FIDELIDADE
ASSISTANCE

Annual Report and Accounts 2020

Annual Report and Accounts 2020

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

Index

Corporate Bodies

Board of Directors

Chairman	José Manuel Alvarez Quintero
Members	Luis Filipe Mateus Alves
	Paulo Francisco Baião Figueiredo

Executive Committee

Chairman	José Manuel Alvarez Quintero
Members	Luis Filipe Mateus Alves

Supervisory Board

Chairman	José António da Costa Figueiredo
Members	António José Pereira Cardoso Mota
	Pedro Antunes de Almeida
Alternate	Anabela de Jesus Nunes Prates

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 2020.

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. Macroeconomic Environment

1.1. Global Market

2020 was inevitably marked by the disruptive effects of the Sars-CoV2 pandemic on economies across all the continents. The various waves of the pandemic and resulting measures and restrictions led to sharp falls in private consumption that resulted in particularly significant decreases in gross domestic product. The world economy shrank by -3.5% in 2020. The central banks and governments responded promptly, extending monetary and fiscal policies. Other factors also increased fragility and economic uncertainty in some regions, such as Brexit, the fall in oil prices and economic tensions between the USA and China.

1.2. Portugal

The new pandemic and economic environment also had a significant impact on the Portuguese economy. The pandemic has been particularly damaging for important sectors in the Portuguese business landscape, such as Tourism, the Motor industry and SMEs, and has led to greater pressure on the health system, due to the high level of ageing of the Portuguese population. The economy has suffered, with GDP falling around 7.6% and unemployment rising to around 6.8%. A great deal of uncertainty remains until the pandemic can be brought under control and the vaccination programme completed.

On the other hand, the monetary policies of the ECB have led to increasingly lower interest rates, with Portugal recording lower interest rates than Italy, Spain and Greece, demonstrating the high level of confidence of investors in Portugal compared with other Mediterranean economies.

1.3. Evolution of the Portuguese Insurance Market

The insurance sector contracted once again in 2020, with a decrease in premiums of 18.7% compared to 2019, resulting in total premiums written of EUR 9.9 billion. The Life segment was responsible for the decline in the sector, contracting 34.8%, while the Non-Life segment grew 3% in the same period.

Unit: million euros | Source: ASF

The decline in the Life segment is due to continuation of the downward trend in this market of sales of products not linked to investment funds, reflecting the current climate of low interest rates, combined with a decrease in families' savings rates, uncertainty surrounding the economic situation in the context of a pandemic, and the current prudential regulations applicable to the sector which are more sensitive to the risks inherent to financial guarantees.

For their part, premiums in the Non-Life segment continued the upward trend, despite a significant slowdown (3.0% in 2020 vs. 8.0% in 2019), as a result of the economic situation the country is going through.

In the Non-Life segment, of note is the positive evolution seen in the Health line of business (+8.3%), at a time of greater awareness among the population of the need to complement the National Health Service. This growth had led to the Health line of business becoming the second largest Non-Life line of business, with direct insurance premiums of EUR 950 million, overtaking Workers' Compensation. However, despite sharp deceleration, Workers' Compensation and Motor also maintained the growth trend that has characterised recent years.

	Gross Premiums		
	2019	2020	Var
Non-Life	**5,209**	**5,363**	**3.0%**
Motor	1,839	1,877	2.1%
Health	877	950	8.3%
Workers' Compensation	895	905	1.1%
Fire and Other Damage	906	945	4.3%
Others	692	686	-0.9%

Unit: million euros | Source: ASF

2. Company Activity

2.1. Executive Summary

Fidelidade Assistance recorded a net operating income for 2020 of EUR 7.4 million, which represents an increase of 78.0% compared to the previous year. The growth in the operating income is directly linked to the fall in claims rate of 13.0 pp, as a result of the COVID-19 Pandemic that struck Portugal and the rest of the World.

The Company recorded a volume of earned premiums of EUR 52.8 million, maintaining the level of revenues obtained in the previous year. The Assistance line of business contracted by 0.7% to EUR 47.0 million and the Legal Protection line of business progressed 6.0% to EUR 5.7 million.

The Combined Ratio for 2020 was 84.9%, down 7.2 pp on the previous year's figure of 92.1%. The positive evolution in this ratio is directly linked to the improvement in the Technical Margin.

Fidelidade Assistance's Net Assets were EUR 66.9 million (+10.0%). Shareholders' Equity increased to EUR 51.7 million (+16.8%) and Liabilities decreased to EUR 15.2 million (-8.1%).

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.

In December, within the framework of a corporate reorganisation operation, Fidelidade Assistência – Companhia de Seguros, S.A. acquired all the shares representing the Share Capital of CARES - Assistência e Reparações, S.A., thereby becoming its sole shareholder.

During 2020, besides consolidating its position in the Portuguese market with the launch of innovative products, the Company moved forward in its process of digitalisation and adoption of best practices to protect the health of its employees, in addition to continuing to pursue its internationalisation project, carrying on its actions to boost sales in Africa, with a special focus on Angola in 2020.

2.2. Key Indicators

(Million Euros)

	2020	2019
FINANCIAL INDICATORS		
Net Assets	**66.9**	**60.8**
Investments (including Cash and Bank Deposits)	62.7	57.4
Shareholders' Equity	**51.7**	**44.2**
Liabilities	**15.2**	**16.6**
Net income	**7.4**	**4.1**
Average Yield from Shareholders' Equity	**15.38%**	**9.85%**
Number of persons employed	**173**	**177**
Technical Yield (without Earned Premiums)	**13.98%**	**7.85%**
Technical Liabilities	**10.3**	**13.3**
Technical Indicators		
Loss Ratio	70.37%	78.40%
Expense Ratio	14.56%	13.71%
Combined Ratio	84.93%	92.11%
ACTIVITY INDICATORS		
Earned Premiums	**52.8**	**52.8**
Assistance Line of Business	47.0	47.4
Legal Protection Line of Business	5.7	5.4
Processes Opened	**546,235**	**642,222**
Assistance Line of Business	542,889	638,240
Legal Protection Line of Business	3,346	3,982
Telephone Contacts Received	**858,994**	**993,589**
Assistance Line of Business	851,064	983,751
Efficacy Rate	94.51%	94.60%
Legal Protection Line of Business	7,930	9,838
Efficacy Rate	91.22%	96.74%
Complaints		
Number of Complaints	988	1,178
Complaints Rate (Number of Complaints/Processes Opened)	0.18%	0.18%
Average Response Time (days)	2.0	4.4
Quality		
Global Satisfaction Index	8.9	8.9
Net Promoter Score	70	69

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.

2020 - Fidelidade Assistência – Companhia de Seguros, S.A. developed internally the Assistance VoiceBot, which is a Contact Center Robot to automate phone contacts with Customers, Partners and Employees. This VoiceBot uses Natural Language Processing (NLP) technology, an area of Artificial Intelligence that involves Speech Recognition, Natural Language Understanding and Natural Language Generation.

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 (99.0% of earned premiums).

Million Euros

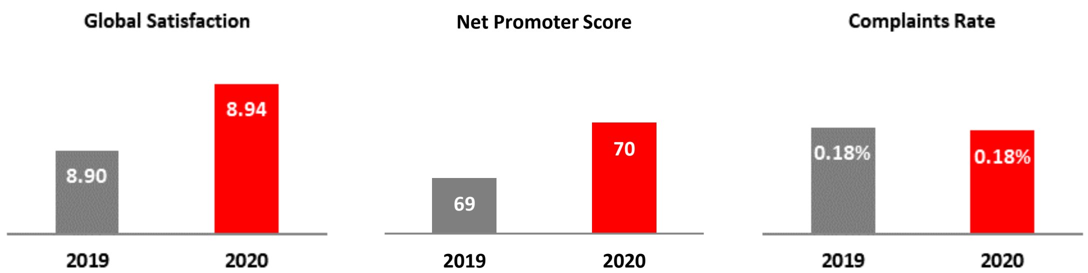
	Assistance	Legal Protection
Reinsurance Accepted	46.7	5.7
Direct Insurance	0.4	-

During 2020, within the area of Assistance, the Company provided a daily average of 1,480 acts of assistance and received over 850,000 telephone contacts, with an efficacy rate of 94.5%. In the area of Legal Protection, it initiated 3,346 new claims and answered over 7,900 telephone contacts, with an efficacy rate of 91.2%.

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

- Digitalisation of the Company. Another huge step was taken in 2020, with the development of the Assistance VoiceBot, which will enable important productivity gains and will free up human resources to perform more complex tasks;
- The internationalisation process, with special focus on Southern Africa;
- The launch of new products, for stand-alone sale, with greater risk assumption and disruptive coverages compared to the existing offer in the market.

Alongside all the development activities, Fidelidade Assistance, an ISO 9001:2015 certified company, places emphasis on its service to its Customers and Insured Persons. In 2020 it achieved a Global Satisfaction level of 8.94 (on a scale of 1 to 10), and a Net Promoter Score of 70, and reduced its complaints rate.



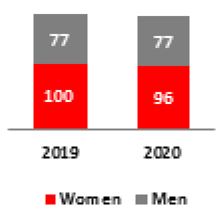
2.5. Human Resources

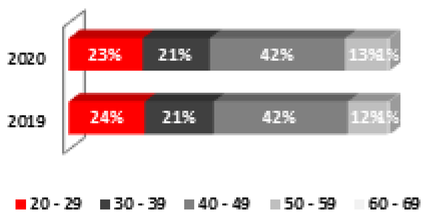
Fidelidade Assistance pays constant attention to human resources, a differentiating factor between organisations. The focus is on enhancing the value and motivation of employees, using appropriate means to achieve these aims.

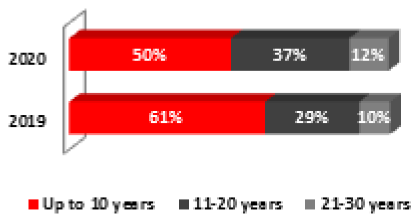
On one hand, our employees' work-life balance is a constant concern, in a continuous service company. This concern led the company to obtain EFR 1000-2 Certification (as a Family-Responsible Company). In a year which was particularly difficult with regard to such matters, the company maintained its Certification and no situations of Non-Conformity or Sensitive Areas were identified. During the audit, based on the documental evidence, the audit team concluded that the company was in a position to maintain the certification, and highlighted the following as strong points:

- The capacity to adapt in the light of the pandemic, with a highly consistent and relevant plan of COVID-19 measures, with a major impact on work-life balance;
- The quantity and quality of communication during the remote working period, keeping employees informed, with the aim of transmitting tranquillity, confidence, security and well-being within the family;
- The plan to return to the company's premises in line with the specifics of each department and the particular situation of each employee;
- EFR (Family-Responsible Company) training for members of the team.

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.







At the end of 2020 the Company had 173 employees, and there were no significant changes to the age structure (see the middle graph above). However, with regard to length of service (see the right-hand graph above), the percentage of employees with 10 or fewer years of service fell by 11%, and the average length of service went from 9.7 years at the end of 2019 to 10.8 years at the end of 2020.

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 customers; enhancement and motivation of employees.

The macro-objectives established for 2020 were:

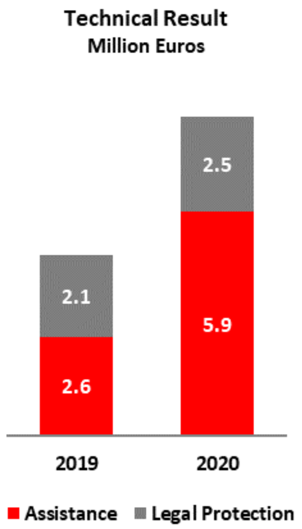
I. Fall in revenues (due to the COVID-19 Pandemic) ≤ 3.7%;
II. Technical margin ≥ 28.9%;
III. Expense ratio ≤ 16.1%;
IV. Combined ratio ≤ 88.0%;
V. Net Promoter Score ≥ 66;
VI. Complaints rate ≤ 0.200%.

4. Financial Analysis

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

4.1. Technical Result

In 2020 the technical result was EUR 8.4 million, which represents an increase of 77.1% compared to the previous year. This growth is the result of the fall in claims costs brought about by Sars-CoV2 pandemic.

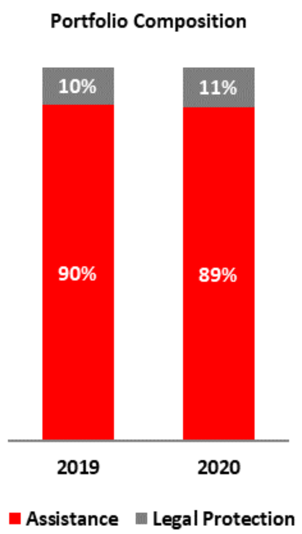


Considering the technical result by line of business, when compared to the previous year, the yield from the Assistance Line of Business increased by 126.9%, recording an income of EUR 5.9 million. The Legal Protection line of business had an income of EUR 2.5 million, which is an increase of 16.9% compared to the previous year.

Earned premiums (mostly related to reinsurance accepted) reached EUR 52.8 million, maintaining the figure recorded in the previous year. The Assistance line of business represented EUR 47.0 million, falling 0.7%, as a direct result of the great reduction in sales of travel insurance. The Legal Protection line of business recorded EUR 5.7 million, growing 6.0% compared to the previous year.

In this context, there was a slight change in the composition of the Company's portfolio, with the weight of Legal Protection increasing to 10.8%.

Claims costs (prior to allocation of costs by type) decreased by 18.1%, reaching EUR 31.2 million, which represents a claims rate of 59.2%.

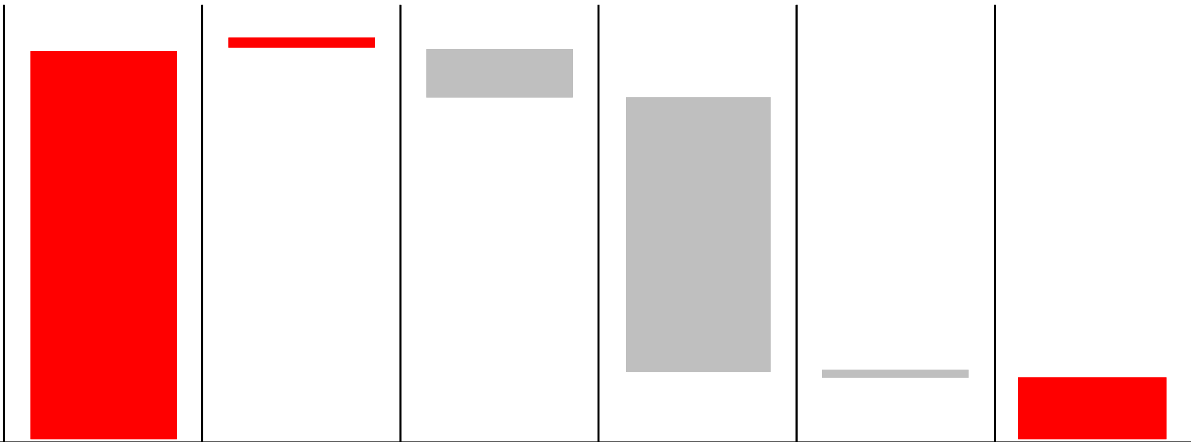


Meanwhile, as a result of that stated above, profit sharing in the ceding companies grew by 80.7% compared to the previous year, settling at EUR 5.9 million, EUR 3.6 million relating to Assistance and EUR 2.3 million relating to Legal Protection. The Company's technical margin was 29.6%.

The technical result of EUR 8.4 million breaks down as follows:

Breakdown of Non-Life Technical Result

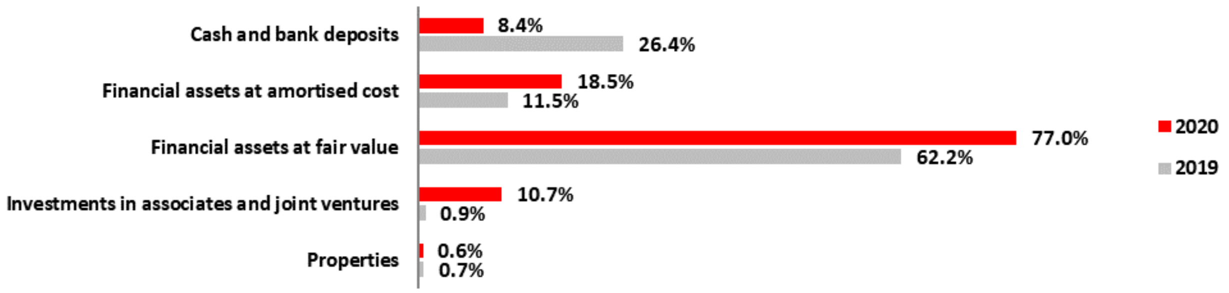
(Million Euros)



	Earned premiums, net of reinsurance	Investment gains/expenses	Profit sharing	Claims costs, net of reinsurance	Net operating costs	Non-Life technical result
	52.8	**0.5**	**-5.9**	**-37.8**	**-1.1**	**8.4**
Change 2020/19	**0.0%**	**-25.1%**	**80.7%**	**-14.9%**	**17.9%**	**77.1%**

4.2. Income Structure and Yield

Fidelidade Assistance's investment portfolio, including Cash and Bank Deposits, was EUR 62.7 million, up 9.2% on the previous year, and was mostly composed of equities and debt instruments classified as Financial assets at fair value.



In 2020, the average yield from the portfolio representing technical liabilities for reinsurance accepted and direct insurance was 1.1%.

4.3. Net Income and Shareholders' Equity

In 2020, the Company recorded an increase in net income from operations, which was EUR 7.4 million, a rise of 78.2% compared to the EUR 4.1 million obtained in the previous year. This increase is directly linked to the decrease in claims as a result of the lockdowns during the Sars-CoV2 pandemic.

Shareholders' Equity is EUR 51.7 million, a rise of 16.8% 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 were EUR 10.3 million, corresponding to a decrease of EUR 3.0 million compared to the previous year. This decrease is directly linked to the fall in the claims provision.

At the end of the current year Fidelidade Assistance recorded EUR 58.2 million of assets representing technical liabilities for reinsurance accepted and direct insurance, giving a coverage level of 565.7%

Net Technical Liabilities for Reinsurance

(Million Euros)

	2020	**2019**
Provision for Unearned Premiums	0.2	0.1
Claims Provision		
From Other Lines of Business	10.1	13.2
Provision for Unexpired Risks	-	-
Technical Liabilities – Reinsurance Accepted and Direct Insurance	10.3	13.3
Investments for representation	58.2	46.2
Coverage Rate	**565.7%**	**346.8%**

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 2020 was EUR 7,377,796.06. In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following:

• Legal Reserve	€ 364,518.69
• Remaining amount at the disposal of the General Meeting	€ 7,013,277.37

6. Prospects for Growth

In recent years, the Fidelidade Group has been implementing a process of strategic repositioning, based on greater commercial, financial and organisational ambition.

At the heart of this transformational process is the COMPASS Project, which is the Strategic Plan that ensures that the Fidelidade Group continues to move forward in the right direction, in other words, to assume as its ambition for the next years leadership in all lines of business, becoming the player in the Portuguese insurance market with the highest technical yields, becoming a reference international player, and being recognised for its operational skills and multi-channel management, in the context of the New Normal that the COVID-19 has brought us.

Based on this ambition, Fidelidade Assistance assumes the following strategic guidelines:

a) Consolidation of leadership in the domestic insurance market:

(1) Maintaining profitability in the Assistance Line of Business, (2) Assuming market leadership in the Legal Protection Line of Business, (3) Creating and launching Assistance and Legal Protection products for stand-alone sale, in Direct Insurance and through Reinsurance Accepted.

b) Transformation of the organisation:

(1) Continued focus on the Digital Programme, enhancing the Voice Bot for Motor Assistance, and in the various interactions with customers, (2) Organisation adjusted to the business needs, (3) Enhancement of key competences and broadening Fidelidade Assistance's scope of action when dealing with claims, adding value to the Group's eco-systems.

c) International expansion:

(1) Focus on expanding the business in Africa, (2) 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:

(1) Guaranteeing adequate profitability in the current context and prudent asset management, (2) Increasing the Solvency level.

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

I. Maintaining the revenues obtained in 2020;
II. Technical Margin ≥ 23.6%;
III. Expense Ratio ≤ 15.8%;
IV. Combined Ratio ≤ 92.2%;
V. Net Promoter Score ≥ 70;
VI. Complaints rate ≤ 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 Customers 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, 23 February 2021

The Board of Directors

Chairman José Manuel Alvarez Quintero ______________________

Members Luis Filipe Mateus Alves ______________________

Paulo Francisco Baião Figueiredo ______________________

Annex to the Report of the Board of Directors

I. Shareholders holding at least 1/10 of the share capital at 31/12/2020 (Article 448(4) of the Code of Commercial Companies):

- Fidelidade – Companhia de Seguros, S.A. 1,500,000 Shares

II. Shares held by members of the management and supervisory bodies at 31/12/2020 (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 ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019

Tax Number: 503411515 (Amounts in Euros)

Notes	Balance Sheet	31-12-2020			31-12-2019
		Gross amount	Impairment, depreciation/ amortisation or adjustments	Net amount	
	ASSETS				
3 and 8	Cash and cash equivalents	5,280,664	-	5,280,664	15,157,434
4 and 8	Investments in subsidiaries, associates and joint ventures	6,732,678	-	6,732,678	531,503
5 and 8	Financial assets initially recognised at fair value through profit or loss	-	-	-	436,004
5 and 8	Financial assets at fair value through profit or loss	2,861,238	-	2,861,238	-
5 and 8	Available-for-sale investments	-	-	-	35,253,201
5 and 8	Financial assets designated at fair value through other comprehensive income	45,372,267	-	45,372,267	-
6 and 8	Loans and accounts receivable	-	-	-	5,625,005
6	Loans made	-	-	-	5,625,005
6 and 8	Financial assets at amortised cost	2,022,070		2,022,070	-
7 and 8	Properties	1,297,605	(538,563)	759,042	1,027,124
7	Properties for own use	897,605	(538,563)	359,042	628,324
7	Investment properties	400,000	-	400,000	398,800
8 and 9	Other tangible assets	991,465	(788,497)	202,968	116,364
10	Other intangible assets	457,298	(457,298)	-	-
	Other debtors for insurance and other operations	3,215,161	-	3,215,161	2,191,624
11	Accounts receivable for direct insurance operations	46,666	-	46,666	16,549
11	Accounts receivable for other reinsurance operations	2,983,158	-	2,983,158	2,053,929
11	Accounts receivable for other operations	185,337	-	185,337	121,146
	Tax assets	189,196	-	189,196	201,924
12	Recoverable tax assets	4,489	-	4,489	4,221
12	Deferred tax assets	184,707	-	184,707	197,703
13	Accruals and deferrals	256,329	-	256,329	257,402
	TOTAL ASSETS	**68,675,971**	**(1,784,358)**	**66,891,613**	**60,797,585**

The Notes are an integral part of these Statements

Certified Public Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019

Tax Number: 503411515 (Amounts in Euros)

Notes	Balance Sheet	31-12-2020	31-12-2019
	LIABILITIES AND SHAREHOLDERS' EQUITY		
	LIABILITIES		
	Technical Provisions	10,282,939	13,322,712
14	Provision for unearned premiums	159,408	132,241
	Claims provision	10,123,531	13,190,471
14	Other lines of business	10,123,531	13,190,471
24	Liabilities for post-employment and other long-term benefits	246,963	272,854
	Other financial liabilities	381,511	647,219
15	Others	381,511	647,219
	Other creditors for insurance and other operations	2,187,074	467,194
15	Accounts payable for other reinsurance operations	85,793	65,301
15	Accounts payable for other operations	2,101,281	401,893
	Tax liabilities	460,430	424,678
12	Tax payable liabilities	138,771	110,696
12	Deferred tax liabilities	321,659	313,982
16	Accruals and deferrals	1,558,573	1,282,974
17	Other provisions	99,017	145,186
	TOTAL LIABILITIES	**15,216,507**	**16,562,817**
	SHAREHOLDERS' EQUITY		
18	Paid-in Capital	7,500,000	7,500,000
19	Revaluation reserves	1,212,689	1,134,247
19	Adjustments in fair value of financial assets	-	1,134,247
19	Adjustments in fair value of debt instruments at fair value through other comprehensive income	1,082,528	-
19	Allowance for expected credit losses in debt instruments at fair value through other comprehensive income	130,161	-
19	Deferred tax reserve	(343,899)	(293,461)
19	Overlay approach adjustment	170,261	-
19	Other reserves	35,892,814	31,752,961
19	Retained earnings	(134,555)	174
19	Net income for the year	7,377,796	4,140,847
	TOTAL SHAREHOLDERS' EQUITY	**51,675,106**	**44,234,768**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**66,891,613**	**60,797,585**

The Notes are an integral part of these Statements

Certified Public Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED AS AT 31 DECEMBER 2020 AND 2019

Tax Number: 503411515 (Amounts in Euros)

Notes	Income Statement	2020			2019
		Technical - Non-Life	Non-Technical	Total	Total
	Earned premiums net of reinsurance	52,757,051	-	52,757,051	52,778,586
20	Gross premiums written	52,785,412	-	52,785,412	52,702,013
	Reinsurance ceded premiums	(1,073)	-	(1,073)	-
20	Provision for unearned premiums (change)	(27,288)	-	(27,288)	76,573
	Claims costs, net of reinsurance	(37,848,380)	-	(37,848,380)	(44,476,175)
	Amounts paid	(40,970,720)	-	(40,970,720)	(43,339,543)
21 and 22	Gross amounts	(40,970,720)	-	(40,970,720)	(43,339,543)
	Claims provision (change)	3,122,340	-	3,122,340	(1,136,632)
21	Gross amount	3,122,340	-	3,122,340	(1,136,632)
21	Profit sharing, net of reinsurance	(5,914,650)	-	(5,914,650)	(3,273,823)
	Operating costs and expenses, net	(1,114,204)	-	(1,114,204)	(945,241)
22	Acquisition expenses	(201,429)	-	(201,429)	(132,530)
22	Deferred cost acquisition (change))	121	-	121	(329)
22	Administrative expenses	(913,328)	-	(913,328)	(812,382)
	Commissions and reinsurance profit sharing	432	-	432	-
	Financial Income	636,767	39,914	676,681	827,821
25	From Interest on financial assets not recognised at fair value through profit or loss	614,697	37,971	652,668	825,925
25	Others	22,070	1,943	24,013	1,896
	Financial expenses	(18,486)	-	(18,486)	(9,121)
	Others	(18,486)	-	(18,486)	(9,121)
	Net income on financial assets and liabilities not recognised at fair value through profit or loss	(138,802)	-	(138,802)	(119,837)
26	Available-for-sale investments	-	-	-	(119,837)
26	Financial assets designated at fair value through other comprehensive income	(138,802)	-	(138,802)	-
27	Net income on financial assets and liabilities recognised at fair value through profit or loss	(56,835)	963	(55,872)	17,039
28	Exchange differences	1,255	-	1,255	(2,078)
7 and 27	Net income on non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	1,200	-	1,200	-
	Impairment losses (net of reversals)	49,387	48	49,435	-
29	Financial assets designated at fair value through other comprehensive income	52,019	-	52,019	-
29	Financial assets at amortised cost	(2,632)	-	(2,632)	-
29	Others	-	48	48	-
27	Overlay approach adjustment	2,545	-	2,545	-
30	Other income/expenses	-	1,165,117	1,165,117	596,257
	NET INCOME BEFORE TAX	**8,356,848**	**1,206,042**	**9,562,890**	**5,393,428**
12	Current income tax - current taxes	-	(2,168,403)	(2,168,403)	(1,221,109)
12	Current income tax - deferred taxes	-	(16,691)	(16,691)	(31,472)
	NET INCOME FOR THE YEAR	**8,356,848**	**(979,052)**	**7,377,796**	**4,140,847**

The Notes are an integral part of this Income Statement

Certified Public Accountant

Board of Directors

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDING 31 DECEMBER 2020 AND 2019

(Amounts in Euros)

Notes	Statement of Changes in Equity	Paid-in capital	Revaluation reserves				Deferred tax reserve	Overlay approach adjustment	Other reserves		Retained earnings	Net income for the year	TOTAL
			Adjustments in fair value of available-for-sale investments	Adjustments in fair value of debt instruments at fair value through other comprehensive income	Allowance for expected credit losses on debt instruments at fair value through other comprehensive income	Exchange differences			Legal reserve	Other reserves			
	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 adjustments in fair value of 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)	-
	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
19	Changes due to the application of IFRS 9	-	(1,134,247)	961,441	182,179	-	(46,456)	172,806	-	-	(135,723)	-	-
	Balances at 1 January 2020	7,500,000	-	961,441	182,179	-	(339,917)	172,806	6,720,481	25,032,480	(135,549)	4,140,847	44,234,768
19	Net gains through adjustments in fair value of financial assets designated at fair value through other comprehensive income	-		121,087	(52,018)	-	-	-	-	-	-	-	69,069
19	Net gains through exchange differences	-	-	-		-	-	-	-	-	-	-	-
19	Adjustments from recognition of deferred taxes	-	-	-	-	-	(3,982)	-	-	-	-	-	(3,982)
19	Overlay approach adjustment	-	-	-	-	-	-	(2,545)	-	-	-	-	(2,545)
19	Increase in reserves from application of income	-	-	-	-	-	-	-	415,000	3,724,853	994	(4,140,847)	-
	Total changes in equity	-	-	121,087	(52,018)	-	(3,982)	(2,545)	415,000	3,724,853	994	(4,140,847)	62,542
	Net income for the year	-	-	-	-	-	-	-	-	-	-	7,377,796	7,377,796
	Balances at 31 December 2020	7,500,000	-	1,082,528	130,161	-	(343,899)	170,261	7,135,481	28,757,333	(134,555)	7,377,796	51,675,106

The Notes are an integral part of these Statements.

Certified Public Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2020 AND 2019

Tax Number: 503 411 515 (Amounts in Euros)

	2020	2019
NET INCOME FOR THE YEAR	**7,377,796**	**4,140,847**
Change in potential gains on available-for-sale investments:		
Gross amount	-	327,583
Deferred tax	-	(82,675)
Change in potential gains on financial assets designated at fair value through other comprehensive income:		
Gross amount	121,087	-
Deferred tax	(3,982)	-
Change in allowance for expected credit losses in debt instruments at fair value through other comprehensive income	(52,018)	
Exchange differences	-	1,656
Change in overlay approach adjustment	(2,545)	
INCOME DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	**62,542**	**246,564**
TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR	**7,440,338**	**4,387,411**

The Notes are an integral part of these Statements

Certified Public Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AS AT 31 DECEMBER 2020 AND 2019

Tax Number: 503 411 515 (Amounts in Euros)

	2020	2019
1. Cash Flows generated by operating activities		
Net income for the year	7,377,796	4,140,847
Adjustments for:		
Tangible assets depreciation	97,653	42,287
Right-of-use assets depreciation	290,957	293,232
Intangible assets amortisation	-	34,063
Impairment losses (net of reversals)	(49,435)	-
Provision for unearned premiums (change)	27,288	(76,573)
Deferred cost acquisition (change))	(121)	329
Technical provisions	(3,066,940)	1,136,632
Income tax – current tax	2,168,403	1,221,109
Income tax – deferred tax	16,691	31,472
Adjustments to costs by type	(668,088)	-
Change:		
Change in other debtors for insurance and other operations	(1,037,423)	1,230,301
Change in other creditors for insurance and other operations	238,299	(532,627)
Change in accruals and deferrals – assets/liabilities	276,672	245,951
Income and net gains on financial assets	(513,866)	(706,088)
Net cash from operating activities before tax	5,157,886	7,060,935
Payment/receipt of income tax	(88,371)	(1,130,343)
Net cash from operating activities	5,069,515	5,930,592
2. Cash Flows generated by investing activities		
Income and net gains on financial assets	513,866	706,088
Change in financial assets initially recognised at fair value through profit or loss	-	(412,403)
Change in financial assets at fair value through profit or loss	(1,054,236)	-
Change in available-for-sale assets, net of revaluation reserves	-	3,215,756
Change in financial assets designated at fair value through other comprehensive income, net of revaluation reserves	(11,371,522)	-
Change in loans and accounts receivable	-	(600,347)
Change in financial assets at amortised cost	(2,022,070)	-
Acquisitions of other tangible assets	(205,932)	(175,528)
Investments in subsidiaries and associates	(576,170)	-
Net cash from investing activities	(14,716,064)	2,733,566
3. Cash Flows generated by financing activities		
Lease payments	(268,192)	(312,769)
Interest received	37,971	76,024
Net cash from financing activities	(230,221)	(236,745)
4. Increase/decrease net of cash and equivalents	(9,876,770)	8,427,413
Cash and equivalents at start of the year	15,157,434	6,730,021
5. Cash and equivalents at end of the year	5,280,664	15,157,434

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.

In 2020, within the scope of the corporate reorganisation process, Fidelidade – Companhia de Seguros, S.A. acquired all the shares representing the Share Capital of Fidelidade Assistência, thereby becoming its sole shareholder.

The Company's financial statements reported at 31 December 2020 were approved by the Board of Directors on 23 February 2021 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 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 2020, the Company adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2020. These standards are listed in Note 2.15. 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 2020 are consistent with those used in the preparation of the financial statements relating to 31 December 2019, with the exception of the retrospective application of IFRS 9 – Financial Instruments from 1 January 2020 with the overlay approach option, as demonstrated in Note 2.4.

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 recognised at fair value through profit or loss, financial assets recognised at fair value through other comprehensive income and investment properties. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities are recognised at amortised cost or at historical cost.

The preparation of the financial statements requires the Company to make judgements and estimates and use assumptions which affect the application of the accounting policies and the amounts of the income, costs, assets and liabilities. Changes to those assumptions, or the differences between them and actual amounts, may impact these estimates and judgements. Areas which involve a higher level of judgement or complexity, or where significant estimates and assumptions are used in the preparation of the financial statements, are described in this report.

2.2. Investments in subsidiaries, associates and joint ventures

Subsidiaries are classified as companies over which the Group exercises 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.

There are also situations where the Group may exercise, together with other entities, joint control over the activity of the company in which it has a holding (so-called joint ventures), where, under the terms of IFRS 11, it exercises shared control of the voting rights and equivalent decision-making rights.

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, associates and joint ventures 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, associates and joint ventures 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, associate or joint venture 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.

Non-monetary assets which are valued at fair value are converted based on the exchange rate in force on the date of their latest valuation. Non-monetary assets recognised at historical cost, including tangible and intangible assets, continue to be recognised in the original exchange rate.

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

2.4.1. Adoption of IFRS 9 – Financial Instruments

IFRS 9 replaced IAS 39 – "Financial Instruments: Recognition and Measurement" for annual periods after 1 January 2018. In order to ensure consistency in the insurance sector between the application of IFRS 9 and IFRS 17 – "Insurance Contracts", the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allowed insurance companies to defer the application of IFRS 9 to periods after 1 January 2023, thereby aligning the effective date of IFRS 9 and IFRS 17.

The Company was developing business models and assessing the impact of applying IFRS 9, and opted to defer the application of the standard until 31 December 2019.

On 1 January 2020, the Group applied IFRS 9 retrospectively, with the overlay approach option. The Company opted not to restate comparative financial information from prior periods, as permitted by the rule. The differences that arose with the adoption of IFRS 9 have been recognised in Retained Earnings, as stated in Note 2.16.

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the assets' contractual cash flow characteristics.

Changes in classification and measurement

The IAS 39 measurement categories for Financial assets at fair value through profit or loss, Available-for-sale investments, Held-to-maturity investments and Loans and accounts receivable have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition;
- Debt instruments at amortised cost.

Changes in the impairment calculation

The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets at fair value through other comprehensive income and financial assets at amortised cost, since the IAS 39's incurred loss approach has been replaced by the expected credit loss approach.

IFRS 9 requires recording of an expected credit loss allowance for all debt instruments not recognised at fair value through profit or loss.

The quantitative impact of applying IFRS 9 as of 1 January 2020 is disclosed in Note 2.16.

2.4.2. Financial assets

Classification, initial recognition and subsequent measurement

Financial assets are recognised at the contract date (trade date) at fair value. On initial recognition, financial assets are classified in one of the following categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income; or
- Financial assets at fair value through profit or loss.

The classification depends on the following aspects:

- The entity's business model for managing the financial asset;
- The financial asset's contractual cash flow characteristics.

Except when the option to measure the financial instrument by its fair value through profit or loss is applied.

Business model assessment

The Company assessed the business model within which the financial instruments are held at portfolio level, since this approach best reflects how the assets are managed and how information is reported to the management bodies.

Assessment as to whether contractual cash flows are solely payments of principal and interest (SPPI)

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as consideration for the time value of money, the credit risk associated with the amount owed for a particular period of time and other risks and costs associated with the business (e.g., liquidity risk and administrative costs), and also a profit margin.

When assessing financial instruments in which the contractual cash flows are solely payments of principal and interest, the Company considered the instrument's original contractual terms. This assessment included an analysis of the existence of situations in which the contractual terms may change the timing or amount of contractual cash flows so that they do not meet the SPPI condition.

During the assessment process, the Company takes into consideration:

- Contingent events that may change the timing or amount of cash flows;
- Characteristics resulting in leverage;
- Prepayment and extended maturity clauses;
- Characteristics that may change the consideration for the time value of money.

In addition, a prepayment feature is consistent with the SPPI criterion, if:

- The financial asset was acquired or originated at a premium or discount to the contractual nominal amount;
- The prepayment amount substantially represents the contractual nominal amount and accrued, but unpaid, contractual interest (which may include reasonable compensation for early payment);
- On initial recognition, the fair value of the prepayment feature is insignificant.

The classification of financial assets follows the scheme below:

Contractual Cash Flows	Business Model	Classification of financial assets
Contractual cash flows that are solely payments of principal and interest (SPPI)	Collect contractual cash flows	Financial assets at amortised cost
	Collect contractual cash flows and sell	Financial assets at fair value through other comprehensive income
Others (non-SPPI)	Derivatives and other financial instruments used to hedge risks	Derivatives – Hedge Accounting
	Acquired for sale in the near term	Financial assets at fair value through profit or loss
	Group of identified financial instruments that are managed together and for which there is a pattern of short-term profit-taking	
	Others	

a) Financial assets at amortised cost

Classification

A financial asset is classified in the category "Financial assets at amortised cost" if it meets all of the following conditions:

- The financial asset is held within a business model with the main objective of holding assets to collect the contractual cash flows;
- Its contractual cash flows occur on specified dates and are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Initial recognition and subsequent measurement

Financial assets at amortised cost are initially recognised at their fair value, plus transaction costs, and are subsequently measured at amortised cost. In addition, they are subject, from their initial recognition, to calculation of impairment losses for expected credit losses, which are registered as a charge to the heading "Impairment losses on financial assets measured at amortised cost" in the Profit and Loss Account.

Interest on financial assets at amortised cost is recognised under "Interest income from financial assets not recognised at fair value through profit or loss", calculated according to the effective interest rate method. Gains and losses on derecognition are registered under the heading "Net income on financial assets and liabilities recognised at amortised cost".

b) Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" (FVOCI) if it meets all of the following conditions:

- The financial asset is held within a business model the objective of which is both collecting contractual cash flows and selling that financial asset;
- Its contractual cash flows occur on specified dates and are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These instruments largely comprise debt instruments that had previously been classified as Available-for-sale assets under IAS 39.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at their fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are registered as a charge to other comprehensive income and, on their disposal, the respective accumulated gains or losses in other comprehensive income are reclassified to a specific income statement heading called "Net income on financial assets and liabilities recognised at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition, to calculation of impairment losses for expected credit losses. The estimated impairment losses are recognised in the income statement, under the heading "Impairment losses on financial assets recognised at fair value through other comprehensive income", as a charge to other comprehensive income, and do not reduce the carrying amount of the financial asset on the balance sheet.

Interest, premiums or discounts on financial assets at fair value through other comprehensive income are recognised under "Interest income from financial assets not recognised at fair value through profit or loss" calculated according to the effective interest rate method.

Equity instruments at fair value through other comprehensive income are initially recognised at their fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are registered as a charge to other comprehensive income. Dividends are recognised in the income statement when the right to the payment has been established.

c) **Financial assets at fair value through profit or loss**

Classification

A financial asset is classified in the category “Financial assets at fair value through profit or loss" (FVPL) if the business model defined by the Company for managing it or its contractual cash flow characteristics do not meet the conditions described above for measuring it at amortised cost or FVOCI.

Additionally, even if a financial asset meets the requirements to be measured at amortised cost or FVOCI, the Group may irrevocably designate it, at initial recognition, as measured at fair value through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on it on different bases.

The Company has classified the following types of assets as “Financial assets at fair value through profit or loss”:

- Financial assets that are acquired for the purpose of sale in the near term, or that, on initial recognition, are part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking, or that fall under the definition of derivatives (except for derivatives designated as hedging instruments);
- Debt instruments the contractual cash flows of which are not solely payments of principal and interest (SPPI) on the principal amount outstanding;
- Financial assets that the Company has opted to designate at fair value through profit or loss to eliminate an accounting mismatch;
- Financial assets that do not meet the requirements to be classified as financial assets at amortised cost or at fair value through other comprehensive income, whether they are debt instruments or equity instruments that have not been designated at fair value through other comprehensive income.

Initial recognition and subsequent measurement

Given that the transactions performed by the Company in the normal course of its business are made under market conditions, financial assets at fair value through profit or loss are initially recognised at their fair value, and the costs or gains associated with the transactions are recognised initially in the income statement. Subsequent changes in the fair value of these financial assets are recognised in the income statement.

The accrual of interest and premium/discount (when applicable) is recognised under "Other income" on the basis of the effective interest rate of each transaction, and the accrual of interest on the derivatives associated with the financial instruments is classified in this category. Dividends are recognised in the income statement when the right to the payment has been established.

Derivatives for trading with a positive fair value are included under "Financial assets at fair value through profit or loss", and derivatives for trading with a negative fair value are included under "Financial liabilities at fair value through profit or loss".

d) Overlay approach

An insurer may elect to apply the overlay approach described in paragraph 35B of IFRS 4, only when it first applies IFRS 9.

In line with this approach, the Company must reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if the Company had applied IAS 39 to the designated financial assets. Accordingly, the amount reclassified is equal to the difference between:

i) The amount reported in profit or loss for the designated financial assets applying IFRS 9;
ii) The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.

A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39;
- It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

The Company meets the overlay approach requirements for financial instruments which, according to the IAS 39 classification requirements, were considered available-for-sale investments and according to the IFRS 9 classification requirements were reclassified to financial assets recognised at fair value through profit or loss. Financial assets in account are equity instruments and debt instruments that do not fulfil the contractual cash flow characteristics of the SPPI (solely payments of principal and interest) test.

The Company applies the overlay approach to a designated financial asset until that financial asset is derecognised.

e) Fair value

Financial assets recognised in the categories "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" 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.

f) Derecognition of financial assets

These assets are derecognised when the Company's contractual rights to receive cash flows from them have expired or when the Company has transferred substantially all the risks and rewards associated with holding the assets.

The Company considers control of a financial asset to be transferred if, and only if, the transferee has the ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

g) Transfers between categories of financial assets

Financial assets are reclassified to other categories only if the business model for managing them is changed. In this case, all the affected financial assets are reclassified.

Reclassification is applied prospectively from the reclassification date, and no previously recognised gains or losses (including those related with impairment) or interest are restated.

Investments in equity instruments measured at fair value through other comprehensive income and financial instruments designated at fair value through profit or loss may not be reclassified.

2.4.3. Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for settlement by delivering cash or another financial asset, regardless of its legal form. Non-derivative financial liabilities include loans, creditors for direct insurance and reinsurance operations and other liabilities. These financial liabilities are initially recorded at fair value less transaction costs, and subsequently at amortised cost based on the effective interest rate method. The Company derecognises financial liabilities when they are cancelled or extinguished.

Financial liabilities are recognised at the contract date at fair value, less costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments with negative revaluation. These liabilities are recognised at fair value, and the gains or losses arising from any subsequent appreciation are recognised in “Net income on financial assets and liabilities recognised at fair value through profit or loss”.

Other financial liabilities

This category includes subordinated liabilities, deposits received from reinsurers and also liabilities incurred on payment for provision of services or the purchase of assets, recognised in “Other creditors for insurance and other operations”.

These financial liabilities are recognised at amortised cost, and any applicable interest is recognised in line with the effective interest rate method.

2.4.4. Impairment losses

Financial instruments subject to recognition of impairment losses

The Company recognises impairment losses for expected credit losses in financial instruments recognised under the following accounting headings:

- Financial assets at amortised cost – Impairment losses on Financial assets at amortised cost reduce the balance sheet value of those financial assets as a charge to “Impairment losses of financial assets measured at amortised cost” (in the income statement).
- Debt instruments at fair value through other comprehensive income - Impairment losses on debt instruments at fair value through other comprehensive income are recognised in the income statement, under “Impairment losses on financial assets measured at fair value through other comprehensive income” as a charge to other comprehensive income (they do not reduce the balance sheet value of those financial assets).

Impairment losses are based on the difference between contractual cash flows and all cash flows that the Company expects to receive, discounted at the original effective interest rate.

General Approach

The expected credit loss allowance is calculated taking into account, at the time of assessment, the risk exposure (monetary value of the loan), probability of default (PD), loss given default (LGD) and the relevant discount factor. It is a risk assessment that takes into account an estimate of the probability and time value of the future cash flows being assessed.

This assessment is complemented by an assessment of whether the credit rating has decreased since initial recognition. A significant decrease in the credit rating means that the assessment will no longer be made considering a 12-month period, but will be made considering the remaining lifetime of the loan. Loans with no deterioration in rating are therefore considered in stage 1, loans with deterioration in rating are considered in stage 2, and stage 3 comprises loans with objective evidence of default.

In general terms, a significant decrease in rating since initial recognition is equivalent to a decrease of at least 2 notches from the time the initial rating is at BBB, although this decision will always be based on a case-by-case analysis of the factors leading to the rating downgrade.

Expected credit loss allowances are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, the expected credit loss allowance reflects credit losses that may result from default events within the next 12 months (12-month expected credit losses).

For other credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default, called lifetime expected credit losses.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk since initial recognition. When conducting the assessment, the Company compares the risk of default on the financial instrument at the reporting date with the risk of default on the financial instrument at the date of initial recognition and considers all reasonable and supportable information available without undue cost or effort.

The Company considers a financial asset to be in default when information indicates that the contract has reached a situation of default, and the Company is unlikely to receive the outstanding contractual amounts in full. The book value of a financial asset in this stage, Stage 3, is reduced so as only to reflect the recovery value since there is no reasonable expectation of recovering the contractual cash flows.

Classification of financial instruments by stages

	Change in credit risk since initial recognition → Stage 1	Stage 2	Stage 3
Classification criterion	Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired
Impairment losses	12-month expected credit losses	Lifetime expected credit losses	Default

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to a reduction of the recoverable value under the general approach and are classified in the following stages for measurement of the credit loss allowances:

- **Stage 1**: Financial instruments for which there has not been a significant increase in credit risk since initial recognition and for which the loss allowance is measured at an amount equal to a 12-month expected credit loss;
- **Stage 2**: Financial instruments for which there has been a significant increase in credit risk since initial recognition, but which are not financial assets with a reduction in the recoverable value and for which the loss allowance is measured at an amount equal to the lifetime credit loss.
- **Stage 3**: Financial assets with a reduction in the recoverable value at the reporting date (but which were not purchased or originated with a reduction in the recoverable value), and which are impaired (assets in default).

Simplified Approach

The Company makes a prospective assessment of the expected impairments associated with the heading "Other Debtors for Insurance and Other Operations". The impairment method applied depends on the type of asset, with the performance of an analysis of the uncollectability of premiums pending collection and a case-by-case analysis of other debtors, to assess whether there has been a significant increase in credit risk.

2.4.5. Financial instruments - IAS 39

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 initially recognised at cost, including directly related measurement costs. They are not amortised and are recognised at fair value, determined on the basis of experts' assessments. Changes in the fair value and realised capital gains and losses 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 at the balance sheet date to ensure that their balance sheet value does not differ significantly from their fair value. The Company has set a maximum period of two years between evaluations carried out by independent experts.

2.6. Other tangible assets

These are recognised at acquisition cost, less depreciation and accumulated impairment losses. Costs of repair, maintenance and other expenses associated with their use are recognised as costs for the year.

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

Depreciation is recognised in expenses for the year. The Company periodically assesses the adequacy of the estimated useful life of its tangible assets..

Analyses are periodically undertaken to identify evidence of impairment on other tangible assets. An impairment loss is recognised in "Impairment losses (net of reversals)" in the income statement for the year whenever the net book value of the tangible assets is greater than their fair value (the greater of the value in use and the fair value). Impairment losses may be reversed, also with an impact on the income statement for the year, if an increase in the asset's recoverable value subsequently occurs.

2.7. Leases

Leases are recognised in line with the principles defined in IFRS 16 – Leases, which apply to the recognition, measurement, presentation and disclosure of lease agreements.

Lessee

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.

At the date of the standard's entry into force the lessee shall measure the lease liability at the present value of the lease payments not paid on that date. The discount rate of the payments will be determined as the interest rate implicit in the lease, that is, the rate that causes the present value of the lease payments and the unguaranteed residual value to equal the fair value of the underlying asset plus the direct costs of the lessor. If the rate implicit in the lease cannot be readily determined, the incremental borrowing rate will be used, that is, a discount rate that can be obtained to borrow, with the same maturity and a similar guarantee, the funds necessary to acquire the underlying asset.

After that date, the lessee shall measure the liability:

i. By increasing the carrying amount to reflect interest on the lease liability;
ii. By reducing the carrying amount to reflect the lease payments made;
iii. By remeasuring the carrying amount to reflect any reassessment or lease modifications.

The standard sets out two recognition exemptions for lessees – leases of "low value" assets (for example, laptops) and short-term leases, that is, leases with a lease term of 12 months or less.

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

For all lease contracts covered by the exemptions, the lease payments associated with these contracts will be recognised as expenses.

Lessor

Leases continue to be classified as finance leases or operating leases, and there are therefore no significant changes to that previously defined. Assets under finance leases are recorded in the financial position as “Accounts receivable for other operations”, and this is reimbursed by means of the capital amortisations set out in the contracts’ financial plans. Interest included in rents is recorded as “Other income/expenses”.

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 2019 and 2020, is 22.5%, and 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, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 9% of any profit which exceeds this amount.

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 assets recognised at fair value through profit or loss and recognised at fair value through other comprehensive income, 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.

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 financial assets recognised at fair value through other comprehensive income). 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 and contingent liabilities

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.

When the future expenditure of resources is not probable, this is a contingent liability. Contingent liabilities are subject to disclosure, unless the possibility of occurrence is remote.

"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, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

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 agreements for the insurance sector, published on 15 January 2012 and 29 January 2016, entitle all employees of working age employed as permanent staff, with indefinite employment contracts, covered by these CEAs, to an individual retirement plan ("IRP"), with capital guaranteed by the associate, which replaces the system of retirement pensions defined in the former CEAs.

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

Under the new CEA, published on 8 February 2019, and as set out in its clauses 32 to 34 and 65 to 68, new long-term benefits are established, called Career Benefits. The responsibilities related to Career Benefits are calculated annually using universally 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. Under the transition to the new PCES, the classification principles for contracts established by IFRS 4 – "Insurance contracts" were incorporated into these regulations, according to which contracts without a significant insurance risk are considered to be investment contracts and recognised in line with IFRS 9 requirements.

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 provisions set up by the Company are not discounted.

The claims provision is calculated on a case-by-case basis by the claims manager and using system estimates based on different standardised costs.

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 analyses performed include direct liabilities to the insured (whether or not the claims have been reported) as well as future payments.

The estimates are for the most part based on payment and claims costs 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. 4). Accordingly, the determination of impairment takes into account the conclusions of the specific evaluation conducted by the Company 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 financial assets, taking into account the rules defined by IFRS 9.

Valuation of financial instruments not traded in active markets

In line with IFRS 9, 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 2) e) 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 and reinsurance contracts

The Company's liabilities for insurance and reinsurance 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 and reinsurance 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 and reinsurance 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 2020 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 2020. The relevant changes for the Company were as follows:

Standard / Interpretation	Date of Issue	European Union Regulation	Applicable to accounting periods beginning on or after
IFRS 3 - Business Combinations (Amendment)	22-10-2018	2020/551	01-01-2020
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 – Financial Instruments	27-07-2014	2016/2067	01-01-2020
IFRS 9 – Prepayment Features with Negative Compensation	12-10-2017	2018/498	01-01-2020
IFRS 9 - Interest Rate Benchmark Reform Phase 1 (Amendment)	26-09-2019	2020/34	01-01-2020
IAS 39 - Interest Rate Benchmark Reform Phase 1 (Amendment)	26-09-2019	2020/34	01-01-2020
IFRS 7 - Interest Rate Benchmark Reform Phase 1 (Amendment)	26-09-2019	2020/34	01-01-2020

IFRS 9 replaced IAS 39 – Financial Instruments: Recognition and Measurement for annual periods after 1 January 2018. In order to ensure consistency in the insurance sector between the application of IFRS 9 and IFRS 17, the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allowed insurance companies to defer the application of IFRS 9 to periods after 1 January 2023, thereby aligning the effective date of IFRS 9 and IFRS 17.

The Company was developing business models and assessing the impact of applying IFRS 9, and opted to defer the application of the standard until 31 December 2019.

As described in Note 2.4, on 1 January 2020, the Company applied IFRS 9 retrospectively, with the overlay approach option, as stated in Note 2.16.

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	European Union Regulation	Applicable to accounting periods beginning on or after
IFRS 9 - Interest Rate Benchmark Reform Phase 2 (Amendment)	27-08-2020	2020/34	01-01-2020
IAS 39 - Interest Rate Benchmark Reform Phase 2 (Amendment)	27-08-2020	2020/34	01-01-2020
IFRS 7 - Interest Rate Benchmark Reform Phase 2 (Amendment)	27-08-2020	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 2020.

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	01-01-2023
IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment)	23-01-2020	01-01-2023
IFRS 3 - Business Combinations (Amendment)	14-05-2020	01-01-2022
IFRS 3 – Business Combinations: Reference to the Conceptual Framework (Amendment)	14-05-2020	01-01-2022
IAS 16 – Property, Plant and Equipment (Amendment)	14-05-2020	01-01-2022
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (Amendment)	14-05-2020	01-01-2022
IAS 37 - Provisions, Contigent Liabilities and Contigent Assets: Onerous Contracts - Cost of Fulfilling a Contract (Amendment)	14-05-2020	01-01-2022
IFRS 9 – Financial Instruments (Annual improvements 2018-2020)	14-05-2020	01-01-2022
IFRS 16 - Leases (Annual improvements 2018-2020)	14-05-2020	01-01-2022
IFRS 17 - Insurance Contracts (Amendment)	25-06-2020	01-01-2023
IAS 1 - Presentation of Financial Statement: Classification of Liabilities as Current on Non-current - Deferral of Effective Date (Amendment)	15-07-2020	01-01-2023

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 2020.

2.16. Changes in accounting policies

The adoption of the accounting policy for Financial Instruments, IFRS 9, impacted the financial condition at 1 January 2020, as follows:

	01-01-2020				
		Adjustments			
	IAS 39	Business Model Application	Expected Credit Losses	Total Adjustments	IFRS 9
ASSETS					
Financial assets at fair value through profit or loss	436,004	1,370,998	-	1,370,998	1,807,002
from: Available-for-sale investments	-	1,370,998	-	1,370,998	-
Available-for-sale investments	35,253,201	(35,253,201)	-	(35,253,201)	-
to: Financial assets at fair value through profit or loss	-	(1,370,998)	-	(1,370,998)	-
to: Financial assets designated at fair value through other comprehensive income	-	(33,882,203)	-	(33,882,203)	-
Financial assets designated at fair value through other comprehensive income	-	33,882,203	-	33,882,203	33,882,203
from: Available-for-sale investments	-	33,882,203	-	33,882,203	-
Financial assets at amortised cost	-	5,625,005	-	5,625,005	5,625,005
from: Loans and accounts receivable	-	5,625,005	-	5,625,005	-
Loans and accounts receivable	5,625,005	(5,625,005)	-	(5,625,005)	-
to: Financial assets at amortised cost	-	(5,625,005)	-	(5,625,005)	-
	41,314,210	-	-	-	41,314,210
EQUITY					
Revaluation reserves					
Adjustments in fair value of financial assets	(1,134,247)	1,134,247	-	1,134,247	-
to: From adjustments in fair value of debt instruments at fair value through other comprehensive income	-	961,441	-	961,441	-
to: Overlay approach adjustment	-	172,806	-	173,806	-
From adjustments in fair value of debt instruments at fair value through other comprehensive income	-	(961,441)	-	(961,441)	(961,441)
from: Adjustments in fair value of financial assets	-	(961,441)	-	(961,441)	-
Allowance for expected credit losses in debt instruments at fair value through other comprehensive income	-	-	(182,179)	(182,179)	(182,179)
Deferred tax reserve	293,461	-	46,456	46,456	339,917
Overlay approach adjustment	-	(172,806)	-	(172,806)	(172,806)
from: Adjustments in fair value of financial assets	-	(172,806)	-	(172,806)	-
Retained earnings	(4,141,021)	-	135,723	135,723	(4,005,298)
	(4,981,808)	-	-	-	(4,981,808)

Change in the Statement of Cash Flows method from the direct method to the indirect method, with the aim of providing more reliable and more relevant information on the effects of transactions that have occurred during the respective years. In addition, there is reasonable correlation between the cash flow position and the other financial items presented by the Company guaranteeing a clear and coherent interpretation of the cash flows generated during the year. Accordingly, the Statement of Cash Flows from the comparative period is restated.

3. CASH AND CASH EQUIVALENTS

At 31 December 2020 and 2019, this heading was composed as follows:

	31-12-2020	31-12-2019
Sight deposits in national institutions:		
in Euros		
• Caixa Geral de Depósitos, S.A. (Note 32)	5,276,770	11,407,163
• Bankinter, S.A.	3,894	3,750,271
	5,280,664	15,157,434

4. INVESTMENTS IN SUBSIDIARIES , ASSOCIATES AND JOINT VENTURES

At 31 December 2020 and 2019, 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 2020 and 2019, 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 2020 and 2019 are the following:

	2020	2019
Net assets	1,885,883	7,016,051
Liabilities	333,186	6,032,393
Capital and reserves	983,658	851,285
Net income for the year	569,039	132,373
Total income	1,876,152	1,306,301

At 31 December 2019, Fidelidade - Serviços de Assistência held a participation corresponding to 100% of the share capital of CARES – Assistência e Reparações, S.A.. which it sold to the Company during 2020.

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 2020 and 2019 this participation is valued at acquisition cost.

Fidelidade Angola – Companhia de Seguros, S.A., with its registered office in Talatona, Condomínio Cidade Financeira, Via S8, Edifício 10, Piso 3, Luanda, 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 Meticais, including acquisition expenses, equivalent to EUR 84. This participation is valued at acquisition cost less impairment. Due to the impairment recognised in 2016, its value is EUR 48 in 2020 and null in 2019.

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 2020 and 2019, 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 2020 and 2019, 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.

vi. Ten shares in Fidelidade Macau Vida – Companhia de Seguros, S.A. representing 0.00588% of its share capital, which Fidelidade Assistência acquired when it was set up on 31 March 2020 for 10,000 Patacas, which is equivalent to EUR 1,127. At 31 December 2020, this participation was valued at acquisition cost.

Fidelidade Macau Vida – Companhia de Seguros, S.A., with its head office at Avenida da Praia Grande, nº 567, Edifício BNU, 14º andar, Macao, has the corporate purpose of performing insurance and reinsurance activities in all legally authorised life insurance lines of business, and may also perform activities related to insurance and reinsurance.

vii. 100,000 shares in CARES – Assistência e Reparações, S.A. representing 100% of its share capital, which Fidelidade Assistência acquired on 22 December 2020 for EUR 6,200,000, which was paid by a bank transfer of EUR 690,788 and the remaining amount through the cancellation of ancillary capital payments of EUR 5,509,212. At 31 December 2020, this participation was valued at acquisition cost.

CARES – Assistência e Reparações, S.A., with its head office at Rua de Ponta Delgada, nº 44 A e B, in Lisbon, was set up on 8 November 2002, with the corporate purpose of providing services for the organisation, evaluation and management of any repair or restoration work.

5. FINANCIAL ASSETS

The inventory of participations and financial instruments at 31 December 2020 is presented in Annex 1.

Financial Assets Initially Recognised at Fair Value through Profit or Loss and Financial Assets at Fair Value through Profit or Loss

At 31 December 2020 and 2019, these headings were composed as follows:

	2020	2019
	Financial assets at fair value through profit or loss	Financial assets initially recognised at fair value through profit or loss
Other investments		
Other issuers		
Bonds and other securities		
Foreign issuers	367,989	402,833
Other financial instruments		
Equities		
Residents	233,008	-
Investment units		
Residents	2,260,241	33,171
	2,861,238	436,004

At 31 December 2020 and 1 January 2020, the total assets eligible for designation for the overlay approach were EUR 2,493,249 and EUR 1,370,998, respectively. Consequently, the amounts recognised in Revaluation reserves - Fair value adjustments are identified in Notes 2.16 and 19.

Available-for-sale Investments and Financial Assets designated at Fair Value through Other Comprehensive Income

At 31 December 2020, the heading Financial Assets designated at Fair Value through Other Comprehensive Income (IFRS 9) was composed as follows:

	31-12-2020						
	Acquisition cost	Interest receivable	Amount before expected credit loss	Accumulated credit loss	Net amount	Fair value reserve (Note 19)	Balance sheet value
Debt instruments							
Public debt							
Foreign issuers	4,771,333	22,353	4,793,686	-	4,793,686	150,401	4,944,087
Domestic issuers	21,488,332	617,991	22,106,323	-	22,106,323	529,289	22,635,612
Other issuers							
Foreign issuers	12,280,571	88,234	12,368,805	-	12,368,805	228,440	12,597,245
Domestic issuers	4,986,445	34,480	5,020,925	-	5,020,925	174,398	5,195,323
	43,526,681	763,058	44,289,739	-	44,289,739	1,082,528	45,372,267

At 31 December 2019, the heading Available-for-sale Investments (IAS 39) was composed as follows:

	31-12-2019				
	Acquisition cost	Interest receivable	Net amount	Fair value reserve (Note 19)	Balance sheet value
Debt instruments					
Group companies (Note 32)	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
	32,189,493	731,269	32,920,762	961,441	33,882,203
Other instruments					
Equities					
Residents	248,682	-	248,682	19,375	268,057
Investment units					
Residents	949,510	-	949,510	153,431	1,102,941
	33,387,685	731,269	34,118,954	1,134,247	35,253,201

6. LOANS AND ACCOUNTS RECEIVABLE AND FINANCIAL ASSETS AT AMORTISED COST

At 31 December 2019, the heading Loans and accounts receivable was composed as follows:

	31-12-2019
Loans made	
Others (Note 32)	5,625,005
	5,625,005

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 2 March with an end date of 30 June 2028. The repayment was to be in 10 successive annual instalments, the first of these on 30 June 2019 and the last on the maturity date. Interest was paid half-yearly at the annual rate of 1.5%, and in 2020 the amount of EUR 59,446 was received (EUR 74,790 in 2019). 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. This agreement was terminated on 22 December 2020.

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 had a maturity of 6 years and repayment was to 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 was paid half-yearly at the annual rate of 0.55%, EUR 3,530 having been received in 2020 (EUR 852 in 2019).

In 2020, Fidelidade - Serviços de Assistência, S.A., settled all the loans obtained following the sale of 100% of its share in CARES – Assistência e Reparações, S.A..

At 31 December 2020, the heading Financial assets at amortised cost was composed as follows:

	31-12-2020	31-12-2019
Debt instruments		
Public debt		
Domestic issuers	2,024,702	-
Expected credit losses	(2,632)	-
	2,022,070	-

7. PROPERTIES

At 31 December 2020 and 2019, 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 2020 the building was valued by the independent assessor Erik Verdasca, and the current value was calculated using the Market Value method.

As a result of that valuation, a gain of EUR 1,200 was recognised in 2020 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 2020 and 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 2020 and 2019, the “Properties” headings saw the following movements:

	Investment Properties	Right-of-Use	Total
Balances at 31 December 2018			
Gross Amount	398,800	-	398,800
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)
	398,800	628,324	1,027,124
Revaluation			
As a credit to the income statement (Note 27)	1,200		1,200
Depreciation for the year (Note 22)		(269,282)	(269,282)
Balances at 31 December 2020			
Gross Amount	400,000	897,605	1,297,605
Accumulated depreciation and impairment		(538,563)	(538,563)
	400,000	359,042	759,042

8. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

At 31 December 2020 and 2019, investments and other assets were allocated as follows:

	31-12-2020		
	Non-life insurance	Not allocated	Total
Cash and cash equivalents (Note 3)	4,573,425	707,239	5,280,664
Investments in subsidiaries, associates and joint ventures (Note 4)	-	6,732,678	6,732,678
Financial assets at fair value through profit or loss (Note 5)	2,816,996	44,242	2,861,238
Financial assets designated at fair value through other comprehensive income (Note 5)	45,372,267	-	45,372,267
Financial assets at amortised cost (Note 6)	2,022,070	-	2,022,070
Properties (Note 7)	400,000	359,042	759,042
Other tangible assets (Note 9)	-	202,968	202,968
Other debtors (Notes 11, 12 and 13)	2,983,158	677,528	3,660,686

	58,167,916	8,723,697	66,891,613

	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
	46,197,277	14,600,308	60,797,585

9. OTHER TANGIBLE ASSETS

In 2020 and 2019, these headings saw the following movement:

Headings	31-12-2019		Additions	Disposals and write-offs (net)		Depreciation for the year (Note 22)	31-12-2020	
	Gross amount	Accumulated depreciation		Gross amount	Depreciation and impairment		Gross amount	Accumulated depreciation
OTHER TANGIBLE ASSETS								
Administrative equipment	186,627	(184,187)	39,962	-	-	(5,548)	226,589	(189,735)
IT equipment	431,099	(355,881)	163,371	-	-	(92,055)	594,470	(447,936)
Interior installations	94,322	(94,322)	-	-	-	-	94,322	(94,322)
Other tangible assets	11,129	(10,829)	-	-	-	(50)	11,129	(10,879)
Right of use assets	62,357	(23,951)	2,599	-	-	(21,675)	64,955	(45,625)
	785,534	(669,170)	205,932	-	-	(119,328)	991,465	(788,497)

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)
	610,005	(602,931)	175,528	-	-	(66,238)	785,534	(669,170)

10. OTHER INTANGIBLE ASSETS

At 31 December 2020 and 2019, the "Other Intangible Assets" headings saw the following movement:

Headings	31-12-2019		Additions	Disposals and write-offs (net)		Amortisation for the year (Note 22)	31-12-2020	
	Gross amount	Accumulated amortisation		Gross amount	Amortisation and impairment		Gross amount	Accumulated amortisation
OTHER INTANGIBLE ASSETS								
Costs with IT applications – acquired from third parties	457,298	(457,298)	-			-	457,298	(457,298)
	457,298	(457,298)	-	-	-	-	457,298	(457,298)

Headings	31-12-2018		Additions	Disposals and write-offs (net)		Amortisation for the year (Note 22)	31-12-2019	
	Gross amount	Accumulated amortisation		Gross amount	_Amortisation and impairment		Gross amount	Accumulated amortisation
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)

11. OTHER DEBTORS FOR INSURANCE AND OTHER OPERATIONS

At 31 December 2020 and 2019, this heading was composed as follows:

	31-12-2020	31-12-2019
Accounts receivable for direct insurance operations		
• Premiums pending collection		
○ Group policyholder (Note 32)	-	12,532
○ Other policyholders	46,666	4,017
Total accounts receivable for direct insurance operations	46,666	16,549
Accounts receivable for reinsurance operations		
• Group reinsured (Note 32)	2,966,388	1,811,532
• Other reinsured	16,770	242,397
Total accounts receivable for reinsurance operations	2,983,158	2,053,929
Accounts receivable for other operations		
• Group companies (Note 32)	96,023	85,513
• Others	89,314	35,633
Total accounts receivable for other operations	185,337	121,146

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 96,023 (EUR 71,626 in 2019), relating to invoices in December 2020 and 2019, respectively.

12. TAX ASSETS AND LIABILITIES

At 31 December 2020 and 2019, the income tax assets and liabilities headings were composed as follows:

	31-12-2020	31-12-2019
Current tax assets		
Corporate Tax – Withholdings	4,489	4,221
Income tax recoverable	4,489	4,221
Current tax liabilities		
Social Security Contributions	(67,332)	(47,152)
Withholdings	(41,569)	(40,165)
Other taxes and charges	(29,870)	(23,379)
	(138,771)	(110,696)
Deferred tax assets		
Devaluation of properties – investment properties	120,932	121,238
Provisions temporarily not allowed for fiscal purposes	47,194	55,944
Devaluation of Assets designated at fair value through other comprehensive income	10,951	20,521
Devaluation of Equity instruments through profit or loss	4,959	-
Devaluation of Assets at amortised cost	671	-
	184,707	197,703
Deferred tax liabilities		
Appreciation of Assets designated at fair value through other comprehensive income	(321,659)	(313,982)
	(321,659)	(313,982)
	(136,952)	(116,279)

Movements of deferred taxes during 2020 and 2019 were:

	2020			
	Balance at 31-12-2019	Change: Shareholders' equity	Change: Income	Balance at 31-12-2020
Deferred taxes for temporary differences				
Revaluation of financial assets designated at fair value through other comprehensive income	(293,461)	(50,438)	-	(343,899)
Impairment of Equity instruments through profit or loss	-	-	4,959	4,959
Allowance for expected credit losses in debt instruments at fair value through other comprehensive income	-	-	(12,594)	(12,594)
Revaluation of investment properties	121,238	-	(306)	120,932
Increase in provisions not deductible for tax purposes	55,944	-	(8,750)	47,194
Retained Earnings – Deferred taxes difference due to change in IFRS 9 accounting policy				46,456
	(116,279)	(50,438)	(16,691)	(136,952)

	2019			
	Balance at 31-12-2018	Change		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
	(2,132)	(82,675)	(31,472)	(116,279)

Income tax recognised in profits and losses is composed as follows:

	2020	2019
Current tax		
• Tax	1,817,754	1,039,274
• Autonomous taxation	6,130	4,133
• Surcharge	129,840	74,234
• State surcharge	214,679	103,468
	2,168,403	1,221,109
Deferred tax		
• Impairment on equity instruments	(4,959)	-
• Credit losses allowance	12,594	-
• Appreciation of investment properties	306	(4,550)
• Provisions for other risks and charges	8,750	36,022
	16,691	31,472
Total tax in income statement	2,185,094	1,252,581
Income before tax	9,562,890	5,393,428
Tax burden	22.85%	23.22%

Reconciliation between the nominal tax rate and the effective tax rate in 2020 and 2019 may be represented as follows:

	2020		2019	
	Rate	Tax	Rate	Tax
Income before tax		9,562,890		5,393,428
Income tax calculated at nominal rate	21.00%	2,008,207	21.00%	1,132,620
Surcharges	4.03%	385,330	3.67%	197,704
Dividends	-0.01%	(495)	-0.24%	(12,830)
Tax benefits	-0.47%	(45,032)	-1.15%	(61,814)
Over / under estimation of tax	-1.69%	(161,915)	-0.05%	(2,779)
Autonomous taxation	0.06%	6,130	0.08%	4,133
Others	-0.07%	(7,131)	-0.08%	(4,453)
Effective tax rate	22.85%	2,185,094	23.22%	1,252,581

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 payable is therefore recorded in liabilities 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 32), 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 2017 to 2020 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 2020.

13. ACCRUALS AND DEFERRALS (ASSETS)

At 31 December 2020 and 2019 the assets accruals and deferrals heading was composed as follows:

	31-12-2020	31-12-2019
• Deferred expenses		
○ Insurance	242,776	244,120
○ Software licences	191	191
○ Others	13,362	13,091
Total deferred expenses	256,329	257,402
Total assets accruals and deferrals	256,329	257,402

At 31 December 2020 and 2019 the heading "Deferred expenses – Insurance" refers to insurance taken out for employees, for 2021 and 2020, respectively.

14. TECHNICAL PROVISIONS

At 31 December 2020 and 2019, the provision for unearned premiums and claims provision headings were composed as follows:

	31-12-2020					
	Assistance			Legal Protection		Total
	Direct insurance	Reinsurance accepted	Total	Reinsurance accepted	Total	
Provision for unearned premiums:						
• Unearned premiums	-	159,004	159,004	1,015	1,015	160,019
• Deferred acquisition costs (Note 2.12 c))	-	(607)	(607)	(4)	(4)	(611)
	-	158,397	158,397	1,011	1,011	159,408
Claims provision:						
• Provision for reported claims	36,289	6,539,892	6,576,181	1,631,217	1,631,217	8,207,398
• Provision for IBNR	-	42,828	42,828	160,265	160,265	203,093
• Provision for claims settlement expenses	13,020	906,520	919,540	793,500	793,500	1,713,040
	49,309	7,489,240	7,538,549	2,584,982	2,584,982	10,123,531
	49,309	7,647,637	7,696,946	2,585,993	2,585,993	10,282,939

	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

At 31 December 2020 and 2019, the claims provision was composed as follows:

Technical Lines of Business	31-12-2020			31-12-2019		
	Direct insurance	Reinsurance accepted	Total	Direct insurance	Reinsurance accepted	Total
Assistance						
Reported claims						
2020	33,946	4,683,914	4,717,860	-	-	-
2019	2,193	1,524,250	1,526,443	28,093	6,818,161	6,846,254
2018	30	251,691	251,721	2,644	1,396,517	1,399,161
2017	75	75,469	75,544	-	233,595	233,595
2016	45	2,615	2,660	-	26,989	26,989
2015	-	555	555	-	165	165
2014	-	305	305	-	-	-
2013	-	513	513	-	42	42
2011	-	580	580	-	-	-
	36,289	6,539,892	6,576,181	30,737	8,475,469	8,506,206
Provision for IBNR						
2020	-	40,118	40,118	-	-	-
2019	-	1,914	1,914	-	34,663	34,663
2018	-	796	796	-	40	40
	-	42,828	42,828	-	34,703	34,703
Provision for claims settlement expenses						
2020	11,880	742,500	754,380	-	-	-
2019	1,020	140,700	141,720	9,420	1,226,160	1,235,580
2018	40	5,920	5,960	1,360	139,100	140,460
2017	60	1,880	1,940	-	3,360	3,360
2016	20	2,420	2,440	-	1,540	1,540
2015	-	1,080	1,080	-	1,240	1,240
2014	-	1,060	1,060	-	1,100	1,100
2013	-	1,120	1,120	-	960	960
2012	-	860	860	-	920	920
2011	-	1,020	1,020	-	680	680
2010	-	7,960	7,960	-	920	920
2009	-	-	-	-	7,860	7,860
	13,020	906,520	919,540	10,780	1,383,840	1,394,620
Total Assistance	49,309	7,489,240	7,538,549	41,517	9,894,012	9,935,529

FIDELIDADE ASSISTANCE

Technical Lines of Business	31-12-2020 Direct insurance	31-12-2020 Reinsurance accepted	31-12-2020 Total	31-12-2019 Direct insurance	31-12-2019 Reinsurance accepted	31-12-2019 Total
Legal Protection						
Reported claims						
2020	-	305,022	305,022			
2019	-	377,292	377,292	-	623,864	623,864
2018	-	347,046	347,046	-	594,887	594,887
2017	-	202,892	202,892	-	338,940	338,940
2016	-	198,706	198,706	-	266,426	266,426
2015	-	90,673	90,673	-	132,158	132,158
2014	-	38,006	38,006	-	62,682	62,682
2013	-	25,044	25,044	-	52,850	52,850
2012	-	17,603	17,603	-	35,035	35,035
2011	-	6,844	6,844	-	15,396	15,396
2010	-	22,089	22,089	-	3,885	3,885
2009	-	-	-	-	25,088	25,088
	-	1,631,217	1,631,217	-	2,151,211	2,151,211
Provision for IBNR						
2020	-	71,800	71,800			
2019	-	10,000	10,000	-	86,200	86,200
2018	-	3,800	3,800	-	10,100	10,100
2017	-	1,100	1,100	-	3,500	3,500
2016	-	-	-	-	800	800
2010	-	73,565	73,565	-	-	-
2009	-	-	-	-	75,531	75,531
	-	160,265	160,265	-	176,131	176,131
Provision for claims settlement expenses						
2020	-	435,300	435,300			
2019	-	137,700	137,700	-	558,300	558,300
2018	-	84,900	84,900	-	160,500	160,500
2017	-	48,600	48,600	-	80,100	80,100
2016	-	39,000	39,000	-	53,400	53,400
2015	-	21,000	21,000	-	29,400	29,400
2014	-	9,000	9,000	-	15,300	15,300
2013	-	6,900	6,900	-	12,000	12,000
2012	-	4,800	4,800	-	8,100	8,100
2011	-	2,100	2,100	-	4,200	4,200
2010	-	4,200	4,200	-	1,500	1,500
2009	-	-	-	-	4,800	4,800
	-	793,500	793,500	-	927,600	927,600
Total Legal Protection	-	2,584,982	2,584,982	-	3,254,942	3,254,942
Total	49,309	10,074,222	10,123,531	41,517	13,148,954	13,190,471

FIDELIDADE ASSISTANCE

The movement in claims provisions during 2020 and 2019 was as follows:

SECTORS/LINES OF BUSINESS	Claims provision at 31/12/2019 (1)	Claims costs paid in the year (*) (2)	Claims provision at 31/12/2020 (*) (3)	Readjustments (3)+(2)-(1)
NON-LIFE				
LEGAL PROTECTION	3,254,942	972,504	1,772,860	(509,578)
ASSISTANCE	9,935,529	7,629,194	2,026,191	(280,144)
GRAND TOTAL	13,190,471	8,601,698	3,799,051	(789,722)

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

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.

15. OTHER CREDITORS FOR INSURANCE AND OTHER OPERATIONS

At 31 December 2020 and 2019, this heading was composed as follows:

	31-12-2020	31-12-2019
Other financial liabilities		
• Group companies (Note 32)	361,440	608,812
• Others	20,071	38,407
Accounts payable for other reinsurance operations		
• Group reinsured (Note 32)	80,460	65,301
• Others	5,333	-
Accounts payable for other operations		
• Group companies (Note 32)	1,820,027	358,746
• Others	281,254	43,147
	2,568,585	1,114,413

The increase in the heading Accounts payable for other operations is related to the amount payable to Longrun for CIT less the Additional Payment on Account (PAC) of EUR 1,474,163.

16. ACCRUALS AND DEFERRALS (LIABILITIES)

At 31 December 2020 and 2019 the liabilities accruals and deferrals heading was composed as follows:

	31-12-2020	31-12-2019
Holidays and holiday subsidies	507,074	520,854
Employee bonuses payable	276,900	308,225
Others	774,599	453,895
	1,558,573	1,282,974

17. OTHER PROVISIONS

In the years ending 31 December 2020 and 2019, the movement in these headings was as follows:

	31-12-2020				
	Balance at 31-12-2019	Increases (Note 22)	Recoveries and cancellations (Note 22)	Uses	Balance at 31-12-2020
Provisions for litigation	67,613	18,428	(64,597)	-	21,444
Provisions for contingencies	77,573	-	-	-	77,573
	145,186	18,428	(64,597)	-	99,017

	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
	169,072	3,887	(26,566)	(1,207)	145,186

At 31 December 2020 and 2019, the provisions of EUR 21,444 and EUR 67,613, respectively, are mainly aimed at responding to future costs arising from legal proceedings in progress related to labour issues.

At 31 December 2020 and 2019, the provision of EUR 77,573, 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 2020 and 2019, 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 2020, 100% of the Company's capital is held by Fidelidade – Companhia de Seguros, S.A. and at 31 December 2019, 80% of the Company's capital was 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 2020 and 2019, the other shareholders' equity headings were composed as follows:

	31-12-2020	31-12-2019
Revaluation reserves:		
Fair value adjustments		
• Available-for-sale investments (Note 5)	-	1,134,247
• Debt instruments at fair value through other comprehensive income (Note 5)	1,082,528	-
Allowance for expected credit losses in debt instruments at fair value through other comprehensive income	130,161	-
	1,212,689	1,134,247
Deferred tax reserve:		
• Available-for-sale investments (Note 5)		(293,461)
• Debt instruments at fair value through other comprehensive income (Note 5)	(343,899)	
	(343,899)	(293,461)
Overlay approach adjustment	170,261	-
Other reserves and retained earnings		
• Legal reserve	7,135,481	6,720,481
• Other reserves	28,757,333	25,032,480
	35,892,814	31,752,961
Retained earnings	(134,555)	174
Income for the year	7,377,796	4,140,847
	44,175,106	36,734,768

"Revaluation reserves" correspond to fair value adjustments on financial assets designated at fair value through other comprehensive income and on available-for-sale investments, in 2020 and 2019, respectively.

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 31 March 2020 passed a resolution to apply the Company's net income from 2019 as follows:

Legal reserve	415,000
Free reserves	3,724,853
Retained earnings	994
	4,140,847

20. EARNED PREMIUMS, NET OF REINSURANCE

In 2020 and 2019, this heading was composed as follows:

	2020				
	Direct insurance	Reinsurance accepted	Direct insurance and Reinsurance accepted	Reinsurance ceded	
Gross premiums written					
Legal Protection	-	5,712,389	5,712,389	(1,073)	5,711,316
Assistance	418,526	46,654,497	47,073,023	-	47,073,023
	418,526	52,366,886	52,785,412	(1,073)	52,784,339
Change in provision for unearned premiums					
Legal Protection	-	662	662	-	662
Assistance	19	(27,969)	(27,950)	-	(27,950)
	19	(27,307)	(27,288)	-	(27,288)
Earned premiums in the year					
Legal Protection	-	5,713,051	5,713,051	(1,073)	5,711,978
Assistance	418,545	46,626,528	47,045,073	-	47,045,073
	418,545	52,339,579	52,758,124	(1,073)	52,757,051

	2019				
	Direct insurance	Reinsurance accepted	Direct insurance and Reinsurance accepted	Reinsurance ceded	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
	269,982	52,432,031	52,702,013	-	52,702,013
Change in provision for unearned premiums					
Legal Protection	-	165	165	-	165
Assistance	3,472	72,936	76,408	-	76,408
	3,472	73,101	76,573	-	76,573
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
	273,454	52,505,132	52,778,586	-	52,778,586

In 2020 and 2019, the figures by line of business were as follows:

2020

SECTORS/LINES OF BUSINESS	Gross premiums written	Gross premiums earned	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
ASSISTANCE	418,526	418,545	209,124	1,694
TOTAL	418,526	418,545	209,124	1,694
REINSURANCE ACCEPTED	52,366,886	52,339,579	37,639,256	1,112,942
GRAND TOTAL	52,785,412	52,758,124	37,848,380	1,114,636

2019

SECTORS/LINES OF BUSINESS	Gross premiums written	Gross premiums earned	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
ASSISTANCE	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

21. CLAIMS COSTS, NET OF REINSURANCE

In 2020 and 2019, claims costs were composed as follows:

2020

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	173,287	28,045	7,792	209,124
TOTAL	173,287	28,045	7,792	209,124
REINSURANCE ACCEPTED				
LEGAL PROTECTION	472,616	997,068	(669,958)	799,726
ASSISTANCE	33,687,158	5,612,546	(2,460,174)	36,839,530
TOTAL	34,159,774	6,609,614	(3,130,132)	37,639,256
GRAND TOTAL	34,333,061	6,637,659	(3,122,340)	37,848,380

FIDELIDADE ASSISTANCE

	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

In 2020 and 2019, claims costs in the Assistance line of business were composed as follows:

	2020			2019		
	Direct insurance	Reinsurance accepted	Total	Direct insurance	Reinsurance accepted	Total
Assistance						
Amounts paid						
Payments						
2020	135,497	27,376,249	27,511,746			
2019	29,396	6,441,279	6,470,675	103,888	31,469,366	31,573,254
2018	6,322	354,899	361,221	20,755	5,331,385	5,352,140
2017	1,850	134,908	136,758	-	359,417	359,417
2016	222	77,820	78,042	-	139,083	139,083
2015	-	92,621	92,621	-	111,997	111,997
2014	-	55,594	55,594	-	82,583	82,583
2013	-	38,876	38,876	-	62,989	62,989
2012	-	43,531	43,531	-	52,078	52,078
2011	-	29,481	29,481	-	46,109	46,109
2010	-	484,977	484,977	-	48,196	48,196
2009	-	-	-	-	610,068	610,068
	173,287	35,130,235	35,303,522	124,643	38,313,271	38,437,914
Claims reimbursements						
2020	-	(158,564)	(158,564)			
2019	-	(408,395)	(408,395)	-	(412,367)	(412,367)
2018	-	(98,188)	(98,188)	-	(442,403)	(442,403)
2017	-	(39,146)	(39,146)	-	(94,079)	(94,079)
2016	-	(39,394)	(39,394)	-	(44,530)	(44,530)
2015	-	(80,822)	(80,822)	-	(73,577)	(73,577)
2014	-	(54,779)	(54,779)	-	(78,469)	(78,469)
2013	-	(35,751)	(35,751)	-	(61,696)	(61,696)
2012	-	(41,396)	(41,396)	-	(52,070)	(52,070)
2011	-	(27,873)	(27,873)	-	(45,596)	(45,596)
2010	-	(458,769)	(458,769)	-	(51,031)	(51,031)
2009	-	-	-	-	(608,914)	(608,914)
	-	(1,443,077)	(1,443,077)	-	(1,964,732)	(1,964,732)

	2020			2019		
	Direct insurance	Reinsurance accepted	Total	Direct insurance	Reinsurance accepted	Total
Assistance						
Amounts paid						
Management costs						
2020	21,929	4,496,731	4,518,660			
2019	4,759	973,646	978,405	22,011	4,334,664	4,356,675
2018	1,021	117,172	118,193	4,398	868,846	873,244
2017	300	6,467	6,767	-	89,372	89,372
2016	36	3,368	3,404	-	3,552	3,552
2015	-	1,423	1,423	-	2,205	2,205
2014	-	1,382	1,382	-	1,278	1,278
2013	-	1,269	1,269	-	1,017	1,017
2012	-	1,099	1,099	-	971	971
2011	-	1,168	1,168	-	731	731
2010	-	8,821	8,821	-	981	981
2009	-	-	-	-	6,818	6,818
	28,045	5,612,546	5,640,591	26,409	5,310,435	5,336,844
	201,332	39,299,704	39,501,036	151,052	41,658,974	41,810,026
Change in claims provision						
Payments						
2020	33,946	4,724,032	4,757,978			
2019	(25,900)	(5,326,662)	(5,352,562)	28,093	6,852,824	6,880,917
2018	(2,614)	(1,144,071)	(1,146,685)	(20,477)	(4,309,433)	(4,329,910)
2017	75	(158,126)	(158,051)	(1,289)	(851,674)	(852,963)
2016	45	(24,374)	(24,329)	-	(112,330)	(112,330)
2015	-	391	391	-	(39,951)	(39,951)
2014	-	305	305	-	(1,803)	(1,803)
2013	-	471	471	-	42	42
2011	-	580	580	-	-	-
	5,552	(1,927,454)	(1,921,902)	6,327	1,537,675	1,544,002
Claims settlement expenses						
2020	11,880	742,500	754,380			
2019	(8,400)	(1,085,460)	(1,093,860)	9,420	1,226,160	1,235,580
2018	(1,320)	(133,180)	(134,500)	(6,140)	(1,025,080)	(1,031,220)
2017	60	(1,480)	(1,420)	(680)	(118,500)	(119,180)
2016	20	880	900	-	(1,600)	(1,600)
2015	-	(160)	(160)	-	(300)	(300)
2014	-	(40)	(40)	-	(40)	(40)
2013	-	160	160	-	(20)	(20)
2012	-	(60)	(60)	-	(120)	(120)
2011	-	340	340	-	140	140
2010	-	(820)	(820)	-	(200)	(200)
2009	-	-	-	-	(60)	(60)
	2,240	(477,320)	(475,080)	2,600	80,380	82,980
Reimbursable claims						
2020	-	(73,656)	(73,656)			
2019	-	54,164	54,164	-	(110,735)	(110,735)
2018	-	9,920	9,920	-	42,817	42,817
2017	-	2,022	2,022	-	5,686	5,686
2016	-	(5,635)	(5,635)	-	3,919	3,919
2015	-	(8,139)	(8,139)	-	(9,191)	(9,191)
2014	-	(347)	(347)	-	(1,851)	(1,851)
2013	-	(3,654)	(3,654)	-	1,700	1,700
2012	-	(1,797)	(1,797)	-	177	177
2011	-	(1,384)	(1,384)	-	(514)	(514)
2010	-	(26,894)	(26,894)	-	1,864	1,864
2009	-	-	-	-	(2,485)	(2,485)
	-	(55,400)	(55,400)	-	(68,613)	(68,613)
	7,792	(2,460,174)	(2,452,382)	8,927	1,549,442	1,558,369
	209,124	36,839,530	37,048,654	159,979	43,208,416	43,368,395

In 2020 and 2019, claims costs in the Legal Protection line of business were composed as follows:

	2020			2019		
	Direct insurance	Reinsurance accepted	Total	Direct insurance	Reinsurance accepted	Total
Legal Protection						
Amounts paid						
Payments						
2020	-	63,147	63,147			
2019	-	114,374	114,374	-	20,381	20,381
2018	-	116,772	116,772	-	143,298	143,298
2017	-	82,061	82,061	-	132,044	132,044
2016	-	38,976	38,976	-	111,828	111,828
2015	-	20,864	20,864	-	46,180	46,180
2014	-	16,454	16,454	-	21,109	21,109
2013	-	8,025	8,025	-	9,560	9,560
2012	-	3,311	3,311	-	4,539	4,539
2011	-	4,135	4,135	-	2,607	2,607
2010	-	4,497	4,497	-	211	211
2009	-	-	-	-	4,676	4,676
	-	472,616	472,616	-	496,433	496,433
Management costs						
2020	-	434,033	434,033			
2019	-	353,890	353,890	-	486,847	486,847
2018	-	94,580	94,580	-	353,530	353,530
2017	-	49,049	49,049	-	90,179	90,179
2016	-	33,131	33,131	-	49,010	49,010
2015	-	19,620	19,620	-	25,812	25,812
2014	-	4,202	4,202	-	13,233	13,233
2013	-	3,269	3,269	-	5,296	5,296
2012	-	2,102	2,102	-	3,441	3,441
2011	-	1,168	1,168	-	2,295	2,295
2010	-	2,024	2,024	-	794	794
2009	-	-	-	-	2,647	2,647
	-	997,068	997,068	-	1,033,084	1,033,084
	-	1,469,684	1,469,684	-	1,529,517	1,529,517
Change in claims provision						
Payments						
2020	-	376,822	376,822			
2019	-	(322,771)	(322,771)	-	710,064	710,064
2018	-	(254,140)	(254,140)	-	(420,994)	(420,994)
2017	-	(138,448)	(138,448)	-	(324,588)	(324,588)
2016	-	(68,520)	(68,520)	-	(158,500)	(158,500)
2015	-	(41,485)	(41,485)	-	(86,986)	(86,986)
2014	-	(24,675)	(24,675)	-	(28,654)	(28,654)
2013	-	(27,807)	(27,807)	-	(22,004)	(22,004)
2012	-	(17,433)	(17,433)	-	(9,494)	(9,494)
2011	-	(8,551)	(8,551)	-	(7,175)	(7,175)
2010	-	(8,850)	(8,850)	-	(6,028)	(6,028)
2009	-	-	-	-	(9,478)	(9,478)
	-	(535,858)	(535,858)	-	(363,837)	(363,837)

	2020			2019		
	Direct insurance	Reinsurance accepted	Total	Direct insurance	Reinsurance accepted	Total
Legal Protection						
Change in claims provision						
Claims settlement expenses						
2020	-	435,300	435,300			
2019	-	(420,600)	(420,600)	-	558,300	558,300
2018	-	(75,600)	(75,600)	-	(448,200)	(448,200)
2017	-	(31,500)	(31,500)	-	(94,200)	(94,200)
2016	-	(14,400)	(14,400)	-	(35,100)	(35,100)
2015	-	(8,400)	(8,400)	-	(18,000)	(18,000)
2014	-	(6,300)	(6,300)	-	(6,900)	(6,900)
2013	-	(5,100)	(5,100)	-	(4,800)	(4,800)
2012	-	(3,300)	(3,300)	-	(3,000)	(3,000)
2011	-	(2,100)	(2,100)	-	(2,700)	(2,700)
2010	-	(2,100)	(2,100)	-	(1,200)	(1,200)
2009	-	-	-	-	(2,100)	(2,100)
	-	(134,100)	(134,100)	-	(57,900)	(57,900)
Change in claims provision	-	(669,958)	(669,958)	-	(421,737)	(421,737)
	-	799,726	799,726	-	1,107,780	1,107,780

At 31 December 2020 and 2019, the claims costs on direct insurance and reinsurance accepted – amounts paid include EUR 6,637,659 and EUR 6,369,928, respectively, relating to management costs charged to the lines of business operated by the Company (Note 22).

In 2020 and 2019, the allocation to the profit-sharing provision was EUR 5,914,650 and EUR 3,273,823, respectively, broken down by ceding company as follows:

	Allocation	
Ceding Company	2020	2019
Fidelidade	5,145,260	2,795,066
Via Directa	522,665	181,276
Multicare	84,219	-
Garantia	62,623	94,991
Impar	51,315	56,206
Fidelidade Angola	44,224	26,858
Santa Lucia	2,764	118,689
ENSA	487	-
Nossa	1,093	737
	5,914,650	3,273,823

The increase in profit-sharing is a result of the decrease in claims and of the support given by the Company to the ceding companies, as part of the effort to maintain portfolios, in the light of the pandemic situation and the guidelines of the supervisory authority.

The movement in the profit-sharing provision in 2020 and 2019 was as follows:

2020			
Balance at 31-12-2019	Allocation 2020	Distributed income	Balance at 31-12-2020
-	5,914,650	5,914,650	-

2019			
Balance at 31-12-2018	Allocation 2019	Distributed income	Balance at 31-12-2019
-	3,273,823	3,273,823	-

At 31 December 2020 and 2019, 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:

	2020	2019
Employee costs (Note 23)	5,649,414	5,412,384
External supplies and services:		
• Specialist work	1,385,785	1,121,916
• Rents and leases	2,211	1,213
• Communication	110,011	128,895
• Cleanliness and hygiene	53,876	49,750
• Expenditure with self-employed workers	53,281	50,177
• Conservation and repair	7,441	46,671
• Travel and accommodation	11,532	24,316
• Software licences	60,517	57,536
• Printed material and office supplies	5,625	11,740
• Advertising and publicity	14,637	7,132
• Others	47,638	46,596
	1,752,554	1,545,942
Direct insurance costs	-	63
Taxes and charges	4,665	3,826
Depreciation in the year:		
• Intangible assets (Note 10)	-	34,063
• Tangible assets (Note 9)	97,653	42,287
• Right-of-use assets (Note 9)	21,675	23,951
• Right-of-use assets - Buildings (Note 7)	269,282	269,281
Net allocation of provisions (Note 17)	(46,169)	(22,678)
Bank commissions and interest paid	16,084	14,842
	363,190	365,572
	7,765,158	7,323,961

In the year ending 31 December 2020, the most relevant figures in the "Others" heading relate to APS contributions, fuel and fast-wearing tools and utensils, of EUR 11,501, EUR 7,749 and EUR 9,133, respectively.
In the income and loss statement, these costs were allocated as follows:

	2020	2019
Claims costs (Note 21)	(6,637,659)	(6,369,928)
Administrative costs	(913,328)	(812,382)
Acquisition costs	(201,429)	(132,530)
Investment management costs	(12,742)	(9,121)
	(7,765,158)	(7,323,961)

23. EMPLOYEE COSTS

During the years ending 31 December 2020 and 2019 the Company had, on average, 200 and 192 employees in its service, respectively, spread across the following professional categories:

	2020	2019
Senior management	5	5
Line management	11	10
IT Technical	4	4
Other technical	15	15
Administrative	165	158
Total	200	192

Employee costs in 2020 and 2019 were as follows:

	2020	2019
Remuneration		
- Corporate Bodies	183,502	205,939
- Employees	3,882,481	3,745,197
Remuneration expenses	843,157	765,271
Post-employment benefits		
Defined contribution plans	99,015	214,285
Defined benefits plans	13,476	(34,868)
Termination of employment benefits	54,914	3,585
Mandatory insurance	59,241	60,924
Social action costs	479,715	394,152
Other employee costs	33,913	57,899
Total employee costs	5,649,414	5,412,384

Costs incurred with employees on loan within the Fidelidade Group in 2020 were EUR 157,937 for Corporate Bodies (EUR 175,359 in 2019) and EUR 203,498 for employees (EUR 125,238 in 2019). These are distributed across the various employee costs headings according to their type (Note 32).

In 2020 and 2019 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 76,249 and EUR

194,252 respectively (Note 2.11). In 2020, 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 2020 and 2019, 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	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Executive Committee										
Chairman										
Jose Manuel Alvarez Quintero	-	-	-	-	-	-	-	-	-	-
Members										
Luis Filipe Mateus Alves	119,933	122,865	49,500	35,910	2,288	2,832	1,921	3,449	181	134
Paulo Francisco Baião Figueiredo	-	-	-	-	-	-	-	-	-	-
Supervisory Board	2019	2020								
Chairman										
Luis Manuel Machado Vilhena da Cunha	16,800	5,698	-	-	-	-	-	-	-	-
José António Costa Figueiredo	-	16,150	-	-	-	-	-	-	-	-
Members										
António José Pereira Cardoso Mota	14,000	14,000	-	-	-	-	-	-	-	-
José António Costa Figueiredo	14,000	-	-	-	-	-	-	-	-	-
Pedro Antunes de Almeida	-	10,502	-	-	-	-	-	-	-	-

Statutory Auditor

The fees paid to Ernst & Young Audit & Associados, SROC, the Company's Statutory Auditor, relating to the year ending 31 December 2020 were EUR 38,060 for statutory auditor services and EUR 21,280 for other information certification services related to Solvency II.

24. OBLIGATIONS WITH EMPLOYEE BENEFITS

In 2016, the Company entered into pre-retirement agreements with two employees. These entitle the employees to a payment up to the normal retirement age. Future liabilities with these agreements were EUR 65,179 at 31 December 2020, calculated using the following assumptions:

	2020
Actuarial Method	Projected Unit Credit
Demographic assumptions:	
• Mortality Table	
• Men	TV 73/77 (-2)
• Women	TV 88/90 (-2)
Financial assumptions:	
• Discount rate	0.75%
• Pensions growth rate	0.75%

The movement in "Liabilities for post-employment benefits and other long-term benefits" during 2020 and 2019 can be summarised as follows:

Balance at 31 December 2018	225,544
Costs in the year	156,190
Payments in 2019	(108,880)
Balance at 31 December 2019	272,854
Costs in the year	85,283
Payments in 2020	(111,174)
Balance at 31 December 2020	246,963

At 31 December 2020 the balance of "Liabilities for post-employment benefits and other long-term benefits", of EUR 246,963, refers to the sum of pre-retirements at 31 December (EUR 65,179) and to the IRP for December and the application of the new CEA (EUR 181,784) (Note 2.11).

The costs with these agreements reflected in the profit and loss statements for 2020 and 2019 are:

	2020
Pre-retirement agreements	
Interest costs	859
Actuarial (gains) / losses	12,618
Changes to assumptions	111
Difference between assumptions and realised amounts	12,507
	13,477

	2019
Pre-retirement agreements	
Interest costs	3,780
Actuarial (gains) / losses	-37,398
Changes to assumptions	1,250
Difference between assumptions and realised amounts	-38,648
	-33,618

25. INCOME

The accounting policies for recognising investment income are described in Note 2. In 2020 and 2019, these profit and loss headings were composed as follows:

	2020			2019		
	Interest	Dividends	Total	Interest	Dividends	Total
Income						
From interest on financial assets not recognised at fair value through profit or loss						
Financial assets designated at fair value through other comprehensive income						
Equity instruments and investment units						
Equities	-	-	-	-	50,312	50,312
	-	-	-	-	50,312	50,312
Debt instruments						
Bonds – domestic issuers	410,036	-	410,036	555,082	-	555,082
Bonds – other issuers	195,639	-	195,639	144,508	-	144,508
	605,675	-	605,675	699,590	-	699,590
Loans and accounts receivable	-	-	-	76,023	-	76,023
Financial assets recognised at amortised cost	43,891	-	43,891	-	-	-
Sight deposits in credit institutions	3,102	-	3,102	-	-	-
	46,993	-	46,993	76,023	-	76,023
	652,668	-	652,668	775,613	50,312	825,925
Others						
Financial assets recognised at fair value through profit or loss	2,500	19,570	22,070	1,896	-	1,896
Investments in subsidiaries (Note 6)		1,943	1,943			
	2,500	21,513	24,013	1,896	-	1,896
	655,168	21,513	676,681	777,509	50,312	827,821

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

In 2020 and 2019, the gains and losses on investments headings were composed as follows:

	2020		2019	
	Financial assets designated at fair value through other comprehensive income		Available-for-sale investments	
	Non-Life	Total	Non-Life	Total
GAINS ON INVESTMENTS				
Debt instruments				
Bonds – domestic issuers	21,993	21,993	361,331	361,331
Bonds – other issuers	3,485	3,485	7,963	7,963
	25,478	25,478	369,294	369,294
	25,478	25,478	369,294	369,294
LOSSES ON INVESTMENTS				
Equity instruments and investment units				
Equities	-	-	(488,599)	(488,599)
	-	-	(488,599)	(488,599)
Debt instruments				
Bonds – other issuers	(164,280)	(164,280)	(532)	(532)
	(164,280)	(164,280)	(532)	(532)
	(164,280)	(164,280)	(489,131)	(489,131)
	(138,802)	(138,802)	(119,837)	(119,837)

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

In 2020 and 2019, gains and losses from adjustments to the fair value of investments were composed as follows:

	2020		
	Non-Life portfolio		
Unrealised gains and losses	Gains	Losses	Net
Financial assets at fair value through profit or loss			
Debt instruments and other loans	-	(34,844)	(34,844)
Equity instruments and investment units	32,190	(54,181)	(21,991)
	32,190	(89,025)	(56,835)
Overlay approach adjustment	2,545	-	2,545
Properties (Note 7)	1,200	-	1,200
	35,935	(89,025)	(53,090)

Realised gains and losses	2019		
	Non-Life portfolio		
	Gains	Gains	Gains
Initially recognised at fair value through profit or loss			
Debt instruments and other loans	15,732	-	15,732
	15,732	-	15,732

28. EXCHANGE DIFFERENCES

In 2020 and 2019, gains and losses from exchange differences were as follows:

	2020		2019	
	Technical account	Total	Technical account	Total
Exchange rate gains	1,294	1,294	22	22
Exchange rate losses	(39)	(39)	(2,100)	(2,100)
	1,255	1,255	(2,078)	(2,078)

29. IMPAIRMENT LOSSES AND OTHER ADJUSTMENTS

The movement in impairment losses in 2020 and 2019 was as follows:

	2020				
	Opening balances	IFRS 9 Implementation	Increases	Recoveries and Cancellations	Closing balances
Impairment in investments in subsidiaries, associates and joint ventures	83	-	-	(48)	35
Expected credit losses of financial assets designated at fair value through other comprehensive income					
Debt instruments					
Stages 1 and 2	-	182,179	41,097	(93,116)	130,160
Expected credit losses of financial assets at amortised cost	-	-	2,632	-	2,632
	83	182,179	43,729	(93,164)	132,827

	2019		
	Opening balances	Increases	Closing balances
Impairment in investments in subsidiaries, associates and joint ventures	83	-	83
	83	-	83

At 31 December 2020 the breakdown by rating and expected credit losses stage based on the balance sheet value was as follows:

	ECL 12 M	LT ECL	Credit Impaired	Total
Financial assets designated at fair value through other comprehensive income				
Debt Securities				
AA- to AA+	8,046	-	-	8,046
A- to A+	2,084,626	-	-	2,084,626
BBB- to BBB+	32,868,954	-	-	32,868,954
BB- to BB+	4,044,268	-	-	4,044,268
B- to B+	443,985	-	-	443,985
Not rated	5,922,388	-	-	5,922,388
	45,372,267	-	-	45,372,267
ECL	(130,161)	-	-	(130,161)
Net Amount	45,242,106	-	-	45,242,106
Financial assets at amortised cost				
BBB- to BBB+	2,024,702	-	-	2,024,702
	2,024,702	-	-	2,024,702
ECL	(2,632)	-	-	(2,632)
Net Amount	2,022,070	-	-	2,022,070

At 31 December 2020 the breakdown by rating and expected credit losses stage based on the expected credit loss was as follows:

	ECL 12 M	LT ECL	Credit Impaired	Total
Financial assets designated at fair value through other comprehensive income				
AA- to AA+	(1)	-	-	(1)
A- to A+	(759)	-	-	(759)
BBB- to BBB+	(35,740)	-	-	(35,740)
BB- to BB+	(11,920)	-	-	(11,920)
B- to B+	(26,782)	-	-	(26,782)
Not rated	(54,959)	-	-	(54,959)
	(130,161)	-	-	(130,161)
Financial assets at amortised cost				
BBB- to BBB+	(2,632)	-	-	(2,632)
	(2,632)	-	-	(2,632)

The movement between 31 December 2019 and 31 December 2020 based on the expected credit loss was as follows:

Financial assets designated at fair value through other comprehensive income

	ECL 12 M	LT ECL	Credit Impaired	Total
ECL Amount at 01/01/2020	182,179	-	-	182,179
New assets originated or purchased	26,182	-	-	26,182
Assets derecognised or matured	(29,353)	-	-	(29,353)
Impact of net re-measurement of year end ECL	(48,847)	-	-	(48,847)
ECL Amount at 31/12/2020	**130,161**	**-**	**-**	**130,161**

Financial assets at amortised cost

	ECL 12 M	LT ECL	Credit Impaired	Total
ECL Amount at 01/01/2020	-	-	-	-
New assets originated or purchased	(2,632)			(2,632)
ECL Amount at 31/12/2020	**(2,632)**	**-**	**-**	**(2,632)**

The movement between 31 December 2019 and 31 December 2020 based on the balance sheet value was as follows:

Financial assets designated at fair value through other comprehensive income

	ECL 12 M	LT ECL	Credit Impaired	Total
Balance Value at 01/01/2020	33,882,203	-	-	33,882,203
New assets originated or purchased	17,114,664	-	-	17,114,664
Assets derecognised or matured	(5,368,337)	-	-	(5,368,337)
Capitalised accrued interest	(366,124)	-	-	(366,124)
Change in Fair Value	109,861	-	-	109,861
Balance Value at 31/12/2020	**45,372,267**	**-**	**-**	**45,372,267**

Financial assets at amortised cost

	ECL 12 M	LT ECL	Credit Impaired	Total
Balance Sheet Value at 01/01/2020	-	-	-	-
New assets originated or purchased	2,024,660	-	-	2,024,660
Capitalised accrued interest	41	-	-	41
Change in Fair Value	(2,631)	-	-	(2,631)
Balance Sheet Value at 31/12/2020	**2,022,070**	**-**	**-**	**2,022,070**

30. OTHER INCOME/EXPENSES

	2020	2019
Non-current income and gains		
Tax rebates	665,543	10,899
Compensatory interest	24,051	-
Others	2,130	252
Financial income and gains		
Exchange rate gains	-	29,707
Other non-technical income		
Provision of services	573,752	563,542
Non-current expenses and losses		
Sponsorship	-	(469)
Fines and penalties	-	(2,150)
Insufficient tax estimate	(30,584)	-
Bad debts	-	(818)
Adjustments to balances	-	(748)
Others	(767)	(9)
Financial expenses and losses		
Interest paid	(14)	(461)
Exchange rate losses	(52,319)	-
Banking services	(16,675)	(3,488)
	1,165,117	596,257

The increase in income relating to tax rebates was due to the tax benefit obtained via SIFIDE 2019 (Tax Incentives System for Business Research and Development).

Fidelidade Assistência presented its application to SIFIDE for 2019, with eligible expenses of EUR 749,510 and a claimed tax credit of EUR 618,346.

Since the application to SIFIDE for 2019 was approved, the corresponding tax benefit, of EUR 618,346, was deducted.

31. SEGMENT REPORTING

In 2020 and 2019, 98.9% and 98.0% of the gross premiums written are from contracts entered into in Portugal. In 2020 and 2019 the distribution of income by lines of business was as follows:

2020

Headings	Non-Life Lines of Business		
	Miscellaneous		Total
	Legal Protection	Assistance	
Gross premiums written	5,712,389	47,073,023	52,785,412
Earned premiums from reinsurance ceded	(1,073)	-	(1,073)
Gross premiums earned	5,713,051	47,045,073	52,758,124
Investment income	25,784	451,247	477,031
Gross claims costs	(799,726)	(37,048,654)	(37,848,380)
Gross operating costs	(121,219)	(993,417)	(1,114,636)
Profit sharing	(2,315,296)	(3,598,922)	(5,914,218)
Change in provision for unexpired risks	-	-	-
Technical income	2,501,521	5,855,327	8,356,848
Allocated assets	58,168,527		
Technical provisions	2,585,993	7,696,946	10,282,939

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

32. RELATED PARTIES

Fidelidade Assistência's related parties are deemed to be the subsidiaries and associates of the Group. In 2020 and 2019, the Company's related parties were:

Name of Related Party	Registered Office
Companies that, directly or indirectly, control the Company	
Fidelidade - Companhia de Seguros, S.A.	Portugal
Companies that, directly or indirectly, are under common control with the Company	
Longrun Portugal, SGPS, 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
Fidelidade Macau Vida	Macao
Members of the Company's Board of Directors	
José Manuel Alvarez Quintero	Chairman
Luis Filipe Mateus Alves	Member
Paulo Francisco Baião Figueiredo	Member
Members of the Supervisory Board	
José António Costa Figueiredo	Chairman
António José Pereira Cardoso Mota	Member
Pedro Antunes de Almeida	Member

At 31 December 2020 and 2019, Fidelidade Assistência's financial statements include the following balances and transactions with related parties:

	31-12-2020	31-12-2019
Balance sheet values		
Sight deposits (Note 3):		
Caixa Geral de Depósitos, S.A.	5,276,771	11,407,163
Investments in subsidiaries and associates (Note 4):		
Fidelidade - Serviços de Assistência, S.A.	429,386	429,386
CARES - Assistência e Reparações, S.A.	6,200,000	-
Fidelidade Angola - Companhia de Seguros, S.A.	89,662	89,662
Fidelidade - Assistência e Serviços, Limitada	48	-
Fidelidade Macau – Insurance Company Limited	1,118	1,118
GEP Cabo Verde, Gestão de Peritagens, Limitada	11,336	11,336
Fidelidade Macau Vida	1,127	-
Available-for-sale investments:		
Caixa Geral de Depósitos, S.A.	603,686	596,013
Loans and accounts receivable (Note 6):		
Fidelidade - Serviços de Assistência, S.A.	-	5,625,005
Properties under operating lease (Note 7):		
Fidelidade - Companhia de Seguros, S.A.	359,042	628,324
Debtors / creditors – direct insurance and reinsurance operations (Notes 11 and 15):		
Caixa Geral de Depósitos, S.A.	-	12,532
Fidelidade - Companhia de Seguros, S.A.	2,915,872	1,488,860
Via Directa - Companhia de Seguros, S.A.	(66,158)	261,751
Multicare - Seguros de Saúde, S.A.	(14,303)	57,817
Garantia - Companhia de Seguros, S.A.	1,961	3,105
Fidelidade Angola – Companhia de Seguros, S.A.	48,556	(65,301)
Debtors – other operations (Note 11):		
Fidelidade - Serviços de Assistência, S.A.	96,023	71,626
LongRun Portugal	-	13,886
Creditors – other operations (Note 15):		
Fidelidade - Companhia de Seguros, S.A.	(690,316)	(930,226)
Via Directa - Companhia de Seguros, S.A.	(327)	-
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(899)	(899)
LongRun Portugal	(1,474,163)	-
Fidelidade Angola - Companhia de Seguros, S.A.	(15,763)	(31,603)
Garantia - Companhia de Seguros, S.A.	-	(4,829)

	31-12-2020	31-12-2019
Balance sheet values		
Accruals and deferrals - assets (Note 13)		
Fidelidade - Companhia de Seguros, S.A.	242,020	243,384
Via Directa - Companhia de Seguros, S.A.	757	736
Accruals and deferrals - liabilities (Note 16)		
Fidelidade - Companhia de Seguros, S.A.	(332,151)	(137,181)
Caixa Geral de Depósitos, S.A.	(6,000)	(3,000)
Provision for unearned premiums – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(13,084)	(10,934)
Garantia - Companhia de Seguros, S.A.	(39,391)	(43,245)
Fidelidade Angola - Companhia de Seguros, S.A.	(66,822)	(33,329)
Claims provision:		
GEP - Gestão de Peritagens, S.A.	(555)	(245)
CARES - Assistência e Reparações, S.A.	-	(714)
Fidelidade Angola - Companhia de Seguros, S.A.	(3,928)	(6,496)
CETRA - Centro Técnico de Reparação Automóvel, S.A.	(86)	(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.

	31-12-2020	31-12-2019
Income statement values		
Change in provision for unearned premiums – reinsurance accepted:		
Fidelidade - Companhia de Seguros, S.A.	(2,150)	1,557
Garantia - Companhia de Seguros, S.A.	3,854	(9,653)
Fidelidade Angola - Companhia de Seguros, S.A.	(33,493)	99,496
Profit sharing – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(5,145,260)	(2,795,066)
Via Directa - Companhia de Seguros, S.A.	(522,665)	(181,276)
Multicare - Seguros de Saúde, S.A.	(84,219)	-
Garantia - Companhia de Seguros, S.A.	(62,622)	(94,991)
Fidelidade Angola - Companhia de Seguros, S.A.	(44,224)	(26,858)
Claims costs – amounts paid:		
GEP - Gestão de Peritagens, S.A.	(8,543)	(7,209)
CARES - Assistência e Reparações, S.A.	(6,868)	(8,108)
Fidelidade Angola - Companhia de Seguros, S.A.	(12,921)	(107,905)
CETRA - Centro Técnico de Reparação Automóvel, S.A.	(24,477)	(39,997)
Fidelidade - Serviços de Assistência, S.A.	(1,100)	-

	31-12-2020	31-12-2019
Income statement values		
Change in claims provision:		
GEP - Gestão de Peritagens, S.A.	(310)	284
CARES - Assistência e Reparações, S.A.	714	(225)
Fidelidade Angola - Companhia de Seguros, S.A.	2,568	340
CETRA - Centro Técnico de Reparação Automóvel, S.A.	2,471	(2,557)
Accounts relating to assignment of corporate bodies (Note 23):		
Fidelidade - Companhia de Seguros, S.A.	(157,937)	(175,359)
Accounts relating to assignment of employees (Note 23):		
Fidelidade - Companhia de Seguros, S.A.	(233,080)	(125,238)
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	29,582	-
Other expenses (employees, ESS, commissions, amortisations, interest and financial expenses):		
Fidelidade - Companhia de Seguros, S.A.	(726,250)	(637,267)
Via Directa - Companhia de Seguros, S.A.	(2,117)	(2,215)
GEP - Gestão de Peritagens, S.A.	-	50
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(13,755)	(11,008)
Caixa Geral de Depósitos, S.A.	(33,642)	(14,118)
CARES - Assistência e Reparações, S.A.	6,344	20,204
Gross premiums written – reinsurance accepted and direct insurance		
Fidelidade - Companhia de Seguros, S.A.	45,572,199	45,368,582
Via Directa - Companhia de Seguros, S.A.	5,469,185	5,338,102
Multicare - Seguros de Saúde, S.A.	784,637	671,822
Garantia - Companhia de Seguros, S.A.	143,662	332,227
Fidelidade Angola - Companhia de Seguros, S.A.	168,443	162,564
Caixa Geral de Depósitos, S.A.	160,235	117,641
Provision of services – other services		
Fidelidade - Serviços de Assistência, S.A.	569,490	563,541
GEP - Gestão de Peritagens, S.A.	4,262	-
Investment income (interest and dividends):		
Caixa Geral de Depósitos, S.A.	22,363	5,393
Fidelidade - Serviços de Assistência, S.A.	37,971	76,023
Fidelidade Angola - Companhia de Seguros, S.A.	1,943	-

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

	31-12-2020	31-12-2019
Employees assigned to group companies:		
Fidelidade - Companhia de Seguros, S.A.	1	-
Employees received from group companies:		
Fidelidade - Companhia de Seguros, S.A.	4	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.

33. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

Financial Condition

At 31 December 2020 and 2019, the financial instruments had the following balance sheet value:

	2020		
	Recognised at fair value	Not recognised at fair value	Total
Assets			
Cash and cash equivalents		5,280,664	5,280,664
Investments in subsidiaries, associates and joint ventures		6,732,678	6,732,678
Financial assets at fair value through profit or loss	2,861,238		2,861,238
Financial assets designated at fair value through other comprehensive income	45,372,267		45,372,267
Assets at amortised cost		2,022,070	2,022,070
Other debtors		3,215,161	3,215,161
	48,233,505	17,250,573	65,484,078
Liabilities			
Other financial liabilities		381,511	381,511
Other creditors		2,187,074	2,187,074
	-	2,568,585	2,568,585
	48,233,505	19,819,158	68,052,663

	2019		
	Recognised at fair value	Not recognised at fair value	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	436,004		436,004
Available-for-sale investments	35,253,201		35,253,201
Loans and accounts receivable		5,625,005	5,625,005
Other debtors		2,191,624	2,191,624
	35,689,205	21,313,942	59,194,771
Liabilities			
Other financial liabilities		647,219	647,219
Other creditors		467,194	467,194
	-	1,114,413	1,114,413
	35,689,205	22,428,355	60,309,184

The amounts in the headings “Other debtors” and “Other creditors” essentially correspond to the balances receivable from and payable to insured, reinsurers, reinsured and other external entities.

Gains and Losses

In 2020 and 2019, the net gains and losses on financial instruments break down as follows:

	2020		
	Income Statement	As a charge to Shareholders' Equity	Total
Income from financial instruments			
Financial assets at fair value through profit or loss	24,013	-	24,013
Financial assets designated at fair value through other comprehensive income	605,675	-	605,675
Financial assets at amortised cost	43,891	-	43,891
Sight deposits	3,102	-	3,102
Net income from financial assets and liabilities not recognised at fair value through profit or loss			
Financial assets recognised through other comprehensive income	(138,802)	121,087	(17,715)
Net income from financial assets and liabilities recognised at fair value through profit or loss	(55,872)	-	(55,872)
Exchange differences	1,255	-	1,255
Impairment losses (net of reversals)			
Financial assets recognised through other comprehensive income	52,019	-	52,019
Financial assets at amortised cost	(2,632)	-	(2,632)
Others	48	-	48
Overlay approach adjustment	2,545	-	2,545
	535,242	121,087	656,329

	2019		
	Income Statement	As a charge to Shareholders' Equity	Total
Income from financial instruments			
Financial assets initially recognised at fair value through profit or loss	1,896	-	1,896
Available-for-sale investments	749,902	-	749,902
Loans and accounts receivable	76,023	-	76,023
Sight deposits	-	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss			
Available-for-sale investments	(119,837)	327,583	207,746
Net income on financial assets and liabilities recognised at fair value through profit or loss	17,039	-	17,039
Exchange differences	(2,078)	-	(2,078)

722,945	327,583	1,050,528

Fair value of financial instruments

At 31 December 2020 and 2019, the method for assessing the fair value of the financial instruments reflected in the Company's financial statements can be summarised as follows:

	2020				
	Fair value assessment methodology			Not recognised at fair value	Total
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents				5,280,664	5,280,664
Investments in subsidiaries, associates and joint ventures				6,732,678	6,732,678
Financial assets at fair value through profit or loss	600,997	44,242	2,215,999		2,861,238
Financial assets designated at fair value through other comprehensive income	41,345,637	4,026,630			45,372,267
Assets at amortised cost				2,022,070	2,022,070
Other debtors				3,215,161	3,215,161
	41,946,634	4,070,872	2,215,999	17,250,573	65,484,078

	2019				
	Fair value assessment methodology			Not recognised at fair value	Total
	Level 1	Level 2	Level 3		
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	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
	34,553,093	33,171	1,102,941	23,505,566	59,194,771

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 – "Fair Value Measurement", of the financial instruments held by the Company at 31 December 2020 and 2019 which are valued at fair value, in line with the following assumptions:

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

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

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

The movement in 2020 and 2019 in financial instruments classified with Level 3 of the fair value hierarchy can be broken down as follows:

	Available-for-sale investments
Balance at 31 December 2018	347,607
Acquisitions	749,510
Revaluations	
• as a charge to shareholders' equity	5,824
Balance at 31 December 2019	1,102,941

	Financial assets at fair value through profit or loss
Balance at 31 December 2019	1,102,941
Acquisitions	1,100,000
Revaluations	
• as a charge to the income statement	(19,447)
• as a charge to shareholders' equity	32,505
Balance at 31 December 2020	2,215,999

<u>Policies on managing financial risks inherent to Fidelidade Assistência's activity</u>

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.

At 31 December 2020 and 2019, the balance sheet value and the fair value of the financial assets recognised at amortised cost or at historical cost was as follows:

	2020		
	Balance Sheet Value	Fair Value	Difference
Assets			
Cash and cash equivalents	5,280,664	5,280,664	-
Assets at amortised cost	2,022,070	2,024,702	(2,632)
Other debtors	3,215,161	3,215,161	-
	10,517,895	10,520,527	(2,632)

	2019	
	Balance Sheet Value	Fair Value
Assets		
Cash and cash equivalents	15,157,434	15,157,434
Other debtors	2,191,624	2,191,624
	17,349,058	17,349,058

Credit risk

At 31 December 2020 and 2019 Fidelidade Assistência's maximum exposure to credit risk was as follows:

	31-12-2020	31-12-2019
Sight deposits	5,280,664	15,157,434
Financial assets initially recognised at fair value through profit or loss	367,989	402,833
Available-for-sale investments	-	35,253,201
Financial assets designated at fair value through other comprehensive income	45,372,267	-
Loans and accounts receivable	-	5,625,005
Financial assets at amortised cost	2,022,070	-
Other debtors	3,215,161	2,191,624
	56,258,151	58,630,097

Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2020 and 2019, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

Class of asset/Ratings	31-12-2020		
	Portugal	Rest of European Union	Total
Deposits in Credit Institutions			
BB- to BB+	5,276,770	-	5,276,770
BBB- to BBB+	-	3,894	3,894
	5,276,770	**3,894**	**5,280,664**
Total	**5,276,770**	**3,894**	**5,280,664**

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**

At 31 December 2020 and 2019, 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	31-12-2020				
	Portugal	Rest of European Union	North America	Others	Total
Financial Assets at Fair Value through Profit or Loss					
Corporate					
BB- to BB+	-	367,989	-	-	367,989
	-	**367,989**	**-**	**-**	**367,989**
Total Financial Assets at Fair Value through Profit or Loss	**-**	**367,989**	**-**	**-**	**367,989**
Financial assets designated at fair value through other comprehensive income					
Corporate					
A- to A+	-	-	-	1,177,383	1,177,383
BBB- to BBB+	-	2,235,774	1,036,485	621,329	3,893,588
BB- to BB+	-	-	874,709	-	874,709
B- to B+	-	-	443,985	-	443,985
Not rated	400,257	-	-	-	400,257
	400,257	**2,235,774**	**2,355,179**	**1,798,712**	**6,789,922**

Class of asset/Ratings	31-12-2020 Portugal	Rest of European Union	North America	Others	Total
Governments and other local authorities					
AA- to AA+	-	8,046	-	-	8,046
BBB- to BBB+	24,261,119	3,928,760	-	1,007,281	29,197,160
BB- to BB+	2,565,873	-	-	-	2,565,873
	26,826,992	**3,936,806**	**-**	**1,007,281**	**31,771,079**
Financial Institutions					
A- to A+	-	590,950	316,293	-	907,243
BBB- to BBB+	-	1,107,887	500,674	672,427	2,280,988
BB- to BB+	603,686	-	-	-	603,686
Not rated	-	3,019,349	-	-	3,019,349
	603,686	**4,718,186**	**816,967**	**672,427**	**6,811,266**
Total Financial assets designated at fair value through other comprehensive income	**27,830,935**	**10,890,766**	**3,172,146**	**3,478,420**	**45,372,267**

Class of asset/Ratings	31-12-2019 Portugal	Rest of European Union	North America	Others	Total
Financial Assets at Fair Value through Profit or Loss					
Corporate					
BBB- to BBB+	-	402,833	-	-	402,833
Total Financial Assets 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**

Liquidity Risk

At 31 December 2020 and 2019, the estimated undiscounted cash flows of the financial instruments, according to the respective contractual maturity, were as follows:

	31-12-2020									
	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	5,280,664	-	-	-	-	-	-	-	-	5,280,664
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	6,732,674	6,732,674
Financial assets at fair value through profit or loss	-	-	1,239	1,260	402,500	-	-	-	44,242	449,241
Financial assets designated at fair value through other comprehensive income	515,124	263,739	15,703,346	776,063	6,500,793	8,732,286	15,457,065	-	7,036,726	54,985,141
Other debtors	3,215,161									3,215,161
	9,010,949	263,739	15,704,585	777,323	6,903,293	8,732,286	15,457,065	-	13,813,642	70,662,881

	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

The amounts presented above are not comparable with the accounting balances as they include cash-flow projections and are not discounted.

The calculation of the estimated cash flows of the financial instruments is based on the principles and assumptions Fidelidade Assistência uses as part of its activity to manage and control liquidity, with the adjustments needed to comply with the applicable disclosure requirements. The main assumptions used to calculate the cash-flow estimates were:

- Cash and cash equivalents were classified as payable on demand and included in the "Up to 1 month" category;
- The amounts recognised in "Loans and accounts receivable" relate to provisions held by the ceding companies as part of the reinsurance treaties in force, and are renewable for annual periods. The cash-flow estimates were calculated on the basis of the next due date;
- The amounts included in "Other debtors" and "Other creditors" are payable on demand, and classified with maturity of "Up to 1 month";
- Equity instruments were classified as being of "Indefinite" maturity;
- In debt instruments the contractual maturity was considered to be the earlier of the following dates: call, put or maturity.

Market risk

At 31 December 2020 and 2019, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

	31-12-2020			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in subsidiaries, associates and joint ventures	-	-	6,732,678	6,732,678
Financial assets at fair value through profit or loss	367,989	-	2,493,249	2,861,238
Financial assets designated at fair value through other comprehensive income	43,265,501	2,106,766	-	45,372,267
Financial assets at amortised cost	2,022,070	-	-	2,022,070
	45,655,560	2,106,766	9,225,927	56,988,253

	31-12-2019			
	Exposure to		Not subject to interest rate risk	Total
	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
	38,469,699	1,440,342	1,935,672	41,845,713

At 31 December 2020 and 2019, 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:

	2020					
	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 at fair value through profit or loss	(12,716)	(6,444)	(3,244)	3,289	6,623	13,430
Financial assets designated at fair value through other comprehensive income	(2,876,797)	(1,485,973)	(755,391)	781,289	1,589,622	3,292,305
	(2,889,513)	(1,492,417)	(758,635)	784,578	1,596,245	3,305,735

	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
	(1,464,963)	(749,091)	(378,832)	387,684	784,511	1,606,829

Exchange rate risk

At 31 December 2020 and 2019, the breakdown of financial instruments by currency was as follows:

	2020			
	Euros	U.S. Dollar	Other currencies	Total
Assets				
Cash and cash equivalents	5,273,644	429	6,591	5,280,664
Investments in subsidiaries, associates and joint ventures	6,629,386	-	103,292	6,732,678
Financial assets at fair value through profit or loss	2,861,238	-	-	2,861,238
Financial assets designated at fair value through other comprehensive income	45,372,267	-	-	45,372,267
Financial assets at amortised cost	2,022,070	-	-	2,022,070
Other debtors	2,994,637	4,078	216,445	3,215,161
	65,153,243	4,507	326,328	65,484,078
Liabilities				
Other financial liabilities	381,511	-	-	381,511
Other creditors	2,187,074	-	-	2,187,074
	2,568,585	-	-	2,568,585
	67,721,828	4,507	326,328	68,052,663

	2019			
	Euros	U.S. Dollar	Other currencies	Total
Assets				
Cash and cash equivalents	14,494,576	468	662,390	15,157,434
Investments in subsidiaries, associates and joint ventures	429,386	-	102,117	531,503
Financial assets initially recognised at fair value through profit or loss	436,004	-	-	436,004
Available-for-sale investments	35,253,201	-	-	35,253,201
Loans and accounts receivable	5,625,005	-	-	5,625,005
Other debtors	1,881,404	4,455	305,766	2,191,624
	56,238,172	4,923	1,070,272	59,194,771
Liabilities				
Other financial liabilities	647,219	-	-	647,219
Other creditors	401,892	-	65,302	467,194
	1,049,111	-	65,302	1,114,413
	56,287,283	4,923	1,135,574	60,309,184

34. 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 customers, with 98.8% of the premiums written and 99.3% 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 customers, 99.64% of these portfolios are 100% reinsured by Fidelidade Assistance and the remaining 0.36%, which corresponds to the business accepted in Angola, is only reinsured at 90% and 70%. 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 2020 the Assistance line of business represented around 89.17% of the premiums underwritten and 97.89% of the claims costs.

Portfolio behaviour

	2020			2019		
	GPE	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio	GPE	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio
Assistance	47,045,073	80.86%	79.90%	47,389,000	93.31%	92.05%
Legal Protection	5,713,051	16.12%	15.67%	5,389,586	22.35%	21.62%

Reinsurance policies

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

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

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

Provision of qualitative information on sufficiency of premiums and provisions

Assistance

In 2020, 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 48.6% of the gross premiums earned for direct insurance and 79.6% for reinsurance accepted. Acquisition and administrative costs consumed as a whole 2.11% of the gross premiums earned. The Company's combined ratios, considering the investment income, were 48.85% for direct insurance and 80.74% for reinsurance accepted.

The Company states that reinsurance accepted premiums are issued monthly, covering the risk period of the monthly immediately preceding, and it does not, therefore, 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.

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 0.34% of the gross premiums written.

Legal Protection

In 2020, 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 22.92% of the gross premiums earned, which was lower than in the previous year. Operating costs consumed 2.12% of the gross premiums earned. Considering the investment income, Fidelidade Assistência obtained a combined ratio of 24.60%, 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 0.02% 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 2020, totalling EUR 542,170 for Assistance and EUR 96,078 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 96.15% for Assistance and 96.68% 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 98.85% for the Assistance line of business and 98.32% for the Legal Protection line of business.

Assistance - GPE consumption scenarios at 31-12-2020

	Real	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE
Gross Premium Earned	47,045,074		47,045,074		47,045,074	
Claims costs in the year	37,310,542	79.31%	44,692,820	95.00%	46,502,904	98.85%
Other costs (*)	542,170	1.15%	542,170	1.15%	542,170	1.15%
Total Costs	37,852,712	80.46%	45,234,990	96.15%	47,045,074	100.00%

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

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

Legal Protection - GPE consumption scenarios at 31-12-2020

	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE	% of GPE
Gross Premium Earned	5,713,051		5,713,051		5,713,051	
Claims costs in the year	1,309,303	22.92%	5,427,398	95.00%	5,616,973	98.32%
Other costs (*)	96,078	1.68%	96,078	1.68%	96,078	1.68%
Total Costs	1,405,380	24.60%	5,523,476	96.68%	5,713,051	100.00%

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

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

	% of GPE	Scenario 1	% of GPE	Scenario 2	% of GPE	% 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

Ratios

The ratio of the provision for unearned premiums to gross premiums written is 0.3% (2019: 0.3%), 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:

	2020	2019
Claims ratios	59.2%	72.2%
Expense ratios	14.6%	13.7%
Combined ratio	84.9%	92.1%
Operating ratio	1.0	1.2

The claims ratio decreased around 13 percentage points compared to the previous year due to a decrease in the number of claims and the costs of these. The combined ratio decreased for the same reason.

35. 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 and the Products Committee.

36. SUBSEQUENT EVENTS

At the beginning of 2021, Portugal recorded a significant escalation of the COVID-19 pandemic, leading to a second period of extended lockdown in the country, which is expected to continue for longer than the previous lockdown ordered in March 2020. This third wave of Covid-19, exacerbated by the spread of new variants of the virus, has made the current situation more challenging, due both to its impact on public health and to its effects on the economy and society. The national vaccination programme initiated in December 2020 is expected to be extended to the entire population during 2021 and this is expected to mark the start of new recovery phase.

Fidelidade Assistência has continued the measures taken at the start of the pandemic, and these have proved effective in terms of guaranteeing the safety and well-being of our employees and supporting our customers and business partners and the communities where we are present.

04
Inventory of Participations and Financial Instruments

FIDELIDADE ASSISTÊNCIA - Companhia de Seguros, S.A.

Annex 1 - Inventory of Participations and Financial Instruments at 31 December 2020

Tax Number: 503 411 515

(Amounts in Euros)

Security Name	Quantity	Nominal Amount	% Nominal Value	Average Acquisition Cost	Total Acquisition Cost	Value in Statement of Financial Position UNITARY	Value in Statement of Financial Position TOTAL
1 - SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER PARTICIPANT AND PARTICIPATING COMPANIES							
1.1 - Domestic Securities							
1.1.1 - Investments in subsidiaries							
Fidelidade - Serviços de Assistência, S.A	5,000			85.88	429,386	85.88	429,386
CARES - ASSISTENCIA E REPARAÇÕES	100,000			62.00	6,200,000	62.00	6,200,000
sub-total	**105,000**			**147.88**	**6,629,386**	**147.88**	**6,629,386**
total	**105,000**			**147.88**	**6,629,386**	**147.88**	**6,629,386**
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	0.01	48
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
FIDELIDADE MACAU VIDA - COMPANHIA DE SEGUROS, MOP	10			112.70	1,127	112.70	1,127
sub-total	**1,254,021**			**89,886.61**	**103,327**	**89,886.52**	**103,291**
total	**1,254,021**			**89,886.61**	**103,327**	**89,886.52**	**103,291**
TOTAL	**1,359,021**			**90,034.49**	**6,732,713**	**90,034.40**	**6,732,677**
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	2.36	233,008
sub-total	**98,732**			**2.52**	**248,682**	**2.36**	**233,008**
2.1.1.3 - Participation units in investment funds							
FUNDO DE COMPENSACAO DE TRABALHO	38,711			1.06	41,039	1.14	44,242
IBERIS BLUETECH FUND, FCR. EuVECA, FIM	386			1,035.00	399,510	984.62	380,063
EXPLORER GROWTH FUND II, FCR, FIM	13			50,000.00	650,000	48,528.31	630,868
SAUDEINVEST (FII)	200			1,000.00	200,000	2,025.34	405,068
IBERIS BLUETECH FUND II, FCR, FIM	600			1,000.00	600,000	1,000.00	600,000
ActiveCap I - Portuguese Growth Fund, FCR, FIM	200			1,000.00	200,000	1,000.00	200,000
sub-total	**40,110**			**54,036.06**	**2,090,549**	**53,539.41**	**2,260,241**
sub-total	**138,842**			**54,038.58**	**2,339,231**	**53,541.77**	**2,493,249**
2.1.2 - Debt securities							2,449,007
2.1.2.1 - Public debt							
PGB, 3.85%, 15/04/2021, GOVT		13,300,000	108		14,414,770	104.01	13,833,392
PGB, 4.125%, 14/04/2027, GOVT		2,750,000	128		3,516,775	130.99	3,602,133
PGB, 4.95%, 25/10/2023, GOVT		650,000	120		782,080	116.64	758,171
PGB, 5.65%, 15/02/2024, GOVT		3,360,000	121		4,079,208	124.43	4,180,811
PGB, 0,475%, 18/10/2030, GOVT		2,250,000	202		2,276,140	205.55	2,283,176
sub-total		**22,310,000**	**680**		**25,068,973**	**681.61**	**24,657,683**
2.1.2.2 - Other public issuers							
REGIAO AUTONOMA ACORES, 1.448%, 14/04/2027, GOVT		1,500,000	100		1,500,000	108.37	1,625,507
REGIAO AUTONOMA ACORES, 0.603%, 21/07/2026, GOVT		1,500,000	100		1,500,000	102.12	1,531,791
sub-total		**3,000,000**	**200**		**3,000,000**	**210.49**	**3,157,298**
2.1.2.3 - Other issuers							
MOTA ENGIL, FRN, 21/06/2021, CORP		400,000	100		398,000	100.06	400,257
SAUDACOR, FRN, 28/06/2023, CORP		1,000,000	100		1,001,000	103.41	1,034,082
CGD, 5.98%, 03/03/2028, CORP		350,000	112		391,300	113.78	398,227
CGD, 1.25%, 25/11/2024, CORP		200,000	100		199,760	102.73	205,459
sub-total		**1,950,000**	**411**		**1,990,060**	**419.98**	**2,038,025**
sub-total		**27,260,000**	**1,291**		**30,059,033**	**1,312.08**	**29,853,006**
total	**138,842**	**27,260,000**	**1,291**	**54,038.58**	**32,398,264**	**54,853.85**	**32,346,255**
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	115.75	1,504,752
FRTR, 4.25%, 25/10/2023, GOVT		7,000	96		6,734	114.94	8,046
BTPS, 0.05%, 15/04/2021, GOVT		750,000	98		732,008	100.17	751,242
BTPS, 0.95%, 15/03/2023, GOVT		1,100,000	98		1,083,357	103.27	1,135,968
SPGB, 0.8%, 30/07/2027, GOVT		500,000	101		505,520	107.36	536,798
ANDORRA, 0.6%, 14/04/2023, GOVT, CALL		1,000,000	100		998,770	100.73	1,007,281
sub-total		**4,657,000**	**610**		**4,844,918**	**642.22**	**4,944,087**
2.2.2.3 - Other issuers							
DISCOVERY COMMUNICATIONS, 1.9%, 19/03/2027, CORP, CALL		600,000	97		583,800	108.60	651,593
TAURON POLSKA ENERGIA SA, 2.375%, 05/07/2027, CORP		650,000	103		668,070	105.29	684,383
THREE GORGES FNCE II, 1.3%, 21/06/2024, CORP		650,000	102		662,285	103.65	673,741
WPC EUROBOND BV, 2.25%, 19/07/2024, CORP, CALL)		330,000	101		334,610	108.25	357,211
TRICERATOPS CAPITAL, 0.817%, 25/01/2021, CORP		500,000	100		500,000	100.73	503,642
EP INFRASTRUCTURE, 1.659%, 26/04/2024, CORP, CALL		500,000	98		492,250	104.18	520,884
COMMONWEALTH BANK, 2%, 22/04/2027, CORP, CALL		650,000	101		653,575	103.45	672,427
INT CONSOLIDATED AIRLINE, 0.625%, 17/11/2022, CONV		400,000	97		386,800	92.00	367,989
BWAY, 4.75%, 15/04/2024, CORP, CALL		440,000	101		443,520	100.91	443,985
BANQUE INTERN LUX, 0.529%, 29/08/2024, CORP		600,000	100		600,000	98.49	590,950
FIDELITY NATL INFO SERV, 0.125%, 21/05/2021, CORP, CALL		500,000	99		496,900	100.13	500,674
SELP FINANCE SARL, 1.25%, 25/10/2023, CORP, CALL		350,000	99		348,215	103.36	361,744
BALL, 4.375%, 15/12/2023, CORP, CALL		500,000	110		547,500	112.33	561,667
SPIRE (BTPS 1.3 05/15/28), 0.884%, 15/05/2028, CORP		3,000,000	100		3,001,280	100.64	3,019,349
ORIGIN ENERGY, 3.5%, 04/10/2021, CORP		600,000	104		621,618	103.55	621,329
ATHENE GLOBAL FUNDING, 1.875%, 23/06/2023, CORP		300,000	100		299,619	105.43	316,293
INTERMEDIATE CAP, 1.625%, 17/02/2027, CORP, CALL		500,000	100		498,655	101.51	507,529
MOHAWK, 1.75%, 12/06/2027, CORP, CALL		300,000	100		299,667	103.85	311,551
KRAFT HEINZ FOODS CO, 2%, 30/06/2023, CORP, CALL		300,000	101		302,820	104.35	313,042
CREDIT AGRICOLE, 3%, 22/12/2024, CORP		550,000	106		584,210	109.16	600,358
AMERICAN TOWER, 1.95%, 22/05/2026, CORP, CALL		350,000	103		361,200	109.97	384,893
sub-total		**12,570,000**	**2,122**		**12,686,594**	**2,179.82**	**12,965,234**
sub-total		**17,227,000**	**2,732**		**17,531,512**	**2,822.04**	**17,909,321**
total		**17,227,000**	**2,732**		**17,531,512**	**2,822.04**	**17,909,321**
TOTAL	**138,842**	**44,487,000**	**4,023**	**54,038.58**	**49,929,776**	**57,675.89**	**50,255,576**
3 - GRAND TOTAL	**1,497,863**	**44,487,000**	**4,023**	**144,073.07**	**56,662,490**	**147,710.29**	**56,988,253**

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 2020 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.

FIDELIDADE ASSISTÊNCIA's share capital is wholly owned by Fidelidade – Companhia de Seguros, S.A..

2. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

3. NUMBER OF OWN SHARES, PERCENTAGE OF CORRESPONDING SHARE CAPITAL AND PERCENTAGE OF CORRESPONDING VOTING RIGHTS

At 31 December 2020, FIDELIDADE ASSISTÊNCIA did not hold any own shares.

4. RULES GOVERNING THE RENEWAL OR REMOVAL OF DEFENSIVE MEASURES, IN PARTICULAR THOSE WHICH PROVIDE FOR LIMITATION OF THE NUMBER OF VOTES THAT MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN CONCERT WITH OTHER SHAREHOLDERS

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

5. AGREEMENTS BETWEEN SHAREHOLDERS WHICH ARE KNOWN TO THE COMPANY AND MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SECURITIES OR VOTING RIGHTS

See Point 2 above.

II. Shareholdings

6. IDENTIFICATION OF NATURAL OR LEGAL PERSONS WITH QUALIFYING HOLDINGS, WITH AN INDICATION OF THE PERCENTAGE OF CAPITAL AND VOTES ALLOCATED AND THE SOURCE AND CAUSES OF ALLOCATION

The qualifying holdings in the Company's share capital at 31 December 2020, and the percentage of capital and votes allocated and source and causes of allocation, are set out in the table below:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights	Method of Allocation
Fidelidade – Companhia de Seguros, S.A.	1,500,000	100%	100%	Acquisition

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

At 31 December 2020, the members of the management and supervisory bodies did not hold shares in the Company.

At 31 December 2020, the members of the management and supervisory bodies did not hold 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 2020/2022, as at 31 December 2020, 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 voting rights

9. ANY RESTRICTIONS ON VOTING RIGHTS, SUCH AS LIMITATIONS OF THE VOTING RIGHTS OF HOLDERS OF A GIVEN PERCENTAGE OR NUMBER OF SHARES, DEADLINES FOR EXERCISING VOTING RIGHTS OR SEPARATE SYSTEMS FOR EQUITY RIGHTS

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 a vote in favour is achieved 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 STIPULATIONS ON THE MINIMUM AND MAXIMUM NUMBER OF MEMBERS AND DURATION OF MANDATES, THE ACTUAL NUMBER OF MEMBERS AND THE DATE OF APPOINTMENT AND DURATION OF MANDATE OF EACH OF THEM

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

At 31 December 2020, the Board of Directors was composed of three members appointed to exercise functions for the three-year period 2020/2022, one of whom was a non-executive member and two of whom were executive members, as reflected in the table below:

Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
José Manuel Alvarez Quintero	Chairman	31-03-2020	2020/2022	Executive
Luís Filipe Mateus Alves	Member	31-03-2020	2020/2022	Executive
Paulo Francisco Baião Figueiredo	Member	31-03-2020	2020/2022	Non-executive

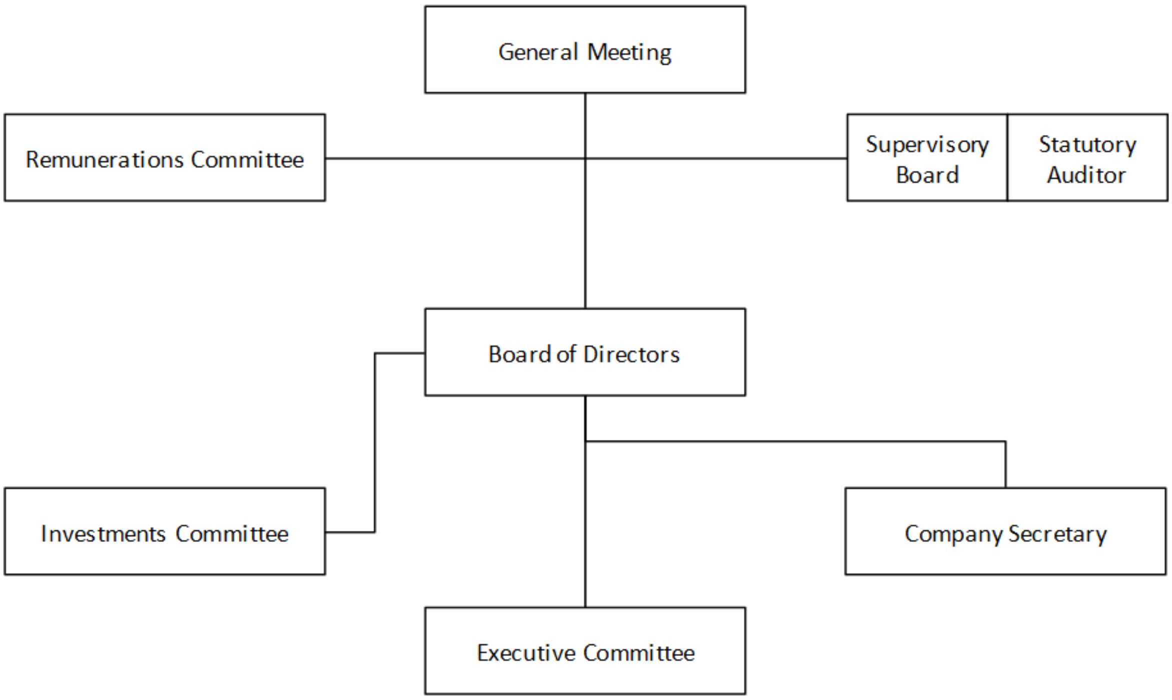
At 31 March 2020, the Board of Directors appointed from among its members an Executive Committee, pursuant to Article 407(3) and (4) of the Code of Commercial Companies and Article 14 of the Articles of Association. The Executive Committee performs the day-to-day management of the Company other than that reserved for the Board of Directors.

At 31 December 2020, 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	31-03-2020	2020/2022
Luís Filipe Mateus Alves	Member	31-03-2020	2020/2022

15. ORGANISATION CHART ON THE DIVISION OF COMPETENCES BETWEEN THE VARIOUS CORPORATE BODIES, INCLUDING INFORMATION ON DELEGATION OF COMPETENCES

The table below represents FIDELIDADE ASSISTÊNCIA's Corporate Governance structure in 2020:



<u>Board of Directors</u>

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, with the competences set out in law and the current mandate of which corresponds to the period 2020/2022.

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 AND THEIR DATE OF APPOINTMENT AND DURATION OF MANDATE

The Supervisory Board is composed of 3 permanent members and one alternate, with renewable mandates of three years. At 31 December 2020, it was composed as follows:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
José António da Costa Figueiredo	Chairman	31-03-2020	2020/2022
António José Pereira Cardoso Mota	Member	31-03-2020	2020/2022
Pedro Antunes de Almeida	Member	31-03-2020	2020/2022
Anabela de Jesus Nunes Prates	Alternate	31-03-2020	2020/2022

IV. Statutory Auditor

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

The Statutory Auditor, at 31 December 2020, is Ernst & Young Audit & Associados – SROC, S.A., represented by Ricardo Nuno Lopes Pinto, Statutory Auditor no. 1579, registered with the Portuguese Securities Market Commission under license no. 20161189.

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

The Statutory Auditor was appointed on 15 May 2014, and reappointed on 31 March 2020 to perform functions until the end of the three-year period 2020/2022.

20. DESCRIPTION OF OTHER SERVICES THE STATUTORY AUDITOR PROVIDES THE COMPANY WITH

Besides auditing work and the statutory audit, Ernst & Young Audit & Associados – SROC, S.A. provides the following services required by law on a recurring basis:

- Certification of the Annual Solvency and Financial Condition Report pursuant to Regulation No. 2/2017-R of the ASF, of 24 March;

- Review of the Annual Report on the Organisational Structure and the Risk Management and Internal Control Systems pursuant to Circular No. 1/2017 of the ASF, of 15 February.

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

However, when the Company, or the companies controlled by it, are provided with other services, this 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 articles of association

Any amendment to the 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 customers, shareholders and FIDELIDADE ASSISTÊNCIA;
c) Cause harm 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 (customer 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 business strategy established by the Company.

The Company has policies, processes and procedures relating to the governance system which 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 Asset and Liability 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 its processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of structured damage assessment and agile decision-making regarding the type of recovery to be undertaken.

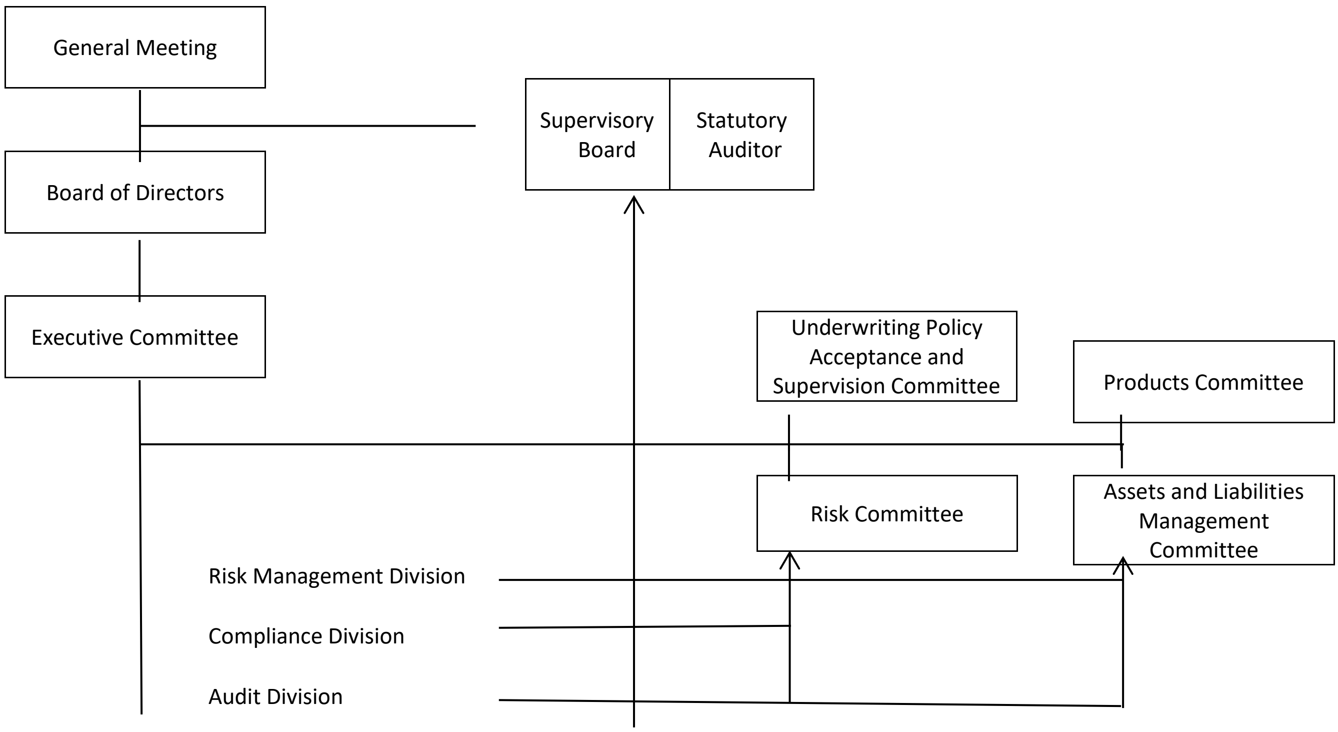
Regarding the public reporting requirements, in 2020 the Company prepared and disseminated, on its Internet site, the "2019 Solvency and Financial Condition Report", which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2019. 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 2020, reporting its findings to the ASF in the respective supervision report, and provided quarterly quantitative information for supervisory purposes.

Accordingly, the measures adopted during the preparatory phase for applying the Solvency II rules, and their consolidation during the first years it was in force, place the Company at a comfortable level of compliance with these new rules.

24. Explanation of the hierarchical and/or functional reporting relationships with other bodies or committees of the Company

The table below shows the reporting relationships of the Risk Management Division, the Audit Division and Compliance Division with other bodies or committees of the Company:



25. 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 Business Development Division and the Accounting and Financial Department, which ensure the existence of substantive, current, coherent, timely and reliable information, enabling a comprehensive vision of the financial condition, business development, compliance with the defined strategy and objectives, identification of the Company's risk profile, market behaviour and growth prospects.

The financial information and management process 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 Compliance Division, the Audit Division, and the Accounting and Financial Department ensure the implementation of the procedures and means 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 for the supervision and control of risks – which include:

- Definition of the content and format of the information to be reported by the entities 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 the Company's 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 FILE OF PAST 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 file of past 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 AND THE DIRECTORS OF THE COMPANY

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

II. Remunerations Committee

34. COMPOSITION OF THE REMUNERATIONS COMMITTEE

The composition of the Remunerations Committee, appointed on 31 March 2020, 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 31 March 2020, 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 2020.

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	

Item	Recommendation	Level of Compliance	Observations
	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	
	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	

Item	Recommendation	Level of Compliance	Observations
	III.5. The remunerations committee should meet at least once a year and should prepare minutes of all meetings held.	Met	
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-R, of 1 April, 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-R, of 1 April, 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 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 gross remuneration paid, as a whole and individually, to the executive members of the Company's Board of Directors, is set out in the table below:

Executive members of the Board of Directors	Fixed Remuneration €	Variable Remuneration €*
José Manuel Alvarez Quintero	0	0
Luis Filipe Mateus Alves	122,865	35,910
TOTAL	**122,865**	**35,910**

*Paid in 2020 and related to 2019

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

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

No executive director ceased functions during 2020.

39. INDICATION OF THE ANNUAL AMOUNT OF REMUNERATION PAID, 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 annual amount of gross remuneration paid in 2020, 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		(€)	Observations
José António da Costa Figueiredo		16,150	
António José Pereira Cardoso Mota		14,000	
Pedro Antunes de Almeida		10,501	
Luis Manuel Vilhena Cunha*		5,698	
Anabela de Jesus Nunes Prates			(Alternate)
*Left on 31 March 2020.	**TOTAL**	**46,349**	

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, 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

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 employment relationship following a change in the control of the Company.

VI. Share allocation or stock option plans

42. IDENTIFICATION OF THE PLAN AND ITS 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 32 to the Financial Statements.

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Statutory Auditor's Report

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(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 31 December 2020, (which establishes a total of 66,891,613 euros and total equity of 51,675,106 euros, including a net profit for the year of 7,377,796 euros), the Income Statement, the Statement of Comprehensive Income, the separate 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 separate financial position of Fidelidade Assistência – Companhia de Seguros, S.A. as at 31 December 2020, 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").

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 of financial statements as at 31 December 2020, the claims provisions arising from insurance contracts amounted to 10,123,531 euros (66%of total liabilities). As disclosed in Note 2.12 d), these provisions are determined using actuarial methodologies and assumptions and are based on the history of the Company's loss ratio for the Assistance	Our approach to the risk of material misstatements in the measurement of claims provisions included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following: ► 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;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
and Legal Protection lines of business. They represent the estimated value of damages to pay for claims already incurred, including claims incurred but not reported (IBNR), and administrative costs related to future settlement. The Covid-19 pandemic had an atypical impact on the Company's claims rates, increasing the uncertainty inherent in the measurement of responsibilities and requiring more assumptions by management. In view of the materiality of these liabilities on the financial statements and since it is a significant estimate based on assumptions and actuarial techniques applied to information currently available, the actual amounts payable in the future may be different from recorded amounts, we considered the claims provisions to be a key audit matter.	► Analytical review procedures on the financial statements line items relating to claims provisions to understand the annual changes and of the main factors contributing to the most significant variations; ► 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, including analysis of consistency with those used in the previous years and with the default payment history by segment, having as reference the specifics of the Company's products regulatory requirements and practices in the insurance sector; ► As for the above procedures, we also took into account Circular Letter Nr. 12/2020-R – Guidelines on the calculation of Technical Provisions in the context of the exceptional situation related to the coronavirus pandemic - Covid-19, issued by *Autoridade de Supervisão de Seguros e Fundos de Pensões* on 23 December 2020; and ► Review the completeness and consistency of disclosures in the financial statements for claims provisions 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
As detailed in Note 33, the assets include financial instruments valued at fair value amounting to 48,233,505 euros, which represent about 72% of the total assets. 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. Uncertainties in financial market trends and in economic conditions in the context of the	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: ► 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 the Company with those observed in external sources of information; ► Analysis of the methodologies and assumptions used by the Company in determining fair value, using as reference the

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Covid-19 pandemic impacted the assumptions used to measure the fair value of these financial assets. The total value of instruments with reduced liquidity, recognised in the assets of the Company, amounting to about 2,215,999 euros (3%of the asset), which were classified under the fair value hierarchy defined in the accounting framework as level 3 (Note 33).	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 the accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for Insurance and Pension Funds ("ASF").

3. Application of IFRS 9 - Financial Instruments, with overlay approach as provided for in IFRS 4 - Insurance Contracts

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The Company applied IFRS 9 with overlay approach, as provided for in IFRS 4, reclassifying between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if the Company had applied IAS 39 to the designated financial assets. On 31 December 2020, the amount of financial assets eligible for the application of overlay approach amounts to 2,493,249 euros and, for them, the Company carried out impairment tests as if IAS 39 were applicable and the impairment losses were recognised on evidence of impairment such as, among others, financial difficulties of the issuer or a significant or prolonged decline in the fair value of financial assets below cost price. The consideration of this matter as significant for the audit was based on the risk of judgment associated with the recognition and measurement of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses. The details of the accounting policies, methodologies, concepts and assumptions used are disclosed in Note 2.4 of the Annex to the separate financial statements.	Our approach to the risk of material misstatements in the recognition and measurement of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following: ► Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of financial instruments and recognition of impairment losses for the Company; ► We have validated the eligibility of financial assets to apply overlay approach and tested the valuation and impairment for a sample of capital instruments, thus ensuring the correct reclassification of amounts between profit or loss and other comprehensive income; ► Obtained the understanding about the impacts of the transition of standards in the separate financial statements and validation of the amounts restated; ► Analytical review tests on the separate financial statements line items related to financial assets and recalculation of impairment losses on a sample basis; and ► Review the completeness and consistency of disclosures in the separate financial statements on recognition of impairment losses on financial assets 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 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 10º of Regulation (EU) nr. 537/2014

Pursuant to article 10º 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 15 May 2014 for the period between 2014 and 2016. We were reappointed for a second mandate in the shareholders' general meeting held on 31 March 2017 for the period between 2017 and 2019. We were appointed at the shareholders' meeting held on 31 March 2020 for the term between 2020 and 2022;
- 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, 15 March 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

2020

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, 15 March 2021

SUPERVISORY BOARD

José António da Costa Figueiredo – Chairman

António José Pereira Cardoso Mota – Member

Pedro Antunes de Almeida - Member

DECLARATION OF COMPLEMENTARY LIABLITY

TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD

OF FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.

FOR 2020

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, 15 March 2021

SUPERVISORY BOARD

José António da Costa Figueiredo – Chairman

António José Pereira Cardoso Mota – Member

Pedro Antunes de Almeida - Member