

**Solvency and financial  
condition report 2016**

## Summary

The legal framework on the taking-up and pursuit of the business of insurance and reinsurance approved by Law No. 147/2015, of 9 September, requires insurance undertakings and insurance groups to disclose publicly, on an annual basis, a report on their solvency and financial condition.

The qualitative information that insurance groups are required to disclose is set out in Chapter V of Title II of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014.

The quantitative information to be disclosed together with this report is laid down in Article 5 of Commission Implementing Regulation (EU) No. 2015/2452, of 2 December 2015.

In line with the description contained in Article 292 of the Delegated Regulation, a “clear and concise” summary of the items detailed in this report will be presented below.

### Business and performance

Longrun’s insurance business acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, including increasing growth of remote channels.

Key indicators in 2016 were:

<b>€ 3,731 million</b> <b>Total Premiums Written</b>  Life: € 2,452 million Non-Life: € 1,278 million	<b>32.2%</b> <b>Market Share (PT)</b>  Life: 35.5% Non-Life: 27.0%	<b>11,4 %</b> <b>Weight of International Non-life operation</b>
<b>€ 15.9 billion</b> <b>Net Assets</b>	<b>3,625</b> <b>Employees</b>	<b>97.2%</b> <b>Non-Life Combined Ratio</b>
<b>€ 186.3 million</b> <b>Net Profits</b>	<b>€ 1,937 million</b> <b>Shareholders’ Equity</b>	<b>10.0%</b> <b>Return on Equity</b>

# Longrun Portugal, SPGS, S.A.

Longrun's international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The Group currently operates in three continents (Europe, Africa and Asia).

In 2016, the companies in Longrun's consolidation perimeter had a very consistent performance, recording total premiums written of EUR 3,731 million. Regarding the activity in Portugal, Longrun registered EUR 3,503 million in its consolidated accounts, which enabled it to strengthen its leadership position, increasing its total market share to 32.2%, up 2.4 pp on 2015. This growth in the market reflected trends in both the Life and Non-Life segments. The international business recorded substantial growth of 12.7%, with the strengthening of existing international operations.

The Net Assets of the companies in Longrun's consolidation perimeter were EUR 15,932 million in 2016, representing a rise of 4.9% compared to 2015.

Longrun's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 14.2 billion, corresponding to an increase of 2.6% compared to 2015.

In 2016, the policy of diversifying by class of asset and geographical location was followed, to maximise yields with an appropriate level of risk, in an environment of low interest rates.

Overall, investments performed well, resulting in an investment income of EUR 444 million and an investment yield of 3.2%.

For the determination of consolidated data for solvency purposes, and taking into account both the provisions of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, and the understanding of the ASF, the following subsidiaries were not considered in the consolidation perimeter:

- Luz Saúde, S.A., Sociedade Aberta;
- Fundo de Investimento Imobiliário Fechado Saudeinveste;
- Fundo de Investimento Imobiliário Fechado Bonança I;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED.

# Longrun Portugal, SPGS, S.A.

On the other hand, the joint venture Madison 30 31 JV LLC was considered in the consolidation perimeter for solvency purposes.

Taking into account these differences between the scope of the group used in the consolidated financial statements and the scope of the consolidated data for solvency purposes, consolidated financial statements were prepared for comparative purposes, considering the consolidation perimeter for solvency purposes.

Accordingly, in Chapter 4 of this report, the valuation of assets, technical provisions and other liabilities for solvency purposes is compared to the consolidated financial statements considering the consolidation perimeter for solvency purposes.

Likewise, in Chapter 5, the excess of assets over liabilities calculated for solvency purposes is compared to that resulting from the financial statements referred to in the previous paragraph.

## **System of governance**

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the participations held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the group, the governance requirements applied to the insurance group are defined therein. Accordingly, the relevant body to which the Group's governance requirements apply is the Executive Committee of Fidelidade – Companhia de Seguros, S.A.

The risk management and internal control systems are managed by bodies within Fidelidade's structure which perform functions transversal to the group.

Key functions of risk management, internal audit, actuarial and compliance are defined as part of the risk management and internal control systems. These key functions are performed by Fidelidade bodies which perform functions transversal to the group.

Various corporate functions have been implemented and strengthened in the group, including the following areas: information systems, planning and control, accounting and investment.

A description is provided of the policy for remuneration of the management body and how the practices established in it promote sound and effective risk management and do not encourage excessive risk-taking.

# Longrun Portugal, SPGS, S.A.

Longrun has processes to assess the adequacy requirements of the persons who effectively run the company, supervise it, are its managers or perform key functions within it.

Operational risk management and internal control processes are implemented in the companies held by Longrun to ensure that operations are managed and controlled in a sound and prudent manner.

Longrun has approved the ORSA Policy with the aim of establishing general principles for the own risk and solvency assessment.

Longrun has approved the Outsourcing Policy with the aim of establishing a set of principles applicable to the outsourcing of critical or important functions or activities.

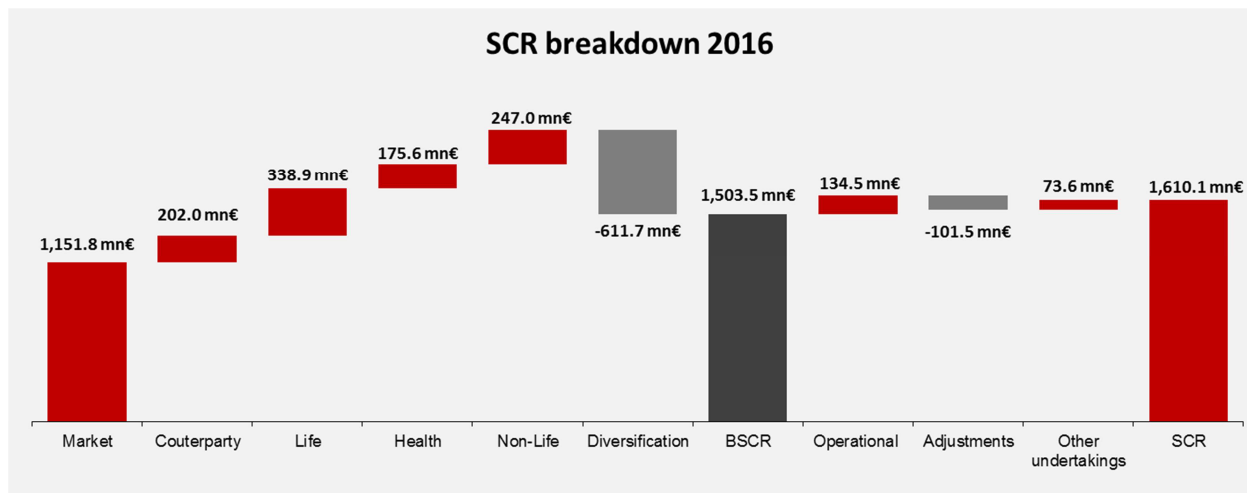
## Risk profile

Risk management assists the group in identifying, assessing, managing and monitoring risks, in order to ensure that adequate and immediate measures are adopted in the event of material changes in the Group's risk profile.

Accordingly, to outline Longrun's risk profile, the material risks to which the insurance undertakings held by Longrun are exposed are identified, as well as the specific risks in the group context which are not considered at the individual level.

The risk assessment is based, as at the individual level, on the standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the option taken, as at the individual level, was to use a qualitative analysis to classify the foreseeable impact on Longrun's capital needs.

Hence, the calculation of Longrun's solvency capital requirement (SCR) for 2016 was as follows:



# Longrun Portugal, SPGS, S.A.

The market risk is clearly prominent in this requirement, followed by the Life and Non-Life underwriting risks, which are much lower.

Various risk mitigation techniques are in use, or are being studied, at Fidelidade, for a set of risks to which Longrun is exposed.

In order to guarantee compliance with all the requirements laid down by the ASF, the companies in the Longrun group have a project in progress for recognition of adjustment for the loss-absorbing capacity of deferred taxes.

Accordingly, regarding 2016, Fidelidade only recognised adjustment relating to the decrease in deferred tax liabilities. The other companies (Fidelidade Assistência, Multicare, Via Directa and CPR) considered this adjustment to be nil, for the same year.

Therefore, for Longrun this adjustment corresponds to the reflection in the consolidated accounts of Fidelidade's adjustment.

## **Valuation for solvency purposes**

A description is provided of the bases, methods and main assumptions used for the valuation of assets for solvency purposes, and how these compare with those used in the financial statements. This information is divided into financial assets, real estate assets and other assets.

Recoverable amounts from reinsurance contracts and special purpose vehicles are also presented.

A description is provided of the bases, methods and main assumptions used for the valuation of technical provisions for solvency purposes, and how these compare with those used in the financial statements. This information is segmented into Life, Non-Life, Health – SLT (Similar to Life Techniques) and Health NSLT (Not Similar to Life Techniques).

Of its subsidiaries, only Fidelidade applied the transitional measure, set out in Article 25 of Law No. 147/2015, of 9 September, on technical provisions for liabilities similar to life regarding the homogeneous risk groups “Capital redemption products”, with and without profit-sharing, and “Health – SLT”, related with liabilities with workers' compensation contracts.

The value of the technical provisions is presented by line of business, including the value of the best estimate, risk margin and value of the application of the transitional deduction to the technical provisions.

A comparison is also provided between the valuation of other liabilities for solvency purposes and their valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

The bases, methods and main assumptions used at group level for the valuation of assets, technical provisions and other liabilities for solvency purposes do not differ from those used in any of its subsidiaries for valuation for solvency purposes of the respective assets, technical provisions and other liabilities.

## Capital management

Method 1 (accounting consolidation-based method) described in Article 270 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, was used to calculate the group's solvency, using the net data of any intra-group transactions.

A comparison is presented between Longrun's own funds and the excess of assets over liabilities calculated for the purposes of solvency, and the differences are justified in detail.

Information is provided on the structure, amount and quality of the basic own funds.

The group does not have any ancillary own funds.

Around 0.06% of the basic own funds are classified in Tier 3, and the rest are classified in Tier 1.

Information is presented on the consolidated group solvency capital requirement (SCR) and the minimum consolidated group solvency capital requirement (MCR), including a breakdown of the SCR into large components.

Longrun uses the standard formula and does not apply any internal model.

Longrun applied the transitional measure applicable to the equity risk set out in Article 20(2) and (3) of Law No. 147/2015, of 9 September.

Calculations of the currency risk sub-module and the counterparty default risk module include the effect of hedging of exchange rate exposure of assets denominated in American dollars (USD), Hong Kong dollars (HKD) and Pounds sterling (GBP), via the use of futures contracts that Fidelidade has entered into.

To hedge the exchange rate exposure of assets denominated in Yens (JPY) Fidelidade used exchange rate forwards contracts, and the effect of these was also reflected in those capital requirements.

The consolidated group solvency capital requirement (SCR) coverage ratio and the minimum consolidated group solvency capital requirement (MCR) coverage ratio, at 31/12/2016, are 132.87% and 490.61%, respectively.

## Contents

<b>1. Business and performance.....</b>	<b>9</b>
1.1. Business .....	9
1.2. Underwriting performance .....	17
1.3. Investment performance .....	29
1.4. Performance of other activities .....	35
1.5. Any other information .....	35
<b>2. System of governance .....</b>	<b>59</b>
2.1. General information on the system of governance.....	59
2.2. Fit and proper requirements .....	65
2.3. Risk management system including the own risk and solvency assessment.....	66
2.4. Internal control system.....	69
2.5. Internal Audit Function .....	71
2.6. Actuarial Function.....	72
2.7. Outsourcing.....	74
2.8. Any other information .....	75
<b>3. Risk profile .....</b>	<b>76</b>
3.1. Underwriting risks.....	77
3.2. Market risk.....	80
3.3. Counterparty Default risk .....	81
3.4. Liquidity risk.....	81
3.5. Operational risk .....	82
3.6. Other material risks .....	83
3.7. Mitigation measures.....	83
3.8. Any other information .....	84
<b>4. Valuation for solvency purposes.....</b>	<b>87</b>
4.1. Assets.....	87
4.2. Technical provisions.....	98
4.3. Other liabilities.....	108
4.4. Alternative valuation methods .....	109
4.5. Any other information .....	110
<b>5. Capital management .....</b>	<b>113</b>
5.1. Own funds.....	113
5.2. Solvency capital requirement and minimum capital requirement .....	117
5.3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement..	119
5.4. Differences between the standard formula and any internal model used.....	119
5.5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement.....	119
5.6. Any other information .....	120
<b>Appendices .....</b>	<b>124</b>
Quantitative information .....	125
Statutory auditor's report.....	134
Responsible actuary's report .....	140



---

## 1. Business and performance

---

### 1.1. Business

#### 1.1.1. Name and legal form

Longrun Portugal SGPS, S.A. (“Longrun” or “Company”), with its head office in Lisbon, at Largo de São Carlos no. 3, was set up on 13 February 2014 and has as its corporate purpose the management of shareholdings in other companies, as a direct or indirect means of exercising economic activities. From this date, it became part of the Group Fosun International Holdings Ltd..

It holds shares in other insurance companies and other subsidiaries and associates, which together form the Longrun Group. The Group’s insurance companies held by the Company include Fidelidade – Companhia de Seguros, S.A. (“Fidelidade”), Via Directa - Companhia de Seguros, S.A. (“Via Directa”), Companhia Portuguesa de Resseguros, S.A. (“CPR”), Garantia - Companhia de Seguros de Cabo Verde, S.A. (“Garantia”), Universal Seguros, S.A. (“Universal”), Multicare - Seguros de Saúde, S.A. (“Multicare”), Fidelidade Assistência – Companhia de Seguros, S.A. (“Fidelidade Assistência”) and Fidelidade Macau – Companhia de Seguros, S.A. (“Fidelidade Macau”).

In order to perform its activity, Fidelidade has a nationwide branch network, agent centres and client branches. Overseas, it has branches in Spain, France, Luxembourg, Macao and Mozambique.

#### 1.1.2. Supervisory authority responsible for supervision of the group

ASF, with its head office at Av. da República, 76, 1600-205 Lisbon, is the national authority responsible for the regulation and supervision of insurance, reinsurance, pension funds and their management companies and insurance mediation, both from a prudential and a market conduct point of view..

For the purposes of Supervision of Insurance Groups, the ASF is the supervisor of the group.

#### 1.1.3. Statutory Auditor

The Statutory Auditor, at 31 December 2016, is Ernst & Young Audit & Associados – SROC, S.A., with its head office at Avenida da Republica, nº 90 6º – 1600-206 Lisbon, represented by its partner Ana Rosa

# Longrun Portugal, SPGS, S.A.

Ribeiro Salcedas Montes Pinto, Statutory Auditor no. 1230 and registered with the Securities Commission with the no. 20160841.

The Statutory Auditor was appointed on 26 September 2014.

## 1.1.4. Holders of qualifying holdings

The qualifying shares in Longrun's share capital, at 31 December 2016, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights
Millennium Gain Limited	50,000	100%	100%

At 31 December 2016, the members of the management and supervisory bodies did not hold shares in the Company.

## 1.1.5. Insurance group structure

Longrun holds several insurance companies in the Portuguese market, (Fidelidade, Multicare, Via Directa, Fidelidade Assistência and CPR). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macau-Life Segment, and Mozambique) and through its insurance subsidiaries, Universal Seguros (Angola), Garantia (Cape Verde) and Fidelidade Macau (Non-Life segment).

Lastly, via Fidelidade and Fidelidade Assistência, Longrun holds strategic shares in companies providing related services, for example Luz Saúde, the leading healthcare provider group in Portugal.

These interests are in line with an approach of vertical integration in the insurance sector and fit within the strategy of guaranteeing operational excellence and quality of the service provided throughout the value chain and of increasing the Group's position as a global service provider of people protection.

# Longrun Portugal, SPGS, S.A.

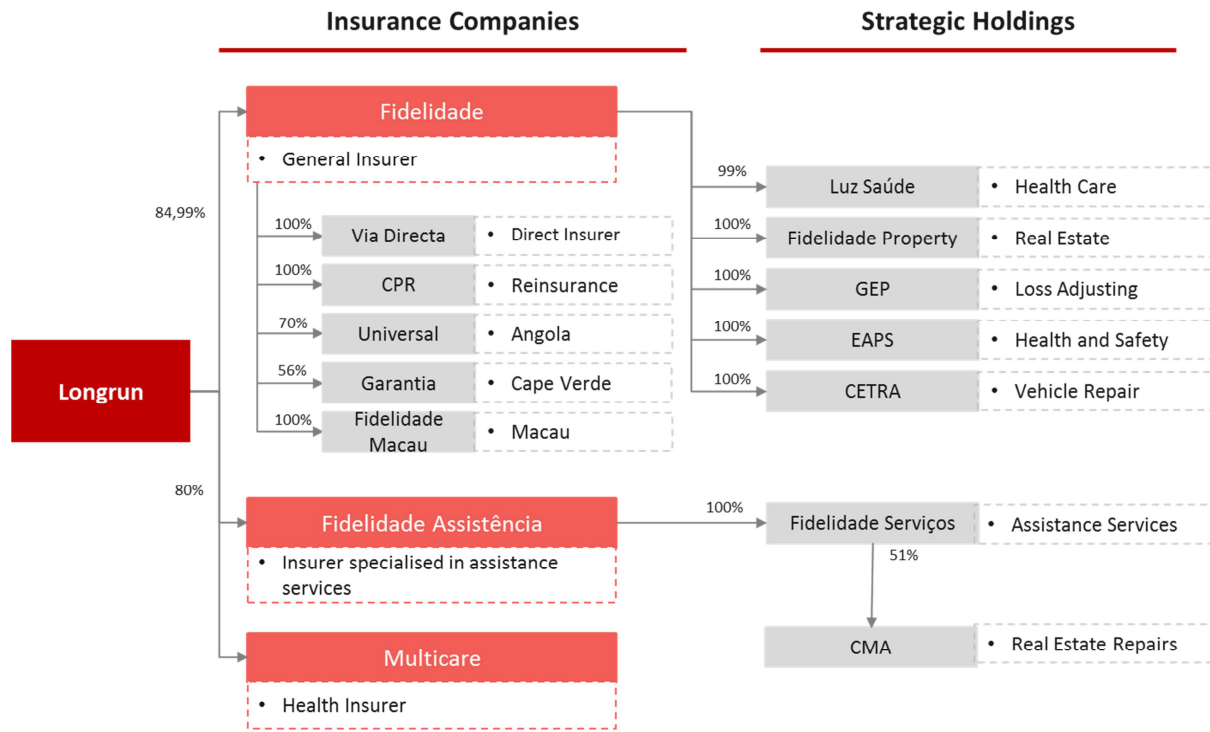


Figure 1 – Group Structure

## 1.1.6. Group Business

Longrun’s insurance business acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, including increasing growth of remote channels.

# Longrun Portugal, SPGS, S.A.

Key indicators in 2016 were:

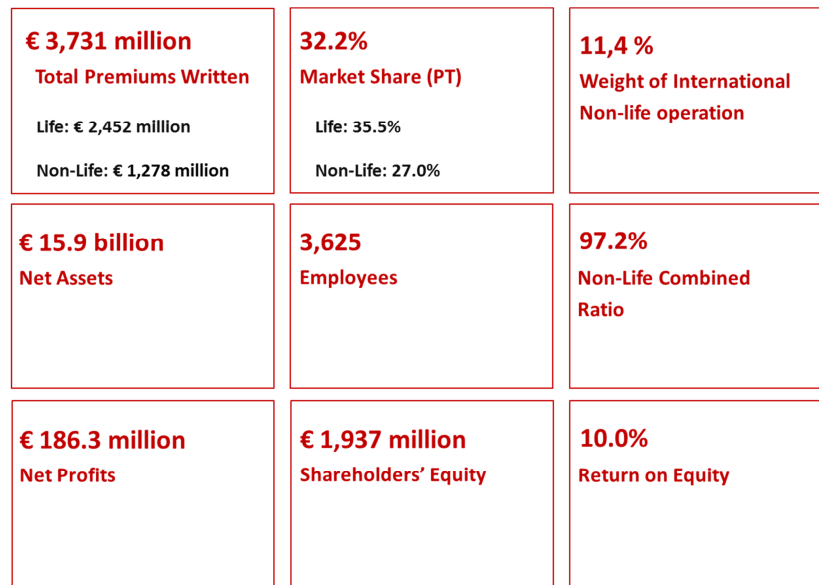


Figure 2 – Business indicators 2016

Longrun's insurance business sells products in all business segments through the largest and most diversified distribution network of insurance products operating in the Portuguese market: Fidelidade own stores; agents; brokers; CGD bank branches; the CTT (postal service) network; internet and telephone channels.

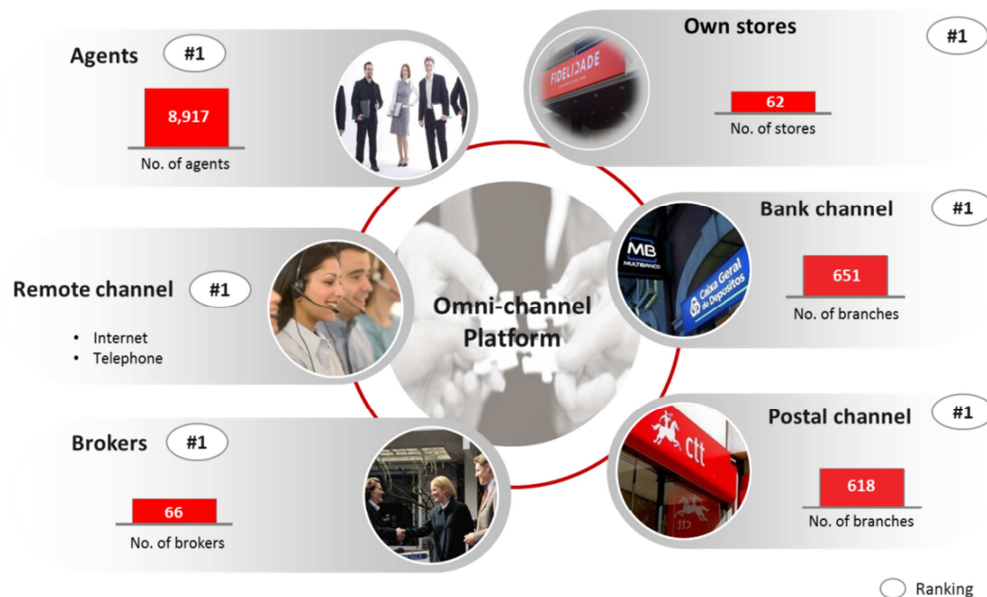





Figure 3 – Distribution Network

# Longrun Portugal, SPGS, S.A.

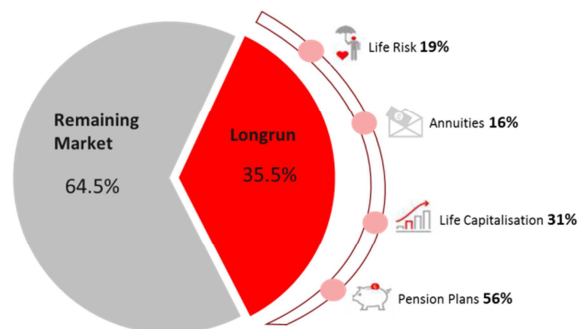
Longrun's insurance companies reach clients through three different brands, all of which are leaders in their business segment: Fidelidade, Multicare and Ok! teleseguros.

Brand	Brief description
 <p><b>FIDELIDADE</b> SEGUROS DESDE 1808</p>	<ul style="list-style-type: none"> <li>• <u>Life and Non-Life</u> products</li> <li>• Benchmark brand focused on traditional channels (e.g. Agents, Bank Channel)</li> </ul>
 <p><b>multicare</b></p>	<ul style="list-style-type: none"> <li>• <u>Health</u> Insurance</li> <li>• Broad offer of health insurance</li> </ul>
 <p><b>OK! teleseguros</b></p>	<ul style="list-style-type: none"> <li>• <u>Online</u> sales of insurance</li> <li>• Focus on Non-Life products (ex. Motor, Property) sold through the remote channel</li> </ul>

In 2016, Longrun's insurance business once again strengthened its leadership across both the Life and Non-Life segments, recording an overall market share of 32.2%, which corresponds to an increase of 2.4pp over the previous year.

In the Life segment, the market share in financial products (capitalisation and retirement savings plans) was strengthened, and clear leadership in both premiums and mathematical provisions/technical liabilities was achieved.

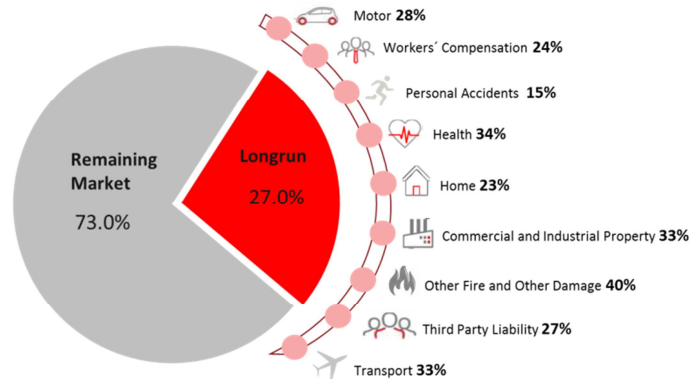
In the case of retirement products, and as a result of continued emphasis in this area, a 56% market share was reached, reflecting our clients' great confidence in the Group's robustness.



Graph 1 – Market Share – Life Segment

# Longrun Portugal, SPGS, S.A.

The insurance companies held by Longrun also grew more than most competitors in the Non-Life segment, increasing its market share by 0.8 pp to 27.0%. The 1.6 pp increase in the health products' market share (to 34%) was particularly significant, as was the increase in the market share of Personal Accidents to 15%.



Graph 2 – Market Share – Non-Life Segment

Longrun's international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The Group currently operates in three continents (Europe, Africa and Asia), with several business units.

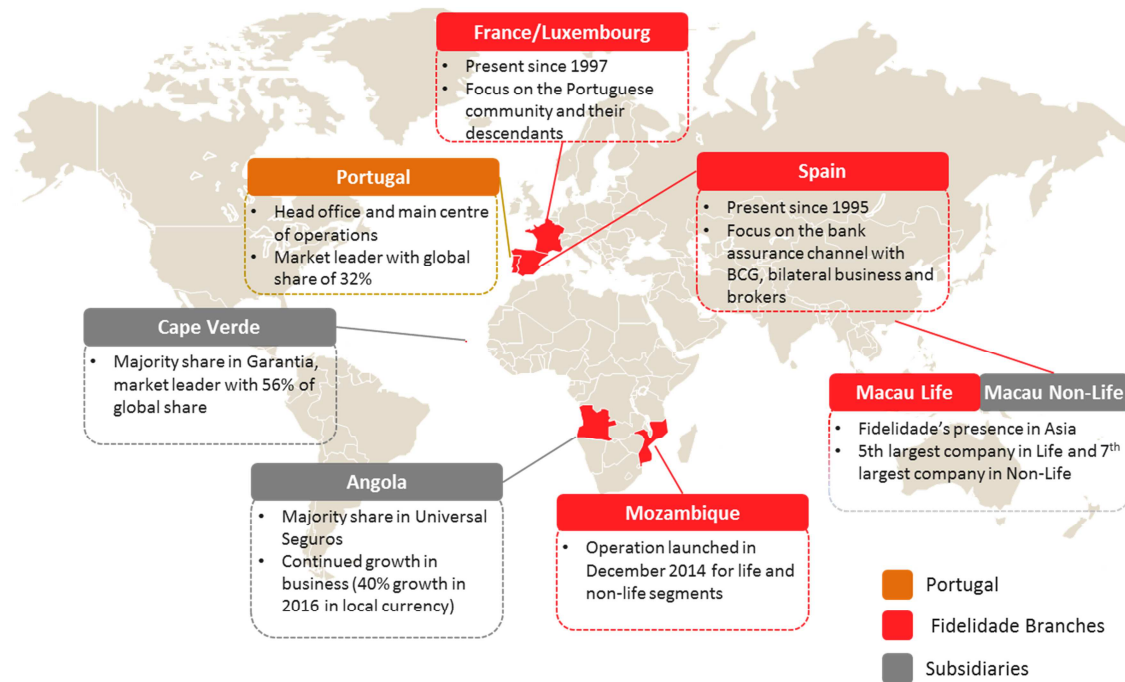


Figure 4 – International Business

# Longrun Portugal, SPGS, S.A.

At the end of 2016, Longrun's insurance business had 3,625 employees, 86% based in Portugal and the remaining 14% in international operations.

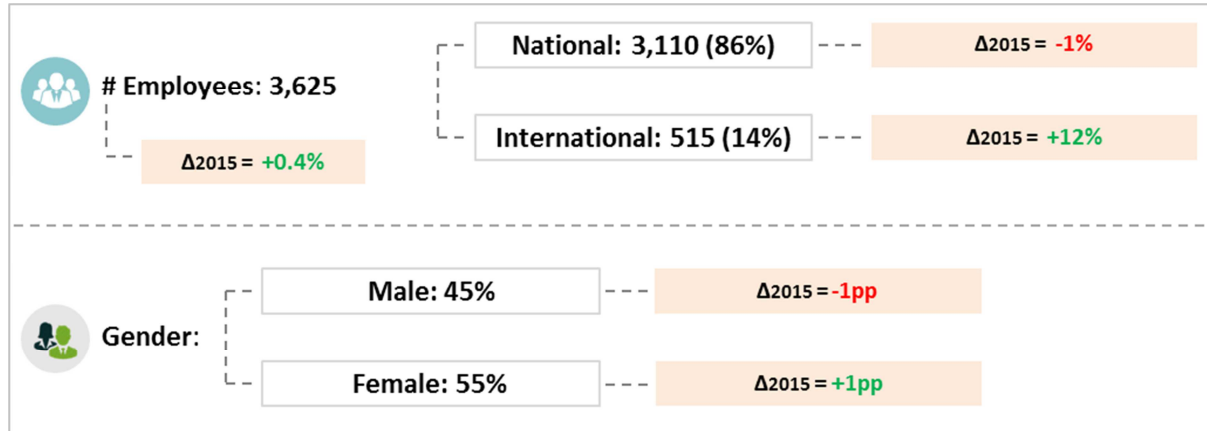


Figure 5 – Employees

## 1.1.7. Events Summary 2016

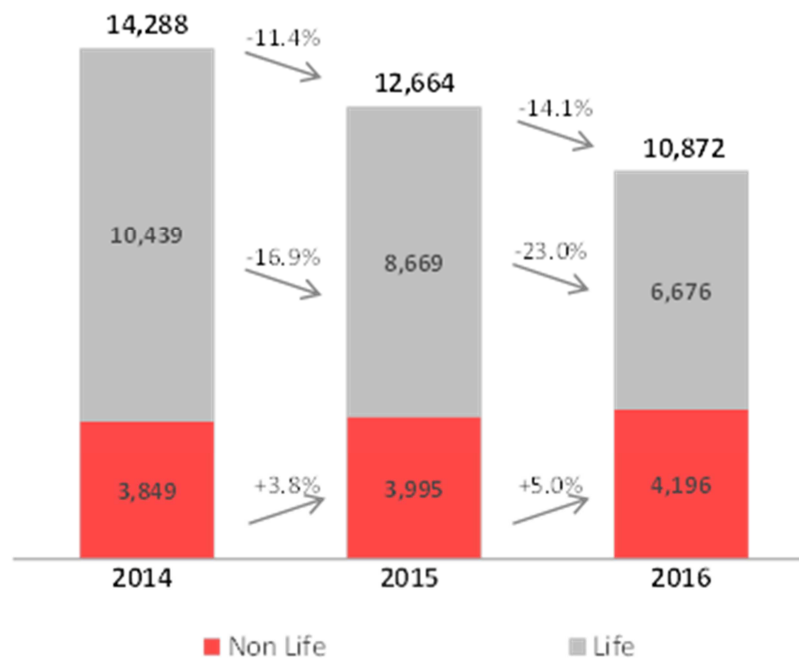
January	<u>Solvency II</u> – entry into force of the new regulations for the insurance sector
February	<u>Protechtig</u> – first edition of the start-ups accelerator with the support of Fidelidade and in cooperation with Beta-i, promoting innovation in the areas of health and assistance <u>Fidelidade – Accidents Care</u> – opening of a new unit in Oporto focused on providing medical services in the area of Workers' Compensation
March	<u>Web Platform Fidelidade</u> – launch of the new Fidelidade platform, guaranteeing accessibility and integration with other agent partners
April	<u>Small Business Products</u> – launch of products designed specifically for the protection of people, property and their liabilities
May	<u>Rock in Rio</u> – Fidelidade is present at Rock in Rio 2016, as the event's official insurer, and with one of the most visited stands
June	<u>GICC</u> – Global Insurance Committee of the Fosun Group in Lisbon, organised by Fidelidade with the participation of European, American and Asian insurers <u>Multicare 24</u> – launch of Multicare's new health product, including online medical guidance, a total innovation in the Portuguese market
July	<u>IAPMEI and Portugal Tourism</u> – Fidelidade teams up with IAPMEI and Portugal Tourism to guarantee differentiated products for SMEs ( <i>PME Líder</i> and <i>PME Excelência</i> ) <u>Munich Re</u> – start of a partnership to develop an innovative 100% digital platform to attract savings
September	<u>Santalucia</u> – launch of cooperation with the market leader in Spain to promote the funeral and family assistance product in Portugal
October	<u>Advance Medical</u> – signing of a framework agreement with Advance Medical to set up a national platform of reference in the digital health area
November	<u>Web Summit</u> – Official Start-up gathering held with the participation of the Secretary of State for Industry and numerous partners in the innovation ecosystem
December	<u>My Fidelidade</u> – soft launch of Fidelidade's new mobile master app, centralising information on products and access to different Group services



## 1.2. Underwriting performance

### 1.2.1. Evolution of the Portuguese Insurance Market

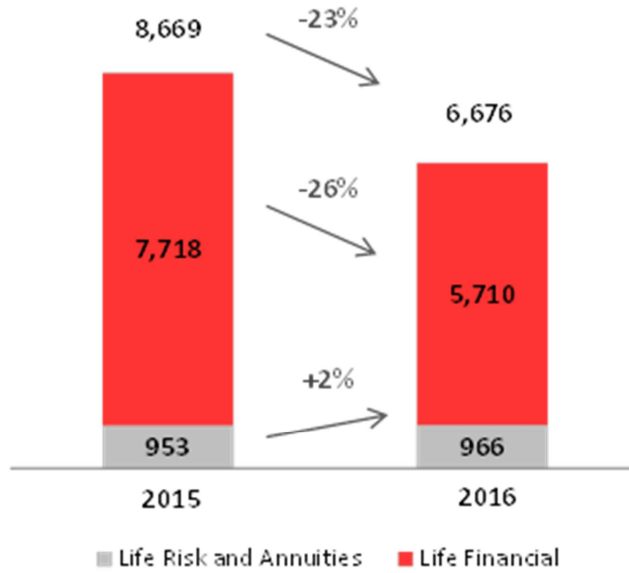
In 2016, direct insurance premiums totalled around EUR 10,872 million. Despite growth in the Non-Life segment, the market fell 14.1% compared to the previous year, reflecting a less positive trend in the Life segment.



Graph 3 – Insurance Market Evolution (Source APS/ million euros)

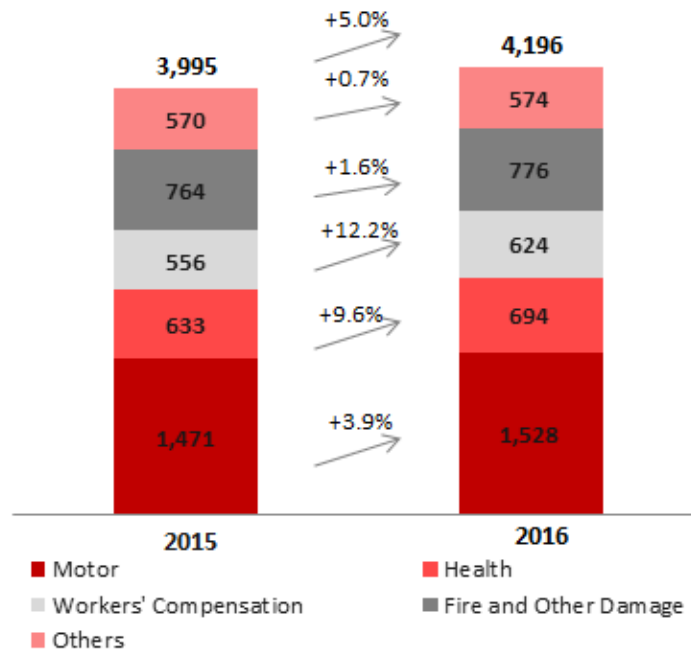
The Life segment fell 23% compared to the previous year, with total premiums of EUR 6,676 million. This sharp decline occurred for the second year running as a direct consequence of current challenges in the financial products markets.

# Longrun Portugal, SPGS, S.A.



Graph 3 -.Life Segment Premiums (Source APS/ million euros)

The Non-Life segment demonstrated remarkable progress in 2016, with growth of 5.0% to EUR 4,196 million, confirming the upward trend in total premiums that began in 2015 (when growth was 3.8%). The growth rate in 2016 was the highest annual rate since 2003, in both nominal and real terms.

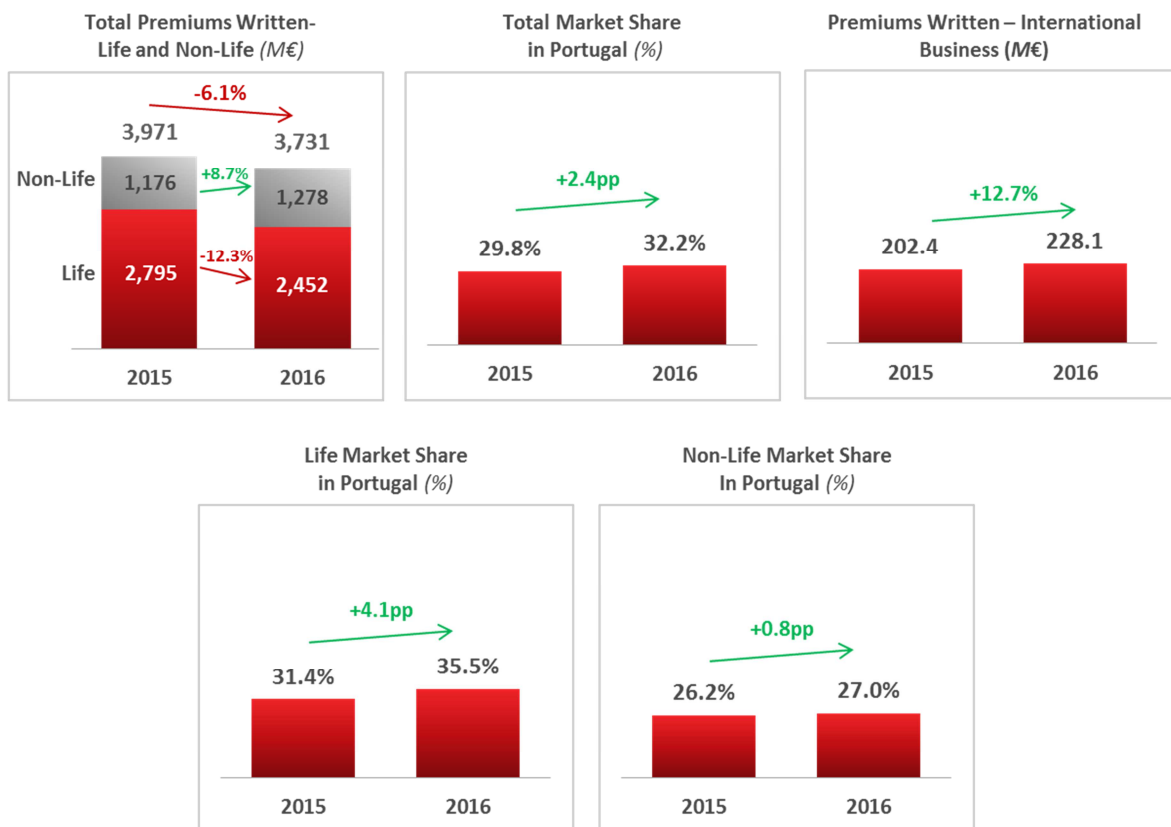


Graph 4 – Non-Life Segment Premiums (Source APS/ million euros)

# Longrun Portugal, SPGS, S.A.

## 1.2.2. Group's performance

In 2016, in a year marked by the trends previously referred to, the companies in Longrun's consolidation perimeter had a very consistent performance, recording total premiums written of EUR 3,731 million in direct insurance premiums. Regarding the activity in Portugal, Longrun registered EUR 3,503 million, in its consolidated accounts, which enabled it to strengthen its leadership position, increasing its total market share to 32.2%, up 2.4 pp on 2015. This growth in the market reflected trends in both the Life and Non-Life segments. The international business recorded substantial growth of 12.7%, with the strengthening of existing international operations.



Graph 5 – Group performance – summary table

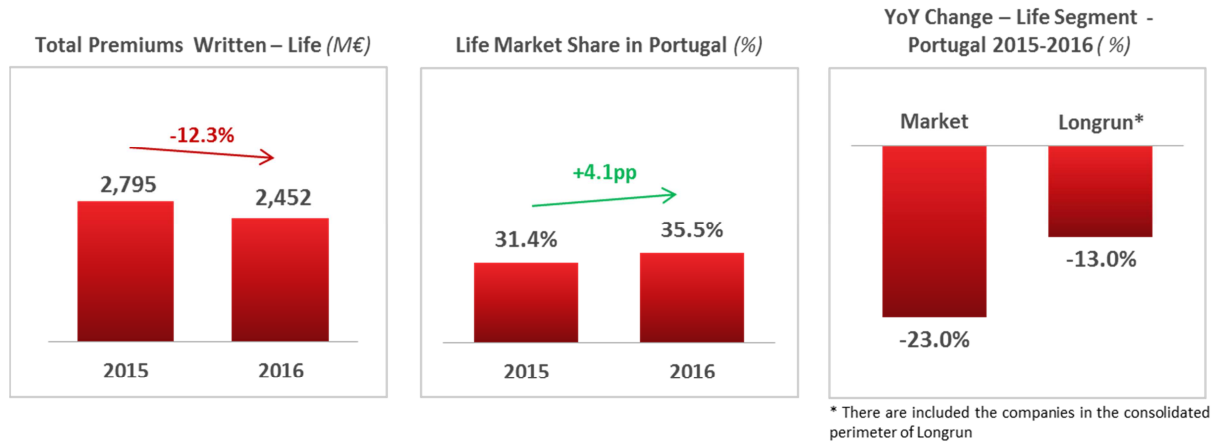
### a) Life Segment

2016 was particularly demanding for the Life segment of the Portuguese insurance market. The premiums written by Longrun's insurance companies decreased by 12.3% to EUR 2,452 million.

The commercial performance of the insurance companies in Longrun's consolidation perimeter was however clearly positive in comparison with most of the market, particularly in Portugal. Although

# Longrun Portugal, SPGS, S.A.

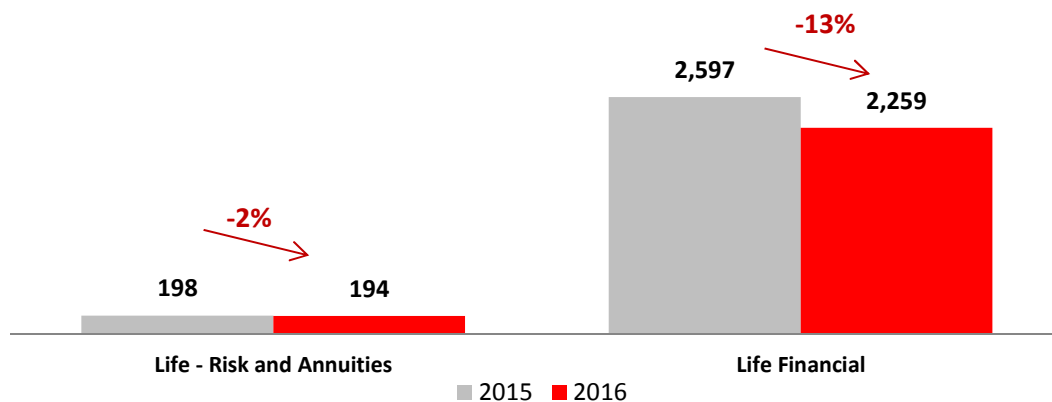
these companies registered a fall in premiums of 13.0%, the premiums of the market as a whole dropped 23.0%. This performance led to a strengthening of the market leadership position, with an increase in market share to 35.5%, which represents an increase of 4.1 pp over 2015.



Graph 6 – Group performance in the life segment

The Life Risk and Annuities products displayed sustained performance despite a decline of 2% to a total of EUR 194 million.

Life Financial premiums fell 13% to a total of EUR 2,259 million, in line with the decline in the insurance market in Portugal for this type of product, as a result of low interest rates, a low rate of saving by private individuals and high competition from new public debt products for individuals.



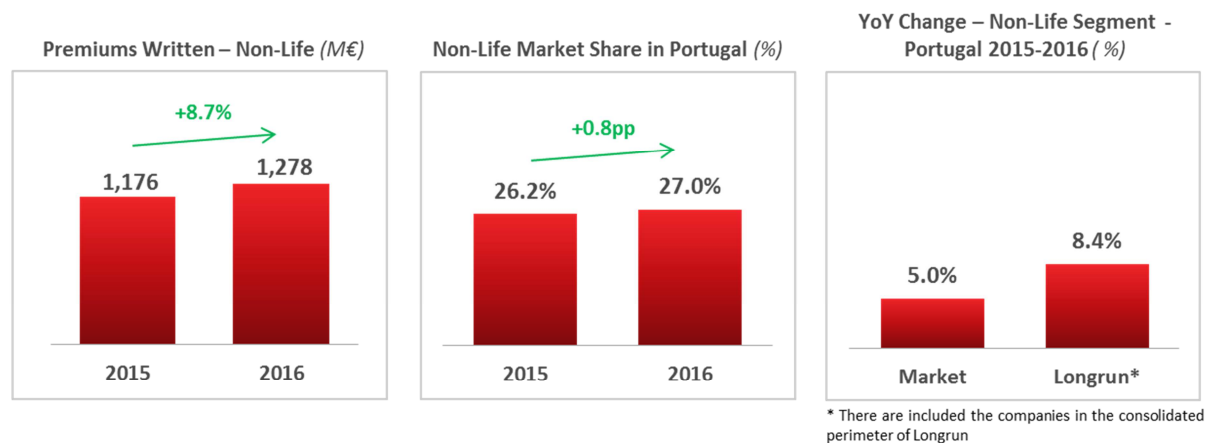
Graph 7 – Life Segment Premiums – group

# Longrun Portugal, SPGS, S.A.

## b) Non-Life Segment

The performance of the insurance companies in Longrun's consolidation perimeter was clearly positive in the Non-Life segment, with the premiums written increasing 8.7% to EUR 1,278 million.

The commercial performance of the insurance companies in Longrun's consolidation perimeter followed the positive trend of most of the market. In the Portuguese market, premiums grew by 8.4%, higher than the increase of 5.0% in the market overall. These results enabled the companies to strengthen their position, increasing their market share to 27.0%, which represents a 0.8 pp increase over 2015.

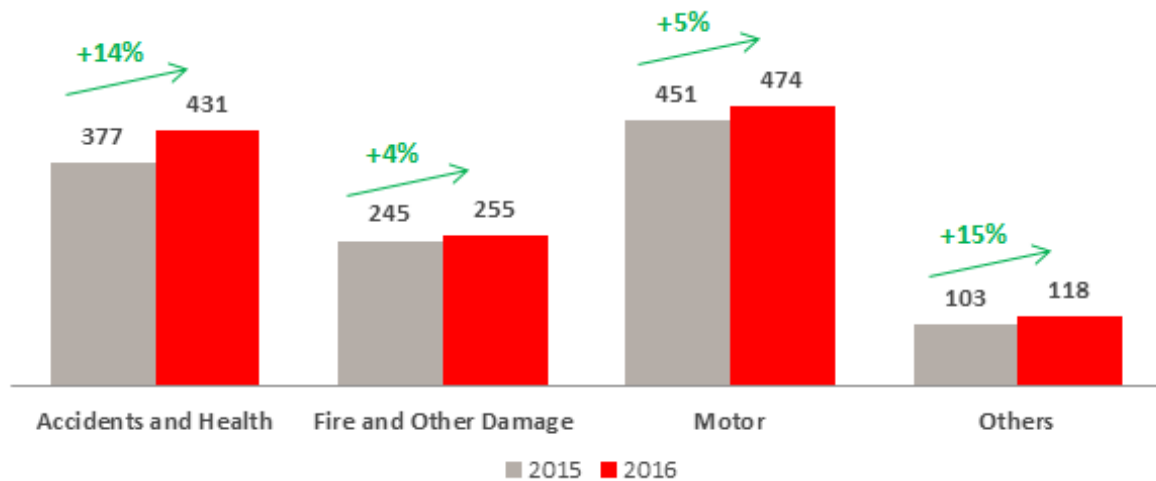


Graph 8 – Group performance in the non-life segment

All the Non-Life lines of business displayed positive performance throughout 2016, but particularly significant was the performance of the Health, Workers' Compensation and Personal Accidents lines of business, which all had growth of over 10%.

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the total segment. The performance of this line of business was particularly solid, with premiums increasing 5%.

# Longrun Portugal, SPGS, S.A.



Graph 10 – Non-life premiums – group (million euros)

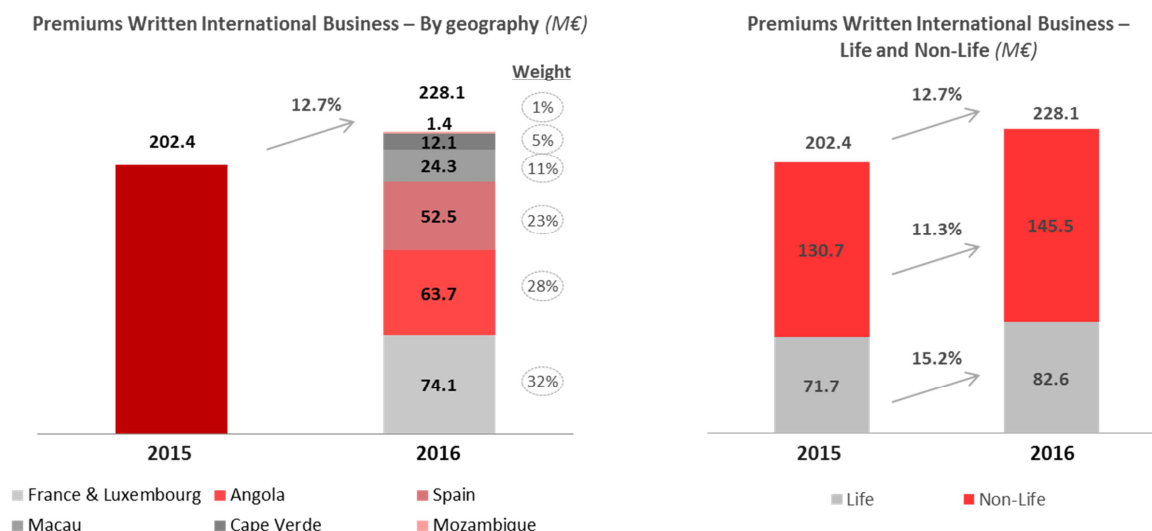
## c) International Business

The international business of the companies in Longrun's consolidation perimeter grew substantially (12.7%) during 2016, recording total premiums written of EUR 228.1 million, with the improvement in ongoing international operations: France and Luxembourg, Angola, Spain, Cape Verde, Macau and Mozambique. The international business is mostly concentrated in the operations in France and Luxembourg, Angola and Spain, the premiums of which together represent over 80% of the total international business.

The positive development of the international business benefited from growth in both the Life and Non-Life segments. Life business grew 15.2% to EUR 82.6 million, while Non-Life increased by 11.3% to EUR 145.5 million.

In 2016, the Non-Life segment in the international activity represented 11.4% of total consolidated premiums of the Longrun's insurance companies, an increase of 0.3 pp over 2015. This was due to the results of the French and Spanish operations.

# Longrun Portugal, SPGS, S.A.



Graph 9 – International business premiums (million euros)

## d) Operational performance

Operational performance improved substantially during 2016, with a drop in the combined ratio from 98.4% to 97.2% (-1.2 pp). This result was due to improvement in both the expense ratio and the claims ratio.

The expense ratio fell 1.0 pp, from 28.3% to 27.3%, in 2016. This result reflects the increase in operational efficiency of the companies in Longrun’s insurance business, in addition to an effort to optimise and contain costs at the same time as the volume of premiums has been increasing.

The claims ratio decreased 0.2 pp, from 70.1% to 69.9%, in 2016. This is the result of a combination of factors, including a significant increase in profitability in the Workers’ Compensation and Health lines of business, largely due to tariff adjustments and improvements in underwriting and claims management.

On the other hand, the Motor line of business recorded an increase in claims, as a result of increased use of motor vehicles. Hence, in 2016, this line of business did not make a positive contribution to the decrease in the overall claims ratio which has consistently been registered in recent years.

# Longrun Portugal, SPGS, S.A.

## 1.2.3. Premiums, claims and expenses by line of business

The following tables provide a breakdown of premiums, claims and expenses by line of business.

*Amounts in thousand euros*

<b>Life Line of business</b>	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Life reinsurance	<b>Total</b>
<b>Premiums written</b>					
Gross	173,826	36,101	2,242,395	0	<b>2,452,322</b>
Reinsurers' share	1,228	0	13,602	0	<b>14,830</b>
<b>Net</b>	<b>172,598</b>	<b>36,101</b>	<b>2,228,793</b>	<b>0</b>	<b>2,437,492</b>
<b>Premiums earned</b>					
Gross	173,809	36,101	2,242,642	0	<b>2,452,552</b>
Reinsurers' share	1,233	0	13,583	0	<b>14,816</b>
<b>Net</b>	<b>172,576</b>	<b>36,101</b>	<b>2,229,059</b>	<b>0</b>	<b>2,437,736</b>
<b>Claims incurred</b>					
Gross	186,282	95,354	2,018,901	0	<b>2,300,537</b>
Reinsurers' share	509	0	7,733	0	<b>8,242</b>
<b>Net</b>	<b>185,773</b>	<b>95,354</b>	<b>2,011,168</b>	<b>0</b>	<b>2,292,295</b>
<b>Changes in other technical provisions</b>					
Gross	6,415	0	4,241	0	<b>10,656</b>
Reinsurers' share	-63	0	-1,095	0	<b>-1,158</b>
<b>Net</b>	<b>6,478</b>	<b>0</b>	<b>5,336</b>	<b>0</b>	<b>11,814</b>
<b>Expenses incurred</b>					
Expenses incurred	18,368	6,949	71,415	11	<b>96,743</b>

*Table 1 – Premiums, claims and expenses – Life*



# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Health – SLT Line of business	Health Insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Total
<b>Premiums written</b>					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Premiums earned</b>					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Claims incurred</b>					
Gross	0	73,089	0	0	73,089
Reinsurers' share	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>73,089</b>	<b>0</b>	<b>0</b>	<b>73,089</b>
<b>Changes in other technical provisions</b>					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses incurred</b>					
Expenses incurred	0	1,902	0	0	1,902

Table 2 – Premiums, claims and expenses – Health (SLT)

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Health – NSTL Line of business	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Total
<b>Premiums written</b>				
Gross – Direct business	269,269	30,392	160,503	460,164
Gross - Proportional reinsurance accepted	1,506	0	159	1,665
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	7,702	11,624	1,292	20,618
<b>Net</b>	<b>263,073</b>	<b>18,768</b>	<b>159,370</b>	<b>441,211</b>
<b>Premiums earned</b>				
Gross - Direct business	265,427	28,695	160,190	454,312
Gross - Proportional reinsurance accepted	748	62	105	915
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	6,717	11,974	1,302	19,993
<b>Net</b>	<b>259,458</b>	<b>16,783</b>	<b>158,993</b>	<b>435,234</b>
<b>Claims incurred</b>				
Gross - Direct business	194,273	8,127	75,024	277,424
Gross - Proportional reinsurance accepted	268	-326	-136	-194
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	3,111	7,200	1,183	11,494
<b>Net</b>	<b>191,430</b>	<b>601</b>	<b>73,705</b>	<b>265,736</b>
<b>Changes in other technical provisions</b>				
Gross - Direct business	-3,674	-126	-8,822	-12,622
Gross - Proportional reinsurance accepted	0	-9	4	-5
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	0	0	0	0
<b>Net</b>	<b>-3,674</b>	<b>-135</b>	<b>-8,818</b>	<b>-12,627</b>
<b>Expenses incurred</b>				
Expenses incurred	58,733	8,448	49,685	116,866

Table 3 – Premiums, claims and expenses – Health (NSTL)

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Non-Life Line of business	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
<b>Premiums written</b>										
Gross - Direct business	271,336	156,810	18,510	254,145	36,760	799	5,752	34,205	37,194	<b>815,511</b>
Gross - Proportional reinsurance accepted	120	0	0	796	100	0	61	0	4	<b>1,081</b>
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	<b>0</b>
Reinsurers' share	1,832	982	10,843	99,108	11,644	447	1	51	17,851	<b>142,759</b>
<b>Net</b>	<b>269,624</b>	<b>155,828</b>	<b>7,667</b>	<b>155,833</b>	<b>25,216</b>	<b>352</b>	<b>5,812</b>	<b>34,154</b>	<b>19,347</b>	<b>673,833</b>
<b>Premiums earned</b>										
Gross - Direct business	270,627	151,906	18,695	253,654	35,611	849	5,748	32,857	33,555	<b>803,502</b>
Gross - Proportional reinsurance accepted	134	89	40	1,110	55	0	62	65	6	<b>1,561</b>
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	<b>0</b>
Reinsurers' share	1,917	1,121	10,809	99,296	11,264	490	0	42	17,081	<b>142,020</b>
<b>Net</b>	<b>268,844</b>	<b>150,874</b>	<b>7,926</b>	<b>155,468</b>	<b>24,402</b>	<b>359</b>	<b>5,810</b>	<b>32,880</b>	<b>16,480</b>	<b>663,043</b>
<b>Claims incurred</b>										
Gross - Direct business	192,761	67,614	544	117,970	5,299	115	-466	32,857	20,089	<b>436,783</b>
Gross - Proportional reinsurance accepted	-2,554	-2	-25	1,396	-119	-4	53	-79	1	<b>-1,333</b>
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	<b>0</b>
Reinsurers' share	1,962	302	-1,072	65,441	-2,933	25	0	6	13,289	<b>77,020</b>
<b>Net</b>	<b>188,245</b>	<b>67,310</b>	<b>1,591</b>	<b>53,925</b>	<b>8,113</b>	<b>86</b>	<b>-413</b>	<b>32,772</b>	<b>6,801</b>	<b>358,430</b>

# Longrun Portugal, SPGS, S.A.

<b>Non-Life Line of business</b>	<b>Motor vehicle liability insurance</b>	<b>Other motor insurance</b>	<b>Marine, aviation and transport insurance</b>	<b>Fire and other damage to property insurance</b>	<b>General liability insurance</b>	<b>Credit and suretyship insurance</b>	<b>Legal expenses insurance</b>	<b>Assistance</b>	<b>Miscellaneous financial loss</b>	<b>Total</b>
<b>Changes in other technical provisions</b>										
Gross - Direct business	4,803	-2,697	-39	517	-609	-13	0	-538	31	<b>1,455</b>
Gross - Proportional reinsurance accepted	40	430	0	627	-23	0	0	113	0	<b>1,187</b>
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	<b>0</b>
Reinsurers' share	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Net</b>	<b>4,843</b>	<b>-2,267</b>	<b>-39</b>	<b>1,144</b>	<b>-632</b>	<b>-13</b>	<b>0</b>	<b>-425</b>	<b>31</b>	<b>2,642</b>
<b>Expenses incurred</b>										
Expenses incurred	96,504	65,096	2,941	77,502	13,453	277	4,510	15,701	9,008	<b>284,992</b>

Table 4 - Premiums, claims and expenses – Non-Life

## 1.3. Investment performance

The Net Assets of the companies included in Longrun's consolidation perimeter were EUR 15,932 million in 2016, representing a rise of 4.9% compared to 2015.

In its definition and application, the investment policy considers the challenges currently facing the insurance business:

- The prolonged environment of low interest rates, which means assets must be sought which have a higher return than traditional fixed rate investments, although also ensuring that an appropriate level of risk is maintained;
- The need to optimise the capital structure, in line with the framework of the Solvency II regulations.

Longrun's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 14.2 billion, corresponding to an increase of 2.6% compared to 2015.

In 2016, the policy of diversifying by class of asset and geographical location was followed, to maximise yields with an appropriate level of risk, in an environment of low interest rates. Exposure to Shares was reduced and compensated by an increase in the share of Real Estate and Bonds, given the volatility of the financial markets.

Overall, investments performed well, resulting in an investment income of EUR 444 million and an investment yield of 3.2%.

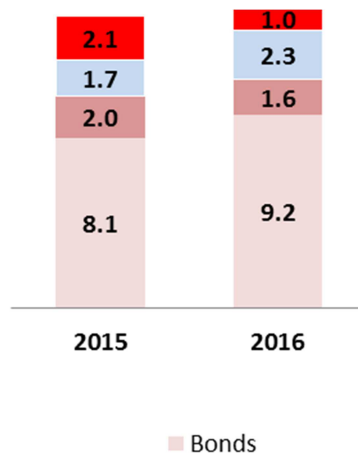


Figure 6 – Longrun's investment structure (consolidated accounts) by class of assets (mM€)

# Longrun Portugal, SPGS, S.A.

An adequate geographical diversification of assets was maintained with exposure to the Portuguese market being complemented by other geographical locations with greater potential for economic growth.

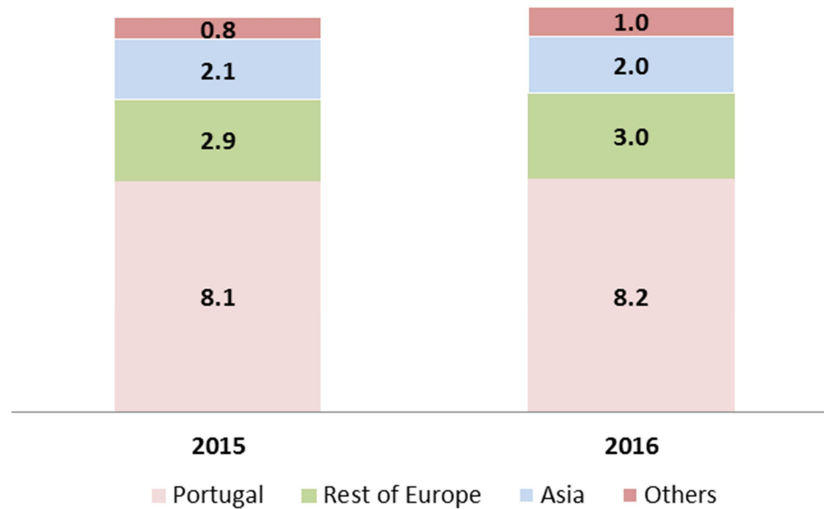


Figure 7 – Geographical Distribution of Longrun's investments – consolidated accounts (tM€)

# Longrun Portugal, SPGS, S.A.

## 1.3.1. Income and expenses from investments

At 31 December 2016, the allocation of investments and other assets to insurance contracts or insurance contracts and other operations classified as investment contracts is as follows (amounts for solvency purposes):

*Amounts in thousand euros*

<b>Investments and other assets</b>	Life insurance	Non-life insurance	Not allocated	<b>Total</b>
Property, plant and equipment held for own use	0	88,281	58,392	<b>146,673</b>
Property (other than for own use)	2,439	270,478	1,526,413	<b>1,799,330</b>
Holdings in related undertakings, including participations	125,918	67,170	22,876	<b>215,964</b>
Equities — listed	830,973	380,022	115,070	<b>1,326,065</b>
Equities — unlisted	2,321	0	791	<b>3,112</b>
Government bonds	4,907,388	636,915	40,058	<b>5,584,361</b>
Corporate bonds	1,740,882	419,425	8,552	<b>2,168,859</b>
Structured notes	74,118	25,942	316	<b>100,376</b>
Collateralised securities	1,344	660	0	<b>2,004</b>
Collective investment undertakings	255,076	119,355	2,751	<b>377,182</b>
Derivatives	9,088	3,353	18,098	<b>30,539</b>
Deposits other than cash equivalents	572,020	195,079	144,254	<b>911,353</b>
Assets held for index-linked and unit-linked contracts	512,977	0	0	<b>512,977</b>
Loans and mortgages	0	0	23,140	<b>23,140</b>
Cash and cash equivalents	0	0	934,049	<b>934,049</b>
<b>Total</b>	<b>9,034,544</b>	<b>2,206,680</b>	<b>2,894,760</b>	<b>14,135,984</b>

*Table 5 – Allocation of investments and other assets*

The investments in the table above include investments allocated to unit-linked contracts, which break down as follows:

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investments allocated to unit-linked contracts	Total
Group companies debt instruments	49,920
Public debt instrument – domestic issuers	340,390
Public debt instrument – foreign issuers	12,646
Debt instrument – other domestic issuers	895
Debt instrument – other foreign issuers	10,255
Equity instruments – domestic issuers	12,029
Equity instruments – foreign issuers	7,177
Transactions to be settled	-1,973
Sight deposits	41,786
Term deposits	39,852
<b>Total</b>	<b>512,977</b>

Table 6 – Investments allocated to unit-linked contracts

In 2016, the following income was gained from investments:

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total
<b>Investments allocated to technical provisions – life segment</b>				
Government bonds	0	113,174	0	113,174
Corporate bonds	0	126,042	0	126,042
Equity securities	9,558	849	0	10,407
Collective investment undertakings	2,169	0	0	2,169
Structured notes	0	2,633	0	2,633
Collateralised securities	0	223	0	223
Cash and cash equivalents	0	5,269	0	5,269
Loans and mortgages	0	1,771	0	1,771
Property	0	0	0	0
Derivatives	0	-1,492	0	-1,492
<b>Sub-total</b>	<b>11,727</b>	<b>248,469</b>	<b>0</b>	<b>260,196</b>



# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total
<b>Investments allocated to technical provisions – non-life segment</b>				
Government bonds	0	6,580	0	6,580
Corporate bonds	0	22,856	0	22,856
Equity securities	8,700	0	0	8,700
Collective investment undertakings	256	0	0	256
Structured notes	0	186	0	186
Collateralised securities	0	21	0	21
Cash and cash equivalents	0	1,721	0	1,721
Loans and mortgages	0	6	0	6
Property	0	0	18,709	18,709
Derivatives	0	0	0	0
<b>Sub-total</b>	<b>8,956</b>	<b>31,370</b>	<b>18,709</b>	<b>59,035</b>
<b>Investments not allocated</b>				
Government bonds	0	427	0	427
Corporate bonds	0	149	0	149
Equity securities	1,014	0	0	1,014
Collective investment undertakings	3	0	0	3
Structured notes	0	4	0	4
Collateralised securities	0	0	0	0
Cash and cash equivalents	0	-198	0	-198
Loans and mortgages	0	1,310	0	1,310
Property	0	0	2,504	2,504
Derivatives	0	0	0	0
<b>Sub-total</b>	<b>1,017</b>	<b>1692</b>	<b>2,504</b>	<b>5,213</b>
<b>Total</b>	<b>21,700</b>	<b>281,531</b>	<b>21,213</b>	<b>324,444</b>

Table 6 – Investment income

# Longrun Portugal, SPGS, S.A.

In 2016, the financial expenses resulting from investments were as follows:

*Amounts in thousand euros*

<b>Investment expenses</b>	Life	Non-life	Not allocated	<b>Total</b>
Costs allocated	2,693	9,482	21,115	<b>33,290</b>
Other investment expenses	728	196	81	<b>1,005</b>
<b>Total</b>	<b>3,421</b>	<b>9,678</b>	<b>21,196</b>	<b>34,295</b>

*Table 7 – Investment financial expenses*

## 1.3.2. Information on gains and losses directly recognised in shareholders' equity

In 2016, the net gains and losses in financial instruments were as follows:

*Amounts in thousand euros*

	<b>As a charge to</b>		<b>Total</b>
	Income statement	Shareholders' Equity	
<b>Income from financial instruments</b>			
assets held for trading	-1,492	0	<b>-1,492</b>
financial assets initially recognised at fair value through profit or loss	24,475	0	<b>24,475</b>
available-for-sale assets	268,153	0	<b>268,153</b>
loans and accounts receivable	10,879	0	<b>10,879</b>
sight deposits	95	0	<b>95</b>
other financial assets	0	0	<b>0</b>
<b>Net income on financial assets and liabilities not recognised at fair value through profit or loss</b>			
available-for-sale assets	211,762	-77,322	<b>134,440</b>
loans and accounts receivable	-83	0	<b>-83</b>
<b>Net income on financial assets and liabilities recognised at fair value through profit or loss</b>			
assets held for trading	-76,920	0	<b>-76,920</b>
financial assets initially recognised at fair value through profit or loss	243	0	<b>243</b>
Others	-4,652	0	<b>-4,652</b>
exchange differences	41,218	0	<b>41,218</b>

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

	As a charge to		Total
	Income statement	Shareholders' Equity	
<b>Impairment losses (net of reversal)</b>			
available-for-sale assets	-189,737	0	<b>-189,737</b>
loans and accounts receivable	200	0	<b>200</b>
others	0	0	<b>0</b>
<b>Total</b>	<b>284,141</b>	<b>-77,322</b>	<b>206,819</b>

Table 8 – Net income and losses on financial instruments

### 1.3.3. Information on investment in securitisations

At 31 December 2016, the value of investment in securitisations is immaterial, and no information is therefore included in this chapter.

---

## 1.4. Performance of other activities

There are no other activities performed by the companies included in Longrun's consolidation perimeter with material relevance for the purposes of disclosure in this report.

---

## 1.5. Any other information

### 1.5.1. Group Structure

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the group, the governance requirements applied to the insurance group are defined therein.

The subsidiaries, grouped according to the nature of their main business, are the following:

# Longrun Portugal, SPGS, S.A.

## INSURANCE

**Fidelidade - Companhia de Seguros, S.A.** is a public limited liability company resulting from the merger by incorporation of Império Bonança - Companhia de Seguros, S.A. (“Império Bonança”) in Companhia de Seguros Fidelidade-Mundial, S.A. (“Fidelidade Mundial”), in accordance with the public deed dated 31 May 2012, effective 1 January 2012, which produced accounting effects with reference to 1 January 2012. This operation was authorised by ASF through a resolution of its Board of Directors dated 23 February 2012. The Company’s purpose is to perform the “Non-life” and “Life” insurance activity, as set out in the statute governing this activity.

**Multicare - Seguros de Saúde, S.A.**, with its head office in Lisbon, at Rua Alexandre Herculano, n.º 53, was set up on 9 March 2007 and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance. The company is focused on the management of health insurance.

**Fidelidade Assistência – Companhia de Seguros, S.A. (formerly Cares – Companhia de Seguros, S.A.)**, with its head office in Lisbon, at Avenida José Malhoa n.º 13 - 7.º, was set up on 17 February 1995, with the name Companhia de Seguros Tágus, S.A., and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance. In 2015, CARES – Companhia de Seguros, S.A. changed its name and image to Fidelidade Assistência – Companhia de Seguros, S.A. and now acts under the Fidelidade Assistance brand.

**Via Directa - Companhia de Seguros, S.A. (OK Teleseguros)**, with its head office in Lisbon, at Avenida José Malhoa, n.º 13 - 4.º, was set up on 28 November 1997 and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business, and may also perform activities related to insurance and reinsurance.

**Companhia Portuguesa de Resseguros, S.A.**, with its head office in Lisbon, at Largo do Calhariz n.º 30, was set up on 22 September 1979 and has the corporate purpose of performing any operations regarding reinsurance of non-life lines of business, both in Portugal and abroad, in addition to participating in the redistribution in the market of certain risks of a specific type or dimension.

**Universal Seguros, S.A.**, with its head office in Luanda, at Rua 1.º Congresso MPLA, n.º 11, 1.º A, Ingombota, was set up on 2 June 2009 and has the corporate purpose of performing insurance activities in the life and non-life lines of business in the national territory of the Republic of Angola.

# Longrun Portugal, SPGS, S.A.

**Garantia - Companhia de Seguros de Cabo Verde, S.A.** resulted from the split of the former Instituto de Seguros e Providência Social, EP which occurred on 30 October 1991, pursuant to Decree-Law No. 136/91, of 2 October, with all the assets and liabilities related to the insurance business being transferred to it. The Company has its head office in Chã de Areia, C.P. 138, Cidade da Praia, in the Republic of Cape Verde, and branches in the Sal, São Vicente, Boavista, São Nicolau, Fogo and Santo Antão islands. In order to attract clients to purchase insurance policies, the company also has a network of agents. The Company is engaged in the activity of direct insurance and reinsurance in all lines of business and operations, and may also perform related and complementary activities.

**Fidelidade Macau – Companhia de Seguros, S.A.**, with its head office in Macao at Avenida da Praia Grande, nº 567, BNU Building, 14º, was set up on 30 September 2015 and has the corporate purpose of performing the insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance.

## PROPERTY

**Fidelidade – Property Europe, S.A.**, using this name since 2014, with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 19 November 1991 with the main object of renting own property which it has acquired or built and the provision of related services. On 24 November 2004 a public deed was signed for the merger by incorporation of Caixa Imobiliário - Sociedade de Gestão e Investimento Imobiliário, S.A., in Mundial Confiança - Sociedade de Gestão e Investimento Imobiliário, S.A., which changed its name to Fidelidade-Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A., and this name was changed in 2013 to Fidelidade – Investimentos Imobiliários, S.A..

**Fidelidade – Property International, S.A.** with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 5 November 2014 with the main object of purchasing and selling real estate, including purchase for re-sale, renting or the setting up of other real rights over property and, also, developing, promoting and administering real estate projects, in the area of construction and rehabilitation, in addition to the provision of related services.

**Fundo de Investimento Imobiliário Fechado Saudeinveste** was set up on 10 December 2002 with the investment aim of achieving medium and long-term capital appreciation, through the creation and management of a portfolio of predominantly real estate assets. This fund is managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A..

**Fundo de Investimento Imobiliário Fechado Bonança I** was set up on 22 December 1993 with the investment aim of achieving medium and long-term capital appreciation, through the creation and

## Longrun Portugal, SPGS, S.A.

management of a portfolio of predominantly real estate assets. This fund is managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A..

**FPI (AU) 1 PTY LIMITED**, with its head office at Grosvenor Place Level 18, 225 George Street, Sydney, NSW 2000, Australia, was set up on 17 December 2014 with the corporate purpose of purchasing property.

**FPI (UK) 1 LIMITED**, with its head office at Legalex Limited, One Fetter Lane, London, EC4A 1BR, England, was set up on 18 December 2014 with the corporate purpose of purchasing property.

**FPI (US) 1 LLC**, with its head office at 1209 Orange Street, Wilmington, County New Castle, state of Delaware, United States of America, was set up on 18 December 2014 with the corporate purpose of purchasing property.

**FPE (IT) Società per Azioni**, with its head office at Via Maria Teresa 11 Cap 20123, Milan, Italy, was set up on 2 July 2015 with the corporate purpose of purchasing property.

**GK Kita Aoyoma Support 2**, with its head office at Tokyo Kyodo Accounting Office 3-1-1 Marunouchi, Chiyoda-ku, Tokyo, Japan, was set up on 27 March 2014 with the corporate purpose of the sale and purchase of property and property investments and management.

**Higashi Shinagawa Two TMK**, with its head office at Tokyo Kyodo Accounting Office 3-1-1 Marunouchi, Chiyoda-ku, Tokyo, was set up on 1 August 2014 with the corporate purpose of the sale and purchase of property and property investments and management.

**FPE (Lux) Holding S.à r.l.**, a special purpose vehicle with its head office at 18, rue Robert Stümper, L-2257 Luxembourg, was set up on 2 February 2016.

**Thomas More Square (Lux) Holdings S.à r.l.**, a special purpose vehicle with its head office at 18, rue Robert Stümper, L-2257 Luxembourg, was set up on 6 January 2016.

**Thomas More Square (Lux) S.à r.l.**, a special purpose vehicle with its head office at 18, rue Robert Stümper, L-2257 Luxembourg, was set up on 6 January 2016.

**Thomas More Square (Lux) Investments Limited**, with its head office at 31 Bruton Place, London W1J 6NN, was set up on 17 September 2007 with the corporate purpose of purchasing property.

**Godo Kaisha Moana**, a special purpose vehicle with its head office at Tokyo Kyodo Accounting Office 3-1-1, Marunouchi, Chiyoda-ku, Tokyo, Japan, was set up on 27 March 2014.

# Longrun Portugal, SPGS, S.A.

**Godo Kaisha Praia**, with its head office at Tokyo Kyodo Accounting Office 3-1-1, Marunouchi, Chiyoda-ku, Tokyo, Japan, was set up on 27 March 2014 with the corporate purpose of the sale and purchase of property and property investments and management.

## HEALTHCARE

**Luz Saúde, S.A., Sociedade Aberta**, with its head office in Lisbon, at Rua Carlos Alberto da Mota Pinto, 17 - 9º, was set up on 6 July 2000 with the legal character of a “Holding Company”, pursuant to Decree-Law No. 495/88, of 30 December, and is one of the largest healthcare groups in terms of revenues in this expanding market in Portugal. The Group provides services via 18 units in the North, Centre and South of the country, and has a strong presence in Lisbon, where it operates Hospital da Luz, the largest private hospital in Portugal, and in Oporto, where it operates the Hospital da Arrábida.

## OTHER SECTORS

**Cetra - Centro Técnico de Reparação Automóvel, S.A. (Fidelidade Car Service)**, with its head office in Lisbon, at Rua Cidade de Bolama, nº 1 - B, was set up on 12 February 1973 with the corporate purpose of performing all and any type of activity related to motor vehicles, including repairs, loss adjustments, assessments and salvage recovery, in addition to vehicle leasing operations. The company may also perform related or complementary operations.

**E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. (Safemode)**, with its head office in Lisbon, at Rua Nova da Trindade, nº 3, was set up on 11 November 1996 with the corporate purpose of providing risk analysis and prevention services, in addition to technical consultancy and training to improve hygiene, safety and health conditions in the workplace, laboratory support, environmental recovery planning and monitoring of interventions and the management of industrial premises for treatment, recovery or recycling operations.

**GEP - Gestão de Peritagens Automóveis, S.A.**, with its head office in Lisbon, at Avenida 5 de Outubro nº 35 8º Piso, was set up on 11 November 1996 with the corporate purpose of providing services to assess damage to light and heavy motor vehicles, motorbikes and bicycles, including their trailers and coupled items.

**Fidelidade – Serviços de Assistência, S.A.**, with its head office in Lisbon, at Avenida José Malhoa, nº 13 – 7º, was set up on 29 January 1991 with the corporate purpose of representing and assisting foreign insurers and, in addition, providing support services for the management of claims of national and foreign insurers. In 2015, Cares RH - Companhia de Assistência e Representação de Seguros, S.A., changed its name to Fidelidade - Serviços de Assistência, S.A..

# Longrun Portugal, SPGS, S.A.

**Cares Multiassistance, S.A.**, with its head office in Lisbon, at Rua de Ponta Delgada, nº 44 A e B, was set up on 19 June 2002 with the corporate purpose of providing services of organisation, assessment and management of any repair or restoration work.

**FCM Beteiligungs GmbH**, with its head office in St. Pölten in Austria, at Hollausg 12, was set up on 6 May 2014 with the corporate purpose of acquiring, alienating, holding or managing its own investments in other companies in Germany and abroad, and is active in the import, export, wholesale and retail of textiles and all types of fashion items, including related complementary businesses, in particular, with the management of Tom Tailor GmbH, in Hamburg. The company may act in its own name in these activities.

The companies **FID I (HK) LIMITED** and **FID III (HK) LIMITED** are special purpose vehicles with their head office at Level 54 Hopewell Centre 183, Queen's Road East, Hong Kong, and were set up on 4 November 2014.

**Fidelidade - Assistência e Serviços, Lda.**, with its head office at Rua 1393, nº 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the main purpose of providing assistance services and claims management support services, as well as the provision of accounting services, human resource management and IT support, and also the provision of services for the organisation, evaluation, expert assessment and management of any repair work, restoration, installation and improvements to be made to any property, and the hiring of any entities to perform such work, acquisition and supply of various materials, products and tools, and the provision of any services which are related or complementary to these activities.

**Fidelidade - Consultoria e Gestão de Risco, Lda.**, with its head office at Rua 1393, nº 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the purpose of performing health and safety at work activities, and providing risk analysis and prevention services, technical consultancy and human resources management and training services, laboratory support, planning and monitoring of environmental recovery interventions and facilities management.

## 1.5.2. Information on the scope of the group

For the preparation of **Longrun's consolidated financial statements**, the subsidiaries listed in point 1.5.1 above were considered in the company's consolidation perimeter.

For the determination of **consolidated data for solvency purposes**, and taking into account both the provisions of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, and the understanding of the ASF, the following subsidiaries were not considered in the consolidation perimeter:



# Longrun Portugal, SPGS, S.A.

- Luz Saúde, S.A., Sociedade Aberta;
- Fundo de Investimento Imobiliário Fechado Saudeinveste;
- Fundo de Investimento Imobiliário Fechado Bonança I;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED.

On the other hand, the joint venture Madison 30 31 JV LLC was considered in the consolidation perimeter for solvency purposes.

**Madison 30 31 JV LLC** was set up on 17 December 2014, with its head office at JD Carlisle LLC, 352 Park Avenue South – 15th Floor, New York 10010, United States of America. It is classified as a joint venture in line with the JV Agreement, dated 14 January 2015.

Taking into account these differences between the scope of the group used in the consolidated financial statements and the scope of the consolidated data for solvency purposes, consolidated financial statements were prepared for comparative purposes, considering the consolidation perimeter for solvency purposes, that is, not including Luz Saúde, Fundo Saudeinveste, Fundo Bonança I, FCM Beteiligungs GmbH, FID I (HK) Limited and FID III (HK) Limited, but including Madison 30 31 JV LLC .

Thus, the table below summarises the main differences between Longrun's consolidated financial statements (Accounting Financial Statements) and the consolidated financial statements considering the consolidation perimeter for solvency purposes described above (Solvency II Financial Statements):

*Amounts in thousand euros*

	Accounting Financial Statements	Solvency II Financial Statements	Diference
<b>Total Assets</b>	<b>15,932,127</b>	<b>15,632,498</b>	<b>299,629</b>
<b>Total Liabilities</b>	<b>13,680,483</b>	<b>13,446,082</b>	<b>234,401</b>
<b>Excess assets over liabilities</b>	<b>2,251,644</b>	<b>2,186,416</b>	<b>65,228</b>

*Table 9 – Comparison of accounting financial statements with financial statements within the scope of the consolidated data for solvency purposes*

# Longrun Portugal, SPGS, S.A.

Accordingly, in Chapter 4 of this report, the valuation of assets, technical provisions and other liabilities for solvency purposes is compared to the consolidated financial statements considering the consolidation perimeter for solvency purposes described above (Solvency II Financial Statements).

Likewise, in Chapter 5, the excess of assets over liabilities calculated for solvency purposes is compared to that resulting from the Solvency II Financial Statements.

## 1.5.3. Intra-group operations and transactions

The main movements in the Group's subsidiaries during 2016 were the following:

- In 2016 the Group acquired shares in Luz Saúde S.A., increasing its shareholding from 98.43% at 31 December 2015 to 98.96% at the end of the year, and totalling EUR 1,640,456.
- On 11 March 2016, the Group acquired 120 shares in FPE (Lux) Holdings S.à r.l., representing 100% of the share capital, for GBP 12,000, equivalent to EUR 15,640.
- On 14 March 2016, the Group acquired 32,252 shares in Thomas More Square (Lux) Holdings S.à r.l., representing 97.44% of the share capital, for GBP 32,252, equivalent to EUR 42,034.
- In March 2016, the Group acquired a share in Thomas More Square (Lux) S.à r.l., representing 100% of the share capital, for GBP 12,000, equivalent to EUR 15,640.
- In March 2016, the Group acquired a share in Thomas More Square (Lux) Investments Limited, representing 100% of the share capital, for GBP 73,000,001, equivalent to EUR 95,141,262.
- In July 2016, the Group acquired a share in Godo Kaisha Moana, representing 96.996% of the share capital, for JPY 11,754,000,000, equivalent to EUR 102,843,643.
- In July 2016, the Group acquired a share in Godo Kaisha Praia, representing 100% of the share capital, for JPY 11,983,000,000, equivalent to EUR 104,354,263.
- In 2016, Fidelidade - Companhia de Seguros, S.A., granted Fidelidade - Property Europe, S.A. supplementary contributions of EUR 426,324,631.
- In 2016, Fidelidade - Companhia de Seguros, S.A., granted Fidelidade - Property International, S.A. supplementary contributions of EUR 163,290,654.

# Longrun Portugal, SPGS, S.A.

- In August 2016, Fidelidade – Property Europe, S.A., granted FPE (Lux) Holdings S.à r.l. supplementary contributions of EUR 139,160,360.
- In 2016, Fidelidade – Property International, S.A., granted FPI (UK) 1 LIMITED supplementary contributions of EUR 67,018,837.
- In 2016, FPI (UK) 1 LIMITED granted FPI (US) 1 LLC supplementary contributions of EUR 17,833,259.
- In September 2016, the Group increased its shareholding in Thomas More Square (Lux) Holdings, S.à.r.l. by 1.86%, from 97.44% to 99.30%.
- In September 2016 FPE (Lux) Holdings S.à r.l. granted Thomas More Square (Lux) Holdings S.à r.l. supplementary contributions of EUR 116,778,000.
- In September 2016 Thomas More Square (Lux) Holdings S.à r.l. granted Thomas More Square (Lux) S.à r.l. supplementary contributions of EUR 117,600,000.
- In December 2016, Fidelidade – Companhia de Seguros, S.A. redeemed investments units in Fundo de Investimento Imobiliário Fechado Bonança I, totalling EUR 2,499,983.
- In 2016, FPI (US) 1 LLC granted Madison 30 31 JV LLC supplementary contributions of USD 54,730,984, corresponding to EUR 49,604,557.

The following tables present the main intra-group transactions, involving:

- a. Equity-type transactions, debt and asset transfer;
- b. Derivatives, including the guarantees supporting any derivatives instruments;
- c. Reinsurance;
- d. Internal cost sharing, contingent liabilities (other than derivatives) and off balance sheet items and other types of intragroup transactions.

# Longrun Portugal, SPGS, S.A.

## a) Equity-type transactions, debt and asset transfer

Amounts in thousand euros

Investor/ lender name	Issuer/ borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of dividends/interest/coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	01/05/2016	-	EUR	379,509	0	0	-
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	01/06/2016	-	EUR	9,015	0	0	-
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	01/08/2016	-	EUR	4,800	0	0	-
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	01/12/2016	-	EUR	33,000	0	0	-
Fidelidade_Companhia de seguros	FISA II - Fidelidade-Property International, S.A.	Shares and equity securities - Other	01/06/2016	-	EUR	42,511	0	0	-
Fidelidade_Companhia de seguros	FISA II - Fidelidade-Property International, S.A.	Shares and equity securities - Other	01/08/2016	-	EUR	120,780	0	0	-
FPE - Fidelidade - Property Europe, S.A	FPI (LUX) HOLDING	Shares and equity securities - Shares / participations	01/03/2016	-	EUR	16	0	0	-
FPE - Fidelidade - Property Europe, S.A	FPI (LUX) HOLDING	Shares and equity securities - Other	01/08/2016	-	EUR	139,160	0	0	-
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/05/2016	-	GBP	5,345	0	0	-
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/06/2016	-	GBP	34,592	0	0	-

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investor/ lender name	Issuer/ borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of dividends/interests/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/interest rate
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/08/2016	-	GBP	15,575	0	0	-
FISA II - Fidelidade-Property International, S.A.	Godo Kaisha Moana	Shares and equity securities - Shares / participations	01/07/2016	-	JPY	11,754,000	0	0	-
FPI (UK) 1 LIMITED	FPI (US) 1 LLC	Shares and equity securities - Shares / participations	01/07/2016	-	USD	20,000	0	0	-
FPI (LUX) HOLDING	Thomas More Square (Lux) Holdings Sarl	Shares and equity securities - Shares / participations	01/03/2016	-	GBP	33	0	0	-
FPI (LUX) HOLDING	Thomas More Square (Lux) Holdings Sarl	Shares and equity securities - Other	01/09/2016	-	GBP	117,567	0	0	-
Thomas More Square (Lux) Holdings Sarl	Thomas More Square (Lux) Sarl	Shares and equity securities - Shares / participations	01/03/2016	-	GBP	12	0	0	-
Thomas More Square (Lux) Holdings Sarl	Thomas More Square (Lux) Sarl	Shares and equity securities - Other	01/09/2016	-	GBP	117,588	0	0	-
Thomas More Square (Lux) Sarl	Thomas More Square	Shares and equity securities - Shares / participations	01/09/2016	-	GBP	99,320	0	0	-
Godo Kaisha Moana	Godo Kaisha Praia	Shares and equity securities - Shares / participations	01/07/2016	-	JPY	12,118,000	0	0	-
FISA II - Fidelidade-Property International, S.A.	Godo Kaisha Moana	Shares and equity securities - Shares / participations	01/07/2016	-	JPY	11,983,000	0	0	-
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/05/2016	-	GBP	5,345	0	0	-

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investor/ lender name	Issuer/ borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of dividends/interests/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/interest rate
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/06/2016	-	GBP	34,592	0	0	-
FISA II - Fidelidade-Property International, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities - Shares / participations	01/08/2016	-	GBP	15,575	0	0	-
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Other transfers of assets - other	18/07/2014	18/07/2024	EUR	6,799	408	6,799	6.000%
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Other transfers of assets - other	17/07/2014	17/07/2024	EUR	2,000	55	2,000	6.000%
FISA II - Fidelidade-Property International, S.A.	FPI (AU) 1 PTY LIMITED	Other transfers of assets - other	23/12/2014	23/12/2019	EUR	299	214	4,312	5.010%
FISA II - Fidelidade-Property International, S.A.	FPI (AU) 1 PTY LIMITED	Other transfers of assets - other	03/03/2015	03/03/2020	EUR	3,095	2,218	44,601	5.010%
FPE - Fidelidade - Property Europe, S.A	Thomas More Square (Lux) Sarl	Other transfers of assets - other	01/03/2016	23/03/2021	EUR	34,339	1,371	34,339	5.100%
FPE - Fidelidade - Property Europe, S.A	Thomas More Square (Lux) Sarl	Other transfers of assets - other	01/03/2016	23/03/2021	EUR	171,693	3,629	171,693	2.700%
FPI (UK) 1 LIMITED	FPI (US) 1 LLC	Bonds/Debt - -- uncollateralised	08/01/2015	08/01/2020	GBP	32,213	3,142	49,464	8.000%
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Shares / participations	-	-	EUR	-	880	0	-
Fidelidade_Companhia de seguros	Garantia Seguros	Shares and equity securities - Shares / participations	-	-	CVE	-	35,754	0	-

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investor/ lender name	Issuer/ borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/interest rate
Fidelidade_Companhia de seguros	GEP - Gestão de Peritagens Automóveis, S.A.	Shares and equity securities - Shares / participations	-	-	EUR	-	48	0	-
Fidelidade_Companhia de seguros	Cetra - Centro Técnico de Reparação Automóvel, S.A.	Shares and equity securities - Shares / participations	-	-	EUR	-	43	0	-
Fidelidade_Companhia de seguros	E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Shares and equity securities - Shares / participations	-	-	EUR	-	14	0	-
FIDELIDADE ASSISTÊNCIA - Companhia de Seguros, S.A.	Fidelidade Serviço Assistência, SA	Shares and equity securities - Shares / participations	-	-	EUR	-	1,000	0	-

Table 10 – Intra-group transactions – equity-type transactions, debt and asset transfer

# Longrun Portugal, SPGS, S.A.

## b) Derivatives, including the guarantees supporting any derivatives instruments

Amounts in thousand euros

Investor / buyer name	Issuer / seller name	Transaction type	Transaction trade date	Maturity date	Currency	Notional amount at transaction date	Notional amount at reporting date	Value of collateral
FIDELIDADE - PROPERTY INTERNATIONAL	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - futuros	16/12/2016	19/06/2017	USD	113,250	107,438	1,755
FIDELIDADE - PROPERTY INTERNATIONAL	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - forwards	30/12/2016	05/07/2017	EUR	95,422	95,735	0
FIDELIDADE - PROPERTY INTERNATIONAL	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - forwards	31/10/2016	05/07/2017	JPY	342,412	343,535	0
FIDELIDADE - PROPERTY EUROPE	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - futuros	13/09/2016	15/03/2017	GBP	132,858	132,858	2,870
FPE(Lux) Holding, Sarl	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - futuros	13/09/2016	15/03/2017	GBP	201,330	201,330	4,349
FIDELIDADE - PROPERTY INTERNATIONAL	FIDELIDADE - COMPANHIA DE SEGUROS, SA	Derivados - futuros	30/12/2016	15/03/2017	GBP	131,106	131,106	2,832

Table 11 – Intra-group transactions - derivatives, including the collateral underlying any instruments of this type.



# Longrun Portugal, SPGS, S.A.

## c) Reinsurance

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per risk)	Non-proportional property reinsurance	01/01/2014	31/12/2014	EUR	2,500	-196	1,670	1,343
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Proportional assistance reinsurance	01/01/2016	31/12/2016	EUR	0	-540	-4,710	-35,932
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Health reinsurance	01/01/2016	31/12/2016	EUR	0	-3,422	49,017	-17,847
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Other motor insurance	01/01/2016	31/12/2016	EUR	60,000	0	0	-31
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	General liability insurance	01/01/2016	31/12/2016	EUR	25,000	0	0	-13
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Income protection insurance	01/01/2016	31/12/2016	EUR	2,500	0	0	-100
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2016	31/12/2016	EUR	55,200	28	1,110	266
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2016	31/12/2016	EUR	3,000	-5	1	-7
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2016	31/12/2016	MZN	0	-5	21	-5
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2016	31/12/2016	MZN	0	-21	85	-19

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Other motor insurance	01/01/2016	31/12/2016	MZN	0	-38	150	519
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Medical expense insurance	01/01/2016	31/12/2016	MZN	0	-3	11	-2
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	General liability insurance	01/01/2016	31/12/2016	MZN	0	0	1	-35
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2016	31/12/2016	MZN	0	-2	7	-7
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Workers' compensation insurance	01/01/2016	31/12/2016	MZN	0	-6	23	-235
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2016	31/12/2016	MZN	0	0	0	-5
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2016	31/12/2016	MZN	0	0	0	0
Multicare Seguros de Saude, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expense insurance	01/01/2016	31/12/2016	EUR	0	-33	0	-468
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.		Medical expense insurance	01/01/2016	31/12/2016		0	0	181	-4,798
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expense insurance	01/01/2016	31/12/2016	EUR	0	7	48	-79

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2006	31/12/2006	EUR	1,000	15	0	183
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2016	31/12/2016	EUR	10,000	-3	0	-101
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2015	31/12/2015	EUR	0	0	29	-150
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2016	31/12/2016	EUR	0	-65	60	281
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2012	31/12/2012	EUR	2,000	0	377	-1,329
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	excess of loss (per event)	Fire and other damage to property insurance	01/01/2013	31/12/2013	EUR	4,950	0	1	-67
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	USD	0	-1	0	-2
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	USD	0	-5	0	-4
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional other motor reinsurance	01/01/2015	31/12/2015	USD	0	27	61	41
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional other motor reinsurance	01/01/2016	31/12/2016	USD	0	-19	0	-49

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional medical expense reinsurance	01/01/2016	31/12/2016	USD	0	0	0	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional general liability reinsurance	01/01/2015	31/12/2015	USD	0	0	0	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional general liability reinsurance	01/01/2016	31/12/2016	USD	0	-1	0	-1
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional marine, aviation and transport reinsurance	01/01/2016	31/12/2016	USD	0	2	0	-2
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	USD	0	22	0	6
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	USD	0	-83	0	-21
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2016	31/12/2016	USD	0	-10	0	-13
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2015	31/12/2015	USD	0	0	1	-2
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2016	03/04/2017	EUR	56,800	0	23	-3
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/07/2016	05/07/2017	EUR	41,379	0	10	0

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	17/07/2016	16/07/2017	EUR	29,278	-3	0	-5
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/11/2016	31/12/2016	EUR	14,872	0	0	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/11/2016	31/12/2016	EUR	2,607	-1	0	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/01/2016	31/12/2016	EUR	2,500	-5	0	-1
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2015	30/06/2016	EUR	0	33	0	7
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	MOP	30,878	1	748	-38
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2012	30/06/2013	EUR	0	0	225	-68
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2016	30/06/2017	EUR	0	0	27	-18
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2013	02/05/2014	MOP	4,267	0	1	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	EUR	4,283	0	415	32

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/12/2013	15/11/2017	MOP	22,705	0	36	0
Comp Portuguesa Resseguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	EUR	55,200	0	37	-19
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expense insurance	01/01/2016	31/12/2016	USD	1,575	108	9	-58
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	stop loss	Motor vehicle liability insurance	01/01/2016	31/12/2016	USD	450	2.289	200	-1.244
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2016	31/12/2016	USD	1,400	5.138	450	-2.791
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2016	31/12/2016	USD	420	52	5	-28
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	General liability insurance	01/01/2016	31/12/2016	USD	595	301	26	-164
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expense insurance	01/01/2016	31/12/2016	USD	0	854	0	-319
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2016	31/12/2016	USD	0	322	59	-120
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Legal expenses insurance	01/01/2016	31/12/2016	USD	0	33	0	-12

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Universal Seguros S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	stop loss	Health insurance	01/01/2016	31/12/2016	EUR	0	2.515	114	-1,302
Garantia	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2016	31/12/2017	CVE	33	-35	4	-157
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	Medical expense insurance	01/01/2016	31/12/2017	CVE	3,628	14	26	26
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	Fire and other damage to property insurance	01/01/2016	31/12/2017	CVE	3,628	-73	67	-489
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	Fire and other damage to property insurance	01/01/2016	31/12/2017	CVE	1,814	45	515	74
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	Marine, aviation and transport insurance	01/01/2016	31/12/2017	CVE	1,134	23	7	-93
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	Marine, aviation and transport insurance	01/01/2016	31/12/2017	CVE	363	28	19	-39
Garantia	Fidelidade Companhia de Seguros, S.A	quota share	General liability insurance	01/01/2016	31/12/2017	CVE	272	5	28	-125
Garantia	Fidelidade Companhia de Seguros, S.A	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2016	31/12/2017	CVE	465	-6	14	-84
Garantia	Fidelidade Companhia de Seguros, S.A	excess of loss (per event and per risk)	Workers' compensation insurance	01/01/2016	31/12/2017	CVE	871	0	193	-128

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract /treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A	Facultative proportional	Medical expense insurance	01/03/2016	28/02/2018	MOP	1,446	-2	0	-1
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A	Facultative proportional	Fire and other damage to property insurance	01/01/2017	31/12/2017	MOP	69,316	-28	0	-97
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	30/06/2017	MOP	35,672	0	0	-1
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A	Facultative proportional	Fire and other damage to property insurance	03/05/2016	02/05/2017	MOP	43,102	-2	0	-1
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A	Facultative proportional	Fire and other damage to property insurance	30/11/2016	29/11/2017	MOP	76,013	0	0	-6
Fidelidade Macau Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	Fire and other damage to property insurance	16/12/2013	15/11/2018	MOP	22,884	0	355	-149

Table 12 – Intra-group transactions – Internal reinsurance.



# Longrun Portugal, SPGS, S.A.

## d) Internal cost sharing, contingent liabilities (other than derivatives) and off balance sheet items and other types of intragroup transactions

Amounts in thousand euros

Investor / buyer / beneficiary name	Issuer / seller / provider name	Transaction type	Trigger event	Transaction issue date	Currency	Value of transaction/ collateral/ guarantee
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of employees	31/12/2016	EUR	708
Multicare	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of employees	31/12/2016	EUR	1,777
FIDELIDADE ASSISTÊNCIA - Companhia de Seguros, S.A.	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of employees	31/12/2016	EUR	432
Fidelidade_Companhia de seguros	E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Internal cost sharing	Assignment of employees	31/12/2016	EUR	246
Via Directa - Companhia de Seguros, S.A.	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of employees	31/12/2016	EUR	216
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	301
Fidelidade_Companhia de seguros	E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	1,236
FIDELIDADE ASSISTÊNCIA - Companhia de Seguros, S.A.	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	268
Via Directa - Companhia de Seguros, S.A.	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	240
Fidelidade_Companhia de seguros	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	116

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Investor / buyer / beneficiary name	Issuer / seller / provider name	Transaction type	Trigger event	Transaction issue date	Currency	Value of transaction/ collateral/ guarantee
Multicare	Fidelidade_Companhia de seguros	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	574
Fidelidade_Companhia de seguros	FIDELIDADE ASSISTÊNCIA - Companhia de Seguros, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	492

Table 13 – Cost Sharing, contingent liabilities, off balance sheet and other items.

---

## 2. System of governance

---

### 2.1. General information on the system of governance

#### 2.1.1. Corporate governance structure

Corporate governance involves a series of relationships between the management of the company, its shareholders and other stakeholders, by means of which the company's objectives are defined, and also the means by which these will be achieved and monitored.

Longrun adopts a unitary corporate governance model with a Board of Directors.

The following table represents the Longrun's Corporate Governance structure during 2016:

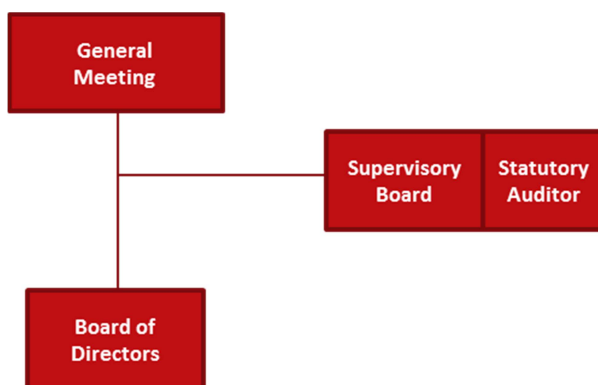


Figure 8 – Corporate governance structure

The main competences of the bodies included in the corporate governance structure are:

#### a) General Meeting

Pursuant to the Company's Articles of Association, the General Meeting is composed of the shareholders present and represented in the terms of the law, and each share has one corresponding vote.

The Company's Articles of Association do not provide for any maximum percentage of voting rights that may be exercised by a single shareholder or even by a shareholder who has with the former any of the relationships set out in Article 20(1) of the Securities Code.

# Longrun Portugal, SPGS, S.A.

## b) Board of Directors

As one of the Company's corporate bodies, the Board of Directors has, pursuant to Article 13(1) of the Company's Articles of Association, the broadest of powers to manage and represent the company.

The Board of Directors may not deliberate if the majority of its members is not present or represented.

## c) Supervisory Board and Statutory Auditor

The supervision of the Company is the responsibility of a Supervisory Board and a Statutory Auditor Firm.

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

## 2.1.2. Internal governance

Internal governance is the responsibility of the management body and its main concerns are to define the company's business objectives and risk appetite, the organisation of the company's business, the granting of responsibilities and authority, the reporting lines and the information that must be provided, and the organisation of the internal control system.

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the group, the governance requirements applied to the insurance group are defined therein. Accordingly, the relevant body to which the Group's governance requirements apply is the Executive Committee of Fidelidade – Companhia de Seguros, S.A.

The risk management and internal control systems are managed by bodies within Fidelidade's structure which perform functions transversal to the group.

Various corporate functions have been implemented and strengthened in the group, including the following areas: information systems, planning and control, accounting and investment.

Additionally, the operational risk and internal control management processes described in this report enable the dissemination, to all the companies, of a culture of risk management, thereby strengthening the protection of their stakeholders, in particular, the policy holders and beneficiaries.

# Longrun Portugal, SPGS, S.A.

Regarding the group's solvency, as described in points 2.3.2, 3 and 5.1.1. of this report, there are adequate mechanisms to identify and measure all the material risks incurred and adequately relate the eligible own funds to the risks.

In relation to transactions with related parties, a series of objective and transparent rules, which are subject to specific approval mechanisms, are applicable to these.

Conditions are, therefore, created for the relevant body at group level to adequately manage the risk management and internal control systems, both at the individual and group level, with appropriate reporting lines and procedures for providing information.

## 2.1.3. Key functions

The key functions established within the scope of the risk management and internal control systems are performed by the following Bodies of Fidelidade – Companhia de Seguros, S.A., which perform functions transversal to the Group:

- Risk Management Division (DGR);
- Compliance Office (GCO);
- Audit Division (DAU);

The key functions established within those systems are given to the following bodies:

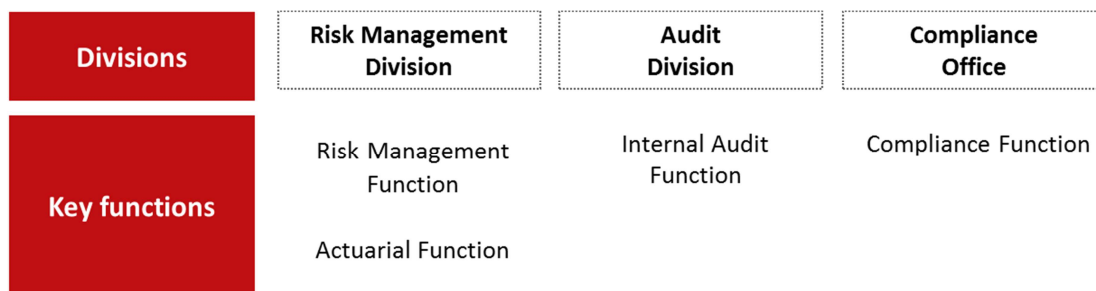


Figure 9 – Key functions

# Longrun Portugal, SPGS, S.A.

The following functions are defined for these bodies:

## 2.1.3.1. Risk Management Function

- Ensuring information is produced and made available to support decision-making, both by the Executive Committee and by the different Divisions;
- Ensuring the development, implementation and maintenance of a risk management system which enables all material risks to which the Insurers and the group are exposed to be identified, assessed and monitored;
- Drawing up, proposing and revising the Capital Management Policy, the medium-term Capital Management Plan and the respective Contingency Plans;
- Assessing and monitoring the current and future solvency situation;
- Drawing up, proposing and revising the Asset and Liability Management Policy;
- Participating in the drawing up and revision of the Investment and Liquidity Policies;
- Identifying, assessing and monitoring the market risks and counterparty credit risks;
- Monitoring compliance with the defined level of liquidity and coverage of estimated payments by estimated receipts;
- Identifying, assessing and monitoring operational risks incurred in the insurance group, as well as identifying and characterising the existing control tools;
- Diagnosing and identifying improvements in the operational and control systems;
- Assessing and monitoring the risk mitigation instruments, namely Reinsurance;
- Participating in the revision of the Underwriting and Reinsurance Policies;
- Drawing up, proposing and revising the Provisioning Policy;
- Identifying, assessing and monitoring underwriting risks, and the credit risk of instruments to mitigate those risks, and preparing information to support decision-making.

## 2.1.3.2. Actuarial Function

- Monitoring the accounting Technical Provisions, assessing their level of prudence;
- Undertaking an actuarial assessment of the portfolios, including calculation of the fair value of liabilities of a technical nature;
- Ensuring consultancy and actuarial technical assistance to the bodies and institutions which request it, as part of contracts for the provision of actuarial-type services, in particular, on the subject of pension funds, benefits plans or any other private pension plan frameworks.

## 2.1.3.3. Internal Audit Function

- Drawing up an annual audit plan which focuses on assessing the effectiveness of the internal control and risk management systems, working with the Executive Committee to

# Longrun Portugal, SPGS, S.A.

draw up the annual report on the organisational structure and the existing risk management and internal control systems;

- Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of effectiveness;
- Drawing up a report to be presented to the Executive Committee and to the Supervisory Bodies at least once a year on Auditing Issues, with a summary of the main deficiencies detected in the auditing actions and which identifies the recommendations that were followed;
- Presenting the reports prepared by the Division to the Executive Committee, by means of an IT system;
- Aiding the Executive Committee, when requested by the latter, in uncovering the facts relating to potential disciplinary breaches by employees and irregularities performed by agents or service providers;
- Confirming compliance with the laws and regulations which govern the business;
- Performing ad hoc assessments and reviews, as requested by the Executive Committee;
- Working with the External Audit and with the Statutory Auditor.

#### **2.1.3.4. Compliance Function**

- Ensuring the coordination and monitoring of compliance issues;
- Ensuring the coordination of the compliance function, with a view to compliance with legislation and other regulations, and with internal policies and procedures, seeking to prevent sanctions of a legal or regulatory nature and financial losses or reputational harm;
- Drawing up and proposing the Companies' Compliance Manual and ensuring it is maintained and disseminated.

#### **2.1.3.5. Committees**

The management of the risk management and internal control systems is also ensured by the following committees which perform functions transversal to the Group:

- a. Risk Committee;
- b. Underwriting Policy Acceptance and Supervision Committee;
- c. Products Committee (Life and Non-Life).

# Longrun Portugal, SPGS, S.A.

## a) Risk Committee

The Risk Committee is responsible for commenting on Risk Management and Internal Control issues which are submitted to it by the Executive Committee, relying on the definition of the risk strategy to be followed by the Companies. Accordingly, the Risk Committee proposes to the Executive Committee risks policies and global objectives to be considered in the Companies' Risk Management and Internal Control.

## b) Underwriting Policy Acceptance and Supervision Committee

The main function of this Committee, which covers all channels and products, is to deliberate on the acceptance of risks which exceed the competences of the Business Divisions or which require its intervention due to their specific nature.

## c) Products Committee (Life and Non-Life)

The Products Committees' main mission is to coordinate the release of products of all Group companies, ensuring that the offer is consistent with the multi-channel and value creation strategy, ensuring alignment of the new offer and the existing offer with the Company's strategic planning and risk appetite defined by the Executive Committee.

### 2.1.4. Remuneration rights of the members of the management body

The fixing of the remunerations of the members of the corporate bodies is the responsibility of the General Meeting, since no Remunerations Committee has been set up in the Company.

The members of the Board of Directors are not remunerated for the performance of their functions.

The members of the Supervisory Board are not remunerated for their functions.

There are no complementary pensions and early retirement rules applicable to the members of the management and supervisory body.

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

There are no agreements between the Company and the members of the Management Body that provide for compensation in the event of removal, dismissal without just cause or cessation of the employment relationship, following a change of control in the Company.

Should there be remuneration of the members of the management and supervisory bodies in the future, this shall be fixed with reference to the applicable legal and regulatory standards, and to the



# Longrun Portugal, SPGS, S.A.

principles guiding the policy for fixing the remunerations of the members of the corporate bodies of the Group companies.

## **2.1.5. Transactions with related parties**

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. Information on business with related parties is disclosed in the Notes to the Separate Financial Statements (Note 15) and Notes to the Consolidated Financial Statements (Note 46).

## **2.1.6. Assessment of the adequacy of the system of governance**

Taking into consideration the nature, scale and complexity of its activities, Longrun considers that the system of governance complies with the requirements set out in the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance.

---

## **2.2. Fit and proper requirements**

On 5 May 2017, Longrun's Board of Directors approved the Fit & Proper policy which falls within the scope of the requirements set out in Article 66(2) of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR) and the objective of which is to establish general principles for assessing that the persons who effectively run the company, supervise it, are its managers or perform key functions within it are fit and proper.

The aforementioned Policy was approved by the General Meeting of Longrun, which met on 31 May 2017.

In line with the Fit and Proper Policy, the scope of application of which is singular, covering the various insurance companies within the Longrun, SGPS, S.A., universe and Longrun itself, persons who effectively run the company, supervise it, are its managers or perform key functions within it must at all times comply with the requirements of qualifications (fit), integrity (proper), independence and availability. Additional requirements are provided for collegiate bodies.

The following persons are subject to the assessment: members of the management body, members of the supervisory body, the statutory auditor who is responsible for issuing the statutory auditor's report and the responsible actuary.

The following persons are also subject to the assessment: persons who perform other functions which give them significant influence over the management of the Companies, Top-Level Managers,

# Longrun Portugal, SPGS, S.A.

persons who are responsible for or perform risk management, compliance, internal audit and actuarial functions, representatives of the Companies' branches and, where key functions are outsourced, the internal interlocutor for those functions.

The Companies must confirm that the persons subject to the assessment fulfil the fit and proper requirements to perform their respective functions. The Policy therefore sets out the process for assessing those requirements, divided into three major areas: (1) Assessment; (2) Registration; (3) Appointment.

The Assessment Committee is responsible for assessing the fit and proper requirements of the members of the Management and Supervisory Bodies, the Statutory Auditor and the Responsible Actuary. The Assessment Committee is also responsible for assessing the heads of risk management, compliance and internal audit functions, and also the head of the People and Organisation Division of Fidelidade.

The responsibility for assessing other persons – top-level managers, the persons responsible for the actuarial function, branch representatives, staff who perform key functions and those responsible for important or critical functions or activities which are outsourced – lies with the People and Organisation Division of Fidelidade.

The assessment is carried out prior to the commencement of functions (initial assessment) and the continuing compliance with the fit and proper requirements is confirmed every three years thereafter (successive assessment), by means of a statement presented for the purpose by the interested party, whenever that compliance continues.

Since the appointed persons must inform the insurance company of any facts subsequent to the appointment or to the registration which change the content of the statement initially presented, an extraordinary assessment will be carried out whenever they become aware of any subsequent circumstances which may lead to the requirements not being fulfilled within the scope of their functions.

---

## **2.3. Risk management system including the own risk and solvency assessment**

### **2.3.1. Risk management processes**

The Risk Management Division is a first-line body in the corporate structure, reporting directly to the Fidelidade's Executive Committee. Its mission is based on defining, implementing and maintaining a risk management system which enables identification, measuring, monitoring and reporting of risks, individually or collectively, including risks not contemplated in the solvency capital requirement,

## Longrun Portugal, SPGS, S.A.

enabling the management bodies of the group's insurance and reinsurance companies, and the various Divisions involved, to incorporate this knowledge into their decision-making process.

The timetable with the planned activities to assure implementation of the Solvency II rules, sent to the ASF within the scope of Circular No. 5/2014, of 12 December, contained the activities needed to eliminate the differences identified in a previous gap analysis, covering both the transitional phase (with a more immediate timeframe – 2014 and 2015) and the consolidation phase for the application of the new Solvency II rules (with a more distant timeframe, after January 2016).

Accordingly, the activities carried out by the Risk Management Division, in 2016, are fundamentally based on the enhancement and consolidation of several matters related with the three solvency pillars, and technical aspects and certification of information produced within this scope.

The following activities can be highlighted:

- Conducting the annual own risk and solvency assessment (ORSA) and reporting the results to the ASF in the respective supervision report;
- Preparing and sending, as part of the initial report, as of 1 January 2016, annual information contained in the Quantitative Report Templates – QRT, and the respective qualitative information, which was subject to certification by the statutory auditor and by the responsible actuary, pursuant to the regulations issued by the ASF, namely Regulatory Standard No. 5/2016 –R, of 12 May;
- Reporting to the ASF, in relation to the first year under the Solvency II rules, up-to-date information on the Company's system of governance;
- Commencement of quarterly quantitative reporting under Solvency II.

Among the activities performed by the Risk Management Division in 2016, it is also important to mention the activities related to capital optimisation measures, namely, the application of the transitional measures on technical provisions, of the transitional measure for the equity risk submodule and the change of contractual boundaries for temporary annual renewable Life Risk insurance contracts.

Taking into account the description in point 2.1.2. of this report, the processes and procedures for managing the group's risks are those which are described and elaborated on, by category of risk, in the Regular Supervisory Reports relating to 2016 of each of the group's insurance and reinsurance companies.

# Longrun Portugal, SPGS, S.A.

## 2.3.2. Own risk and solvency assessment

The ORSA Policy was approved with the aim of establishing the general principles for the own risk and solvency assessment regarding:

- Processes and procedures;
- Functions and responsibilities;
- Criteria and methodologies;
- Reporting;
- Articulation with the strategic management process and use of the ORSA results.

According to the Policy, the ORSA aims to provide a level of security which is acceptable to the Companies' management bodies regarding compliance with the strategic objectives, within the framework of the risk appetite established.

Accordingly, considering the risk appetite defined, the ORSA seeks to provide a prospective vision of the capacity of the available capital of both the Companies and Longrun to support different levels of risk, resulting both from strategic decisions and from scenarios involving external factors.

The ORSA is, therefore, an integrated process in the Companies' strategic management, which enables a global vision to be gained on a regular basis of all the relevant risks which are a threat to the pursuit of the strategic objectives and the consequences of these in terms of (future) capital needs.

This process also contributes to promoting the Companies' risk culture, by identifying the risks the Companies are exposed to (including those not considered in the capital requirements), introducing the concept of economic capital in the management processes and communicating the risks, thereby allowing those receiving this information to incorporate this knowledge into their decision making.

In order to comply with these objectives, the ORSA process is divided into five major activities: (1) business strategy; (2) prospective assessment; (3) analysis of scenarios and definition of limits; (4) reporting; (5) constant monitoring.

The Companies' management bodies are responsible for steering the entire ORSA process, including approving it. Fidelidade's Risk Management Division and the Strategic Planning and Corporate Performance Division are involved in carrying out the process.

As part of the ORSA, the global solvency needs are calculated considering the Companies' risk profile. The concept of Economic Capital is used to produce this calculation, which is based on a standard formula for calculating the solvency capital requirement (SCR). In this process, all the risks that the Companies and the group are or may be exposed to are identified. These risks are assessed quantitatively and/or qualitatively.

# Longrun Portugal, SPGS, S.A.

To provide a prospective vision of the risk profile of the Companies and of the Group and, consequently, of its global solvency needs, forecasts are produced, for a time period which coincides with the period defined in strategic planning, of the Company's financial position, the result of its operations, the changes in its own funds and its solvency needs.

Given that the Economic Capital calculated within the scope of the ORSA will tend to be different to the SCR, an assessment is made (which is qualitative and, whenever so justified, quantitative) of the possible differences between the risk profile of the Companies and of the group and the assumptions underlying the calculation of the SCR.

As a complement to the assessment of the global solvency needs, a series of analyses of scenarios are planned in order to validate the defined strategy in extreme scenarios.

The ORSA is conducted annually, and may also be carried out extraordinarily in certain situations. Reports are produced both for the supervisor and for internal use.

Also within the scope of the ORSA process, an assessment is planned to determine, on a continuous basis, the regulatory capital requirements and the requirements provided for in the Solvency II Directive applicable to the technical provisions.

This assessment, which is one of the activities in the ORSA process, named "continuous monitoring", consists of the production of a monthly report containing the estimated Solvency II position, adjusted by the effect of capital optimisation measures in progress or being studied.

---

## 2.4. Internal control system

### 2.4.1. Information on the internal control system

The Risk Management Division is responsible for managing the Companies' operational risk and internal control system.

In turn, the Audit Division is responsible for assessing the adequacy of the system of operational risk management and the internal control system, in order to report fragilities / deficiencies detected and recommendations for their improvement.

# Longrun Portugal, SPGS, S.A.

Management of the Companies' operational risk and internal control is performed according to the following flow diagram:

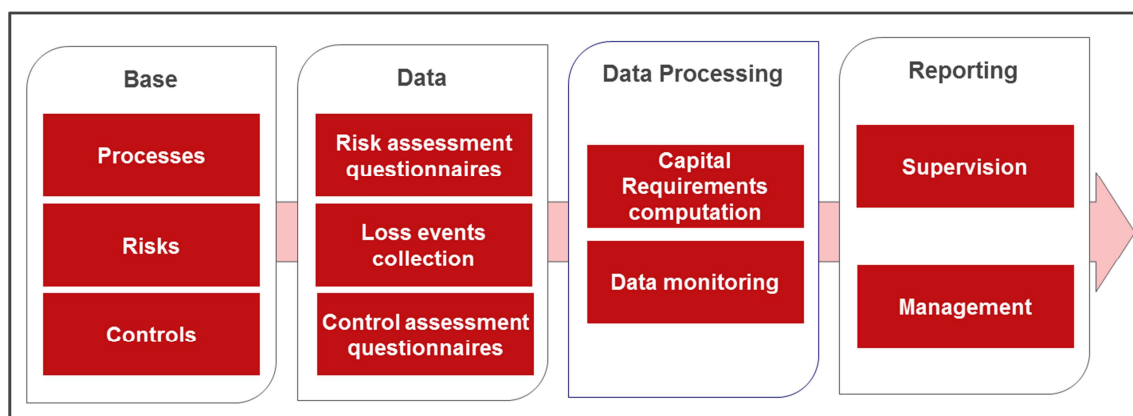


Figure 10 – Flow diagram of operational risk and internal control management

## a) Business processes

All the Companies' business processes have been documented, considering a pre-defined "tree" of processes containing three levels: macroprocess; process; sub-process.

Documentation and updating of the Companies' business processes are a necessary condition for the aforementioned systems.

## b) Risks and controls

For these processes, the most significant **risks** to which they are exposed were identified (on the basis of a pre-defined risk matrix) and also the existing **controls** which mitigate these.

Accordingly, the Companies' **controls** were **documented and characterised**, while being associated to the risks previously identified.

In documenting the controls, a range of items needed in order to characterise them were defined, namely: the category, nature, type, frequency and evidence of the control.

## c) Assessment

**To assess the Companies' operational risk**, quantitative information is collected on the risks previously identified by means of answers to **Risk Assessment Questionnaires** and the recording of events and subsequent losses resulting from the risks associated with the processes.

The **assessment of the internal control system** is supported by a process of own assessment of the controls. This process of information collection occurs by means of answers to **Controls**

# Longrun Portugal, SPGS, S.A.

**Assessment Questionnaires** which aim to assess the effectiveness of the controls by those responsible for their execution.

It is important to mention that the various Structural Bodies of the Companies are responsible for enhancing the operational risk and internal control management process, in order to ensure that the management and control of operations is performed in a sound and prudent manner. They are also responsible for ensuring that documentation on the business processes, respective risks and control activities exists and is up-to-date.

Another aim of this operational risk and internal control management process is to provide and disseminate, throughout all the Companies, a culture of risk management, thereby strengthening the protection of the Company' stakeholders, in particular, the policy holders and beneficiaries.

## **2.4.2. Information on activities performed by the compliance function**

The Compliance Office (GCO) is a body of staff with functional independence which performs key functions within the system of Risk Management and Internal Control, and which reports directly to Fidelidade's Executive Committee.

The GCO's main mission is to contribute so that the management bodies, management structure and staff of the Group Companies comply with the legislation, rules, codes and standards in force, both externally and internally, in order to avoid situations which may harm the companies' image and their reputation in the market, as well as potential financial losses.

The Companies' compliance policy is duly formalised in the "Compliance Manual". This document, which is disseminated to all employees and is available on the intranet, defines the compliance strategy, the mission and structure of the body responsible for implementation of the compliance function, the work and control processes associated with the performance of the compliance function, and the rules of ethical and professional conduct which, reflecting the values which govern the actions of the Fidelidade group, lead to the behaviour which is expected of and mandatory for all employees.

---

## **2.5. Internal Audit Function**

As stated above, the internal audit function is given to the Audit Division (DAU), which is a first-line body in the corporate structure, reporting directly to Fidelidade's Executive Committee. Its mission is to guarantee assessment and monitoring of the Companies' risk management and internal control systems, and to confirm compliance with the internal rules and the legislation in force. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the effectiveness and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

# Longrun Portugal, SPGS, S.A.

The rules and principles that the internal audit function must obey are established in the Internal Audit Regulation.

This Regulation sets out the competence and scope of intervention of the internal audit function, which is performed by the Audit Division within the scope of the Fidelidade Group's insurance undertakings.

To perform this function, the Audit Division has access to all the structural bodies, and to all the documentation, and the management bodies, top-level managers and staff of the various insurance companies must cooperate with the Audit Division, providing it with all the information they have and that is requested of them.

The internal auditors, for their part and in the performance of their functions, must follow the deontological principles set out in the Regulation, in particular those of independence, confidentiality, objectivity and diligence. The Regulation also rules on the reporting of conflicts of interest.

Regarding the audit process, there are definitions of the types of internal audit, modes of intervention (in person and at a distance) and the scope of auditing activities (global or sectorial) which must be included in the annual auditing plan to be submitted for the appreciation and approval of the management body.

When performing the internal audits, the auditors must observe the procedures established in the Regulation regarding the naming of the team, the establishment of the audit schedule and the preparation and conducting of the audit.

In terms of reporting, principles are set out which must govern the drawing up of the reports, their minimum content, the persons to whom they are addressed and the type of reports (preliminary report and final report).

Lastly, there are provisions on internal audit's monitoring of the application of any improvement actions proposed, with the production of follow-up reports whenever justified.

---

## 2.6. Actuarial Function

As stated above, the actuarial function is given to the Risk Management Division, which is a first-line body in the corporate structure, reporting directly to Fidelidade's Executive Committee. Given the proximity between the risk management function and the actuarial function, the mission of this structural body is based, on the one hand, on defining, implementing and maintaining a risk management system and, on the other, on ensuring actuarial assessment of the Companies' portfolios.



## Longrun Portugal, SPGS, S.A.

Considering the nature, complexity and size of the Companies' portfolios, the actuarial function is subdivided into the life actuarial function and the non-life and health actuarial function.

The actuarial function coordinates and monitors the calculation of the **accounting technical provisions**, and, for such purpose, assesses both the methodologies applied and the amounts set out in the financial statements.

In the **life segment**, considering that most of the technical provisions are calculated automatically by policy management systems, configured in line with the technical notes of the products and with the ASF rules, tests are conducted monthly to assess the adequacy of the respective technical provisions.

When calculating the technical provisions of the **non-life and health segments**, the ASF rules are observed, namely regarding the identification of the provisions to be set up and the calculation rules to be observed in each of the technical provisions.

The actuarial function involves the calculation of the **technical provisions for solvency purposes**, with calculation of the best estimate and risk margin.

The calculations are made as part of the reporting to the ASF, evolution over time is analysed and comparisons are made with the statutory reporting amounts, and any differences are identified and documented.

The actuarial function reports regularly to the management body on the results obtained from monitoring the provisions levels.

The Life and Non-Life and Health actuarial functions produce annual actuarial reports related to the annual period being analysed.

The information used by the actuarial function is subject to validation processes which include, among others, comparisons with previous positions and with the statutory reporting amounts, and any divergences are identified and justified, and, if necessary, corrected.

The actuarial function monitors the prospective valuation of the technical provisions for solvency purposes, assessing its reasonableness, taking into account the strategic objectives assumed by the Companies, the factors for converting the valuation of the technical provisions in the financial statements to their valuation for solvency purposes and the application of measures, either regulatory (transitional deduction to technical provisions) or management measures (changes in the contract boundaries of group risk life insurance contracts and changes in the characteristics and guarantees of new products sold in the life savings segment).

Within the group there is a policy for designing and approving new products and for reformulating existing ones, which sets out the actuarial function's articulation with the business and marketing areas which are responsible for proposals for new products and respective specifications. The same

# Longrun Portugal, SPGS, S.A.

applies to changes to existing products, where the actuarial function intervenes by giving its opinion on the proposed changes.

The actuarial function provides support to the reinsurance area in the negotiation of reinsurance treaties, providing information with risk and profitability metrics and sensitivity analyses and portfolio statistics.

The actuarial function monitors the evolution of the reinsurance treaties, including their conditions in the actuarial analyses conducted. The adequacy of the treaties for the Companies' liabilities is subject to actuarial analysis.

---

## 2.7. Outsourcing

Longrun's Board of Directors approved the Outsourcing Policy within the framework of the requirements set out in Article 64(4) of the RJASR, with the aim of establishing a set of principles applicable to the outsourcing of critical or important functions or activities.

In line with the Outsourcing Policy, the scope of application of which is singular, covering the various insurance companies within the Longrun SGPS, S.A. universe, general principles are established which are applicable to the outsourcing of critical or important functions or activities, and the main process activities leading to their contracting either from within the group or outside of it: (1) Identification and documentation of the critical or important functions or activities, (2) Selection of the service provider; (3) Contract formalisation; (4) Notification to the ASF.

Insofar as the Companies maintain full responsibility for any functions or activities which may be outsourced, definitions are provided of the main aspects to be implemented related with the monitoring inherent to the outsourced function or activity.

The responsibilities of each of the participants are identified, both in the outsourcing process and in the subsequent monitoring of the service provider.

With the approval of the Outsourcing Policy, the principles and process applicable to new outsourcing of critical or important functions or activities are established.

Regarding the application of the Outsourcing Policy, within the Fidelidade Group a range of outsourced functions or activities considered critical or important have been identified, related with key functions, investments, accounting, information technology, claims and call centres. The service providers of these functions or activities are mainly located in Portugal.

## **2.8. Any other information**

### **2.8.1. Option to produce a single own risk and solvency assessment document**

As soon as the regulations have been created for such, the group intends to request permission to produce a single own risk and solvency assessment document.

# Longrun Portugal, SPGS, S.A.

## 3. Risk profile

Risk management is an integral part of the Companies' daily activities, and an integrated approach is applied in order to ensure the Companies' strategic objectives (clients' interests, financial strength and efficiency of processes) are maintained.

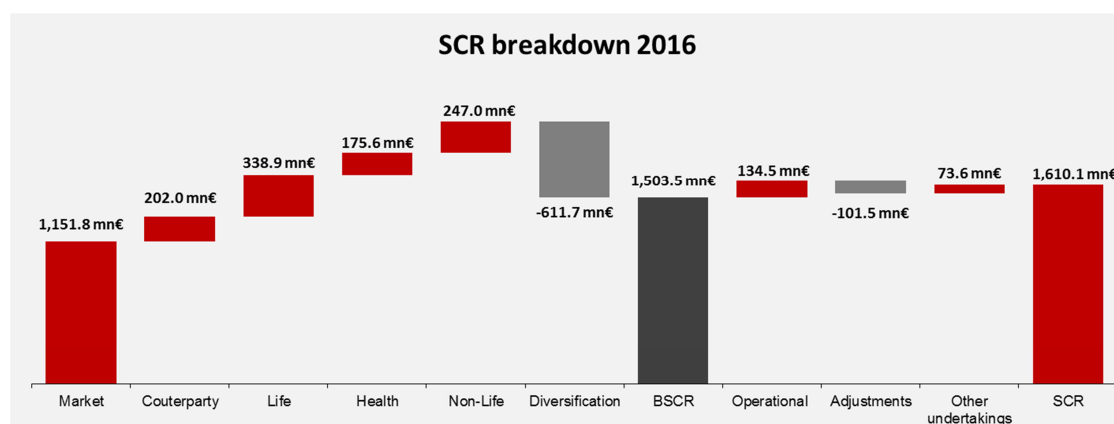
On the other hand, this integrated approach ensures value creation via the identification of adequate balance between risk and return, simultaneously guaranteeing the Companies' obligations to their stakeholders.

Risk management assists the Companies in identifying, assessing, managing and monitoring risks, in order to ensure that adequate and immediate measures are adopted in the event of material changes in the their risk profile.

Accordingly, to outline Longrun's risk profile, the material risks to which all the entities in the group are exposed are identified, as well as the specific risks in the group context which are not considered at the individual level.

The risk assessment is based, as at the individual level, on a standard formula used to calculate the solvency capital requirement (SCR). For other risks, not included in that formula, the option was taken, as at the individual level, to use a qualitative analysis to classify the foreseeable impact on Longrun's capital needs.

Hence, the calculation of Longrun's solvency capital requirement (SCR) for 2016 was as follows:



Graph 10 – Solvency capital requirement 2016

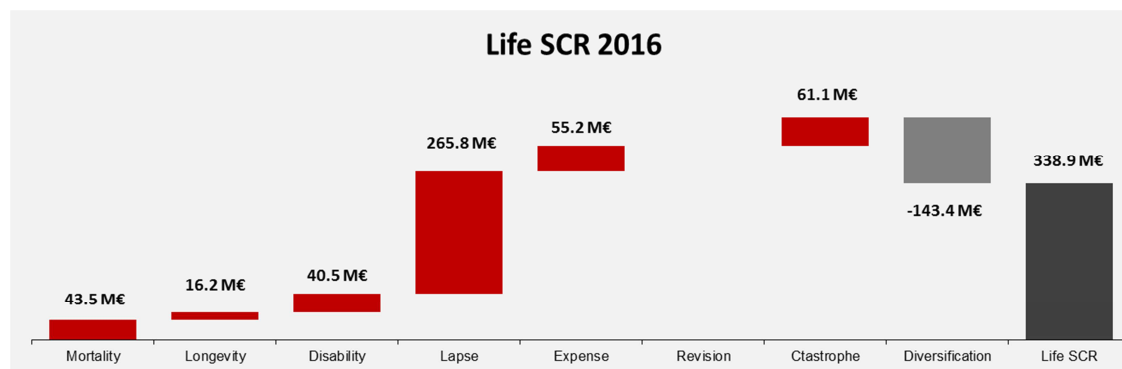
The market risk is clearly prominent in this requirement, followed by the Life and Non-Life underwriting risks, which are much lower.

These risks will now be analysed, in particular with regard to their nature and impact on Longrun.

## 3.1. Underwriting risks

### 3.1.1. Life underwriting risk

The life underwriting risk is the second most significant for Longrun.



Graph 11 – Life underwriting risk 2016

Analysing the sub-modules that make up this risk, the **lapse risk** is the most important within the life underwriting risk module.

Its importance results from the impact of temporary annual renewable contracts linked to mortgages which Fidelidade is not entitled to cancel or change the prices of, so that the contract boundaries considered for the purpose of assessing the technical provisions are, for these contracts, the maturity of the mortgage associated with each of them.

The second most significant sub-module, although carrying much less weight than the lapse risk, is the **catastrophe risk**. This risk is significantly related with the mortality risk which results from the significant weight in sums insured associated with life risk contracts.

Following this is the **expense risk**, which basically results from the fact that, when calculating the capital requirements of this risk sub-module, Longrun considered as expenses, for the total amount of the Life liabilities, as per the understanding of the ASF, the commissions to be paid for the intermediation activity of brokers, within the scope of Article 31 of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, and, consequently, these were subject to the shocks applicable to this risk.

With similar values, not far from the weight of the two previous risks (catastrophe and expense risks), we have the **mortality and disability risks**, both with their origins in Life Risk insurance contracts.

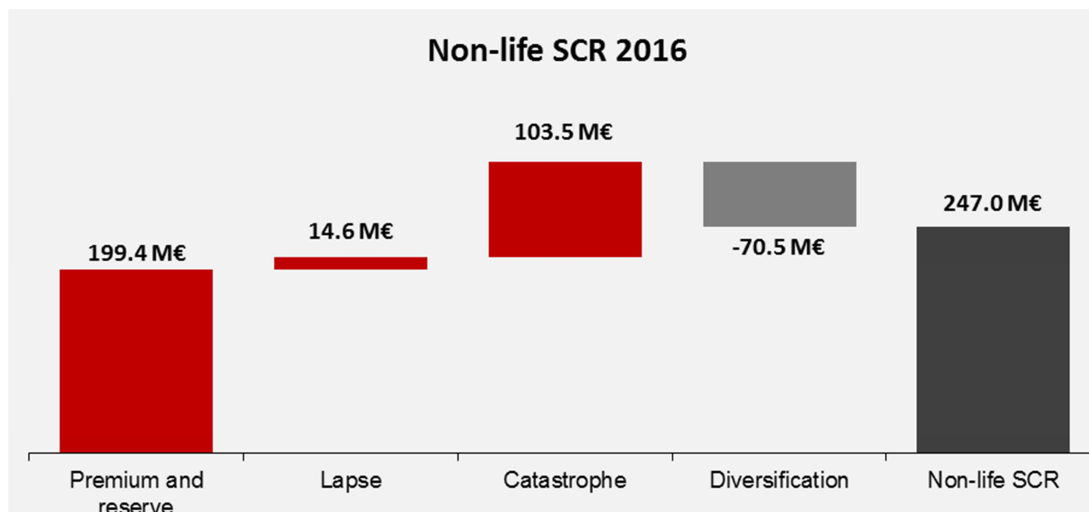
Lastly, there is the **longevity risk**, the significance of which is relatively low in this risk module, since the Annuities portfolio is small.

# Longrun Portugal, SPGS, S.A.

The **revision risk** is zero, since there is no exposure to this risk in the Portuguese market.

## 3.1.2. Non-life underwriting risk

The non-life underwriting risk is the third most significant for Longrun.



Graph 14 – Non-life underwriting risk 2016

Within this sub-module, the **premium and reserve risk** is the most important.

The weight of this risk basically results from the volume of premiums and reserves relating to motor insurance contracts (third party liability and other coverages), fire and other damage insurance and general third-party liability insurance.

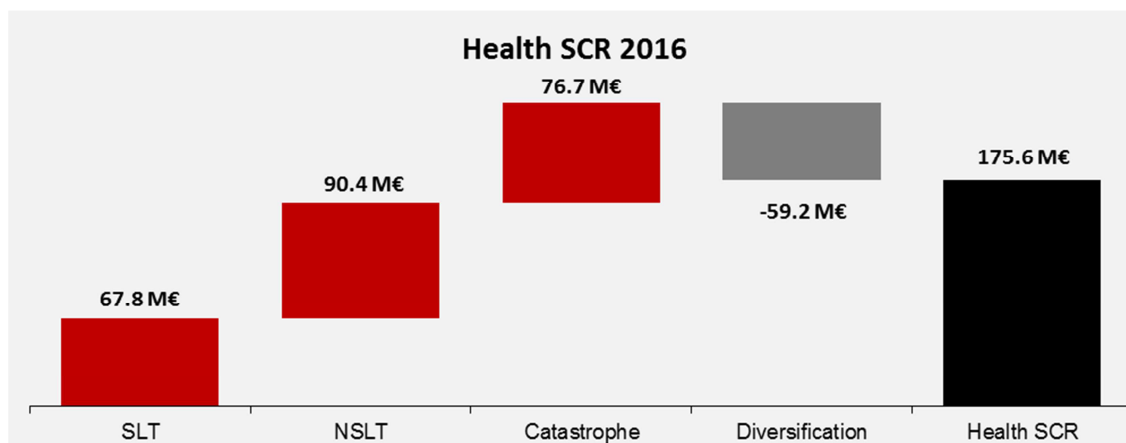
With a much lower figure, there is the **catastrophe risk**, which basically comes from the significant amount of sums insured with seismic phenomena coverage. However, in the event of a seismic phenomenon, because of the existing reinsurance contracts only a part of the liability will be assumed by the Companies. That is why this risk is not considered to be significant. It is also important to state that the mitigating effect of these reinsurance contracts is considered in the counterparty risk module.

Regarding the **lapse risk**, its weight is particularly insignificant, given that the insurance contracts have a contractual boundary up to the next renewal date and the operating margin is low.

# Longrun Portugal, SPGS, S.A.

## 3.1.3. Health underwriting risk

In terms of weight, this is the third risk in the hierarchy of underwriting risk modules.



Graph 15– Health underwriting risk 2016

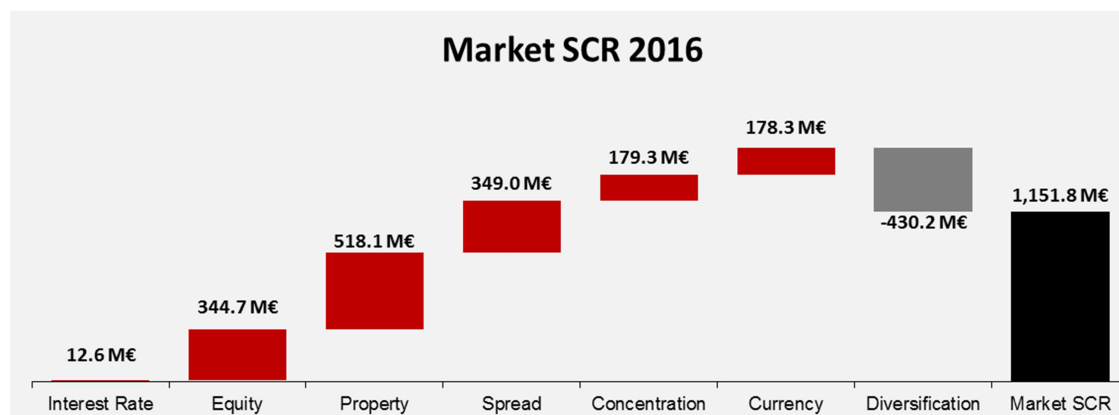
The **NSLT** (not similar to life techniques) **module of health** is made up of the premium and reserve risk arising from health insurance, workers' compensation insurance and personal accidents insurance.

The **catastrophe risk** is the second most significant sub-module, mainly as a result of the concentration of accidents, given the sums insured involved.

With a lower figure is the **SLT** (similar to life techniques) **module of health** which originates from the longevity risk resulting from pensions and permanent assistance expenses in the workers' compensation line of business.

## 3.2. Market risk

Market risk is Longrun's most significant risk, and is clearly above the other risk modules.



Graph 16– Market risk 2016

Within this module, the **property risk** is the highest, reflecting the investment strategy that has been followed for the group. A substantial part of these investments were made by means two property investment vehicles held by Fidelidade. In individual terms, these two exposures affect the equity risk. At the group level, they essentially affect the property risk. Hence, the greater weight of this risk for Longrun, when compared to Fidelidade, at the individual level.

The next most important risk in this module is the **spread risk**, which is a result of the Companies' high exposure to financial instruments (bonds and term deposits) with a low rating, namely, exposure to Portuguese entities whose credit quality has been downgraded as a result of the financial markets context in recent years.

With very similar values we have, next, the **equity risk**. The exposure to equity markets reflects the investment strategy followed by the group. As previously stated, at group level this risk does not include the two property investment vehicles, which are reflected in the equity risk at the individual level. It must be stressed that instruments considered to be alternative investments, such as commodities, funds, private equity, etc., have a very low weight in the portfolio as a whole.

The next risk, in terms of importance, in this model is the **concentration risk**. The greatest exposure in this risk is to the Fosun International Limited economic group, with the total amount exposed being heavily influenced by Fidelidade's direct participation in Luz Saúde (which, according to the understanding of the ASF, is not considered a complementary services company).

With a figure close to the concentration risk, we have the **currency risk**. The value of the currency risk reflects the hedging for the most significant exposures to foreign currency.



# Longrun Portugal, SPGS, S.A.

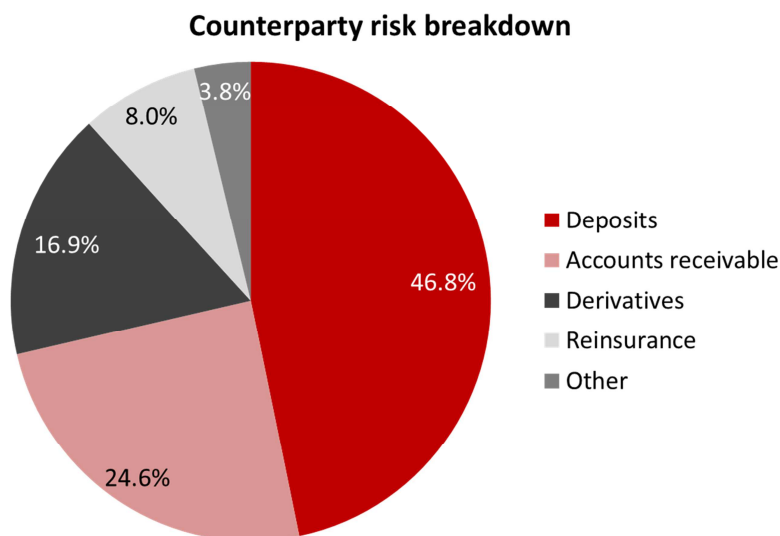
Lastly, and with a particularly insignificant value, is the **interest rate risk**, as a result of the Asset and Liability management monitoring of the duration gap.

---

## 3.3. Counterparty Default risk

The **counterparty default risk** module is the fourth highest of all the risks assessed by Longrun.

The breakdown of this risk by counterparty type is as follows:



Graph 17– Counterparty default risk 2016

In the deposits component, approximately half are from sight deposits with Caixa Geral de Depósitos.

---

## 3.4. Liquidity risk

This risk is managed at Longrun so that there is always capacity to meet its obligations and liabilities.

Accordingly, Fidelidade prepares a monthly ALM analysis of the Assets and Liabilities.

The analyses conducted cover the interest rate gap, considering the yield to maturity and modified duration of the liabilities and the respective assets, including the convexity effect, and short and long-term cash flow matching.

This analysis also includes a comparison between the cash flow matching and liquidity-generating capacity of assets without maturity, namely shares, funds and property.

# Longrun Portugal, SPGS, S.A.

An analysis of the liquidity-generating needs is carried out following the ALM process. Based on the ALM report, tests are conducted, namely, of the adequacy of the portfolios' size in relation to the known liabilities, considering the flows of liabilities maturities forecast for the month in progress. The result of this diagnosis is the application or generation of liquidity, by identifying portfolios and amounts of liquidity to be generated or applied which translates into asset sale or purchase need recommendations.

Given the above, there is considered to be adequate mitigation of this risk, which permits the conclusion that this risk is low.

Regarding liquidity risk, "expected profit included in future premiums" (EPIFP) is considered to be the current expected value of future cash flows resulting from the inclusion in the technical provisions of premiums relating to existing insurance and reinsurance contracts, which should be received in the future, but which may not be received for some reason other than the occurrence of insured events, regardless of the legal or contractual rights of the policy holder to terminate the policy.

The EPIFP, at 31 December 2016, is:

<i>Amount in thousand euros</i>	
Expected profit included in future premiums	654,614

---

## 3.5. Operational risk

This is the risk of losses resulting either from the inadequacy or failure of internal procedures, persons, or systems or from the occurrence of external events.

This is the risk module with least weight of all the risks assessed by Longrun.

In their management of operational risk and internal control, the Companies identify, within their processes, the most significant operational risks to which they are exposed (based on a pre-defined risks matrix), and document the controls which exist to mitigate these.

To assess the Companies' operational risk, quantitative information is collected on the risks previously identified and an assessment is carried out of the internal control system, supported by a process of own assessment of the control activities documented.

---

## 3.6. Other material risks

As previously stated, given the characteristics of Longrun, which, it will be recalled, is an insurance holding company which does not carry out insurance or reinsurance activities, and whose activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência and their subsidiaries, **no specific risks of the Group were identified**, other than those which have already been identified for the different entities of which it is composed.

In the specific cases of Garantia (Cape Verde), Universal (Angola) and Fidelidade Macau, besides no risks being identified which could have an impact on the group's global solvency needs, the nature, size and complexity of their business does not affect the group's risk profile outlined by the profiles of the aforementioned Companies.

---

## 3.7. Mitigation measures

Various risk mitigation techniques are in use, or are being studied at Fidelidade, for a set of risks to which Longrun is exposed. The following may be highlighted:

### **Market Risk - Currency**

Using futures and forwards contracts Fidelidade hedges the currency exposure of its portfolio assets:

- the exposure to assets denominated in American Dollars (USD) and in Hong Kong Dollars (HKD), given the high correlation between USD and HKD, is mitigated by using futures contracts in USD;
- the exposure to assets denominated in Pounds Sterling (GBP) is mitigated by using futures contracts in GBP;
- the exposure to assets denominated in Yens (JPY) is mitigated by using forwards in JPY.

The futures contracts in question have a duration of three months, and Fidelidade intends to replace them with similar contracts, at the end of that period.

The effect of this mitigation on the calculation of the capital requirement associated with currency risk is also reflected in the counterparty default risk module, considering exposure to the Chicago Mercantile Exchange.

### **Underwriting risk - life**

Regarding the lapse risk associated with the life segment, Fidelidade is studying ways to mitigate this risk given its relevance fundamentally in relation to temporary annual renewable (TAR) group

# Longrun Portugal, SPGS, S.A.

life insurance contracts in which the contractual boundary is linked to the maturity of the underlying mortgages.

The method being studied may involve reinsuring part of the lapse risk, considering the objective of reducing it to the optimal point at which selection of other lapse risk scenarios is avoided.

---

## 3.8. Any other information

### 3.8.1. Adjustment for the loss-absorbing capacity of deferred taxes

In order to guarantee compliance with all the requirements laid down by the ASF, the companies in the Longrun group have a project in progress for recognition of adjustment for the loss-absorbing capacity of deferred taxes.

Accordingly, regarding 2016, Fidelidade only recognised the adjustment relating to the decrease in deferred tax liabilities. The other Companies (Fidelidade Assistência, Multicare, Via Directa and CPR) considered this adjustment to be nil, for the same year.

However, with the conclusion of the aforementioned project, it is predicted that in the next years this adjustment, in the case of Fidelidade, will be greater than that which is now being presented and, in the case of the other Companies, will be recognised, with the subsequent increase in the respective solvency capital requirement coverage ratios.

From the above, in terms of the Longrun group, that adjustment corresponds to the reflection in the group accounts of Fidelidade's adjustment, that is, calculated on the basis of the proportion of Fidelidade's capital requirement, without that adjustment, in the group's capital requirement, also without that effect.

# Longrun Portugal, SPGS, S.A.

## 3.8.2. Risk sensitivity

The sensitivity of the solvency ratio, at 31 December 2016, to the main risks to which Longrun is exposed, expressed as an absolute impact on that ratio (in percentage points), is presented in the table below:

*Percentage points*

Risk Type	Effect on:		
	Eligible Funds	Capital Requirement	Ratio
Value of equity-20%	-13	+4	-9
Value of property -10%	-9	+3	-5
Spread +100bps	-12	+1	-11

*Table 14 – Sensitivity of solvency ratio to main risks*

Explanation of the Solvency II sensitivity analyses:

Risk	Scenario
Equity	Impact of a 20% decrease in the value of equity, including equity funds.
Property	Impact of a 10% decrease in the value of property, including Real Estate Funds.
Spread	Impact of a 100 bps (basis points) increase in debt securities.

*Table 15 – Scenarios used in the sensitivity analysis*

# Longrun Portugal, SPGS, S.A.

## 3.8.3. Risk concentration

The following table presents the significant concentrations of risk between entities in the scope of group supervision and third parties which exceed 10% of the group's solvency capital requirement:

*Amounts in thousand euros*

Country of the exposure	Type of Exposure				
	Assets – shares and equity securities	Assets - bonds	Assets - others	Liabilities - insurance	
	Value of the exposure			Value of the exposure	Maximum amount to be paid by the reinsurer
<b>PT</b>	260,508	5,711,447	673,537	20,111,506	16,547,013
<b>JP</b>	0	0	440,032	0	0
<b>LU</b>	0	0	431,664	0	0
<b>CN</b>	364,244	0	0	0	0
<b>IT</b>	0	0	355,000	0	0
<b>UK</b>	0	0	334,042	0	0
<b>VG</b>	0	302,243	0	0	0
<b>US</b>	0	0	192,171	0	0

*Table 16 – Risk concentration*

The amount of exposure for 'Liabilities – insurance' corresponds to the sums insured per entity.

Regarding the 'Assets' exposures, the greatest concentration, in geographical terms, is in Portugal. Within this, exposure to the Republic of Portugal (M€ 5,637,153, around 36% of the group's total assets) is particularly important.

The second largest exposure within 'Assets' exposures, regardless of the geographical zone, is less than 3% of the group's total assets (around 2.81%).

# Longrun Portugal, SPGS, S.A.

## 4. Valuation for solvency purposes

In this chapter we present information on the valuation of the assets, technical provisions and other liabilities for solvency purposes and compare that valuation with that used in the financial statements.

The following paragraphs describe the bases, methods and main assumptions used for the valuation for solvency purposes, which breaks down as follows:

Amounts in thousand euros

		Solvency II	Financial statements	Difference <sup>1</sup>
<b>Assets</b>				
4.1	<b>Total Assets</b>	<b>15,145,679</b>	<b>15,632,498</b>	<b>-486,819</b>
<b>Liabilities</b>				
4.2	Technical Provisions	11,526,981	12,264,451	-737,470
4.3	Other liabilities	1,393,140	1,181,631	211,509
	<b>Total Liabilities</b>	<b>12,920,121</b>	<b>13,446,082</b>	<b>-525,961</b>
<b>Excess Assets over Liabilities</b>		<b>2,225,558</b>	<b>2,186,416</b>	<b>39,142</b>

Table 17 – Excess Assets over Liabilities (Solvency II and financial statements)

### 4.1. Assets

The valuation of the assets for solvency purposes and a comparison with that used in the financial statements is presented in this report, segmented into:

- Financial assets;
- Real estate assets;
- Other assets.

This chapter also includes the amounts recoverable from reinsurance contracts and special purpose vehicles.

<sup>1</sup> Valuation for solvency purposes less financial statements valuation.

# Longrun Portugal, SPGS, S.A.

The following table summarises the comparison, which is discussed further in the sub-chapters below:

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference <sup>2</sup>
Financial assets	10,964,119	11,283,626	-319,507
Real estate assets	2,214,676	2,214,676	0
Other assets	1,808,240	1,944,381	-136,141
Reinsurance recoverables	158,644	189,815	-31,171
<b>TOTAL</b>	<b>15,145,679</b>	<b>15,632,498</b>	<b>-486,819</b>

Table 19 – Comparison of the valuation of assets for solvency purposes and their valuation in the financial statements at 31-12-2016

## 4.1.1. Financial assets

The following table presents the valuation of the financial assets for solvency purposes, by class of asset.

Amounts in thousand euros

Asset <sup>3</sup>	Solvency II
Holdings in related undertakings, including participations	215,964
Equities — listed	1,326,065
Equities — unlisted	3,112
Government bonds	5,584,361
Corporate bonds	2,168,859
Structured notes	100,376
Collateralised securities	2,004
Collective investment undertakings	108,509
Derivatives	30,539
Deposits other than cash equivalents	911,353
Other investments	0
Assets held for index-linked and unit-linked contracts	512,977
<b>TOTAL</b>	<b>10,964,119</b>

Table 20 – Valuation of financial assets for solvency purposes at 31-12-2016

<sup>2</sup> Valuation for solvency purposes less financial statements valuation.

<sup>3</sup> Information contained in QRT S.02.01.01, relating to 31/12/2016.



# Longrun Portugal, SPGS, S.A.

For solvency purposes, financial assets are valued in line with the following bases, methods and assumptions.

Financial assets are registered at fair value, which corresponds to the amount for which a financial asset could be sold or a liability settled between independent, knowledgeable and interested parties in concluding the transaction in normal market conditions (exit price).

Within the scope of the Solvency II regime, the following categories are used to determine the fair value of financial instruments:

## **QMP – Quoted market price in active markets for the same assets**

In this category, the fair value is determined considering the quoted market price in the main active market.

A financial instrument is considered to be quoted in an active market if:

- The quoted market prices are regularly and immediately available;
- The prices represent regular recent transactions made in market conditions.

In the case of a share, this corresponds to the closing price on the buyer's side at the close of the stock exchange session. In the case of instruments listed in several markets the market considered is that with the highest level of liquidity. The market with the highest level of liquidity is determined by comparing the average volume of sales for the last 3 months in the different markets where the security is admitted to listing. This valuation does not consider securities listed in markets with different legal forms (for example, ordinary shares versus American Depositary Receipt (ADR) and securities which are listed on other markets in currencies different to those of the securities held in portfolio).

In the case of a bond, this corresponds to the bid price obtained in the selected provider. The criteria for selecting the provider consider the use of prices which are directly observable in the price formation and the regularity of the observations, giving preference, in decreasing order, to consensus prices, BGN (Bloomberg Generic) or BVL (Bloomberg Valuation Service) prices with scoring above 5 and which imply the use of direct observations. For unlisted assets, in the absence of consensus prices composed of direct observations, the valuation is obtained from prices reported through OTC transactions platforms, such as TRACE (Trade Reporting and Compliance Engine) when these prices are available.

In the case of units of participation, the Net Asset Value (NAV) disclosed for the Fund is used. The NAV is mainly ascertained from the relevant regulator (for example, the CMVM). When the NAV is not registered with the regulator, it is used the information disclosed by the managing company or by the agent hired by the managing company in line with the disclosure cycles contracted.

# Longrun Portugal, SPGS, S.A.

## **QMPS – Quoted market price in active markets for similar assets**

In this category, fair value is determined by considering the prices obtained from the market maker. This valuation is constructed, in the absence of transactions, from similar assets. In defining similar assets, issues preferably from the same issuer are considered or from an issuer with a similar credit quality for similar residual maturities.

Longrun's portfolio assets in this situation are essentially private placements.

## **AVM – Alternative valuation methods**

Longrun does not make valuations from financial models.

However, Longrun has assets in its portfolio classified, for the purpose of valuation, in this category:

- Assets with evidence of impairment, recognised at zero value or immaterial;
- Monetary assets (cash and deposits) are valued at face value;
- Assets valued using BVL (*Bloomberg Valuation Service*) prices with scoring lower than or equal to 5, but not based on direct observations.

## **AEM – Adjusted equity method**

Assets considered in this category are initially recognised at cost and are periodically subjected to revaluation in line with the financial statements disclosure. This valuation is made from the accounting value perspective, with the adjustments necessary to align it with the Solvency II criteria (for example, elimination of goodwill and non-tradable intangible assets).

The valuation, considering the financial statements, also takes into account any qualifications or emphasis of matters in the auditor's report, also incorporating any relevant fact occurring after the balance sheet date which Longrun is aware of.

## **IEM – IFRS equity methods**

Not currently applicable.

# Longrun Portugal, SPGS, S.A.

The following table presents a comparison of the valuation of financial assets for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Assets <sup>4</sup>	Solvency II	Financial statements	Difference <sup>5</sup>
Holdings in related undertakings, including participations	215,964	482,463	-266,499
Equities — listed	1,326,065	1,326,065	0
Equities — unlisted	3,112	56,120	-53,008
Government bonds	5,584,361	5,584,361	0
Corporate bonds	2,168,859	2,168,859	0
Structured notes	100,376	100,376	0
Collateralised securities	2,004	2,004	0
Collective investment undertakings	108,509	108,509	0
Derivatives	30,539	30,539	0
Deposits other than cash equivalents	911,353	911,353	0
Other investments	0	0	0
Assets held for index-linked and unit-linked contracts	512,977	512,977	0
<b>TOTAL</b>	<b>10,964,119</b>	<b>11,283,626</b>	<b>-319,507</b>

Table 21 – Comparison of the valuation of financial assets for solvency purposes and their valuation in the financial statements at 31-12-2016

The differences, by class of asset, are:

- Holdings in related undertakings, including participations.

This results, on the one hand, from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM), (net, the total value of these holdings for solvency purposes increased by m€ 25,969).

On the other hand, it is due to the recognition of the market value of Luz Saúde which is registered in the financial statements at acquisition cost (the value of this participation for solvency purposes fell by m€ 292,468).

<sup>4</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

<sup>5</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

- Shares — unlisted

This results from the valuation, for solvency purposes, of unlisted securities using the Adjusted Equity Method (AEM).

## 4.1.2. Real estate assets

The following table presents the valuation of real estate assets for solvency purposes, by class of asset.

*Amounts in thousand euros*

Assets <sup>6</sup>	Solvency II
Property, plant and equipment held for own use	146,673
Property (other than for own use)	1,799,330
Collective investment undertakings	268,673
<b>TOTAL</b>	<b>2,214,676</b>

*Table 22 – Valuation of real estate assets for solvency purposes at 31-12-2016*

For solvency purposes, real estate assets are valued in line with the following bases, methods and assumptions.

Longrun's real estate assets are accounted for at their Market Value, which is the price for which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, taking into account three conditions: the property is put up for sale on the market, the conditions of sale permit a regular sale; and the period for negotiating the sale is normal, considering the nature of the property.

The Property Value (i.e. the Market Value) is determined in this way, by means of valuations performed by independent experts at least every two years, taking into account the following valuation methods:

- Comparative Method:** consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market.

---

<sup>6</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

## Longrun Portugal, SPGS, S.A.

To use this method there must be a representative and credible sample in terms of transactions and/or real purchase offers which are not out of step regarding the time of valuation (homogeneity of the sample).

- b. **Cost Method:** consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics.

When determining the final value of the building the depreciation rate must be considered on the basis of its age, state of conservation and estimated useful life, plus the required profit margins.

- c. **Income Method:** consists of calculating the value of the property based on the ratio between the effective annual rent or that foreseeably produced, net of conservation and maintenance costs, and a capitalisation rate appropriate to its characteristics and the level of investment risk, given the general conditions of the real estate market at the time of valuation.
- d. **Future Rentals Updating Method:** consists of calculating the value of the property from the sum of the effective cash-flows or those foreseeably produced and its residual value at the end of the planned investment period or of its useful life, updated at a market rate for applications with a similar risk profile.

The use of this methodology to calculate the Market Value is directly related to analysis of real estate investments, and is not, therefore, generally applied to the Company's property in the same way the methods mentioned above are.

Thus, the Market Value of buildings for own use or for income is usually calculated by applying weighting factors to the result obtained either from the Comparative Method or from the Income Method, taking into consideration the property establishment rules of the property in question.

In the case of land or buildings of which the Market Value is estimated to be greater than seven and a half million euros, two valuations are performed by different experts, and the lower value prevails.

Assets belonging to Real Estate Investment Funds are valued annually, in line with the provisions of CMVM Regulation No. 08/2002 and Law No. 16/2015, of 24 February. For these valuations, two independent, CMVM-registered experts are used, who produce reports containing a range of information and minimum items.

As previously stated, real estate owned by the insurers, or their subsidiaries, is valued every two years. Besides this, it is also valued whenever there are substantial changes in real estate market conditions or when the assumptions underlying the previous valuation have changed significantly. In the case of sales, the valuation must always have been made in the last six months. Expert Asset

# Longrun Portugal, SPGS, S.A.

Valuers registered with the CMVM are also used, and whenever the asset's value is over € 7,500,000.00 valuations are sought from two experts.

The following table presents a comparison of the valuation of real estate assets for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

<b>Assets<sup>7</sup></b>	<b>Solvency II</b>	<b>Financial statements</b>	<b>Difference<sup>8</sup></b>
Property, plant and equipment held for own use	146,673	146,673	0
Property (other than for own use)	1,799,330	1,799,330	0
Collective investment undertakings	268,673	268,673	0
<b>TOTAL</b>	<b>2,214,676</b>	<b>2,214,676</b>	<b>0</b>

Table 23 – Comparison of real estate assets for solvency purposes and their valuation in the financial statements at 31-12-2016

No differences were found since all classes of real estate assets are valued in the financial statements at fair value.

---

<sup>7</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

<sup>8</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

## 4.1.3. Other Assets

The following table presents the valuation of other assets for solvency purposes, by class of asset.

*Amounts in thousand euros*

<b>Assets<sup>9</sup></b>	<b>Solvency II</b>
Goodwill	0
Deferred acquisition costs	0
Intangible assets	0
Deferred tax assets	457,561
Pension benefit surplus	8,739
Loans and mortgages to individuals	21,642
Other loans and mortgages	1,318
Loans on policies	180
Deposits to cedants	876
Insurance and intermediaries receivables	163,597
Reinsurance recoverables	15,112
Receivables (trade, not insurance)	180,184
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	934,049
Any other assets, not elsewhere shown	24,982
<b>TOTAL</b>	<b>1,808,240</b>

*Table 24 – Valuation of other assets for solvency purposes at 31-12-2016*

Other assets are generally valued in the financial statements at fair value. Specific situations where that is not the case are explained in the following table, which presents a comparison of the valuation of other assets for solvency purposes and their valuation in the financial statements.

---

<sup>9</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

# Longrun Portugal, SPGS, S.A.

Amounts in thousand euros

Assets <sup>10</sup>	Solvency II	Financial statements	Difference <sup>11</sup>
Goodwill	0	71,108	-71,108
Deferred acquisition costs	0	55,542	-55,542
Intangible assets	0	16,729	-16,729
Deferred tax assets	457,561	426,210	31,351
Pension benefit surplus	8,739	8,739	0
Loans and mortgages to individuals	21,642	21,642	0
Other loans and mortgages	1,318	1,318	0
Loans on policies	180	180	0
Deposits to cedants	876	876	0
Insurance and intermediaries receivables	163,597	187,710	-24,113
Reinsurance recoverables	15,112	15,112	0
Receivables (trade, not insurance)	180,184	180,184	0
Own shares (held directly)	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0
Cash and cash equivalents	934,049	934,049	0
Any other assets, not elsewhere shown	24,982	24,982	0
<b>TOTAL</b>	<b>1,808,240</b>	<b>1,944,381</b>	<b>-136,141</b>

Table 25 – Comparison of the valuation of other assets for solvency purposes and their valuation in the financial statements at 31-12-2016

The differences, by class of asset, are:

- Goodwill and Deferred acquisition costs

The value of these assets for solvency purposes is zero.

- Intangible assets

In order for these assets to have a value in the balance sheet for solvency purposes, they must be able to be sold separately and, moreover, it would be necessary to demonstrate that there is an active market in which similar intangible assets are traded. Given that the Company's assets considered in this class do not meet these requirements, their value for solvency purposes is zero.

<sup>10</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

<sup>11</sup> Valuation for solvency purposes less valuation in the financial statements.



# Longrun Portugal, SPGS, S.A.

- Deferred tax assets

The difference results from the application of the tax rate to losses with taxable temporary differences implicit in the balance sheet for solvency purposes, that is, after adjustments with a negative impact on own funds;

- Insurance and intermediaries receivables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life (€15,614) and Health – NSLT (€8,499 m) technical provisions, given that its valuation for solvency purposes is net of these receivables.

## 4.1.4. Reinsurance and special purpose vehicles recoverables

The following table shows the amounts recoverable from reinsurance contracts and special purpose vehicles, by line of business.

Amounts in thousand euros

Line of Business <sup>12</sup>	Solvency II	Financial statements	Difference <sup>13</sup>
Life and accidents and health similar to life, excluding accidents and health insurance and index-linked and unit-linked	16,364	21,440	-5,076
Life, index-linked and unit-linked	0	0	0
Non-life, excluding accidents and health insurance	126,509	147,640	-21,131
Accidents and health similar to life	0	0	0
Accidents and health similar to non-life	15,771	20,735	-4,964
<b>TOTAL</b>	<b>158,644</b>	<b>189,815</b>	<b>-31,171</b>

Table 26 - Comparison of the valuation of reinsurance recoverables for solvency purposes and their valuation in the financial statements at 31-12-2016

Reinsurance recoverables were calculated according to methodologies in line with those used for the valuation of technical provisions, considering the adjustment to reflect the probability of reinsurer default.

<sup>12</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

<sup>13</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

## 4.2. Technical provisions

The valuation of technical provisions for solvency purposes and a comparison with that used in the financial statements is presented in this report, segmented into:

- Life;
- Non-life;
- Health:
  - SLT (Similar to Life Techniques);
  - NSLT (Not Similar to Life Techniques);

The following table summarises the comparison, which is discussed further in the sub-chapters below:

*Amounts in thousand euros*

Line of Business	Solvency II	Financial statements	Difference <sup>14</sup>
Life	9,675,780	10,161,971	-486,191
Non-life	830,984	1,102,805	-271,821
Health – SLT	815,600	794,036	21,564
Health – NSLT	204,617	205,639	-1,022
<b>TOTAL</b>	<b>11,526,981</b>	<b>12,264,451</b>	<b>-737,470</b>

*Table 27- Comparison of the valuation of technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2016*

<sup>14</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

## 4.2.1. Life

The following table presents the value of the Life technical provisions by line of business, including the value of the best estimate, risk margin and the value of the application of the transitional measure on technical provisions:

Amounts in thousand euros

Line of Business		Best estimate	Risk margin	TMP <sup>15</sup>	Technical Provisions
Index-linked and unit-linked insurance	Contracts without options and guarantees	135,101	438	0	135,539
	Contracts with options and guarantees	373,812	146	0	373,958
Capitalisation	Contracts with profit sharing	1,700,726	13,045	-205,508	1,508,263
	Contracts without profit sharing	8,151,043	16,734	-393,792	7,773,985
Risk	Contracts with profit sharing	40,806	262	0	41,068
	Contracts without profit sharing	-552,909	157,449	0	-395,460
Annuities	Contracts with profit sharing	141,880	7,499	0	149,379
	Contracts without profit sharing	86,073	2,975	0	89,048
Reinsurance accepted		0	0	0	0
<b>TOTAL</b>		<b>10,076,532</b>	<b>198,548</b>	<b>-599,300</b>	<b>9,675,780</b>

Table 2818 – Valuation of Life technical provisions for solvency purposes at 31-12-2016

The Life technical provisions are the result of the sum of the best estimate and the risk margin less the transitional measure on technical provisions.

The best estimate corresponds to the current value of future projected cash-flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rate term structures (see point 4.2.6). Stochastic techniques were used when determining the time value of the options and guarantees.

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the Company's portfolio, in particular mortality, disability, survival, lapse, expense and inflation.

<sup>15</sup> Transitional measure on technical provisions.

# Longrun Portugal, SPGS, S.A.

The risk margin is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%.

In this method capital corresponds to the solvency capital requirement of the Life Underwriting Risk, Operational Risk and Counterparty Risk (in the part corresponding to the Life segment), allocated by line of business.

The following table presents a comparison of the valuation of Life technical provisions for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Line of Business		Technical Provisions	Financial statements	Difference <sup>16</sup>
Index-linked and unit-linked insurance	Contracts without options and guarantees	135,539	137,743	-2,204
	Contracts with options and guarantees	373,958	375,235	-1,277
Capitalisation	Contracts with profit sharing	1,508,263	1,498,665	9,598
	Contracts without profit sharing	7,773,985	7,783,274	-9,289
Risk	Contracts with profit sharing	41,068	42,926	-1,858
	Contracts without profit sharing	-395,460	135,018	-530,478
Annuities	Contracts with profit sharing	149,379	107,775	41,604
	Contracts without profit sharing	89,048	81,335	7,713
Reinsurance accepted		0	0	0
<b>TOTAL</b>		<b>9,675,780</b>	<b>10,161,971</b>	<b>-486,191</b>

Table 19 - Comparison of the valuation of the Life technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2016

In risk products, the main reason for the difference indicated is the fact that the contractual boundaries of a series of temporary annual renewable (TAR) group life insurance contracts linked to mortgages are associated with the maturity of the underlying mortgage contract, as described in point 4.5.2 of this report.

<sup>16</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

## 4.2.2. Non-life

The following table presents the value of the Non-life technical provisions by line of business, including the value of the best estimate and the risk margin.

*Amounts in thousand euros*

Line of Business	Best estimate	Risk margin	Technical Provisions
Third party liability insurance - motor	383,471	10,912	394,383
Other motor vehicle insurance	77,329	3,514	80,843
Marine, aviation and transport insurance	9,035	560	9,595
Fire and other damage insurance	188,764	3,895	192,659
Third party liability - general	97,562	2,767	100,329
Credit and suretyship insurance	1,914	49	2,008
Legal protection insurance	3,521	151	3,672
Assistance	25,913	981	26,894
Miscellaneous pecuniary losses	19,827	774	20,601
Non-proportional reinsurance accepted	0	0	0
<b>TOTAL</b>	<b>807,336</b>	<b>23,648</b>	<b>830,984</b>

*Table 30 – Valuation of Non-life technical provisions for solvency purposes at 31-12-2016*

The Non-life technical provisions are the result of adding the value of the best estimate of the claims and premiums provisions and the risk margin.

Longrun's best estimate is the result of the sum of the best estimate of the different insurers in the group, after elimination of intra-group effects.

The best estimate of the provisions corresponds to the current value of future projected cash-flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rate term structures (see point 4.2.6).

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the portfolio of each of the insurers in the group, in particular claims, lapse, expense and inflation.

The risk margin is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

# Longrun Portugal, SPGS, S.A.

In this method capital corresponds to the solvency capital requirement of the Non-life Underwriting Risk, Operational Risk and Counterparty Risk (in the part corresponding to the Non-life segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation.

The following table presents a comparison of the valuation of Non-life technical provisions for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Line of Business	Technical Provision	Financial statements	Difference <sup>17</sup>
Third party liability insurance - motor	394,383	555,431	-161,048
Other motor vehicle insurance	80,843	101,367	-20,524
Marine, aviation and transport insurance	9,595	11,431	-1,836
Fire and other damage insurance	192,659	237,920	-45,261
Third party liability - general	100,329	113,549	-13,220
Credit and suretyship insurance	2,008	1,014	994
Legal protection insurance	3,672	8,129	-4,457
Assistance	26,894	28,077	-1,183
Miscellaneous pecuniary losses	20,601	21,831	-1,230
Non-proportional reinsurance accepted	0	0	0
Other technical provisions	0	24,056	-24,056
<b>TOTAL</b>	<b>830,984</b>	<b>1,102,805</b>	<b>-271,821</b>

Table 31 - Comparison of the valuation of Non-life technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2016

The main differences identified result from:

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled “insurance and intermediaries receivables” in point 4.1.3. of Other Assets;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect the estimate of payables not discounted.

<sup>17</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

The heading Other technical provisions, which only appears in the financial statements with the value of € 24,056 m, mostly corresponds to amount allocated to the equalisation provision.

## 4.2.3. Health – SLT

The following table presents the value of the Health-SLT technical provisions by line of business, including the value of the best estimate, the risk margin and the value of the application of the transitional measure on technical provisions:

Amounts in thousand euros

Line of Business		Best estimate	Risk margin	TMTP <sup>18</sup>	Technical Provisions
Health insurance (direct insurance)	Contracts without options and guarantees	0	0	0	0
	Contracts with options and guarantees	0	0	0	0
Health insurance (reinsurance accepted)		0	0	0	0
Annual payments resulting from non-life insurance contracts related with accident and health insurance liabilities		1,052,280	88,865	-325,545	815,600
Annual payments resulting from non-life insurance contracts related with insurance liabilities other than accidents and health		0	0	0	0
<b>TOTAL</b>		<b>1,052,280</b>	<b>88,865</b>	<b>-325,545</b>	<b>815,600</b>

Table 20 – Valuation of Health - SLT technical provisions for solvency purposes at 31-12-2016

The Health - SLT technical provisions are the result of adding the value of the best estimate of the claims provisions and the risk margin, adjusted by the transitional measure on technical provisions.

The Health – SLT component is only calculated for Fidelidade. The other insurers in the group only have the Health – NSLT component, and therefore all the figures reported for Longrun are identical to those for Fidelidade.

The best estimate of the provisions corresponds to the current value of future projected cash-flows related to insurance contracts, including claims and expenses, discounted at the relevant interest rate term structures (see point 4.2.6).

<sup>18</sup> Transitional measure on technical provisions.

# Longrun Portugal, SPGS, S.A.

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the portfolio, in particular survival, expense and inflation.

The risk margin is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

In this method capital corresponds to the solvency capital requirement of the Health - SLT Underwriting Risk and Operational Risk (in the part corresponding to the Health - SLT segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation.

The following table presents a comparison of the valuation of Health - SLT technical provisions for solvency purposes and their valuation in the financial statements.

*Amounts in thousand euros*

Line of Business		Technical Provisions	Financial statements	Difference <sup>19</sup>
Health insurance (direct insurance)	Contracts without options and guarantees	0	0	0
	Contracts with options and guarantees	0	0	0
Health insurance (reinsurance accepted)			0	0
Annual payments resulting from non-life insurance contracts related with accident and health insurance liabilities		815,600	794,036	21,564
Annual payments resulting from non-life insurance contracts related with insurance liabilities other than accidents and health			0	0
<b>TOTAL</b>		<b>815,600</b>	<b>794,036</b>	<b>21,564</b>

*Table 33 - Comparison of the valuation of the Health-SLT technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2016*

Considering the adjustment of the transitional measure on technical provisions, the impact of revaluing the provisions results fundamentally from the evolution of the interest rates term structure referred to in 4.2.6.

<sup>19</sup> Valuation for solvency purposes less valuation in the financial statements.



# Longrun Portugal, SPGS, S.A.

## 4.2.4. Health – NSLT

The following table presents the value of the Health – NSLT technical provisions by line of business, including the value of the best estimate and the risk margin.

*Amounts in thousand euros*

Line of Business	Best estimate	Risk margin	Technical Provisions
Medical expenses insurance	67,703	3,269	70,972
Income protection insurance	32,436	592	33,028
Workers' compensation insurance	97,049	3,568	100,617
<b>TOTAL</b>	<b>197,188</b>	<b>7,429</b>	<b>204,617</b>

*Table 34 – Valuation of the Health - NSLT technical provisions for solvency purposes at 31-12-2016*

The Health – NSLT technical provisions are the result of adding the value of the best estimate of the claims and premiums provisions and the risk margin.

Longrun's best estimate is the result of the sum of the best estimate of the different insurers in the group, after elimination of intragroup effects.

The best estimate of the provisions corresponds to the current value of future projected cash-flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rates term structures (see point 4.2.6).

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the portfolio of each of the insurers in the group, in particular claims, lapse, expense and inflation.

The risk margin is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

In this method capital corresponds to the solvency capital requirement of the Health - NSLT Underwriting Risk, Operational Risk and Counterparty Risk (in the part corresponding to the Health - NSLT segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation .

# Longrun Portugal, SPGS, S.A.

The following table presents a comparison of the valuation of Health - NSLT technical provisions for solvency purposes and their valuation in the financial statements.

*Amounts in thousand euros*

<b>Line of Business</b>	<b>Technical Provisions</b>	<b>Financial statements</b>	<b>Difference<sup>20</sup></b>
Medical expenses insurance	70,972	88,091	-17,119
Income protection insurance	33,028	31,552	1,476
Workers' compensation insurance	100,617	85,996	14,621
<b>TOTAL</b>	<b>204,617</b>	<b>205,639</b>	<b>-1,022</b>

*Table 35 - Comparison of the valuation of the Health - NSLT technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2016*

The main differences identified between the figures for the accounting provisions and the provisions calculated on the basis of economic principles result from:

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled "insurance and intermediaries receivables" in point 4.1.3. of Other Assets;
- The statutory provisions reflect the estimate of payables not discounted.

---

<sup>20</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

## 4.2.5. Inflation rate

Banco de Portugal discloses the harmonised index of prices in the economic bulletin, and this is used as the inflation rate for the purposes of calculating the best estimate.

The harmonised index of prices disclosed by Banco de Portugal in December 2016 has a timeframe of three years (2017-2019):

	Weights 2015	EB December 2016				EB October 2016	EB June 2016			
		2015	2016 <sup>(p)</sup>	2017 <sup>(p)</sup>	2018 <sup>(p)</sup>	2019 <sup>(p)</sup>	2016 <sup>(p)</sup>	2016 <sup>(p)</sup>	2017 <sup>(p)</sup>	2018 <sup>(p)</sup>
Gross domestic product	100.0	1.6	1.2	1.4	1.5	1.5	1.1	1.3	1.6	1.5
Private consumption	65.6	2.6	2.1	1.3	1.4	1.3	1.8	2.1	1.7	1.3
Public consumption	18.2	0.8	1.0	0.0	0.4	0.2	1.0	1.1	0.4	0.6
Gross fixed capital formation	15.3	4.5	-1.7	4.4	4.3	4.5	-1.8	0.1	4.3	4.6
Domestic demand	99.3	2.5	1.2	1.5	1.7	1.6	1.1	1.8	1.7	1.7
Exports	40.6	6.1	3.7	4.8	4.6	4.4	3.0	1.6	4.7	4.7
Imports	39.8	8.2	3.5	4.8	4.9	4.4	3.0	2.8	4.9	4.8
Contribution to GDP growth net of imports (in p.p.) <sup>(a)</sup>										
Domestic demand		1.1	0.4	0.5	0.6	0.6	0.5	1.0	0.7	0.7
Exports		0.5	0.8	0.9	0.8	0.9	0.6	0.3	0.9	0.9
Employment <sup>(b)</sup>		1.4	1.5	1.0	0.9	1.0	1.0	-	-	-
Unemployment rate		12.4	11.0	10.1	9.4	8.5	11.2	-	-	-
Current plus capital account (% of GDP)		1.7	1.1	0.9	0.9	1.1	1.3	1.9	1.6	1.6
Trade balance (% of GDP)		1.8	2.2	1.9	1.8	1.8	2.1	1.6	1.3	1.2
Harmonized index of consumer prices		0.5	0.8	1.4	1.5	1.5	0.7	0.7	1.4	1.5

Sources: Statistics Portugal and Banco de Portugal.

Notes: (p) – projected, (p.p.) – percentage points. For each aggregate, this table shows the projection corresponding to the most likely value, conditional on the set of assumptions considered. (a) The demand aggregates net of imports are obtained by subtracting an estimate of the imports needed to meet each component. For more information, see the Box entitled 'The role of domestic demand and exports in economic activity developments in Portugal', in the June 2014 issue of the *Economic Bulletin*. (b) Total employment, in number of persons according to the national accounts concept.

Figure 11 - Banco de Portugal Projections 2017-2019 | Annual rate of change, percentage

In the best estimate projections, 1.4% was considered in 2017 and 1.5% in subsequent years.

## 4.2.6. Reference interest rates

When valuing the technical provisions, the Company used the relevant risk-free interest rate structures established in Commission Implementing Regulation (EU) 2017/309, of 23 February 2017, without volatility adjustment.

# Longrun Portugal, SPGS, S.A.

## 4.3. Other liabilities

The following table presents a comparison of the valuation of other liabilities for solvency purposes and their valuation in the financial statements.

Amounts in thousand euros

Liabilities <sup>21</sup>	Solvency II	Financial statements	Difference <sup>22</sup>
Contingent liabilities	0	0	0
Provisions other than technical provisions	83,529	83,529	0
Pension benefit obligations	439	439	0
Deposits from reinsurers	47,571	47,571	0
Deferred tax liabilities	455,242	243,632	211,610
Derivatives	23,807	23,807	0
Debts owed to credit institutions	414,848	414,848	0
Financial liabilities other than debts owed to credit institutions	70	70	0
Insurance and intermediaries payables	101,776	101,776	0
Reinsurance payables	28,947	29,048	-101
Payables (trade, not insurance)	131,015	131,015	0
Subordinated liabilities	0	0	0
Any other liabilities, not elsewhere shown	105,896	105,896	0
<b>TOTAL</b>	<b>1,393,140</b>	<b>1,181,631</b>	<b>211,509</b>

Table 36 - Comparison of the valuation of other liabilities for solvency purposes and their valuation in the financial statements at 31-12-2016

Other liabilities are generally valued in the financial statements at fair value. Specific situations where that is not the case are the following:

- Deferred tax liabilities

The difference results from the application of the tax rate to gains with taxable temporary differences implicit in the balance sheet for solvency purposes, that is, after adjustments with a positive impact on own funds;

- Reinsurance payables

<sup>21</sup> Information contained in QRT 5.02.01.01, relating to 31-12-2016.

<sup>22</sup> Valuation for solvency purposes less valuation in the financial statements.

# Longrun Portugal, SPGS, S.A.

The difference relates to reinsurance ceded payables, relating to reimbursement of amounts paid out in direct insurance claims. For solvency purposes these payables are included in the Non-life (€101m) technical provisions, the valuation of which was net of these.

---

## 4.4. Alternative valuation methods

As mentioned in point 4.1.1. of this report, the Company does not make valuations from financial models.

On the other hand, to determine the fair value of its financial assets for solvency purposes, the Company classifies them into different categories.

In two of these categories the determination of fair value is not based on quoted price in active markets. These are AVM and AEM:

- AVM:
  - i. Assets of bankrupt entities or assets without value, not derecognised;
  - ii. Monetary assets (cash and deposits);
  - iii. Bonds with low liquidity or with a quoted price not based on transactions;
- AEM – Unquoted participations

## 4.5. Any other information

### 4.5.1. Information on the valuation for solvency purposes

The bases, methods and main assumptions used at group level for the valuation of assets, technical provisions and other liabilities for solvency purposes do not differ from those used in any of its subsidiaries for valuation for solvency purposes of the respective assets, technical provisions and other liabilities.

### 4.5.2. Changing the contractual limits of temporary annual renewable insurance contracts

When calculating the best estimate of the Life liabilities relating to temporary annual renewable (TAR) life insurance contracts, the contractual boundary considered is the date of the next renewal except for contracts for which Fidelidade has proven waived the unilateral right to terminate the contract and to reject or amend the tariffs in force.

For these contracts which are all linked to mortgages, for the purpose of valuing their technical provisions, Fidelidade considered their contractual boundary to be the maturity of mortgage agreement associated with each adhesion, taking into account lapse probabilities. Although the reinsurance treaty associated with these contracts is of annual duration, when calculating the reinsurance recoverables Fidelidade assumed a time limit consistent with the insurance contract limits to which they relate, according to the understanding of the ASF.

### 4.5.3. Application of the transitional deduction on technical provisions

Pursuant to Article 25 of Law No. 147/2015, of 9 September, of the subsidiaries only Fidelidade applied the transitional deduction on technical provisions for liabilities similar to life, in the following groups of homogeneous risks:

- Capital redemption products, with and without profit-sharing;
- Health – SLT, related with liabilities with workers' compensation insurance contracts.

# Longrun Portugal, SPGS, S.A.

Accordingly, the following table contains the respective amounts of the gross technical provisions and of the reinsurance recoverables, for solvency purposes, with the reference date of 1/1/2016, and in the financial statements, with the reference date of 31/12/2015. The **amount of the transitional deduction applied** is also shown:

*Amounts in thousand euros*

Lines of business/ Homogeneous risk groups		Gross Technical Provisions			Reinsurance Recoverables		Transitiona I Deduction
		Financial Statements	Solvency II		Financial Statements	Solvency II	
			Best estimate	Risk margin			
29 and 33	Life insurance liabilities - Health – SLT	793,788	1,033,799	85,534	0	0	325,545
30	Life insurance liabilities – Insurance with profit sharing – Capital redemption products	1,482,854	1,676,417	11,945	0	0	205,508
32	Life insurance liabilities – Other liabilities similar to life - Capital redemption products	7,505,455	7,883,284	15,963	0	0	393,792
<b>Total</b>		<b>9,782,097</b>	<b>10,593,500</b>	<b>113,442</b>	<b>0</b>	<b>0</b>	<b>924,845</b>

*Table 21 – Amount of transitional deduction applied on the technical provisions*

## Longrun Portugal, SPGS, S.A.

The following table quantifies the impact on Longrun's financial condition, at 31/12/2016, of **not applying this transitional deduction**, namely the impact on the amount of the technical provisions, the consolidated group solvency capital requirement, the basic own funds and the eligible own funds to meet the consolidated group solvency capital requirement:

*Amounts in thousand euros*

	Transitional measure applicable to technical provisions		
	Amount with the transitional measure	Amount without the transitional measure	Impact of the transitional measure
<b>Technical provisions</b>	<b>10,491,380</b>	<b>11,416,225</b>	<b>-924,845</b>
<b>Basic own funds</b>	2,139,273	1,565,744	573,529
Excess of assets over liabilities	2,225,558	1,573,542	652,016
<b>Eligible own funds to meet SCR</b>	<b>2,139,273</b>	<b>1,532,112</b>	<b>607,162</b>
<b>Solvency Capital Requirement (SCR)</b>	<b>1,610,099</b>	<b>1,610,099</b>	<b>0</b>
<b>SCR coverage ratio</b>	<b>132.87%</b>	<b>95.16%</b>	

*Table 22 – Impact of not applying the transitional deduction to the technical provisions*

The **impact of the decrease in the transitional deduction on technical provisions, on the first day of 2017**, is approximately 0.5% of the total amount of Longrun's technical provisions, and the effects on its solvency condition are therefore immaterial, in the wording of Article 291 of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014.



---

## 5. Capital management

Method 1 (accounting consolidation-based method) described in Article 270 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, was used to calculate the group's solvency, using the net data of any intra-group transactions.

---

### 5.1. Own funds

#### 5.1.1. Management of own funds

The new legal framework on the taking-up and pursuit of the business of insurance requires insurance undertakings and insurance groups to have an effective risk management system.

Accordingly, the own risk and solvency assessment, normally identified by the acronym ORSA, is considered a central element in this system, since it relates, from a prospective view, risk, capital and return, in the context of business strategy established.

The ORSA exercise, which coincides with the group's strategic planning timeframe (never less than 3 years), therefore plays a key role in its Capital Management, supporting its main activities, namely:

- Assessment, together with risk management, of the risk appetite structure in relation to the business strategy and capital management strategy;
- Contributing to the commencement of the strategic planning process, through the performance of a capital adequacy assessment in the most recent period, involving both regulatory capital and economic capital, and also, when justified, risk rating;
- Monitoring of capital adequacy in line with the regulatory capital requirements and the internal capital needs.

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência and their subsidiaries.

# Longrun Portugal, SPGS, S.A.

Therefore, the group perimeter considered in that assessment covers the following companies:

- Fidelidade – Companhia de Seguros, SA;
- Multicare – Seguros de Saúde, SA;
- Via Directa – Companhia de Seguros, SA;
- Fidelidade Assistência – Companhia de Seguros, SA;
- Companhia Portuguesa de Resseguros, SA;
- Garantia, Companhia de Seguros de Cabo Verde, SA;
- Universal Seguros, SA;
- Fidelidade Macau – Companhia de Seguros, SA.

Considering the results obtained in the ORSA, and if the capital requirements are not in line with those defined, both in regulatory terms and in terms of other limits defined internally, corrective actions to be implemented are detailed, in order to restore the adequate/intended level of capital.

## 5.1.2. Structure, amount and tiering of own funds

The following table presents a comparison of the own funds as set out in Longrun's financial statements and the excess of assets over liabilities calculated for solvency purposes:

*Amounts in thousand euros*

	<b>Solvency II</b>	<b>Financial statements</b>	<b>Difference<sup>23</sup></b>
Assets	15,145,679	15,632,498	-486,819
Technical Provisions	11,526,981	12,264,451	-737,470
Other liabilities	1,393,140	1,181,631	211,509
<b>Excess of assets over liabilities<sup>24</sup></b>	<b>2,225,558</b>	<b>2,186,416</b>	<b>39,142</b>

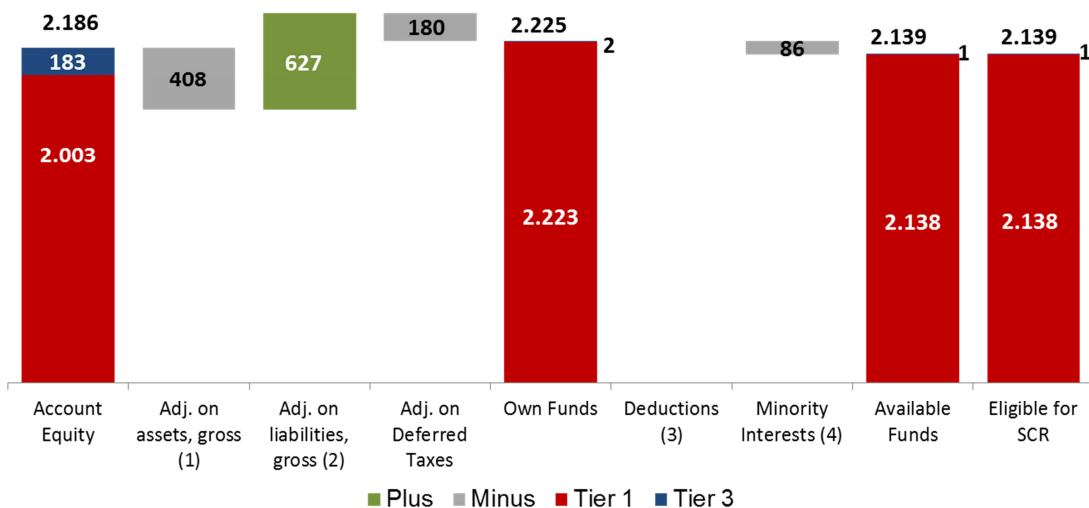
*Table 39: Comparison of the valuation of own funds for solvency purposes and their valuation in the financial statements at 31-12-2016*

<sup>23</sup> Valuation for solvency purposes less valuation in the financial statements.

<sup>24</sup> Information contained in QRT S.02.01.01, relating to 31-12-2016.

# Longrun Portugal, SPGS, S.A.

The difference is explained by the graph below (amounts in million euros):



- (1) Own Funds impact of difference between market value and book value of assets
- (2) Own Funds impact of difference between fair value plus risk margin and book value of liabilities (net of reinsurance)
- (3) Own Funds deductions for participations (>20%) in financial and credit institutions
- (4) Non-available minority interests at group level

Graph 12 – Explanation of the differences between own funds for solvency purposes and their value in the financial statements

# Longrun Portugal, SPGS, S.A.

The following table provides information on the structure, amount and quality of the basic own funds and ancillary own funds:

Amounts in thousand euros

Own Funds - Structure <sup>25</sup>		Amount	Tier
BASIC OWN FUNDS	Ordinary share capital (gross of own shares)	50	1
	Non-available called but not paid in ordinary share capital at group level	0	
	Share premium account related to ordinary share capital	0	
	Surplus funds	0	
	Non-available surplus funds at group level	0	
	Preference shares	0	
	Non-available preference shares at group level	0	
	Share premium account related to preference shares	0	
	Non-available share premium account related to preference shares at group level	0	
	Reconciliation reserve	624,440	1
	Subordinated liabilities	0	
	Non-available subordinated liabilities at group level	0	
	An amount equal to the value of net deferred tax assets	2,318	3
	An amount equal to the value of net deferred tax assets non available at group level	0	
	Other items approved by the supervisory authority as basic own funds not specified above	1,598,750	1
	Non-available own funds related to other own funds items approved by supervisory authority	0	
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	
	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities, whereof deducted according to art 228 of the Directive 2009/138/EC	0	
	Deductions for participations where there is non-availability of information (Article 229)	0	
	Deduction for participations included with D&A when the combination of methods is used	0	
<b>TOTAL BASIC OWN FUNDS</b>	<b>2,225,558</b>		
Ancillary Own Funds	Unpaid and uncalled ordinary share capital callable on demand	0	
	Unpaid and uncalled preference shares callable on demand	0	
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0	
	Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0	
	Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	0	
	Non available ancillary own funds at group level	0	
	Other ancillary own funds	0	
	<b>TOTAL ANCILLARY OWN FUNDS</b>	<b>0</b>	
<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<b>2,225,558</b>	
Minority interests at group level (if not reported as part of another own fund item)	0		
Non available minority interests at group level	-85,281	1	
Non available minority interests at group level	-1,004	3	
<b>TOTAL AVAILABLE OWN FUNDS</b>	<b>2,139,273</b>		

Table 40 – Structure, amount and tiering of own funds at 31-12-2016

<sup>25</sup> Information contained in QRT S.23.01.04, relating to 31-12-2016.

# Longrun Portugal, SPGS, S.A.

The table below shows the amounts of own funds available and eligible to meet the consolidated group solvency capital requirement (SCR) and the minimum consolidated group solvency capital requirement (MCR), classified by tier:

*Amounts in thousand euros*

	Available own funds to meet		Eligible own funds to meet	
	SCR	MCR	SCR	MCR
Tier 1	2,137,960	2,137,960	2,137,960	2,137,960
Tier 2	0	0	0	0
Tier 3	1,313	0	1,313	0
<b>Total<sup>26</sup></b>	<b>2,139,273</b>	<b>2,137,960</b>	<b>2,139,273</b>	<b>2,137,960</b>

*Table 23 – Own funds available and eligible to satisfy the SCR and MCR*

## 5.1.3. Restrictions to the transferability and fungibility of the own funds in the subsidiaries

No restrictions were identified which affect the availability and transferability of the own funds of the subsidiaries.

---

## 5.2. Solvency capital requirement and minimum capital requirement

To calculate the consolidated group solvency capital requirement (SCR), Longrun applies the standard formula set out in Articles 119 to 129 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, and does not use simplified calculations or specific company parameters.

---

<sup>26</sup> Information contained in QRT S.23.01.04, relating to 31-12-2016.

# Longrun Portugal, SPGS, S.A.

Information is presented below on the consolidated group solvency capital requirement (SCR) and the minimum consolidated group solvency capital requirement (MCR), and also the respective coverage ratio.

Amounts in thousand euros

	Capital Requirements	Coverage Ratio
<b>SCR</b>	1,610,099	132.87%
<b>MCR</b>	435,777	490.61%

Table 42 – SCR and MCR at 31-12-2016 and respective coverage ratio

The table below provides a breakdown of the SCR into its major components, focusing, in particular, on the breakdown of the basic solvency capital requirement (BSCR) and the adjustments for the loss-absorbing capacity of the technical provisions and of deferred taxes.

Amounts in thousand euros

	SCR Breakdown
Market risk	1,151,778
Counterparty default risk	202,024
Life insurance specific risk	338,866
Accidents and health insurance specific risk	175,560
Non-life insurance specific risk	247,016
Diversification	-611,736
Intangible assets risk	0
<b>Basic Solvency Capital Requirement</b>	<b>1,503,508</b>
Operational risk	134,506
Loss-absorbing capacity of technical provisions	-5,254
Loss-absorbing capacity of deferred taxes	-96,275
<b>Solvency Capital Requirement for the companies which use the consolidated method</b>	<b>1,536,485</b>
Capital requirement for residual undertakings	73,614
<b>Consolidated group Solvency Capital Requirement</b>	<b>1,610,099</b>

Table 43 – SCR Breakdown at 31-12-2016

The solvency capital requirement coverage ratio without considering adjustment for the loss-absorbing capacity of deferred taxes is 125.37%.

---

## **5.3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement**

Longrun does not use the duration-based equity risk sub-module, set out in Article 125(5) of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September.

---

## **5.4. Differences between the standard formula and any internal model used**

As previously stated, Longrun uses the standard formula, and does not apply any internal model.

---

## **5.5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement**

There was no failure to comply with the group consolidated minimum solvency capital requirement during the period covered by this report.

In the quarterly quantitative information for supervisory purposes, with reference to 31 March 2016, Longrun presented a consolidated group solvency capital requirement coverage ratio of 92.79%.

This situation, which was temporary and extraordinary, was the result of the application of sight deposits in CGD of liquidity surpluses generated by the insurers in the group which, for market reasons, were not invested immediately, leading to a significant increase in the capital requirements relating to the counterparty default risk module.

It is important to note that the group consolidated solvency capital requirement used in the aforementioned quarterly information was influenced by the fact that the insurers in the group and, consequently, Longrun itself, recognised adjustment for the loss-absorbing capacity of deferred taxes as zero. If the Companies and Longrun had recognised the said adjustment, the resulting ratio would have been above 100%.

Nevertheless, this exposure was reduced in the subsequent months through greater diversification of investments, and the quarterly information sent to the ASF, in relation to 30 June 2016, therefore showed a solvency capital requirement coverage ratio of 110.00%.

## 5.6. Any other information

### 5.6.1. Transitional measure on equity risk

Longrun applied the transitional regime applicable to the equity risk set out in Article 20(2) and (3) of Law No. 147/2015, of 9 September.

### 5.6.2. Futures contracts

Calculations of the currency risk sub-module and the counterparty default risk module include the effect of hedging of exchange rate exposure of assets denominated in American dollars (USD), Hong Kong dollars (HKD) and Pounds sterling (GBP), via the use of futures contracts entered into by Fidelidade.

To hedge the exchange rate exposure of assets denominated in Yens (JPY) Fidelidade used exchange rate forwards contracts in JPY, and the effect of these was also reflected in those capital requirements.

### 5.6.3. Solvency capital requirement of the groups insurance and reinsurance undertakings

The following table presents the solvency capital requirement of each of the group's insurance and reinsurance undertakings included in the group's solvency calculation:



# Longrun Portugal, SPGS, S.A.

## a) EEA Insurance Undertakings

Amounts in thousand euros

Legal name of undertaking	SCR Market risk	SCR Counterparty default risk	SCR Underwriting risk - life	SCR Underwriting risk - health	SCR Underwriting risk - non-life	SCR Operational risk	SCR individual	NCR individual	Individual Own Funds Eligible for SCR coverage
Fidelidade - Companhia de Seguros, S.A.	1,200,694	165,890	338,866	143,978	224,329	130,658	1,531,813	390,654	2,013,478
Fidelidade Assistência - Companhia de Seguros, S.A.	2,693	6,392	0	0	13,729	1,347	20,094	8,319	33,868
Multicare - Seguros Saúde, S.A.	959	18,750	0	42,995	0	6,845	58,165	14,541	68,856
Via Directa - Companhia de Seguros, S.A.	2,986	3,598	0	27	11,984	1,352	16,582	6,599	22,836
Companhia Portuguesa de Resseguros, S.A.	1,138	428	0	58	554	119	1,742	3,600	10,217

Table 24 – Solvency capital requirement of the group's insurance and reinsurance undertakings (EEA)

# Longrun Portugal, SPGS, S.A.

## b) Insurance and reinsurance undertakings outsider the EEA (not using Solvency II rules)

Amounts in thousand euros

Legal name of undertaking	Local capital requirement	Minimum local capital requirement	Own funds eligible in line with local rules
Fidelidade Macau – Companhia de Seguros, S.A.	4,204	4,204	20,375
Garantia - Companhia de Seguros de Cabo Verde, S.A.	3,904	1,423	9,462
Universal Seguros, S.A.	17,718	6,437	11,707

Table 25 – Solvency capital requirement of the group's insurance and reinsurance undertakings (outside the EEA)

### 5.6.4. Effects of group diversification

As previously stated, as an insurance holding company, Longrun Portugal, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência..

On the other hand, of the entities held by Longrun, Fidelidade's business has a very substantial weight, when compared with the other entities.

Accordingly, the effect of diversification resulting from the consolidation of the business of the group's insurance and reinsurance undertakings is not significant, as can be seen in the following table:

Amounts in thousand euros

	SCR
Fidelidade – Companhia de Seguros, SA	1,531,813
Fidelidade Assistência – Companhia de Seguros, SA	20,094
Multicare – Seguros de Saúde, SA	58,165
Via Directa – Companhia de Seguros, SA	16,582
Companhia Portuguesa de Resseguros, SA	1,742
<b>Total</b>	<b>1,628,396</b>
Group diversification effects	-18,297
<b>Group SCR</b>	<b>1,610,099</b>

Table 26 – Group diversification effects

# Longrun Portugal, SPGS, S.A.

## 5.6.5. Minimum consolidated group solvency capital requirement

The minimum consolidated group solvency capital requirement corresponds to the sum of the following items:

*Amounts in thousand euros*

<b>Insurance undertakings</b>	<b>MCR<sup>27</sup></b>	<b>Proportional part<sup>28</sup></b>
Fidelidade – Companhia de Seguros, SA	390,654	100%
Fidelidade Assistência – Companhia de Seguros, SA	8,319	100%
Multicare – Seguros de Saúde, SA	14,541	100%
Via Directa – Companhia de Seguros, SA	6,599	100%
Companhia Portuguesa de Resseguros, SA	3,600	100%
Garantia, Companhia de Seguros de Cabo Verde, SA	1,423	100%
Universal Seguros, SA	6,437	100%
Fidelidade Macau – Companhia de Seguros, SA	4,204	100%
<b>Minimum consolidated group solvency capital requirement</b>	<b>435,777</b>	

*Table 27 – Minimum consolidated group solvency capital requirement at 31-12-2016*

---

<sup>27</sup> Minimum capital requirement at 31/12/2016.

<sup>28</sup> Taking into account Article 261 of the Legal Framework on the Taking-Up and Pursuit of the Business of Insurance and Reinsurance.

---

## Appendices

---

## Quantitative information

**S.02.01.02****Balance sheet**

	Solvency II value	
	C0010	
	R0010	
<b>Assets</b>		
Goodwill	R0020	
Deferred acquisition costs	R0030	0
Intangible assets	R0040	457,561
Deferred tax assets	R0050	8,739
Pension benefit surplus	R0060	146,673
Property, plant & equipment held for own use	R0070	12,519,145
Investments (other than assets held for index-linked and unit-linked contracts)	R0080	1,799,330
Property (other than for own use)	R0090	215,964
Holdings in related undertakings, including participations	R0100	1,329,177
Equities	R0110	1,326,065
Equities - listed	R0120	3,112
Equities - unlisted	R0130	7,855,600
Bonds	R0140	5,584,361
Government Bonds	R0150	2,168,859
Corporate Bonds	R0160	100,376
Structured notes	R0170	2,004
Collateralised securities	R0180	377,182
Collective Investments Undertakings	R0190	30,539
Derivatives	R0200	911,353
Deposits other than cash equivalents	R0210	0
Other investments	R0220	512,977
Assets held for index-linked and unit-linked contracts	R0230	23,140
Loans and mortgages	R0240	1,318
Loans on policies	R0250	180
Loans and mortgages to individuals	R0260	21,642
Other loans and mortgages	R0270	158,645
Reinsurance recoverables from:	R0280	142,281
Non-life and health similar to non-life	R0290	126,509
Non-life excluding health	R0300	15,772
Health similar to non-life	R0310	16,364
Life and health similar to life, excluding health and index-linked and unit-linked	R0320	0
Health similar to life	R0330	16,364
Life excluding health and index-linked and unit-linked	R0340	
Life index-linked and unit-linked	R0350	876
Deposits to cedants	R0360	163,597
Insurance and intermediaries receivables	R0370	15,112
Reinsurance receivables	R0380	180,184
Receivables (trade, not insurance)	R0390	0
Own shares (held directly)	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0410	934,049
Cash and cash equivalents	R0420	24,982
Any other assets, not elsewhere shown	R0500	15,145,680
<b>Total assets</b>		

**S.02.01.02****Balance sheet**

	<b>Solvency II value</b>	
	<b>C0010</b>	
<b>Liabilities</b>		
Technical provisions – non-life	<b>R0510</b>	1,035,600
Technical provisions – non-life (excluding health)	<b>R0520</b>	830,983
Technical provisions calculated as a whole	<b>R0530</b>	
Best Estimate	<b>R0540</b>	807,335
Risk margin	<b>R0550</b>	23,648
Technical provisions - health (similar to non-life)	<b>R0560</b>	204,617
Technical provisions calculated as a whole	<b>R0570</b>	
Best Estimate	<b>R0580</b>	197,188
Risk margin	<b>R0590</b>	7,429
Technical provisions - life (excluding index-linked and unit-linked)	<b>R0600</b>	9,981,884
Technical provisions - health (similar to life)	<b>R0610</b>	815,600
Technical provisions calculated as a whole	<b>R0620</b>	
Best Estimate	<b>R0630</b>	726,735
Risk margin	<b>R0640</b>	88,865
Technical provisions – life (excluding health and index-linked and unit-linked)	<b>R0650</b>	9,166,284
Technical provisions calculated as a whole	<b>R0660</b>	
Best Estimate	<b>R0670</b>	8,968,320
Risk margin	<b>R0680</b>	197,964
Technical provisions – index-linked and unit-linked	<b>R0690</b>	509,497
Technical provisions calculated as a whole	<b>R0700</b>	137,743
Best Estimate	<b>R0710</b>	371,171
Risk margin	<b>R0720</b>	583
Other technical provisions	<b>R0730</b>	
Contingent liabilities	<b>R0740</b>	0
Provisions other than technical provisions	<b>R0750</b>	83,529
Pension benefit obligations	<b>R0760</b>	439
Deposits from reinsurers	<b>R0770</b>	47,571
Deferred tax liabilities	<b>R0780</b>	455,243
Derivatives	<b>R0790</b>	23,807
Debts owed to credit institutions	<b>R0800</b>	414,848
Financial liabilities other than debts owed to credit institutions	<b>R0810</b>	70
Insurance & intermediaries payables	<b>R0820</b>	101,776
Reinsurance payables	<b>R0830</b>	28,947
Payables (trade, not insurance)	<b>R0840</b>	131,015
Subordinated liabilities	<b>R0850</b>	
Subordinated liabilities not in Basic Own Funds	<b>R0860</b>	
Subordinated liabilities in Basic Own Funds	<b>R0870</b>	
Any other liabilities, not elsewhere shown	<b>R0880</b>	105,896
<b>Total liabilities</b>	<b>R0900</b>	12,920,122
<b>Excess of assets over liabilities</b>	<b>R1000</b>	2,225,558







S.22.01.22

Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	10,491,381	924,845			
Basic own funds	R0020	2,139,273	-573,529			
Eligible own funds to meet Solvency Capital Requirement	R0050	2,139,273	-607,161			
Solvency Capital Requirement	R0090	1,610,099	0			



S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0080	C0090
Market risk	R0010	1,151,778	
Counterparty default risk	R0020	202,024	
Life underwriting risk	R0030	338,866	None
Health underwriting risk	R0040	175,560	None
Non-life underwriting risk	R0050	247,016	None
Diversification	R0060	-611,736	
Intangible asset risk	R0070	0	
<b>Basic Solvency Capital Requirement</b>	R0100	1,503,508	

Calculation of Solvency Capital Requirement

	C0100	
Operational risk	R0130	134,506
Loss-absorbing capacity of technical provisions	R0140	-5,254
Loss-absorbing capacity of deferred taxes	R0150	-96,275
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
<b>Solvency capital requirement excluding capital add-on</b>	R0200	1,536,485
Capital add-on already set	R0210	0
<b>Solvency capital requirement</b>	R0220	1,610,099
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	435,777
<b>Information on other entities</b>		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	73,614
<b>Overall SCR</b>		
SCR for undertakings included via D and A	R0560	
<b>Solvency capital requirement</b>	R0570	1,610,099

S.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
PT	SC/1002	SC	Fidelidade Property Europe, S.A.	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1003	SC	GEP - Gestao Perit Autom, S.A.	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1004	SC	EAPS - Emp Anal Prev Seg, S.A.	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1006	SC	SaudeInveste	99		2		99.09%	100.00%	99.09%		1	99.09%			1
PT	SC/1007	SC	Audatex	10		2		33.67%	100.00%	33.67%		2	33.67%			1
PT	SC/1010	SC	Highgrove	99		2		25.00%	100.00%	25.00%		2	25.00%			1
PT	SC/1011	SC	Fidelidade - Companhia de Seguros, S.A.	4	SA	2	ASF	84.99%	100.00%	84.99%		1	100.00%	1		1
PT	SC/1040	SC	Cetra - Cent Tec Rep Autom, S.A.	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1053	SC	Bonanca I	99		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1060	SC	Fidelidade - Servicos de Assistencia, SA	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1061	SC	Cares Multiassistance, S.A.	10		2		51.00%	100.00%	51.00%		1	100.00%			1
AO	SC/1072	SC	Universal Seguros, S.A.	4	SA	2	ARSEG	70.00%	100.00%	70.00%		1	100.00%	3		1
AT	SC/1073	SC	FCM	99		2		51.00%	100.00%	51.00%		1	51.00%			1
PT	SC/1075	SC	Luz Saude	99		2		98.96%	100.00%	98.96%		1	98.96%			1
PT	SC/1091	SC	Comp Portuguesa Resseguros, S.A.	3	SA	2	ASF	100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1096	SC	FISA II - Fidelidade-Property	10		2		100.00%	100.00%	100.00%		1	100.00%			1
HK	SC/1098	SC	FID I (HK) LIMITED	99		2		100.00%	100.00%	100.00%		1	100.00%			1
HK	SC/1100	SC	FID III (HK) LIMITED	99		2		100.00%	100.00%	100.00%		1	100.00%			1
GB	SC/1101	SC	FPI (UK) 1 LIMITED	10		2		100.00%	100.00%	100.00%		1	100.00%			1
US	SC/1102	SC	FPI (US) 1 LLC	10		2		100.00%	100.00%	100.00%		1	100.00%			1
AU	SC/1103	SC	FPI (AU) 1 PTY LIMITED	10		2		100.00%	100.00%	100.00%		1	100.00%			1
JP	SC/1104	SC	GK Kita Aoyoma Support 2	10		2		100.00%	100.00%	100.00%		1	100.00%			1
JP	SC/1105	SC	Higashi Shinagawa Two TMK	10		2		96.61%	100.00%	96.61%		1	100.00%			1
US	SC/1110	SC	Madison 30-31 JV	10		2		77.00%	100.00%	77.00%		1	100.00%			1
IT	SC/1113	SC	FPE (IT) Societa per Azioni	10		2		95.76%	100.00%	95.76%		1	100.00%			1
PT	SC/1114	SC	Fidelidade Consultoria e Gestao de Risco	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1115	SC	Fidelidade Assistencia e Servicos	10		2		100.00%	100.00%	100.00%		1	100.00%			1
MO	SC/1116	SC	Fidelidade Macau - Companhia de Seguros, S.A.	2	SA	2	AMM	100.00%	100.00%	100.00%		1	100.00%	3		1
GB	SC/1123	SC	LS Thomas More Square Investmnts Limited	10		2		100.00%	100.00%	100.00%		1	100.00%			1
LU	SC/1124	SC	FPI (LUX) HOLDING	10		2		100.00%	100.00%	100.00%		1	100.00%			1
LU	SC/1125	SC	Thomas More Square (Lux) Holdings Sarl	10		2		99.30%	100.00%	99.30%		1	100.00%			1
LU	SC/1126	SC	Thomas More Square (Lux) Sarl	10		2		100.00%	100.00%	100.00%		1	100.00%			1
PT	SC/1127	SC	Fidelidade Assistencia – Companhia de Seguros, S.A.	2	SA	2	ASF	80.00%	100.00%	80.00%		1	100.00%	1		1
JP	SC/1128	SC	Godo Kaisha Praia	10		2		100.00%	100.00%	100.00%		1	100.00%			1
JP	SC/1129	SC	Godo Kaisha Moana	10		2		97.00%	100.00%	97.00%		1	100.00%			1
PT	SC/1142	SC	Via Directa - Companhia de Seguros, S.A.	2	SA	2	ASF	100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1172	SC	Multicare - Seguros Saude, S.A.	2	SA	2	ASF	80.00%	100.00%	80.00%		1	100.00%	1		1
CV	SC/201	SC	Garantia Seguros, S.A.	4	SA	2	BCV	56.35%	100.00%	56.35%		1	100.00%	3		1
PT	SC/1800	SC	LongRun	5		2		100.00%	100.00%	100.00%		1	100.00%			1

---

## Statutory auditor's report

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

Statutory Auditor's Opinion on solvency and financial condition annual report in the terms set out in subparagraph a) of no. 1 of article 3.º of Regulatory Standard No. 2/2017-R of 24 March issued by Supervisory Authority for Insurance and Pension Funds

To  
The Board of Directors of  
Longrun Portugal, SGPS, S.A.

## INTRODUCTION

Under the terms of subparagraph a) of No. 1 of article 3.º of Regulatory Standard No. 2/2017-R, of 24 March ("Regulatory Standard"), issued by Supervisory Authority for Insurance and Pension Funds ("ASF"), we examined the Solvency and Financial Condition Annual Report ("Report"), established in subparagraph a) of article 27.º from Regulatory Standard No. 8/2016-R, of 16 August, including the quantitative information to be disclosed with that Report ("Quantitative Information"), according to articles 4.º and 5.º of the Commission's Implementing Regulation (EU) No. 2015/2452, of 2 December 2015 of insurance holding company, Longrun Portugal, SGPS, S.A. ("The Company"), with reference to 31 December 2016.

Our report comprises the reporting of the following matters:

- A. Report on the adjustments between the statement of financial position and the evaluation of the balance sheet for solvency purposes, the classification, availability and eligibility of own funds.
  - B. Report on the implementation and effective application of the governance system ; and
  - C. Report on the remaining information disclosed in the solvency and financial condition report and the jointly submitted quantitative information.
- A. REPORT ON THE ADJUSTMENTS BETWEEN THE STATEMENT OF FINANCIAL POSITION AND THE EVALUATION OF THE BALANCE SHEET FOR SOLVENCY PURPOSES, THE CLASSIFICATION, AVAILABILITY AND ELIGIBILITY OF OWN FUNDS

## Responsibilities of the Management Board

It is the responsibility of the Company's Board of Directors the calculation of the adjustments between the statutory statement of financial position and the balance sheet evaluation for solvency purposes, the classification, availability and eligibility of own funds.

## Auditor's responsibilities

Our responsibility, as defined in subparagraph a) of No.1 of article 4.º of Regulatory Standard, consists in expressing, based on the work performed, a reasonable assurance conclusion, as to whether the adjustments between the statutory statement of financial position and the balance sheet evaluation for solvency purposes, the classification, availability and eligibility of own funds, are free from material misstatements, are complete and reliable and, in all materially relevant respects, are presented in accordance the applicable legal and regulatory requirements.

According to No. 2 of article 3.º of Regulatory Standard, it is not our responsibility to verify the adequacy of legal requirements, applicable regulatory and calculation techniques of the elements included within the certification by the Company's responsible actuary, as established in the article 7.º of same Regulatory Standard.

Under the terms of subparagraph a) of No. 1 of article 15º of Regulatory Standard, in the transitory regime established for the financial year of 2016, the reporting of the calculation of the solvency capital requirement and the minimum capital requirement was replaced by a report of factual conclusions for ASF regarding the procedures specified in annex III of Regulatory Standard.

### Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") and consists in obtaining sufficient and appropriate audit evidence to conclude, with reasonable assurance, as to whether the adjustments between the statutory financial position statement and the balance sheet for solvency purposes, the classification, availability and eligibility of own funds, are free of material misstatements, are complete and reliable and, in all materially relevant respects, are presented in accordance with applicable legal and regulatory requirements.

The procedures carried out included, among other procedures, the following:

- (i) the reconciliation of the base information used for the calculation of the adjustments with the Company's information systems and the respective statutory financial position statement as of 31 December of 2016, object of the Statutory Audit whose Report was issued on 12 May 2017 without qualifications or emphases;
- (ii) the review of subsequent events that occurred between the date of the Statutory Audit Report and the date of this report;
- (iii) an understanding of the adopted criteria;
- (iv) the recalculation of the adjustments made by the Company, except for those referred to in the next paragraph that are excluded from the scope of this certification.

The procedures carried out did not include the examination of the adjustments to technical provisions and the amounts recoverable from reinsurance contracts which, according to article 7º of Regulatory Standard, were subject to actuarial certification by the Company's responsible actuary of the. Regarding the deferred taxes adjustments, as result of the adjustments referred to above, the procedures carried out only comprised the verification of the impact on deferred taxes, taking as the basis the referred adjustments made by the Company.

The selection of the procedures performed depends on our professional judgment, including the procedures related to risk assessment of material misstatement on the information subject to analysis, whether due to fraud or error. In making these risk assessments we considered the internal control relevant for the preparation and presentation of the referred information in order to plan and execute the appropriate procedures for the circumstances.

We applied the International Standard of Quality Control 1 (ISQC 1) and, as such, we maintain a quality system of including policies and documented procedures related to the compliance of ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the audit evidence obtained is sufficient and appropriate to provide an acceptable basis for our conclusion.



## Conclusion

Based on the procedures carried out and which are included in the previous section "Scope of Work", which were planned and performed in order to obtain a reasonable level of assurance, we concluded that the adjustments between the statement of financial position and the balance sheet for solvency purposes, the classification, availability and eligibility of own funds, are free from material misstatements, complete and reliable and, in all materially respects, are in accordance with the applicable legal and regulatory requirements.

## B. REPORT ON THE IMPLEMENTATION AND EFFECTIVE APPLICATION OF THE GOVERNANCE SYSTEM

### Responsibilities of the Management Board

It is the responsibility of the Company's Board of Directors to:

- Prepare the annual report of the solvency and financial condition and the information to report to ASF for regulatory purposes, under the terms of Regulatory Standard N.º 8/2016-R, of 16 August, issued by ASF; and
- Define, approve, periodically review and document the main policies, strategies and processes that define and regulate the Company governance, management and control, including the risk management and internal control systems ("Governance System"), which should be described on chapter 2 of the report, under the terms of article 294º of Commission Implementing Regulation (EU) No. 2015/35 of 10 October 2014 (Regulation).

### Auditor's responsibilities

Our responsibility, as defined in subparagraph a) of No. 1 of article 4º of Regulatory Standard, consists in expressing, based on the work performed, a limited assurance conclusion about the implementation and effective application of the governance system.

### Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, as to whether the content of the "Governance System" chapter of the report about solvency and financial position reflects, in all materially respects, the description of the implementation and effective application of the Governance System of the Company at 31 December 2016.

The procedures were carried out included, among others procedures, the following:

- (i) the assessment of the information included on Company's Report relating to the Governance System with respect to the following main aspects: general information; qualification and reputation requirements; risk management system with the inclusion of risk and solvency self-evaluation; internal control system; internal audit function; actuarial function; subcontracting and eventual additional information;
- (ii) reading and assessing of the documents which sustain the main policies, strategies and processes described in the Report, which regulate how Company is governed, managed and controlled and obtaining supporting evidence of its implementation;
- (iii) discussing the conclusions with the Company's management.

We applied the International Standard of Quality Control 1 (ISQC 1) and, as such, we maintain a system of quality control including policies and documented procedures related to the compliance of ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the audit evidence obtained is sufficient and appropriate to provide an acceptable basis for our conclusion.

## Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that at the date to which solvency and financial condition report refers to (31 December 2016), the content of the chapter "Governance System", is not fairly present, in all materially respects, the description of the implementation and effective application of the Company's Governance System.

## C. REPORT ON THE REMAINING INFORMATION DISCLOSED IN THE SOLVENCY AND FINANCIAL CONDITION REPORT AND THE JOINTLY DISCLOSED QUANTITATIVE INFORMATION

### Responsibilities of the Management Board

It is the responsibility of the Board of Directors to prepare the Solvency and Financial condition annual Report and the information to report to ASF for supervisory purposes, under the terms of Regulatory Standard No. 8/2016-R, 16 de August, issued by ASF, including the quantitative information to be jointly disclosed with that report, as established in the articles 4.º e 5.º of the Commission's Implementing Regulation (UE) n.º 2015/2452, 2 December 2015.

### Auditor's responsibilities

Our responsibility, as defined in subparagraph c) of No. 1 of article 4.º of Regulatory Standard, consists in expressing, based on the procedures carried out, a limited assurance conclusion as to whether the remaining disclosed information in the report and in the jointly disclosed quantitative information, is in agreement with the information subject to the work carried out and with the knowledge we obtained during its execution.

### Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") and consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, that the remaining disclosed information in Solvency and Financial condition report is in agreement with the information that was subject to auditor review and with the knowledge obtained during the certification.

The procedures carried out included, among others procedures, the complete reading of the referred report and the evaluation of the agreement as referred above.

We applied the International Standard of Quality Control 1 (ISQC 1) and, as such, we maintain a system of quality control including policies and documented procedures related to the compliance of ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the audit evidence obtained is sufficient and appropriate to provide an acceptable basis for our conclusion.

#### Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that the information disclosed in solvency and financial condition report is not in agreement with the information which was subject to the work carried out by us with the knowledge obtained during its execution.

#### D. OTHERS MATTERS

Considering the normal dynamics of any internal control system, the conclusions presented related to the governance system of the Company should not be used for any projection of future periods, since there could be changes of the processes and controls analyzed and their degree of efficiency. On the other hand, given the limitations of the internal control system, there could be undetected irregularities, frauds or mistakes.

Lisbon, 21 July 2017

Ernst & Young Audit & Associados – SROC, S.A.  
Sociedade de Revisores Oficiais de Contas (No. 178)  
Represented by:

(Signed)

Ana Rosa Ribeiro Montes Pinto - (ROC No. 1230)  
CMVM registered NO. 20170841

---

## Responsible actuary's report

**LongRun Portugal, SPGS, S.A.**

**CERTIFICATION REPORT ON SOLVENCY AND FINANCIAL CONDITION  
AND INFORMATION TO BE DISCLOSED TO THE ASF FOR SUPERVISORY  
PURPOSES**

**CONDITION AT 31 DECEMBER 2016**

Lisbon, 06-07-2017

## Index

1. Introduction .....	3
2. Scope.....	5
3. Responsibilities .....	7
4. Opinion.....	8

## 1. Introduction

This report was done by the Appointed Actuary certified by the Insurance and Pension Funds Supervisory Authority, aiming to provide an independent opinion on the solvency and financial condition of LongRun Portugal, SPGS, S.A. at December 31, 2016.

The company's situation is summarised in the following tables:

### Technical Provisions

<b>Life</b>	<b>9,166,283,689</b>
Best Estimate (after Transitional Deduction to the Technical Provisions)	8,968,319,594
Risk Margin	197,964,095
<b>Non-Life</b>	<b>830,39,467</b>
Best Estimate	807,335,264
Risk Margin	23,648,203
<b>Health SLT</b>	<b>815,600,643</b>
Best Estimate (after Transitional Deduction to the Technical Provisions)	726,735,315
Risk Margin	88,865,328
<b>Health NSLT</b>	<b>204,617,092</b>
Best Estimate	197,187,766
Risk Margin	7,429,326
<b>Index-linked and Unit-linked</b>	<b>509,496,597</b>
Technical Provisions calculated as a whole	137,742,592
Best Estimate	371,170,561
Risk Margin	583,444
<b>Total Technical Provisions</b>	<b>11,526,981,488</b>
<b>Future Discretionary Benefits</b>	<b>23,456,397</b>

U: Euros

Amounts Recoverable

Life	16,363,940
Non-Life	126,509,204
Health SLT	0
Health NSLT	15,771,532
<b>Total Amounts Recoverable</b>	<b>158,644,676</b>

U: Euros

Total own funds

<b>Total available and eligible own funds</b>	<b>-</b>
Total available own funds to meet the SCR	2,139,272,963
Total available own funds to meet the MCR	2,137,959,558
Total eligible own funds to meet the SCR	2,139,272,963
Total eligible own funds to meet the MCR	2,137,959,558
<b>SCR</b>	<b>1,610,098,728</b>
<b>MCR</b>	<b>435,777,121</b>
<b>Ratio of eligible own funds to SCR</b>	<b>133%</b>
<b>Ratio of eligible own funds to MCR</b>	<b>491%</b>

U: Euros

Underwriting Risks

	<b>Net Capital Requirement</b>	<b>Gross Capital Requirement</b>
Life Underwriting Risks	338,083,259	338,865,885
Non-life Underwriting Risks	247,015,799	247,015,799
Health Underwriting Risks	175,559,894	175,559,894
Technical Provisions Loss Adjustment	-782,626	

U: Euros



## 2. Scope

This report is the certification of the solvency and financial condition report and the information to be disclosed to the ASF for supervisory purposes, set out in Regulatory Standard No.2/2017-R, of 24<sup>th</sup> March, a key element in strengthening the quality and transparency of the report and disclosure of information, one of the pillars of the Solvency II regime.

This report has been drawn up in line with the structure presented in Annex II of Regulatory Standard No.2/2017-R, of 24<sup>th</sup> March.

It is the function of the appointed actuary to certify the adequacy with the legal, regulatory and technical regulations applicable to the calculation of the technical provisions, the amounts recoverable from reinsurance contracts and special purpose vehicles for securitisation of insurance risks and the capital requirement components related with those items.

The elements to be certified by the appointed actuary are defined in a regulatory standard of the Insurance and Pension Funds Supervisory Authority (ASF), which must also establish the content, terms, frequency, principles and presentation methods of the certification report and the terms and methods of reporting and publishing, as per the regulations in no.1, 3 and lines a) to c) from no.11 of the cited Article 77.

The certification covers confirmation of the adequacy with the legal, regulatory and technical regulations applicable to calculating the following elements:

- a) The technical provisions, including the application of the volatility adjustment, the matching adjustment and the transitional measures set out in Articles 24 and 25 of Law No. 147/2015, of 9<sup>th</sup> September;
- b) The amounts recoverable from insurance contracts and special purpose vehicles for securitisation of insurance risks;
- c) The categories of life insurance underwriting risk, non-life insurance underwriting risk, health underwriting risk, and adjustment for the loss-absorbing capacity of the technical provisions of the solvency capital requirement, disclosed in the solvency and financial condition report.

We have aimed to provide sufficient information in this report for another Actuary to be able to recognise the methodology and the assumptions used and to understand the reasons which form the opinion of the Appointed Actuary on the adequacy of the calculation of the elements subject to certification and on the level of underlying uncertainty.

This report may only be analysed as a whole and considering the context and purpose for which it has been drawn up, and its conclusions may not be used with other aims and/or within any other scope.

It must be understood that the results of after applying statistical methods always have an implicit degree of uncertainty due to random factors, structural changes not yet reflected in the LongRun's information system and possibly in the market, and legal, judicial and political changes which may have an impact on the models applied.

### **3. Responsibilities**

This report has been done in line with the provisions of Regulatory Standard No. 2/2017-R, of 24<sup>th</sup> March.

Approval of the solvency and financial condition report is the responsibility of the company's administration.

The issue of an independent actuarial opinion on the elements mentioned in the previous chapter is the responsibility of the appointed actuary.

#### **4. Opinion**

The calculations of the technical provisions, amounts recoverable from reinsurance contracts, underwriting risks and solvency capital requirement components related with those risks are considered adequate, in line with the legal, regulatory and technical regulations applicable.

Lisbon, 06-07-2017