10,780 | (10,780) | 349 | - | - | (50) | 11,129 | (10,829) |
| Right of use assets | - | - | 62,357 | - | - | (23,951) | 62,357 | (23,951) |
| | <u>610,005</u> | <u>(602,931)</u> | <u>175,528</u> | <u>-</u> | <u>-</u> | <u>(66,238)</u> | <u>785,534</u> | <u>(669,170)</u> |



| Headings | 31-12-2017 | | Additions | Disposals and write-offs (net) | | Depreciation for the year (Note 22) | 31-12-2018 | |
|------------------------------|--------------|--------------------------|-----------|--------------------------------|-----------------------------|-------------------------------------|--------------|--------------------------|
| | Gross amount | Accumulated depreciation | | Gross amount | Depreciation 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) |

10. OTHER INTANGIBLE ASSETS

At 31 December 2019 and 2018, the “Other Intangible Assets” headings saw the following movement:

| Headings | 31-12-2018 | | Additions | Disposals and write-offs (net) | | Depreciation for the year (Note 22) | 31-12-2019 | |
|--|--------------|--------------------------|-----------|--------------------------------|-----------------------------|-------------------------------------|--------------|--------------------------|
| | Gross amount | Accumulated depreciation | | Gross amount | Depreciation and impairment | | Gross amount | Accumulated depreciation |
| OTHER INTANGIBLE ASSETS | | | | | | | | |
| Costs with IT applications – acquired from third parties | 457,298 | (423,235) | - | - | - | (34,063) | 457,298 | (457,298) |
| | 457,298 | (423,235) | - | - | - | (34,063) | 457,298 | (457,298) |

| Headings | 31-12-2017 | | Additions | Disposals and write-offs (net) | | Depreciation for the year (Note 22) | 31-12-2018 | |
|--|--------------|--------------------------|-----------|--------------------------------|-----------------------------|-------------------------------------|--------------|--------------------------|
| | Gross amount | Accumulated depreciation | | Gross amount | Depreciation 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) |

11. OTHER DEBTORS FOR INSURANCE AND OTHER OPERATIONS

At 31 December 2019 and 2018, this heading was composed as follows:

| | 31-12-2019 | 31-12-2018 |
|---|------------|------------|
| Accounts receivable for direct insurance operations | | |
| • Premiums pending collection | | |
| • Group policyholder (Note 31) | 12,532 | 19,186 |
| • Other policyholders | 4,017 | 4,044 |
| Total accounts receivable for direct insurance operations | 16,549 | 23,230 |
| Accounts receivable for reinsurance operations | | |
| • Group reinsureds (Note 31) | 1,811,532 | 3,249,904 |
| • Other reinsureds | 242,397 | 95,135 |
| Total accounts receivable for reinsurance operations | 2,053,929 | 3,345,039 |
| Accounts receivable for other operations | | |
| • Group companies (Note 31) | 85,513 | 53,987 |
| • Others | 35,633 | 13,555 |



Total accounts receivable for other operations

121,146

67,542

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

The heading “Accounts receivable for other operations” includes a balance with Fidelidade - Serviços de Assistência of EUR 71,626 (EUR 53,791 in 2018), relating to invoices in December 2019 and 2018, respectively.

12. TAX ASSETS AND LIABILITIES

At 31 December 2019 and 2018, the income tax assets and liabilities headings break down as follows:

| | 31-12-2019 | 31-12-2018 |
|--|------------------|------------------|
| Current tax assets | | |
| Corporate Tax – Withholdings | 4,221 | - |
| Income tax recoverable | 4,221 | - |
| Social Security Contributions | (47,152) | (65,299) |
| Withholdings | (40,165) | (43,900) |
| Other taxes and charges | (23,379) | (23,406) |
| | <u>(110,696)</u> | <u>(132,605)</u> |
| Deferred tax assets | | |
| Devaluation of properties – investment properties | 121,238 | 116,688 |
| Provisions temporarily not allowed for fiscal purposes | 55,944 | 91,966 |
| Devaluation of available-for-sale investments | 20,521 | 195,239 |
| | <u>197,703</u> | <u>403,893</u> |
| Deferred tax liabilities | | |
| Appreciation of available-for-sale investments | (313,982) | (406,025) |
| | <u>(313,982)</u> | <u>(406,025)</u> |
| | <u>(116,279)</u> | <u>(2,132)</u> |

Movements of deferred taxes during 2019 and 2018 were:

| | Balance at 31-12-2018 | 2019 | | Balance at 31-12-2019 |
|--|--------------------------|-------------------------|-----------------|--------------------------|
| | | Shareholders' equity | Income | |
| Deferred taxes for temporary differences | | | | |
| Revaluation of available-for-sale investments | (210,786) | (82,675) | - | (293,461) |
| Revaluation of investment properties | 116,688 | - | 4,550 | 121,238 |
| Increase in provisions not deductible for tax purposes | 91,966 | - | (36,022) | 55,944 |
| | <u>(2,132)</u> | <u>(82,675)</u> | <u>(31,472)</u> | <u>(116,279)</u> |



| | 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 of debt instruments | 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> |

Income tax recognised in profits and losses may be represented as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| Current tax | | |
| • Tax | 1,039,274 | 1,203,029 |
| • Autonomous taxation | 4,133 | 7,489 |
| • Surcharge | 74,234 | 85,931 |
| • State surcharge | 103,468 | 126,861 |
| | <u>1,221,109</u> | <u>1,423,310</u> |
| Deferred tax | | |
| • Impairment on debt instruments | - | 550,809 |
| • Appreciation of investment properties | (4,550) | (16,026) |
| • Provisions for other risks and charges | 36,022 | 22,014 |
| | <u>31,472</u> | <u>556,797</u> |
| Total tax in income statement | <u>1,252,581</u> | <u>1,980,107</u> |
| Income before tax | 5,393,428 | 8,163,589 |
| Tax burden | 23.22% | 24.26% |

Reconciliation between the nominal tax rate and the effective tax rate in 2019 and 2018 may be represented as follows:

| | 2019 | | 2018 | |
|---------------------------------------|---------------|------------------|---------------|------------------|
| | Rate | Tax | Rate | Tax |
| Income before tax | | 5,393,428 | | 8,163,589 |
| Income tax calculated at nominal rate | 24.67% | 1,330,324 | 24.95% | 2,036,715 |
| Dividends | (0.24%) | (12,830) | (0.22%) | (18,274) |
| Tax benefits | (1.15%) | (61,814) | (0.62%) | (50,805) |
| Over / under estimation of tax | (0.05%) | (2,779) | 0.01% | 749 |
| Autonomous taxation | 0.08% | 4,133 | 0.09% | 7,489 |
| Others | (0.08%) | (4,453) | 0.05% | 4,233 |
| Effective tax rate | <u>23.22%</u> | <u>1,252,581</u> | <u>24.26%</u> | <u>1,980,107</u> |



Since 2016, as a controlled entity, the Company has been subject to the Corporate Income Tax Code (CIT) under the Special Rules for the Taxation of Corporate Groups (SRTCG), in line with Article 70 of the CIT. Under these taxation rules, Longrun Portugal, SGPS, S.A., the controlling company, presents a single tax declaration in which the results of the subsidiaries making up the SRTCG are consolidated. The choice of this regime means that the corporate tax cost/income is recognised in the Company's individual accounts, and the corresponding payments or reimbursements are made by/to the controlling entity. The corporate tax receivable is therefore recorded in assets in the accounts of Longrun Portugal, SGPS, S.A, less additional payments on account.

In line with Article 63 of the 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 31), 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 accordance with current legislation, tax declarations may be subject to review and correction by the tax authorities during a subsequent period of four years (five years for Social Security) counting from the financial year they relate to. Thus, the tax declarations for 2016 to 2019 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 2019.

13. ACCRUALS AND DEFERRALS (ASSETS)

At 31 December 2019 and 2018 the assets accruals and deferrals heading was composed as follows:

| | 31-12-2019 | 31-12-2018 |
|-------------------------------------|------------|------------|
| • Deferred expenses | | |
| - Insurance | 244,120 | 249,577 |
| - Rents and leases | - | 22,519 |
| - Software licences | 191 | 190 |
| - Others | 13,091 | 11,235 |
| Total deferred expenses | 257,402 | 283,521 |
| Total assets accruals and deferrals | 257,402 | 283,521 |

At 31 December 2019 and 2018 the heading "Deferred expenses – Insurance" refers to insurance taken out for employees, for 2020 and 2019, respectively.



14. TECHNICAL PROVISIONS

At 31 December 2019 and 2018, the provision for unearned premiums and claims provision headings were composed as follows:

| | 31-12-2019 | | | | | |
|---|------------------|----------------------|------------|----------------------|-----------|------------|
| | Assistance | | | Legal Protection | | Total |
| | Direct insurance | Reinsurance accepted | Total | Reinsurance accepted | Total | |
| Provision for unearned premiums: | | | | | | |
| • Unearned premiums | 19 | 131,035 | 131,054 | 1,677 | 1,677 | 132,731 |
| • Deferred acquisition costs (Note 2.12 c)) | (158) | (328) | (486) | (4) | (4) | (490) |
| | (139) | 130,707 | 130,568 | 1,673 | 1,673 | 132,241 |
| Claims provision: | | | | | | |
| • Provision for reported claims | 30,737 | 8,475,469 | 8,506,206 | 2,151,211 | 2,151,211 | 10,657,417 |
| • Provision for IBNR | - | 34,703 | 34,703 | 176,131 | 176,131 | 210,834 |
| • Provision for claims settlement expenses | 10,780 | 1,383,840 | 1,394,620 | 927,600 | 927,600 | 2,322,220 |
| | 41,517 | 9,894,012 | 9,935,529 | 3,254,942 | 3,254,942 | 13,190,471 |
| | 41,378 | 10,024,719 | 10,066,097 | 3,256,615 | 3,256,615 | 13,322,712 |

| | 31-12-2018 | | | | | |
|---|------------------|----------------------|-----------|----------------------|-----------|------------|
| | Assistance | | | Legal Protection | | Total |
| | Direct insurance | Reinsurance accepted | Total | 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 2.12 c)) | (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 |



At 31 December 2019 and 2018, the claims provision was composed as follows:

| Technical Lines of Business | 31-12-2019 | | | 31-12-2018 | | |
|--|----------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Assistance | | | | | | |
| Reported claims | | | | | | |
| 2019 | 28,093 | 6,818,161 | 6,846,254 | | | |
| 2018 | 2,644 | 1,396,517 | 1,399,161 | 23,121 | 5,679,965 | 5,703,086 |
| 2017 | - | 233,595 | 233,595 | 1,289 | 1,085,187 | 1,086,476 |
| 2016 | - | 26,989 | 26,989 | - | 139,237 | 139,237 |
| 2015 | - | 165 | 165 | - | 40,116 | 40,116 |
| 2014 | - | - | - | - | 1,803 | 1,803 |
| 2013 | - | 42 | 42 | - | - | - |
| | <u>30,737</u> | <u>8,475,469</u> | <u>8,506,206</u> | <u>24,410</u> | <u>6,946,308</u> | <u>6,970,718</u> |
| Provision for IBNR | | | | | | |
| 2019 | - | 34,663 | 34,663 | | | |
| 2018 | - | 40 | 40 | - | 26,025 | 26,025 |
| 2017 | - | - | - | - | 82 | 82 |
| 2016 | - | - | - | - | 82 | 82 |
| | <u>-</u> | <u>34,703</u> | <u>34,703</u> | <u>-</u> | <u>26,189</u> | <u>26,189</u> |
| Provision for claims settlement expenses | | | | | | |
| 2019 | 9,420 | 1,226,160 | 1,235,580 | | | |
| 2018 | 1,360 | 139,100 | 140,460 | 7,500 | 1,164,180 | 1,171,680 |
| 2017 | - | 3,360 | 3,360 | 680 | 121,860 | 122,540 |
| 2016 | - | 1,540 | 1,540 | - | 3,140 | 3,140 |
| 2015 | - | 1,240 | 1,240 | - | 1,540 | 1,540 |
| 2014 | - | 1,100 | 1,100 | - | 1,140 | 1,140 |
| 2013 | - | 960 | 960 | - | 980 | 980 |
| 2012 | - | 920 | 920 | - | 1,040 | 1,040 |
| 2011 | - | 680 | 680 | - | 540 | 540 |
| 2010 | - | 920 | 920 | - | 1,120 | 1,120 |
| 2009 | - | 7,860 | 7,860 | - | 1,180 | 1,180 |
| 2008 | - | - | - | - | 6,740 | 6,740 |
| | <u>10,780</u> | <u>1,383,840</u> | <u>1,394,620</u> | <u>8,180</u> | <u>1,303,460</u> | <u>1,311,640</u> |
| Total Assistance | <u><u>41,517</u></u> | <u><u>9,894,012</u></u> | <u><u>9,935,529</u></u> | <u><u>32,590</u></u> | <u><u>8,275,957</u></u> | <u><u>8,308,547</u></u> |



| Technical Lines of Business | 31-12-2019 | | | 31-12-2018 | | |
|--|------------------|----------------------|------------|------------------|----------------------|------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Legal Protection | | | | | | |
| Reported claims | | | | | | |
| 2019 | - | 623,864 | 623,864 | - | 946,181 | 946,181 |
| 2018 | - | 594,887 | 594,887 | - | 657,229 | 657,229 |
| 2017 | - | 338,940 | 338,940 | - | 423,326 | 423,326 |
| 2016 | - | 266,426 | 266,426 | - | 218,546 | 218,546 |
| 2015 | - | 132,158 | 132,158 | - | 91,335 | 91,335 |
| 2014 | - | 62,682 | 62,682 | - | 74,854 | 74,854 |
| 2013 | - | 52,850 | 52,850 | - | 44,528 | 44,528 |
| 2012 | - | 35,035 | 35,035 | - | 22,571 | 22,571 |
| 2011 | - | 15,396 | 15,396 | - | 9,913 | 9,913 |
| 2010 | - | 3,885 | 3,885 | - | 8,817 | 8,817 |
| 2009 | - | 25,088 | 25,088 | - | 26,214 | 26,214 |
| 2008 | - | - | - | - | 2,523,514 | 2,523,514 |
| | - | 2,151,211 | 2,151,211 | - | | |
| Provision for IBNR | | | | | | |
| 2019 | - | 86,200 | 86,200 | - | 79,800 | 79,800 |
| 2018 | - | 10,100 | 10,100 | - | 9,800 | 9,800 |
| 2017 | - | 3,500 | 3,500 | - | 2,400 | 2,400 |
| 2016 | - | 800 | 800 | - | 600 | 600 |
| 2015 | - | - | - | - | 75,065 | 75,065 |
| 2008 | - | - | - | - | 167,665 | 167,665 |
| | - | 176,131 | 176,131 | - | | |
| Provision for claims settlement expenses | | | | | | |
| 2019 | - | 558,300 | 558,300 | - | 608,700 | 608,700 |
| 2018 | - | 160,500 | 160,500 | - | 174,300 | 174,300 |
| 2017 | - | 80,100 | 80,100 | - | 88,500 | 88,500 |
| 2016 | - | 53,400 | 53,400 | - | 47,400 | 47,400 |
| 2015 | - | 29,400 | 29,400 | - | 22,200 | 22,200 |
| 2014 | - | 15,300 | 15,300 | - | 16,800 | 16,800 |
| 2013 | - | 12,000 | 12,000 | - | 11,100 | 11,100 |
| 2012 | - | 8,100 | 8,100 | - | 6,900 | 6,900 |
| 2011 | - | 4,200 | 4,200 | - | 2,700 | 2,700 |
| 2010 | - | 1,500 | 1,500 | - | 1,800 | 1,800 |
| 2009 | - | 4,800 | 4,800 | - | 5,100 | 5,100 |
| 2008 | - | - | - | - | 985,500 | 985,500 |
| | - | 927,600 | 927,600 | - | | |
| Total Legal Protection | - | 3,254,942 | 3,254,942 | - | 3,676,679 | 3,676,679 |
| | 41,517 | 13,148,954 | 13,190,471 | 32,590 | 11,952,636 | 11,985,226 |



The movement in Claims provisions during 2019 and 2018 was as follows:

| SECTORS/LINES OF BUSINESS | Claims provision at 31/12/2018 (1) | Claims costs paid in the year (*) (2) | Claims provision at 31/12/2019 (*) (3) | Readjustments (3)+(2)-(1) |
|---------------------------|------------------------------------|---------------------------------------|--|---------------------------|
| NON-LIFE | | | | |
| LEGAL PROTECTION | 3,676,679 | 1,022,289 | 1,986,578 | (667,812) |
| ASSISTANCE | 8,308,547 | 6,292,464 | 1,819,032 | (197,051) |
| GRAND TOTAL | 11,985,226 | 7,314,753 | 3,805,610 | (864,863) |

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

| 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) |
| GRAND TOTAL | 13,770,514 | 7,121,849 | 3,449,754 | (3,198,911) |

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

15. OTHER CREDITORS FOR INSURANCE AND OTHER OPERATIONS

At 31 December 2019 and 2018, this heading was composed as follows:

| | 31-12-2019 | 31-12-2018 |
|---|------------------|----------------|
| Accounts payable for other reinsurance operations | | |
| • Group reinsured (Note 31) | 65,301 | - |
| Accounts payable for other operations | | |
| • Transactions to be settled | - | 509,835 |
| • Group companies (Note 31) | 967,558 | 328,800 |
| • Others | 81,554 | 138,228 |
| | <u>1,049,112</u> | <u>976,863</u> |
| | <u>1,114,413</u> | <u>976,863</u> |



16. ACCRUALS AND DEFERRALS (LIABILITIES)

At 31 December 2019 and 2018 the liabilities accruals and deferrals heading was composed as follows:

| | 31-12-2019 | 31-12-2018 |
|--------------------------------|------------------|------------------|
| Holidays and holiday subsidies | 520,854 | 492,380 |
| Employee bonuses payable | 308,225 | 291,521 |
| Others | 453,895 | 279,241 |
| | <u>1,282,974</u> | <u>1,063,142</u> |

17. OTHER PROVISIONS

In the years ending 31 December 2019 and 2018, the movement in these headings was as follows:

| | 31-12-2019 | | | | |
|------------------------------|--------------------------|------------------------|---|----------------|--------------------------|
| | Balance at 31-12-2018 | Increases (Note 22) | Recoveries and cancellations (Note 22) | Uses | Balance at 31-12-2019 |
| Provisions for litigation | 67,459 | 3,887 | (2,526) | (1,207) | 67,613 |
| Provisions for contingencies | 101,613 | - | (24,040) | - | 77,573 |
| | <u>169,072</u> | <u>3,887</u> | <u>(26,566)</u> | <u>(1,207)</u> | <u>145,186</u> |
| | 31-12-2018 | | | | |
| | Balance at 31-12-2017 | Increases (Note 22) | Recoveries and cancellations (Note 22) | Uses | 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> |

At 31 December 2019 and 2018, the provisions of EUR 67,613 and EUR 67,459, respectively, are mainly aimed at responding to future costs arising from legal proceedings in progress related to labour issues.

At 31 December 2019 and 2018, the provision of EUR 77,573 Euros and EUR 101,613, respectively, is for potential labour contingencies relating to previous years, following a change in the Company's remunerations policy in 2005.

18. PAID-IN CAPITAL

At 31 December 2019 and 2018, the Company's share 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 2019 and 2018, 80% of the Company's capital is held by Longrun Portugal, SGPS, S.A. and 20% by Caixa Geral de Depósitos, S.A..



19. RESERVES, RETAINED EARNINGS AND INCOME FOR THE YEAR UNDER SHAREHOLDERS' EQUITY

At 31 December 2019 and 2018, the other shareholders' equity headings were composed as follows:

| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|---|--------------------------|--------------------------|
| Revaluation reserves: | | |
| Fair value adjustments | | |
| – Available-for-sale investments (Note 5) | 1,134,247 | 805,008 |
| | <u>1,134,247</u> | <u>805,008</u> |
| Deferred tax reserve: | | |
| – Available-for-sale investments | (293,461) | (210,786) |
| Other reserves and retained earnings | | |
| – Legal reserve | 6,720,481 | 6,100,481 |
| – Other reserves | 25,032,480 | 19,199,547 |
| | <u>31,752,961</u> | <u>25,300,028</u> |
| Retained earnings | <u>174</u> | <u>269,625</u> |
| Income for the year | 4,140,847 | 6,183,482 |
| | <u><u>36,734,768</u></u> | <u><u>32,347,357</u></u> |

In accordance with the legislation in force, at least 10% of net income for each year must be transferred to the legal reserve, until it totals the amount of share capital. This legal reserve may only be used to increase the share capital or to offset accumulated losses.

The Company's General Meeting of 29 March 2019 passed a resolution to apply the Company's net income from 2018 as follows:

| | |
|-------------------|-------------------------|
| Legal reserve | 620,000 |
| Free reserves | 5,832,933 |
| Retained earnings | (269,451) |
| | <u><u>6,183,482</u></u> |



20. EARNED PREMIUMS, NET OF REINSURANCE

In 2019 and 2018, this heading was composed as follows:

| | 2019 | | | |
|---|------------------|----------------------|---|-------------------|
| | Direct insurance | Reinsurance accepted | Direct insurance and Reinsurance accepted | Net |
| Gross premiums written | | | | |
| Legal Protection | - | 5,389,421 | 5,389,421 | 5,389,421 |
| Assistance | 269,982 | 47,042,610 | 47,312,592 | 47,312,592 |
| | <u>269,982</u> | <u>52,432,031</u> | <u>52,702,013</u> | <u>52,702,013</u> |
| Change in provision for unearned premiums | | | | |
| Legal Protection | - | 165 | 165 | 165 |
| Assistance | 3,472 | 72,936 | 76,408 | 76,408 |
| | <u>3,472</u> | <u>73,101</u> | <u>76,573</u> | <u>76,573</u> |
| Earned premiums in the year | | | | |
| Legal Protection | - | 5,389,586 | 5,389,586 | 5,389,586 |
| Assistance | 273,454 | 47,115,546 | 47,389,000 | 47,389,000 |
| | <u>273,454</u> | <u>52,505,132</u> | <u>52,778,586</u> | <u>52,778,586</u> |
| | | | | |
| | 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 | 231,773 | 44,898,108 | 45,129,881 | 45,129,881 |
| | <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 | (50) | (109,552) | (109,602) | (109,602) |
| | <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 | 231,723 | 44,788,556 | 45,020,279 | 45,020,279 |
| | <u>231,723</u> | <u>49,975,651</u> | <u>50,207,374</u> | <u>50,207,374</u> |



In 2019 and 2018, the figures by line of business were as follows:

| 2019 | | | | |
|---------------------------|------------------------|-----------------------|--------------------|------------------------------------|
| SECTORS/LINES OF BUSINESS | Gross premiums written | Gross premiums earned | Gross claims costs | Gross operating costs and expenses |
| ASSISTANCE | | | | |
| DIRECT INSURANCE | 269,982 | 273,454 | 159,979 | 1,184 |
| TOTAL | 269,982 | 273,454 | 159,979 | 1,184 |
| REINSURANCE ACCEPTED | 52,432,031 | 52,505,132 | 44,316,196 | 944,057 |
| GRAND TOTAL | 52,702,013 | 52,778,586 | 44,476,175 | 945,241 |

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

21. CLAIMS COSTS, NET OF REINSURANCE

In 2019 and 2018, claims costs were composed as follows:

| 2019 | | | | |
|---------------------------|---------------------------|--|--------------------------------|------------------------------|
| 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 | | | | |
| ASSISTANCE | 124,643 | 26,409 | 8,927 | 159,979 |
| TOTAL | 124,643 | 26,409 | 8,927 | 159,979 |
| REINSURANCE ACCEPTED | | | | |
| LEGAL PROTECTION | 496,433 | 1,033,084 | (421,737) | 1,107,780 |
| ASSISTANCE | 36,348,539 | 5,310,435 | 1,549,442 | 43,208,416 |
| TOTAL | 36,844,972 | 6,343,519 | 1,127,705 | 44,316,196 |
| GRAND TOTAL | 36,969,615 | 6,369,928 | 1,136,632 | 44,476,175 |



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 ASSISTANCE | 110,309 | 25,044 | (10,990) | 124,363 |
| TOTAL | 110,309 | 25,044 | (10,990) | 124,363 |
| REINSURANCE ACCEPTED | | | | |
| LEGAL PROTECTION ASSISTANCE | 605,849 | 1,046,720 | (1,015,339) | 637,230 |
| TOTAL | 35,926,165 | 6,147,627 | (1,792,005) | 40,281,787 |
| GRAND TOTAL | 36,036,474 | 6,172,671 | (1,802,995) | 40,406,150 |

In 2019 and 2018, claims costs in the Assistance line of business were composed as follows:

| | 2019 | | | 2018 | | |
|-----------------------|------------------|----------------------|--------------------|------------------|----------------------|--------------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Assistance | | | | | | |
| Amounts paid | | | | | | |
| Payments | | | | | | |
| 2019 | 103,888 | 31,469,366 | 31,573,254 | | | |
| 2018 | 20,755 | 5,331,385 | 5,352,140 | 79,261 | 30,700,936 | 30,780,197 |
| 2017 | - | 359,417 | 359,417 | 21,117 | 5,085,113 | 5,106,230 |
| 2016 | - | 139,083 | 139,083 | 9,841 | 292,599 | 302,440 |
| 2015 | - | 111,997 | 111,997 | 90 | 181,923 | 182,013 |
| 2014 | - | 82,583 | 82,583 | - | 83,906 | 83,906 |
| 2013 | - | 62,989 | 62,989 | - | 70,612 | 70,612 |
| 2012 | - | 52,078 | 52,078 | - | 61,804 | 61,804 |
| 2011 | - | 46,109 | 46,109 | - | 38,986 | 38,986 |
| 2010 | - | 48,196 | 48,196 | - | 50,322 | 50,322 |
| 2009 | - | 610,068 | 610,068 | - | 79,816 | 79,816 |
| 2008 | - | - | - | - | 501,759 | 501,759 |
| | <u>124,643</u> | <u>38,313,271</u> | <u>38,437,914</u> | <u>110,309</u> | <u>37,147,776</u> | <u>37,258,085</u> |
| Claims reimbursements | | | | | | |
| 2019 | - | (412,367) | (412,367) | | | |
| 2018 | - | (442,403) | (442,403) | - | (389,044) | (389,044) |
| 2017 | - | (94,079) | (94,079) | - | (391,106) | (391,106) |
| 2016 | - | (44,530) | (44,530) | - | (85,464) | (85,464) |
| 2015 | - | (73,577) | (73,577) | - | (77,600) | (77,600) |
| 2014 | - | (78,469) | (78,469) | - | (80,219) | (80,219) |
| 2013 | - | (61,696) | (61,696) | - | (67,989) | (67,989) |
| 2012 | - | (52,070) | (52,070) | - | (59,698) | (59,698) |
| 2011 | - | (45,596) | (45,596) | - | (40,242) | (40,242) |
| 2010 | - | (51,031) | (51,031) | - | (47,512) | (47,512) |
| 2009 | - | (608,914) | (608,914) | - | (84,580) | (84,580) |
| 2008 | - | - | - | - | (504,006) | (504,006) |
| | <u>-</u> | <u>(1,964,732)</u> | <u>(1,964,732)</u> | <u>-</u> | <u>(1,827,460)</u> | <u>(1,827,460)</u> |



| | 2019 | | | 2018 | | |
|----------------------------|------------------|----------------------|-------------------|------------------|----------------------|-------------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Assistance | | | | | | |
| Amounts paid | | | | | | |
| Management costs | | | | | | |
| 2019 | 22,011 | 4,334,664 | 4,356,675 | | | |
| 2018 | 4,398 | 868,846 | 873,244 | 17,994 | 4,156,181 | 4,174,175 |
| 2017 | - | 89,372 | 89,372 | 4,796 | 841,070 | 845,866 |
| 2016 | - | 3,552 | 3,552 | 2,234 | 85,770 | 88,004 |
| 2015 | - | 2,205 | 2,205 | 20 | 5,203 | 5,223 |
| 2014 | - | 1,278 | 1,278 | - | 1,597 | 1,597 |
| 2013 | - | 1,017 | 1,017 | - | 1,250 | 1,250 |
| 2012 | - | 971 | 971 | - | 1,027 | 1,027 |
| 2011 | - | 731 | 731 | - | 870 | 870 |
| 2010 | - | 981 | 981 | - | 926 | 926 |
| 2009 | - | 6,818 | 6,818 | - | 1,307 | 1,307 |
| 2008 | - | - | - | - | 5,706 | 5,706 |
| | <u>26,409</u> | <u>5,310,435</u> | <u>5,336,844</u> | <u>25,044</u> | <u>5,100,907</u> | <u>5,125,951</u> |
| | <u>151,052</u> | <u>41,658,974</u> | <u>41,810,026</u> | <u>135,353</u> | <u>40,421,223</u> | <u>40,556,576</u> |
| Change in claims provision | | | | | | |
| Payments | | | | | | |
| 2019 | 28,093 | 6,852,824 | 6,880,917 | | | |
| 2018 | (20,477) | (4,309,433) | (4,329,910) | 23,121 | 5,705,989 | 5,729,110 |
| 2017 | (1,289) | (851,674) | (852,963) | (21,043) | (5,461,098) | (5,482,141) |
| 2016 | - | (112,330) | (112,330) | (6,769) | (829,896) | (836,665) |
| 2015 | - | (39,951) | (39,951) | (99) | (147,218) | (147,317) |
| 2014 | - | (1,803) | (1,803) | - | 1,074 | 1,074 |
| 2013 | - | 42 | 42 | - | - | - |
| 2012 | - | - | - | - | (10) | (10) |
| 2008 | - | - | - | - | (1,100) | (1,100) |
| | <u>6,327</u> | <u>1,537,675</u> | <u>1,544,002</u> | <u>(4,790)</u> | <u>(732,259)</u> | <u>(737,049)</u> |
| Claims settlement expenses | | | | | | |
| 2019 | 9,420 | 1,226,160 | 1,235,580 | | | |
| 2018 | (6,140) | (1,025,080) | (1,031,220) | 7,500 | 1,164,180 | 1,171,680 |
| 2017 | (680) | (118,500) | (119,180) | (10,880) | (1,068,100) | (1,078,980) |
| 2016 | - | (1,600) | (1,600) | (2,740) | (115,980) | (118,720) |
| 2015 | - | (300) | (300) | (80) | (5,660) | (5,740) |
| 2014 | - | (40) | (40) | - | (600) | (600) |
| 2013 | - | (20) | (20) | - | (80) | (80) |
| 2012 | - | (120) | (120) | - | 60 | 60 |
| 2011 | - | 140 | 140 | - | (320) | (320) |
| 2010 | - | (200) | (200) | - | 100 | 100 |
| 2009 | - | (60) | (60) | - | (320) | (320) |
| 2008 | - | - | - | - | 20 | 20 |
| | <u>2,600</u> | <u>80,380</u> | <u>82,980</u> | <u>(6,200)</u> | <u>(26,700)</u> | <u>(32,900)</u> |



| | 2019 | | | 2018 | | |
|----------------------------|------------------|----------------------|------------|------------------|----------------------|------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Assistance | | | | | | |
| Change in claims provision | | | | | | |
| Reimbursable claims | | | | | | |
| 2019 | - | (110,735) | (110,735) | - | (69,938) | (69,938) |
| 2018 | - | 42,817 | 42,817 | - | 41,710 | 41,710 |
| 2017 | - | 5,686 | 5,686 | - | 3,150 | 3,150 |
| 2016 | - | (9,191) | (9,191) | - | 4,895 | 4,895 |
| 2015 | - | (1,851) | (1,851) | - | 1,458 | 1,458 |
| 2014 | - | 1,700 | 1,700 | - | (1,655) | (1,655) |
| 2013 | - | 177 | 177 | - | (1,505) | (1,505) |
| 2012 | - | (514) | (514) | - | 1,313 | 1,313 |
| 2011 | - | 1,864 | 1,864 | - | (3,036) | (3,036) |
| 2010 | - | (2,485) | (2,485) | - | 4,778 | 4,778 |
| 2009 | - | - | - | - | 1,123 | 1,123 |
| 2008 | - | (68,613) | (68,613) | - | (17,707) | (17,707) |
| | 8,927 | 1,549,442 | 1,558,369 | (10,990) | (776,666) | (787,656) |
| | 159,979 | 43,208,416 | 43,368,395 | 124,363 | 39,644,557 | 39,768,920 |

In 2019 and 2018, claims costs in the Legal Protection line of business were composed as follows:

| | 2019 | | | 2018 | | |
|------------------|------------------|----------------------|---------|------------------|----------------------|---------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Legal Protection | | | | | | |
| Amounts paid | | | | | | |
| Payments | | | | | | |
| 2019 | - | 20,381 | 20,381 | - | 24,522 | 24,522 |
| 2018 | - | 143,298 | 143,298 | - | 199,018 | 199,018 |
| 2017 | - | 111,828 | 111,828 | - | 89,901 | 89,901 |
| 2016 | - | 46,180 | 46,180 | - | 44,204 | 44,204 |
| 2015 | - | 21,109 | 21,109 | - | 19,462 | 19,462 |
| 2014 | - | 9,560 | 9,560 | - | 12,319 | 12,319 |
| 2013 | - | 4,539 | 4,539 | - | 18,415 | 18,415 |
| 2012 | - | 2,607 | 2,607 | - | 5,809 | 5,809 |
| 2011 | - | 211 | 211 | - | 2,361 | 2,361 |
| 2010 | - | 4,676 | 4,676 | - | 3,881 | 3,881 |
| 2009 | - | - | - | - | 605,849 | 605,849 |
| 2008 | - | 496,433 | 496,433 | - | | |



| | 2019 | | | 2018 | | |
|----------------------------|------------------|----------------------|-----------|------------------|----------------------|-------------|
| | Direct insurance | Reinsurance accepted | Total | Direct insurance | Reinsurance accepted | Total |
| Legal Protection | | | | | | |
| Amounts paid | | | | | | |
| Management costs | | | | | | |
| 2019 | - | 486,847 | 486,847 | - | 497,446 | 497,446 |
| 2018 | - | 353,530 | 353,530 | - | 359,356 | 359,356 |
| 2017 | - | 90,179 | 90,179 | - | 100,517 | 100,517 |
| 2016 | - | 49,010 | 49,010 | - | 42,713 | 42,713 |
| 2015 | - | 25,812 | 25,812 | - | 19,268 | 19,268 |
| 2014 | - | 13,233 | 13,233 | - | 13,810 | 13,810 |
| 2013 | - | 5,296 | 5,296 | - | 4,622 | 4,622 |
| 2012 | - | 3,441 | 3,441 | - | 3,338 | 3,338 |
| 2011 | - | 2,295 | 2,295 | - | 1,627 | 1,627 |
| 2010 | - | 794 | 794 | - | 856 | 856 |
| 2009 | - | 2,647 | 2,647 | - | 3,167 | 3,167 |
| 2008 | - | - | - | - | - | - |
| | - | 1,033,084 | 1,033,084 | - | 1,046,720 | 1,046,720 |
| | - | 1,529,517 | 1,529,517 | - | 1,652,569 | 1,652,569 |
| Change in claims provision | | | | | | |
| Payments | | | | | | |
| 2019 | - | 710,064 | 710,064 | - | 1,025,980 | 1,025,980 |
| 2018 | - | (420,994) | (420,994) | - | (935,310) | (935,310) |
| 2017 | - | (324,588) | (324,588) | - | (618,885) | (618,885) |
| 2016 | - | (158,500) | (158,500) | - | (214,391) | (214,391) |
| 2015 | - | (86,986) | (86,986) | - | (105,482) | (105,482) |
| 2014 | - | (28,654) | (28,654) | - | (42,014) | (42,014) |
| 2013 | - | (22,004) | (22,004) | - | (37,871) | (37,871) |
| 2012 | - | (9,494) | (9,494) | - | (32,018) | (32,018) |
| 2011 | - | (7,175) | (7,175) | - | (14,707) | (14,707) |
| 2010 | - | (6,028) | (6,028) | - | (6,572) | (6,572) |
| 2009 | - | (9,478) | (9,478) | - | (22,049) | (22,049) |
| 2008 | - | - | - | - | (1,003,319) | (1,003,319) |
| | - | (363,837) | (363,837) | - | | |
| Claims settlement expenses | | | | | | |
| 2019 | - | 558,300 | 558,300 | - | 608,700 | 608,700 |
| 2018 | - | (448,200) | (448,200) | - | (459,320) | (459,320) |
| 2017 | - | (94,200) | (94,200) | - | (97,800) | (97,800) |
| 2016 | - | (35,100) | (35,100) | - | (30,000) | (30,000) |
| 2015 | - | (6,900) | (6,900) | - | (12,000) | (12,000) |
| 2014 | - | (4,800) | (4,800) | - | (6,000) | (6,000) |
| 2013 | - | (3,000) | (3,000) | - | (5,100) | (5,100) |
| 2012 | - | (2,700) | (2,700) | - | (4,200) | (4,200) |
| 2011 | - | (1,200) | (1,200) | - | (2,400) | (2,400) |
| 2010 | - | (2,100) | (2,100) | - | (900) | (900) |
| 2009 | - | - | - | - | (3,000) | (3,000) |
| 2008 | - | (57,900) | (57,900) | - | (12,020) | (12,020) |
| Change in claims provision | - | (421,737) | (421,737) | - | (1,015,339) | (1,015,339) |
| | - | 1,107,780 | 1,107,780 | - | 637,230 | 637,230 |



At 31 December 2019 and 2018, the claims costs on direct insurance and reinsurance accepted – amounts paid include EUR 6,369,928 and EUR 6,172,671, respectively, relating to management costs charged to the lines of business operated by the Company (Note 22).

In 2019 and 2018, the allocation to the profit-sharing provision was EUR 3,273,823 and EUR 3,299,077, respectively, broken down by ceding company as follows:

| Ceding Company | Allocation | |
|-------------------|------------------|------------------|
| | 2019 | 2018 |
| Fidelidade | 2,795,066 | 2,897,320 |
| Via Directa | 181,276 | 202,566 |
| Santa Lucia | 118,689 | - |
| Garantia | 94,991 | 74,746 |
| Impar | 56,206 | - |
| Fidelidade Angola | 26,858 | 116,799 |
| Nossa | 737 | 31 |
| Multicare | - | 7,615 |
| | <u>3,273,823</u> | <u>3,299,077</u> |

The movement in the profit-sharing provision in 2019 and 2018 was as follows:

| 2019 | | | |
|-----------------------|-----------------|--------------------|-----------------------|
| Balance at 31-12-2018 | Allocation 2019 | Distributed income | Balance at 31-12-2019 |
| - | 3,273,823 | 3,273,823 | - |
| 2018 | | | |
| Balance at 31-12-2017 | Allocation 2018 | Distributed income | Balance at 31-12-2018 |
| - | 3,299,077 | 3,299,077 | - |

At 31 December 2019 and 2018, 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.



22. NET OPERATING COSTS, BY TYPE AND FUNCTION

This income and loss heading was composed as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| Employee costs (Note 23) | 5,412,384 | 5,018,267 |
| External supplies and services: | | |
| • Specialist work | 1,121,916 | 1,074,853 |
| • Rents and leases | 1,213 | 296,219 |
| • Communication | 128,895 | 137,766 |
| • Cleanliness and hygiene | 49,750 | 47,082 |
| • Expenditure with self-employed workers | 50,177 | 50,496 |
| • Conservation and repair | 46,671 | 42,878 |
| • Travel and accommodation | 24,316 | 28,465 |
| • Software licences | 57,536 | 24,903 |
| • Printed material and office supplies | 11,740 | 16,792 |
| • Advertising and publicity | 7,132 | 191,803 |
| • Others | 46,596 | 44,481 |
| | <u>1,545,942</u> | <u>1,955,738</u> |
| Direct insurance costs | 63 | 733 |
| Taxes and charges | 3,826 | 3,953 |
| Depreciation in the year: | | |
| • Intangible assets (Note 10) | 34,063 | 60,717 |
| • Tangible assets (Note 9) | 42,287 | 19,748 |
| • Right-of-use assets (Note 9) | 23,951 | - |
| • Right-of-use assets – Buildings (Note 7) | 269,281 | - |
| Net allocation of provisions (Note 17) | (22,678) | (33,878) |
| Bank commissions and interest paid | 14,842 | 27,482 |
| | <u>365,572</u> | <u>78,022</u> |
| | <u>7,323,961</u> | <u>7,052,760</u> |

In the year ending 31 December 2019, the most relevant figures in the “Others” heading relate to APS contributions, fuel and food products for consumption in the buildings, of EUR 10,001, EUR 10,803 and EUR 8,810, respectively.

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

| | 2019 | 2018 |
|-----------------------------|--------------------|--------------------|
| Claims costs (Note 21) | (6,369,928) | (6,172,671) |
| Administrative costs | (812,382) | (658,951) |
| Acquisition costs | (132,530) | (193,113) |
| Investment management costs | (9,121) | (28,025) |
| | <u>(7,323,961)</u> | <u>(7,052,760)</u> |



23. EMPLOYEE COSTS

During the years ending 31 December 2019 and 2018 the Company had, on average, 192 and 190 employees in its service, respectively, spread across the following professional categories:

| | 2019 | 2018 |
|-------------------|------------|------------|
| Senior management | 5 | 5 |
| Line management | 10 | 7 |
| IT Technical | 4 | 4 |
| Other technical | 15 | 8 |
| Administrative | 158 | 166 |
| Total | 192 | 190 |

Employee costs in 2019 and 2018 were as follows:

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| Remuneration | | |
| - Corporate Bodies | 205,939 | 217,779 |
| - Employees | 3,745,197 | 3,516,822 |
| Remuneration expenses | 765,271 | 740,591 |
| Post-employment benefits | | |
| Defined contribution plans | 194,252 | 39,915 |
| Defined benefits plans | (14,835) | 67,099 |
| Termination of employment benefits | 3,585 | 35,115 |
| Mandatory insurance | 60,924 | 56,470 |
| Social action costs | 394,152 | 300,325 |
| Other employee costs | 57,899 | 44,151 |
| Total employee costs | 5,412,384 | 5,018,267 |

The increase in employee costs in 2019 compared to 2018 is due to the new CEA, in particular the increase in costs of the Individual Retirement Plan (IRP) and health insurance.

Costs incurred with employees on loan within the Fidelidade Group in 2019 were EUR 175,359 for Corporate Bodies (EUR 152,399 in 2018) and EUR 125,238 for employees (EUR 124,814 in 2018). These are distributed across the various employee costs headings according to their type (Note 31).

In 2019 and 2018 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 194,252 and EUR 39,915 respectively (Note 2.11). In 2019, the costs of post-employment benefits regarding the defined benefit plans relate to costs with pre-retirement liabilities (Note 24).



Remuneration of Corporate Bodies

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

In 2019 and 2018, 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 | |
| | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Executive Committee | | | | | | | | | | |
| Chairman | | | | | | | | | | |
| Jose Manuel Alvarez Quintero | - | - | - | - | - | - | - | - | - | - |
| Members | | | | | | | | | | |
| Francisco Xavier da Conceição Cordeiro | - | - | - | - | - | - | - | - | - | - |
| Luis Filipe Mateus Alves | 114,724 | 119,933 | 38,000 | 49,500 | 2,510 | 2,288 | 1,872 | 1,921 | 181 | 181 |
| Supervisory Board | | | | | | | | | | |
| | 2018 | 2019 | | | | | | | | |
| Chairman | | | | | | | | | | |
| Luis Manuel Machado Vilhena da Cunha | 17,664 | 16,800 | | | | | | | | |
| Members | | | | | | | | | | |
| António José Pereira Cardoso Mota | 14,720 | 14,000 | | | | | | | | |
| José António Costa Figueiredo | 14,720 | 14,000 | - | - | - | - | - | - | - | - |

Statutory Auditor

The fees paid to Ernst & Young Audit & Associados, SROC, the Company's Statutory Auditor, relating to the year ending 31 December 2019 were EUR 36,452 for statutory auditor services and EUR 21,210 for other information certification services related to Solvency II.

24. 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 120,045 at 31 December 2019, calculated using the following assumptions:

| | 2019 |
|---------------------------------|-----------------------|
| Actuarial Method | 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 | 1.0% |
| • Pensions growth rate | 0.75% |



The movement in “Liabilities for post-employment benefits and other long-term benefits” during 2019 and 2018 can be summarised as follows:

| | |
|-----------------------------|-----------------------|
| Balance at 31 December 2017 | <u>285,709</u> |
| Costs in the year | 83,644 |
| Payments in 2018 | <u>(143,809)</u> |
| Balance at 31 December 2018 | <u><u>225,544</u></u> |
| Costs in the year | 156,190 |
| Payments in 2019 | <u>(108,880)</u> |
| Balance at 31 December 2019 | <u><u>272,854</u></u> |

At 31 December 2019 the balance of “Liabilities for post-employment benefits and other long-term benefits”, of EUR 272,854, refers to the sum of pre-retirements at 31 December (120,045) and to the IRP for December and the application of the new CEA (EUR 152,809) (Note 2.11).

The costs with these agreements reflected in the profit and loss statements for 2019 and 2018 are:

| | |
|---|------------------------|
| | <u>2018</u> |
| Pre-retirement agreements | |
| Interest costs | 4,135 |
| Actuarial (gains) / losses | 42,771 |
| Changes to assumptions | (809) |
| Difference between assumptions and realised amounts | <u>43,580</u> |
| | <u><u>46,906</u></u> |
| | <u>2019</u> |
| Pre-retirement agreements | |
| Interest costs | 3,780 |
| Actuarial (gains) / losses | (37,398) |
| Changes to assumptions | 1,250 |
| Difference between assumptions and realised amounts | <u>(38,648)</u> |
| | <u><u>(33,618)</u></u> |



25. INCOME

The accounting policies for recognising investment income are described in Note 2. In 2019 and 2018, these profit and loss headings were composed as follows:

| | 2019 | | | 2018 | | |
|---|----------|-----------|---------|----------|-----------|---------|
| | 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 | 5,393 | - | 5,393 | - | - | - |
| Equity instruments and investment units | | | | | | |
| Equities | - | 50,312 | 50,312 | - | 71,663 | 71,663 |
| | - | 50,312 | 50,312 | - | 71,663 | 71,663 |
| Debt instruments | | | | | | |
| Bonds – domestic issuers | 555,082 | - | 555,082 | 649,557 | - | 649,557 |
| Bonds – other issuers | 139,115 | - | 139,115 | 104,567 | - | 104,567 |
| | 694,197 | - | 694,197 | 754,124 | - | 754,124 |
| Loans and accounts receivable | 76,023 | - | 76,023 | 62,466 | - | 62,466 |
| | 76,023 | - | 76,023 | 62,466 | - | 62,466 |
| | 775,613 | 50,312 | 825,925 | 816,590 | 71,663 | 888,253 |
| Others | | | | | | |
| Financial assets initially recognised at fair value through profit or loss | 1,896 | - | 1,896 | - | - | - |
| | 1,896 | - | 1,896 | - | - | - |
| | 777,509 | 50,312 | 827,821 | 816,590 | 71,663 | 888,253 |



26. NET INCOME ON FINANCIAL ASSETS AND LIABILITIES NOT RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2019 and 2018, the gains and losses on investments headings were composed as follows:

| | 2019 | | 2018 | |
|---|-----------|-----------|-----------|-----------|
| | Non-Life | Total | Non-Life | Total |
| <u>GAINS ON INVESTMENTS</u> | | | | |
| Available-for-sale investments | | | | |
| Equity instruments and investment units | | | | |
| Equities | - | - | 237,113 | 237,113 |
| | - | - | 237,113 | 237,113 |
| Debt instruments | | | | |
| Bonds – domestic issuers | 361,331 | 361,331 | 858,128 | 858,128 |
| Bonds – other issuers | 7,963 | 7,963 | 463,705 | 463,705 |
| | 369,294 | 369,294 | 1,321,833 | 1,321,833 |
| | 369,294 | 369,294 | 1,558,946 | 1,558,946 |
| <u>LOSSES ON INVESTMENTS</u> | | | | |
| Available-for-sale investments | | | | |
| Equity instruments and investment units | | | | |
| Equities | (488,599) | (488,599) | (24,869) | (24,869) |
| | (488,599) | (488,599) | (24,869) | (24,869) |
| Debt instruments | | | | |
| Bonds – other issuers | (532) | (532) | (39,971) | (39,971) |
| | (532) | (532) | (39,971) | (39,971) |
| | (489,131) | (489,131) | (64,840) | (64,840) |
| | (119,837) | (119,837) | 1,494,106 | 1,494,106 |

27. NET INCOME ON FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS AND NON-FINANCIAL ASSETS NOT RECOGNISED AS NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2019 and 2018, gains and losses from adjustments to the fair value of investments were composed as follows:

| | 2019 | | |
|---|--------------------|--------|--------|
| | Non-Life portfolio | | |
| | Gains | Losses | Net |
| Realised gains and losses | | | |
| Initially recognised at fair value through profit or loss | | | |
| Debt instruments and investment units | 15,732 | - | 15,732 |
| | 15,732 | - | 15,732 |



| Realised gains and losses | 2018 | | |
|---|--------------------|-----------------|-----------------|
| | Non-Life portfolio | | |
| | Gains | Losses | Net |
| Initially recognised at fair value through profit or loss | | | |
| Debt instruments and investment units | 12,284 | - | 12,284 |
| Unrealised gains and losses | | | |
| Properties (Note 7) | - | (56,900) | (56,900) |
| | <u>12,284</u> | <u>(56,900)</u> | <u>(44,616)</u> |

28. EXCHANGE DIFFERENCES

In 2019 and 2018, gains and losses from exchange differences were as follows:

| | 2019 | | 2018 | |
|----------------------|-------------------|----------------|-------------------|-----------------|
| | Technical account | Total | Technical account | Total |
| Exchange rate gains | 22 | 22 | - | - |
| Exchange rate losses | (2,100) | (2,100) | (33,822) | (33,822) |
| | <u>(2,078)</u> | <u>(2,078)</u> | <u>(33,822)</u> | <u>(33,822)</u> |

29. OTHER INCOME/EXPENSES

| | 2019 | 2018 |
|---------------------------------|----------------|----------------|
| Non-current income and gains | | |
| Tax rebates | 10,899 | - |
| Others | 252 | - |
| Financial income and gains | | |
| Exchange rate gains | 564,022 | 268,253 |
| Other non-technical income | | |
| Provision of services | 563,542 | 524,016 |
| Non-current expenses and losses | | |
| Sponsorship | (469) | - |
| Fines and penalties | (2,150) | (27) |
| Insufficient tax estimate | - | (2,936) |
| Bad debts | (818) | (19,674) |
| Adjustments to balances | (748) | (841) |
| Others | (9) | (13) |
| Financial expenses and losses | | |
| Interest paid | (461) | (71) |
| Exchange rate losses | (534,315) | (529,227) |
| Banking services | (3,488) | (1,923) |
| | <u>596,257</u> | <u>237,557</u> |



30. SEGMENT REPORTING

In 2019 and 2018, 98.0% e 98.4% of the gross premiums written are from contracts entered into in Portugal.

In 2019 and 2018 the distribution of income by lines of business was as follows:

2019

| Headings | Non-Life Lines of Business | | |
|---|----------------------------|--------------|--------------|
| | Miscellaneous | | Total |
| | Legal Protection | Assistance | |
| Gross premiums written | 5,389,421 | 47,312,592 | 52,702,013 |
| Earned premiums from reinsurance ceded | - | - | - |
| Gross premiums earned | 5,389,586 | 47,389,000 | 52,778,586 |
| Investment income | 38,988 | 597,506 | 636,494 |
| Gross claims costs | (1,107,780) | (43,368,395) | (44,476,175) |
| Gross operating costs | (96,668) | (848,573) | (945,241) |
| Profit sharing | (2,085,364) | (1,188,459) | (3,273,823) |
| Change in provision for unexpired risks | - | - | - |
| Technical income | 2,138,762 | 2,581,079 | 4,719,841 |
| Allocated assets | 46,197,767 | | |
| Technical provisions | 3,256,615 | 10,066,097 | 13,322,712 |

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 income | 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 |



31. RELATED PARTIES

Fidelidade Assistência's related parties are deemed to be the subsidiaries and associates of the Group. In 2019 and 2018, the Company's related parties were:

| Name of Related Party | Registered Office |
|--|-------------------|
| Companies that, directly or indirectly, control the Company | |
| Longrun Portugal, SGPS, S.A. | Portugal |
| Caixa Geral de Depósitos, S.A. | Portugal |
| Companies that, directly or indirectly, are under common control with the Company | |
| 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. | 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 |
| Members of the Company's Board of Directors | |
| José Manuel Alvarez Quintero | Chairman |
| Luis Filipe Mateus Alves | Member |
| João Eduardo de Noronha Gamito de Faria | Member |
| Luis Jaime Marques | Member |
| Members of the Supervisory Board | |
| Luis Manuel Machado Vilhena da Cunha | Chairman |
| José António Costa Figueiredo | Member |
| António José Pereira Cardoso Mota | Member |



At 31 December 2019 and 2018, Fidelidade Assistência's financial statements include the following balances and transactions with related parties:

| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|--|-------------------|-------------------|
| <u>Balance sheet values</u> | | |
| Sight deposits (Note 3): | | |
| Caixa Geral de Depósitos, S.A. | 11,407,163 | 6,130,021 |
| Investments in subsidiaries and associates (Note 4): | | |
| 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 | 11,336 |
| Available-for-sale investments (Note 5): | | |
| Caixa Geral de Depósitos, S.A. | 596,013 | - |
| Loans and accounts receivable (Note 6): | | |
| Fidelidade - Serviços de Assistência, S.A. | 5,625,005 | 5,024,658 |
| Properties under operating lease (Note 9): | | |
| Fidelidade - Companhia de Seguros, S.A. | 628,324 | - |
| Debtors / creditors – direct insurance and reinsurance operations (Notes 11 and 15): | | |
| Caixa Geral de Depósitos, S.A. | 12,532 | 19,186 |
| Fidelidade - Companhia de Seguros, S.A. | 1,488,860 | 996,600 |
| Via Directa - Companhia de Seguros, S.A. | 261,751 | 1,081,308 |
| Multicare - Seguros de Saúde, S.A. | 57,817 | 47,311 |
| Garantia - Companhia de Seguros, S.A. | 3,105 | 8,502 |
| Fidelidade Angola - Companhia de Seguros, S.A. | (65,301) | 1,116,184 |
| Debtors – other operations (Note 11): | | |
| Fidelidade - Serviços de Assistência, S.A. | 71,626 | 53,791 |
| GEP - Gestão de Peritagens, S.A. | - | 40 |
| CARES - Assistência e Reparações, S.A. | - | 156 |
| Longrun Portugal, SGPS, S.A. | 13,886 | - |
| Creditors – other operations (Note 15): | | |
| Fidelidade - Companhia de Seguros, S.A. | (930,226) | (277,768) |
| Multicare - Seguros de Saúde, S.A. | - | (105) |
| EAPS - Empresa de Análise, Prevenção e Segurança, S.A. | (899) | (122) |
| Longrun Portugal, SGPS, S.A. | - | (4,092) |
| Fidelidade Angola – Companhia de Seguros, S.A. | (31,603) | (46,022) |
| Garantia - Companhia de Seguros, S.A. | (4,829) | (690) |



| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|--|-------------------|-------------------|
| <u>Balance sheet values (Continued)</u> | | |
| Accruals and deferrals - assets (Note 13): | | |
| Fidelidade - Companhia de Seguros, S.A. | 243,384 | 271,354 |
| Via Directa - Companhia de Seguros, S.A. | 736 | 742 |
| Accruals and deferrals - liabilities (Note 16): | | |
| Fidelidade - Companhia de Seguros, S.A. | (137,181) | (29,152) |
| Caixa Geral de Depósitos, S.A. | (3,000) | (4,200) |
| Provision for unearned premiums – reinsurance accepted (Note 4): | | |
| Fidelidade - Companhia de Seguros, S.A. | (10,934) | (12,491) |
| Garantia - Companhia de Seguros, S.A. | (43,245) | (33,592) |
| Fidelidade Angola – Companhia de Seguros, S.A. | (33,329) | (132,825) |
| Claims provision: | | |
| GEP - Gestão de Peritagens, S.A. | (245) | (529) |
| CARES - Assistência e Reparações, S.A. | (714) | (489) |
| Fidelidade Angola – Companhia de Seguros, S.A. | (6,496) | (6,836) |
| CETRA - Centro Técnico de Reparação Automóvel, S.A. | (2,557) | - |

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.

| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|---|-------------------|-------------------|
| <u>Income statement values</u> | | |
| Change in provision for unearned premiums – reinsurance accepted: | | |
| Fidelidade - Companhia de Seguros, S.A. | 1,557 | (1,095) |
| Garantia - Companhia de Seguros, S.A. | (9,653) | (8,764) |
| Fidelidade Angola - Companhia de Seguros, S.A. | 99,496 | (74,233) |
| Profit sharing – reinsurance accepted (Note 4): | | |
| Fidelidade - Companhia de Seguros, S.A. | (2,795,066) | (2,897,320) |
| Via Directa - Companhia de Seguros, S.A. | (181,276) | (202,566) |
| Multicare - Seguros de Saúde, S.A. | - | (7,615) |
| Garantia - Companhia de Seguros, S.A. | (94,991) | (74,746) |
| Fidelidade Angola - Companhia de Seguros, S.A. | (26,858) | (116,799) |
| Claims costs – amounts paid: | | |
| GEP - Gestão de Peritagens, S.A. | (7,209) | (5,985) |
| CARES - Assistência e Reparações, S.A. | (8,108) | (11,087) |
| Fidelidade Angola - Companhia de Seguros, S.A. | (107,905) | (7,588) |
| CETRA - Centro Técnico de Reparação Automóvel, S.A. | (39,997) | (24,414) |



| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|--|-------------------|-------------------|
| <u>Income statement values (Continued)</u> | | |
| Change in claims provision: | | |
| GEP - Gestão de Peritagens, S.A. | 284 | 116 |
| CARES - Assistência e Reparações, S.A. | (225) | 532 |
| Fidelidade Angola - Companhia de Seguros, S.A. | 340 | (1,193) |
| CETRA - Centro Técnico de Reparação Automóvel, S.A. | (2,557) | - |
| Accounts relating to assignment of corporate bodies (Note 23): | | |
| Fidelidade - Companhia de Seguros, S.A. | (175,359) | (152,399) |
| Accounts relating to assignment of employees (Note 23): | | |
| Fidelidade - Companhia de Seguros, S.A. | (125,238) | (124,814) |
| Other expenses (employees, ESS, commissions, interest and financial expenses): | | |
| Fidelidade - Companhia de Seguros, S.A. | (637,267) | (530,616) |
| Via Directa - Companhia de Seguros, S.A. | (2,215) | (1,959) |
| GEP - Gestão de Peritagens, S.A. | 50 | - |
| EAPS - Empresa de Análise, Prevenção e Segurança, S.A. | (11,008) | (10,684) |
| Caixa Geral de Depósitos, S.A. | (14,118) | (15,481) |
| CARES - Assistência e Reparações, S.A. | 20,204 | (224) |
| Gross premiums written – reinsurance accepted and direct insurance: | | |
| Fidelidade - Companhia de Seguros, S.A. | 45,368,582 | 43,499,111 |
| Via Directa - Companhia de Seguros, S.A. | 5,338,102 | 5,043,859 |
| Multicare - Seguros de Saúde, S.A. | 671,822 | 626,308 |
| Garantia - Companhia de Seguros, S.A. | 332,227 | 266,119 |
| Fidelidade Angola - Companhia de Seguros, S.A. | 162,564 | 452,404 |
| Caixa Geral de Depósitos, S.A. | 117,641 | 95,066 |
| Provision of services – other services: | | |
| Fidelidade - Serviços de Assistência, S.A. | 563,541 | 524,016 |
| Investment income (interest and dividends): | | |
| Caixa Geral de Depósitos, S.A. | 5,393 | - |
| Fidelidade - Serviços de Assistência, S.A. | 76,023 | 62,466 |

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

| | <u>31-12-2019</u> | <u>31-12-2018</u> |
|---|-------------------|-------------------|
| <u>Employees received from group companies:</u> | | |
| Fidelidade - Companhia de Seguros, S.A. | 3 | 3 |



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 on the basis of the market values on the respective dates.

32. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Fair value of financial instruments

At 31 December 2019 and 2018, the method for assessing the fair value of the financial instruments reflected in the Company's financial statements can be summarised as follows:

| | 2019 | | | Not recognised at fair value | Total |
|--|-----------------------------------|---------------|------------------|------------------------------|-------------------|
| | Fair value assessment methodology | | | | |
| | Level 1 | Level 2 | Level 3 | | |
| <u>Assets</u> | | | | | |
| Cash and cash equivalents | | | | 15,157,434 | 15,157,434 |
| Investments in subsidiaries, associates and joint ventures | | | | 531,503 | 531,503 |
| Financial assets initially recognised at fair value through profit or loss | 402,833 | 33,171 | | | 436,004 |
| Available-for-sale investments | 34,150,260 | | 1,102,941 | | 35,253,201 |
| Loans and accounts receivable | | | | 5,625,005 | 5,625,005 |
| Other debtors | | | | 2,191,624 | 2,191,624 |
| | <u>34,553,093</u> | <u>33,171</u> | <u>1,102,941</u> | <u>23,505,566</u> | <u>59,194,771</u> |
| <u>Assets</u> | | | | | |
| 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> |



The movement in 2019 and 2018 in financial instruments classified with Level 3 of the fair value hierarchy can be broken down as follows:

| | <u>Available-for-sale investments</u> |
|---------------------------------------|---------------------------------------|
| 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 |
| Disposals | <u>(324,628)</u> |
| Balance at 31 December 2018 | <u>347,607</u> |
| | |
| | <u>Available-for-sale investments</u> |
| Balance at 31 December 2018 | <u>347,607</u> |
| Acquisitions | 749,510 |
| Revaluations | |
| - as a charge to shareholders' equity | 5,824 |
| Balance at 31 December 2019 | <u>1,102,941</u> |

Policies on managing 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 Company's 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 general 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 2019 and 2018 Fidelidade Assistência's maximum exposure to credit risk was as follows:

31-12-2019

31-12-2018



| | Gross book value | Net book value | Gross book value | Net book value |
|--|-------------------|-------------------|-------------------|-------------------|
| Sight deposits | 15,157,434 | 15,157,434 | 6,730,021 | 6,730,021 |
| Financial assets initially recognised at fair value through profit or loss | 436,004 | 436,004 | 23,601 | 23,601 |
| Available-for-sale investments | 35,253,201 | 35,253,201 | 38,141,374 | 38,141,374 |
| Loans and accounts receivable | 5,625,005 | 5,625,005 | 5,024,658 | 5,024,658 |
| Other debtors | 2,191,624 | 2,191,624 | 3,435,811 | 3,435,811 |
| | 58,663,268 | 58,663,268 | 53,355,465 | 53,355,465 |

Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2019 and 2018, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

| Class of asset/Ratings | 31-12-2019 | | |
|---------------------------------|-------------------|------------------------|-------------------|
| | Portugal | Rest of European Union | Total |
| Deposits in Credit Institutions | | | |
| BB- to BB+ | 11,407,163 | - | 11,407,163 |
| BBB- to BBB+ | - | 3,750,271 | 3,750,271 |
| | 11,407,163 | 3,750,271 | 15,157,434 |
| Total | 11,407,163 | 3,750,271 | 15,157,434 |
| Class of asset/Ratings | 31-12-2018 | | |
| | Portugal | Rest of European Union | Total |
| Deposits in Credit Institutions | | | |
| BB- to BB+ | 6,130,021 | - | 6,130,021 |
| BBB- to BBB+ | - | 600,000 | 600,000 |
| | 6,130,021 | 600,000 | 6,730,021 |
| Total | 6,130,021 | 600,000 | 6,730,021 |



At 31 December 2019 and 2018, 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 | 31-12-2019 | | | | |
|--|-------------------|------------------------|------------------|------------------|-------------------|
| | Portugal | Rest of European Union | North America | Others | Total |
| Financial assets recognised at fair value through profit or loss | | | | | |
| Corporate | | | | | |
| BBB- to BBB+ | - | 402,833 | - | - | 402,833 |
| Total Financial assets recognised at fair value through profit or loss | - | 402,833 | - | - | 402,833 |
| Available-for-sale Investments (net of impairment) | | | | | |
| Corporate | | | | | |
| A- to A+ | - | - | - | 1,183,118 | 1,183,118 |
| BBB- to BBB+ | - | 685,903 | 636,793 | - | 1,322,696 |
| BB- to BB+ | - | 269,372 | - | - | 269,372 |
| B- to B+ | - | 375,188 | 459,077 | - | 834,265 |
| Not rated | 401,675 | - | - | - | 401,675 |
| | 401,675 | 1,330,463 | 1,095,870 | 1,183,118 | 4,011,126 |
| Governments and other local authorities | | | | | |
| AA- to AA+ | - | 8,332 | - | - | 8,332 |
| BBB- to BBB+ | 24,251,724 | 3,385,514 | - | - | 27,637,238 |
| BB- to BB+ | 1,038,667 | - | - | - | 1,038,667 |
| | 25,290,391 | 3,393,846 | - | - | 28,684,237 |
| Financial Institutions | | | | | |
| A- to A+ | - | 590,827 | - | - | 590,827 |
| BB- to BB+ | 596,013 | - | - | - | 596,013 |
| | 596,013 | 590,827 | - | - | 1,186,840 |
| Total Available-for-sale Investments (net of impairment) | 26,288,079 | 5,315,136 | 1,095,870 | 1,183,118 | 33,882,203 |



| Class of asset/Ratings | 31-12-2018 | | | |
|--|-------------------|------------------------|------------------|-------------------|
| | Portugal | Rest of European Union | North America | Total |
| Available-for-sale Investments (net of impairment) | | | | |
| Corporate | | | | |
| 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 |
| | - | 3,043,126 | 2,233,162 | 5,276,288 |
| Governments and other local authorities | | | | |
| AA- to AA+ | - | 945,859 | - | 945,859 |
| BBB- to BBB+ | 27,674,598 | 2,172,787 | - | 29,847,385 |
| | 27,674,598 | 3,118,646 | - | 30,793,244 |
| Total Available-for-sale Investments (net of impairment) | 27,674,598 | 6,161,772 | 2,233,162 | 36,069,532 |

Liquidity Risk

At 31 December 2019 and 2018, the estimated undiscounted cash flows of the financial instruments, according to the respective contractual maturity, were as follows:

| | 31-12-2019 | | | | | | | | | |
|--|-------------------|----------------|---------------------------|---------------------------|-----------------------|-----------------------|------------------------|--------------------|-------------------|-------------------|
| | Up to 1 month | Up to 3 months | From 3 months 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 | Total |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | 15,157,434 | - | - | - | - | - | - | - | - | 15,157,434 |
| Investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | - | 531,503 | 531,503 |
| Financial assets initially recognised at fair value through profit or loss | - | - | 1,244 | 1,257 | 404,999 | - | - | - | 33,171 | 440,671 |
| Available-for-sale investments | 4,074 | 265,499 | 5,264,053 | 377,793 | 16,250,267 | 10,414,781 | 1,764,208 | - | 15,104,932 | 49,445,606 |
| Loans and accounts receivable | - | - | - | 125,005 | 1,200,000 | 1,200,000 | 2,600,000 | 500,000 | - | 5,625,005 |
| Other debtors | 2,191,624 | - | - | - | - | - | - | - | - | 2,191,624 |
| | 17,353,132 | 265,499 | 5,265,297 | 504,055 | 17,855,266 | 11,614,781 | 4,364,208 | 500,000 | 15,669,606 | 73,391,843 |



| | 31-12-2018 | | | | | | | | | |
|--|-------------------|----------------|---------------------------|---------------------------|-----------------------|-----------------------|------------------------|--------------------|------------------|-------------------|
| | Up to 1 month | Up to 3 months | From 3 months 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 | Total |
| Assets | | | | | | | | | | |
| 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 | - | - | - | 524,658 | 1,000,000 | 1,000,000 | 2,500,000 | - | - | 5,024,658 |
| Other debtors | 3,435,811 | - | - | - | - | - | - | - | - | 3,435,811 |
| | <u>10,795,082</u> | <u>340,675</u> | <u>745,263</u> | <u>692,671</u> | <u>22,679,365</u> | <u>4,189,970</u> | <u>12,508,292</u> | <u>-</u> | <u>8,566,302</u> | <u>60,517,619</u> |

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 2019 and 2018, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

| | 31-12-2019 | | | Total |
|--|-------------------|------------------|-----------------------------------|-------------------|
| | Exposure to | | Not subject to interest rate risk | |
| | Fixed rate | Variable rate | | |
| Assets | | | | |
| Investments in subsidiaries, associates and joint ventures | - | - | 531,503 | 531,503 |
| Financial assets initially recognised at fair value through profit or loss | 402,833 | - | 33,171 | 436,004 |
| Available-for-sale investments | 32,441,861 | 1,440,342 | 1,370,998 | 35,253,201 |
| Loans and accounts receivable | 5,625,005 | - | - | 5,625,005 |
| | <u>38,469,699</u> | <u>1,440,342</u> | <u>1,935,672</u> | <u>41,845,713</u> |



| | 31-12-2018 | | | Total |
|--|-------------------|---------------|-----------------------------------|-------------------|
| | Exposure to | | Not subject to interest rate risk | |
| | Fixed rate | Variable rate | | |
| Assets | | | | |
| 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 |
| | <u>41,094,190</u> | <u>-</u> | <u>2,626,946</u> | <u>43,721,136</u> |

At 31 December 2019 and 2018, 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 (bps), respectively, was:

| | 2019 | | | | | |
|--|--------------------|--------------------|------------------|-----------------|------------------|------------------|
| | Change +200 bp's | Change +100 bp's | Change +50 bp's | Change -50 bp's | Change -100 bp's | Change -200 bp's |
| Assets | | | | | | |
| Financial assets initially recognised at fair value through profit or loss | (22,069) | (11,245) | (5,677) | 5,787 | 11,687 | 23,839 |
| Available-for-sale investments | (1,442,894) | (737,846) | (373,155) | 381,897 | 772,824 | 1,582,990 |
| | <u>(1,464,963)</u> | <u>(749,091)</u> | <u>(378,832)</u> | <u>387,684</u> | <u>784,511</u> | <u>1,606,829</u> |
| | 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 |
| Assets | | | | | | |
| 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> |

Exchange rate risk

At 31 December 2019 and 2018, the financial instruments are mostly in Euros.



33. DISCLOSURES RELATING TO INSURANCE CONTRACT RISKS

Below is a summary of 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 operated are characterised by a great dispersal of risk, risk acceptance is based on conditions and standard clauses, supported by long statistical series, established and respected by the commercial area, which does not accept risks that 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 instruments

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 freely available and employees are well aware of their content, 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 channel, units at risk and covers. Studies are also made of the 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 deciding on 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



To enable greater control and activity in terms of the underwritten risk, the Company informs the ceding insurers of policies which have benefited from more than three claims of assistance in the annuity.

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

Insurance risk concentrations

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

The insurance companies of the Group where Fidelidade Assistência is integrated are the main clients, with 98.65% of the premiums written and 99.50% 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 reduces potential problems associated, for example, with anti-selection or excessive concentration in a type of risk.

Regarding the lines of business carried on, in 2019 the Assistance line of business represented around 89.79% of the premiums underwritten and 97.51% of the claims costs.

Portfolio behaviour

| | 2019 | | | 2018 | | |
|------------------|------------|---------------------------|---|------------|---------------------------|---|
| | GPE | Claims and Expenses Ratio | Post-investment Claims and Expenses Ratio | GPE | Claims and Expenses Ratio | Post-investment Claims and Expenses Ratio |
| Assistance | 47,389,000 | 93.31% | 92.05% | 45,020,279 | 90.04% | 85.42% |
| Legal Protection | 5,389,586 | 22.35% | 21.62% | 5,187,095 | 13.93% | 11.33% |

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 on sufficiency of premiums and provisions

Assistance

In 2019, the premiums in the Assistance line of business were sufficient to cover the costs associated with both direct insurance and reinsurance accepted, and therefore it was not necessary to set up a provision for unexpired risks. The claims costs recognised in the accounts represented 59.8% of the gross premiums earned for direct insurance and 92.0% for reinsurance accepted. Acquisition and administrative costs consumed as a whole 1.79% of the gross premiums earned. The Company's combined ratios, considering the investment income, were 60.0% for direct insurance and 92.6% for reinsurance accepted.

The Company states that it has ceased to calculate Provisions for Unearned Premiums (PFUP) for Fidelidade – Companhia de Seguros, S.A, Multicare – Seguros de Saúde, S.A and Via Directa Companhia de Seguros, S.A. Accordingly, premiums began to be issued monthly, covering the risk period of the monthly immediately preceding.

However, for the Assistance line of business, in relation to direct insurance and to foreign companies, PFUP is calculated on a *pro-rata temporis* basis as per 4.2.1 of the Chart of Accounts for Insurance Companies.

The provision for unearned premiums recognised in the accounts represents 0.28% of the gross premiums written.

Legal Protection

In 2019, the overall premiums in the Legal Protection line of business were sufficient to cover the costs associated with that line of business. The claims costs recognised in the accounts represented 32.94% of the gross premiums earned, which was lower than in the previous year. Operating costs consumed 1.79% of the gross premiums earned. Considering the investment income, Fidelidade Assistência obtained a combined ratio of 34.0%, 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 temporis* method is applied in the Legal Protection line of business.

The provision for unearned premiums recognised in the accounts represents 0.03% of the gross premiums written.

Sensitivity analyses

To verify the level of claims costs that would lead to sufficiency/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 2019, totalling EUR 251,067 for Assistance and EUR 57,681 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 95.53% for Assistance and 96.07% for Legal Protection;
- In scenario 2, a limited change of claims costs in the year is studied, so the level of earned premiums after allocated costs reaches 100% - we obtained a claims rate of 99.47% for the Assistance line of business and 98.93% for the Legal Protection line of business.

Assistance - GPE consumption scenarios at 31-12-2019

| | Real | % of GPE | Scenario 1 | % of GPE | Scenario 2 | % of GPE |
|---------------------------------|------------|----------|------------|----------|------------|----------|
| Gross Premium Earned | 47,389,000 | | 47,389,000 | | 47,389,000 | |
| Claims costs in the year | 43,523,325 | 91.84% | 45,019,550 | 95.00% | 47,137,933 | 99.47% |
| Other costs (*) | 251,067 | 0.53% | 251,067 | 0.53% | 251,067 | 0.53% |
| Total Costs | 43,774,393 | 92.37% | 45,270,617 | 95.53% | 47,389,000 | 100.00% |

(*) Sum of acquisition and administrative costs with reinsurance and investment income

Assistance - GPE consumption scenarios at 31-12-2018

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

Legal Protection - GPE consumption scenarios at 31-12-2019

| | Real | % of GPE | Scenario 1 | % of GPE | Scenario 2 | % of GPE |
|---------------------------------|-----------|----------|------------|----------|------------|----------|
| Gross Premium Earned | 5,389,586 | | 5,389,586 | | 5,389,586 | |
| Claims costs in the year | 1,775,591 | 32.94% | 5,120,107 | 95.00% | 5,331,905 | 98.93% |
| Other costs (*) | 57,681 | 1.07% | 57,681 | 1.07% | 57,681 | 1.07% |
| Total Costs | 1,833,272 | 34.02% | 5,177,787 | 96.07% | 5,389,586 | 100.00% |

(*) Sum of acquisition and administrative costs with reinsurance and investment income

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

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



Ratios

The ratio of the provision for unearned premiums to gross premiums written is 0.3% (2018: 0.4%), as the Company is not recording a provision for reinsurance accepted in Portugal, in line with that agreed.

The ratios calculated by the Company evolved as follows:

| | 2019 | 2018 |
|----------------|-------|-------|
| Claims ratios | 72.2% | 68.2% |
| Expense ratios | 13.7% | 13.9% |
| Combined ratio | 92.1% | 88.6% |

The claims ratio increased around 4 percentage points compared to the previous year due to an increase in the number of claims and the costs of these. The combined ratio also increased for the same reason.

34. CAPITAL MANAGEMENT

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 taking into account all the risks that the insurance Company 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 the insurance Company 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, the Company 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 Company, supervise it 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 Company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its 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, either in terms of the regulations or 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, several bodies of Fidelidade that perform key risk management and internal control functions across the Group: the Risk Management Division, the Compliance Division, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, the Products Committee and the Assets and Liability Management Committee.

35. 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 2019

(Amounts in Euros)

| SECURITY NAME | Quantity | Nominal amount | % nominal value | Average acquisition cost | Total acquisition cost | Value in Statement of Financial Position | |
|--|------------------|-------------------|-----------------|--------------------------|------------------------|--|-------------------|
| | | | | | | Unitary | Total |
| 1 - SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER PARTICIPANT AND PARTICIPATED COMPANIES | | | | | | | |
| 1.1 - Domestic Securities | | | | | | | |
| 1.1.1 - Investments in subsidiaries | | | | | | | |
| FIDELIDADE - SERVIÇOS DE ASSISTENCIA, S.A. | 5,000 | 0 | | 85.88 | 429,386 | 85.88 | 429,386 |
| sub-total | 5,000 | 0 | | | 429,386 | | 429,386 |
| total | 5,000 | 0 | | | 429,386 | | 429,386 |
| 1.2 - Foreign securities | | | | | | | |
| 1.2.1 - Investments in subsidiaries | | | | | | | |
| 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 |
| total | 1,254,011 | 0 | | | 102,200 | | 102,116 |
| TOTAL | 1,259,011 | 0 | | | 531,586 | | 531,502 |
| 2 - OTHERS | | | | | | | |
| 2.1 - Domestic securities | | | | | | | |
| 2.1.1 - Equity instruments and participation units | | | | | | | |
| 2.1.1.1 - Equity | | | | | | | |
| REN, PL | 98,732 | | | 2.52 | 248,682 | 2.71 | 268,057 |
| sub-total | 98,732 | 0 | | | 248,682 | | 268,057 |
| 2.1.1.3 - Participation units in investment funds | | | | | | | |
| FUNDO DE COMPENSACAO DE TRABALHO | 29,704 | | | 1.06 | 31,603 | 1.12 | 33,171 |
| IBERIS BLUETECH FUND, FCR, EuVECA, FIM | 386 | | | 1,035.00 | 399,510 | 975.27 | 376,454 |
| SAUDEINVEST (FIJ) | 200 | | | 1,000.00 | 200,000 | 1,882.44 | 376,487 |
| EXPLORER GROWTH FUND II, FCR, FIM | 7 | | | 50,000.00 | 350,000 | 50,000.00 | 350,000 |
| sub-total | 30,297 | 0 | | | 981,113 | | 1,136,112 |
| sub-total | 129,029 | 0 | | | 1,229,795 | | 1,404,169 |
| 2.1.2 - Debt securities | | | | | | | |
| 2.1.2.1 - Public debt | | | | | | | |
| PGB, 3.85%, 15/04/2021, GOVT | | 13,300,000 | 108.38 | | 14,414,770 | 108.42 | 14,419,724 |
| PGB, 4.8%, 15/06/2020, GOVT | | 4,500,000 | 110.44 | | 4,969,693 | 104.97 | 4,723,778 |
| PGB, 4.95%, 25/10/2023, GOVT | | 650,000 | 120.32 | | 782,080 | 120.52 | 783,368 |
| PGB, 5.65%, 15/02/2024, GOVT | | 3,360,000 | 121.41 | | 4,079,208 | 128.72 | 4,324,856 |
| sub-total | 0 | 21,810,000 | | | 24,245,751 | | 24,251,726 |
| 2.1.2.3 - Other issuers | | | | | | | |
| MOTA ENGL, FRN, 21/06/2021, CORP | | 400,000 | 99.50 | | 398,000 | 100.42 | 401,675 |
| SAUDACOR, FRN, 28/06/2023, CORP | | 1,000,000 | 100.10 | | 1,001,000 | 103.87 | 1,038,667 |
| CGD, 5.98%, 03/03/2028, CORP | | 350,000 | 112 | | 391,300 | 112.56 | 393,969 |
| CGD, 1.25%, 25/11/2024, CORP | | 200,000 | 100 | | 199,760 | 101.02 | 202,044 |
| sub-total | 0 | 1,950,000 | | | 1,990,060 | | 2,036,355 |
| sub-total | 0 | 23,760,000 | | | 26,235,811 | | 26,288,081 |
| total | 129,029 | 23,760,000 | | | 27,465,606 | | 27,692,250 |
| 2.2 - Foreign securities | | | | | | | |
| 2.2.2 - Debt securities | | | | | | | |
| 2.2.2.1 - Public debt | | | | | | | |
| BTPS, 3.75%, 01/09/2024, GOVT | | 1,300,000 | 117 | | 1,518,530 | 115.79 | 1,505,241 |
| FRTR, 4.25%, 25/10/2023, GOVT | | 7,000 | 96 | | 6,734 | 119.03 | 8,332 |
| BTPS, 0.05%, 15/04/2021, GOVT | | 750,000 | 98 | | 732,008 | 100.30 | 752,231 |
| BTPS, 0.95%, 15/03/2023, GOVT | | 1,100,000 | 98 | | 1,083,357 | 102.55 | 1,128,042 |
| sub-total | 0 | 3,157,000 | | | 3,340,628 | | 3,393,846 |
| 2.2.2.3 - Other issuers | | | | | | | |
| DISCOVERY COMMUNICATIONS, 1.9%, 19/03/2027, CORP, CALL | | 600,000 | 97 | | 583,800 | 106.13 | 636,793 |
| TAURON POLSKA ENERGIA SA, 2.375%, 05/07/2027, CORP | | 650,000 | 103 | | 668,070 | 105.52 | 685,903 |
| THREE GORGES FNCE II, 1.3%, 21/06/2024, CORP | | 650,000 | 102 | | 662,285 | 104.31 | 678,038 |
| TRICERATOPS CAPITAL, 0.817%, 25/01/2021, CORP | | 500,000 | 100 | | 500,000 | 101.02 | 505,080 |
| TEVA NETHER, 0.375%, 25/07/2020, CORP | | 270,161 | 97 | | 261,786 | 99.71 | 269,372 |
| INT CONSOLIDATED AIRLINE, 0.625%, 17/11/2022, CONV | | 400,000 | 97 | | 386,800 | 100.71 | 402,833 |
| PROMONTORIA HOLDING, 6.75%, 15/08/2023, CORP, CALL | | 410,000 | 102 | | 417,585 | 91.51 | 375,188 |
| BWAY, 4.75%, 15/04/2024, CORP, CALL | | 440,000 | 101 | | 443,520 | 104.34 | 459,077 |
| BANQUE INTERN LUX, 0.529%, 29/08/2024, CORP | | 600,000 | 100 | | 600,000 | 98.47 | 590,827 |
| sub-total | 0 | 4,520,161 | | | 4,523,846 | | 4,603,111 |
| sub-total | 0 | 7,677,161 | | | 7,864,474 | | 7,996,957 |
| total | 0 | 7,677,161 | | | 7,864,474 | | 7,996,957 |
| TOTAL | 129,029 | 31,437,161 | | | 35,330,080 | | 35,689,207 |
| 3 - GRAND TOTAL | 1,388,040 | 31,437,161 | | | 35,861,666 | | 36,220,709 |



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 make public its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2019 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 2019, 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 to the number of votes which 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 2019, 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 2019, the members of the Company's management and supervisory bodies did not hold any shares in the Company.

At 31 December 2019, the members of the Company's 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 2019, the Presiding Board of the General Meeting is composed as follows:

| Position | Name |
|-----------|-----------------------------|
| President | Maria Isabel Toucedo Lage |
| Secretary | 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 2019, the Board of Directors was composed of four members appointed to exercise duties for the three-year period 2017/2019, two of whom were non-executive members and two 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 |
|---|----------|--------------------------------|---------------------|---------------|
| José Manuel Alvarez Quintero | Chairman | 08-10-2019 | 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 2017, the Board of Directors appointed from among its members an Executive Committee, 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.

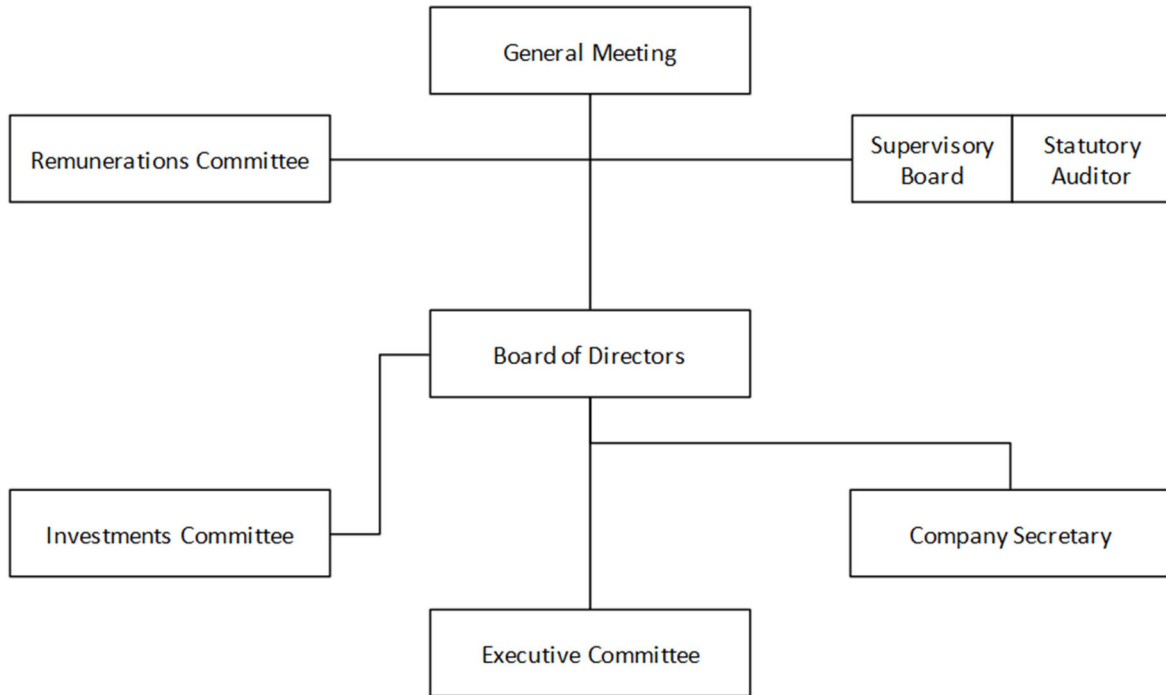
At 31 December 2019, the Executive Committee was composed as follows:

| 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 |
| 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 2019:



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 instruments;
- 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.

Investment Committee

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

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



The members of the Investment 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 charged, pursuant to Article 413(1) a) of the Code of Commercial Companies, to 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 establish 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 replacement, with mandates of three years, which are renewable, and was composed as follows at 31 December 2019:

| 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 | Replacement | 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 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 licence no. 20161189.



19. INDICATION OF THE NUMBER OF YEARS THE STATUTORY AUDITOR CONSECUTIVELY CARRIES OUT DUTIES WITH THE COMPANY AND/OR GROUP

The Statutory Auditor was appointed on 15 May 2014 and reappointed on 31 March 2017 to exercise its duties 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 auditor, Ernst & Young Audit & Associados – SROC, S.A. provide the following services required by law:

- Certification on the Solvency and Financial Condition Annual Report pursuant to Regulation No. 2/2017-R, of March 24, of the ASF;
- Review of the Annual Report on Organisational Structure and the Risk Management and Internal Control Systems, pursuant to Circular No. 1/2017, of 15 February, of the ASF.

Besides the services 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

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 the requirements set out therein.

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, the Underwriting Policy Acceptance and Supervision Committee, the Life and Non-Life Products Committees 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 2019 the Company prepared and disseminated, on its Internet site, the “2018 Solvency and Financial Condition Report”, which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2018. This information, together with the annual quantitative reports submitted to the ASF, is certified by the statutory auditor and the responsible actuary

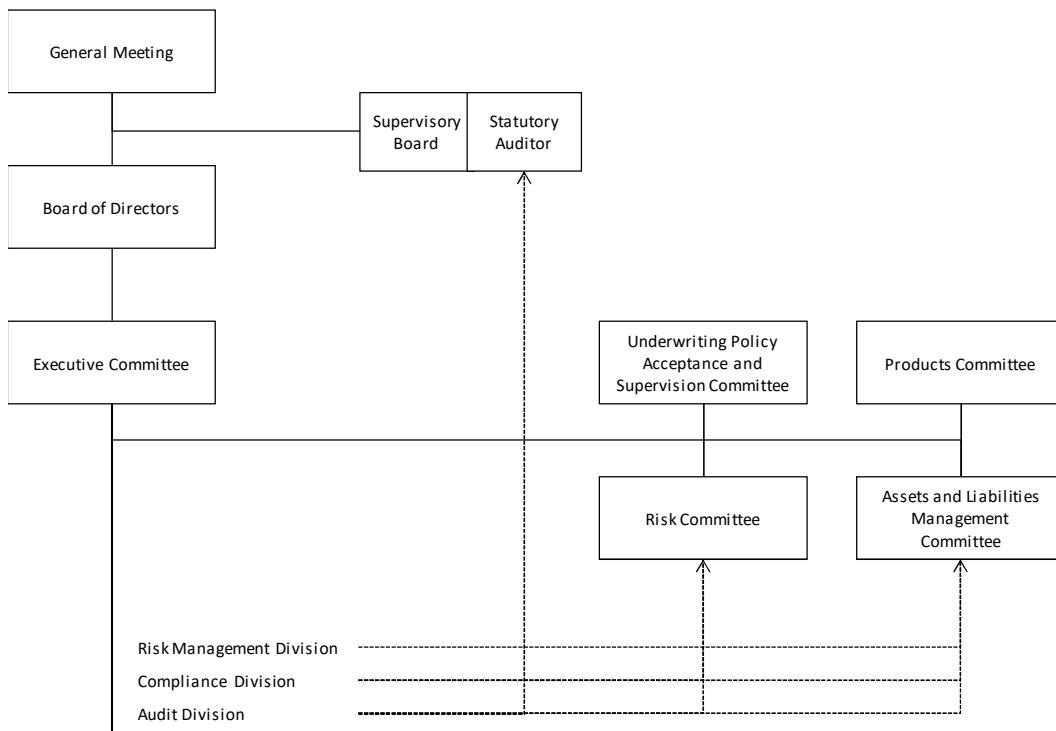
The Company also conducted the annual own risk and solvency assessment (ORSA) in 2019, reporting its findings to the ASF in a supervision report, and provided quarterly quantitative information for supervisory purposes.

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 other bodies or committees of the Company, 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 Strategic Planning and Corporate Performance Division and the Accounting and Financial Information Department, 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.

Thus, the Risk Management Division, the Audit Division, the Compliance Division and the Accounting Department ensure the implementation of the procedures, applying the resources necessary to obtain all the information relevant 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 which each entity runs, 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 its 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 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.



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

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 Head 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 Head 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 with 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 available from the Company's Head 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 29 March 2019, is as follows:

| | |
|----------|--|
| Chairman | Rogério Miguel Antunes Campos Henriques |
| Member | Joana Maria Brandão Queiroz Simões Ribeiro |



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 29 March 2019, 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 Remuneration Policy in force, 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 2019.

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 can be summarised as follows:

| 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 |
|--|---|---------------------|--|
| IV. Remuneration of members of the management body | | | |
| Executive members | 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. |
| Non-executive members | 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. |
| Compensation in the event of dismissal | 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. |
| V. Remuneration of employees | | | |
| Relationship between fixed remuneration and variable remuneration | 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 |
|---|---|---------------------|---|
| Criteria for awarding variable remuneration | 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. |
| Deferral of the variable remuneration | 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 |
|---|--|---------------------|---|
| Remuneration of employees who perform key functions | 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. |
| VI. Assessment of the remuneration policy | 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 |
| Luis Filipe Mateus Alves | 119,933 | 49,500 |
| TOTAL | 119,933 | 49,500 |

* Paid in 2019 and related to 2018

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

Executive Director Francisco Xavier da Conceição Cordeiro resigned from his position on 4 June 2019 and was not awarded any compensation.

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 2019, 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 | 16,800 | |
| José António da Costa Figueiredo | 14,000 | |
| António José Pereira Cardoso Mota | 14,000 | |
| Isabel Gomes de Novais Paiva | 0 | (Reserve) |
| TOTAL | 44,800 | |

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) L))

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 31 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

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, 2019 (which establishes a total of 60,797,585 euros and total equity of 44,234,768 euros, including a net profit for the year of 4,140,847 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, 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, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the 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 opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA) 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 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.

The key audit matters in the current year audit are the following:

1. Measurement of Claims Provisions (Non-Life)

| Description of the most significant assessed risks of material misstatement | Summary of our response to the most significant assessed risks of material misstatement |
|--|---|
| As described in note 14 to the financial statements as at December 31, 2019, the claims provisions arising from non-life insurance contracts amounted to 13,190,471 euros (80% of total liabilities). These provisions present the Company's estimate for the responsibility regarding the pending claims, as well as the aggregate responsibilities regarding incurred claims but | The main audit procedures in this area can be summarised as follows: <ul style="list-style-type: none"> ▶ Understanding of the internal control procedures of the Company and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the measurement of claims provisions (non-life); ▶ Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand |

| Description of the most significant assessed risks of material misstatement | Summary of our response to the most significant assessed risks of material misstatement |
|--|--|
| <p>not reported (IBNR) at the Financial Report Date. This provision also incorporates the estimate for the claims expenses of the claims incurred at report date.</p> <p>The provision for reported claims is calculated by estimating the claims one by one, considering a margin of error, and subtracting from the resulting value 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 claims ratio.</p> <p>In according with Circular Nr. 28/2004, of 17 November, from the ASF, the Company recognises a claims provision for 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 pending claims at the end of the financial year, plus the estimate for IBNR expenses.</p> <p>In view of the materiality of these liabilities to the financial statements and that the process for their measurement incorporates estimation based on assumptions and actuarial techniques applied to information currently available, and that the actual amounts payable in the future may be different from recorded amounts, we considered the claims provisions to be a key audit matter.</p> | <p>the annual changes and of the main factors contributing to the most significant variations;</p> <ul style="list-style-type: none"> ▶ With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Company for the measurement of the claims liabilities (non-life), including analysis of consistency with those used in the previous year and with the default payment history by segment and by reference to the specifics of the Company's products regulatory requirements and practices in the insurance sector; and ▶ Review the completeness and consistency of disclosures in the financial statements for claims provisions (non-life) with the respective accounting and technical data, actuarial reports and requirements of the accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for Insurance and Pension Funds ("ASF"). |

2. Valuation of financial instruments at fair value

| Description of the most significant assessed risks of material misstatement | Summary of our response to the most significant assessed risks of material misstatement |
|--|---|
| <p>As detailed in note 32, the assets include financial instruments valued at fair value amounting to 35,689,205 euros, which represent about 59% of the total assets.</p> <p>The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total</p> | <p>Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> ▶ Understanding of the internal control procedures of the Company and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the valuation of financial instruments at fair value; ▶ Analytical review of the financial statements line items relating to financial instruments and recalculation of fair value financial instruments by comparing the rates used by |

| Description of the most significant assessed risks of material misstatement | Summary of our response to the most significant assessed risks of material misstatement |
|--|---|
| <p>value of instruments with reduced liquidity, recognised in the assets of the Company, amounting to about 1,136,112 euros (2% of the asset), which were classified under the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 32).</p> <p>The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.</p> | <p>the Company with those observed in external sources of information;</p> <ul style="list-style-type: none"> ▶ Analysis of the methodologies and assumptions used by the Company in determining fair value, using as reference the details of its investment policy, regulatory requirements and sector practices; and ▶ Review the completeness and consistency of disclosures of financial instruments at fair value in the separate financial statements with the respective accounting data and requirements of International Financial Reporting Standards. |

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 *Autoridade de Supervisão de Seguros e Fundos de Pensões*;
- ▶ 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 the ISA 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 the ISA, 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, nr. 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^o of Regulation (EU) nr. 537/2014

Pursuant to article 10^o of Regulation (EU) nr. 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 Fidelidade Assistência – Companhia de Seguros, S.A. 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 the ISA 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; and

- ▶ We declare that we have not provided any prohibited services as described in article 77, nr. 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, 2020

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

(signed)

Ricardo Nuno Lopes Pinto - ROC nr. 1579
Registered with the Portuguese Securities Market Commission under license nr. 20161189

07

Report and Opinion of the Supervisory Board



FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.

REPORT AND OPINION OF THE SUPERVISORY BOARD

2019

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 its accounting records and compliance with the applicable legal and statutory regulations, having made the checks considered expedient.

We were provided with regular information and clarifications on the operation 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 corporate bodies for their excellent collaboration during the course of the year.

Lisbon, 13 March 2020

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 2019

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 2020.

SUPERVISORY BOARD

Luís Manuel Machado Vilhena da Cunha – Chairman

José António da Costa Figueiredo – Member

António José Pereira Cardoso Mota - Member

