

**LONGRUN  
PORTUGAL,  
SGPS, S.A.**

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## 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 Articles 4 and 5 of Commission Implementing Regulation (EU) No. 2015/2452, of 2 December, amended and rectified by Commission Implementing Regulation (EU) No. 2017/2190, of 24 November.

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.

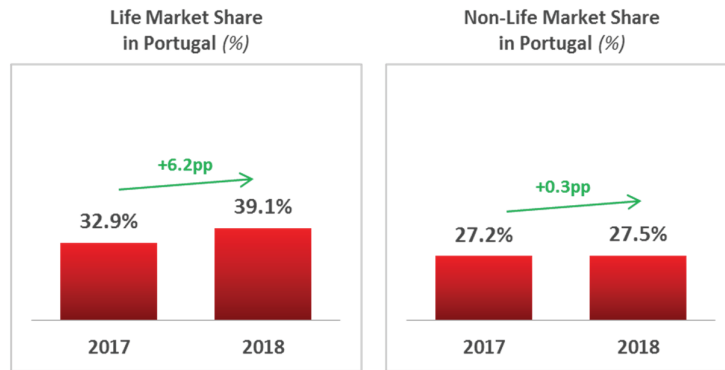
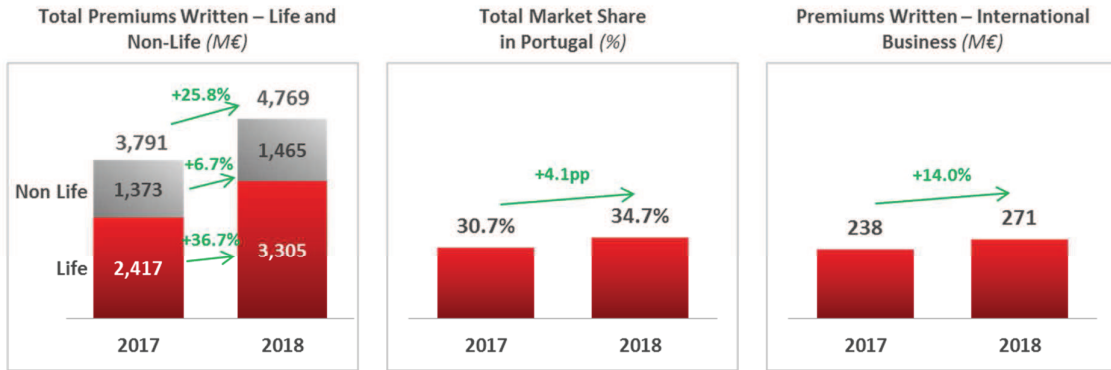
Key indicators in 2018 were:

<b>€ 4,769 million</b> <b>Total Premiums Written</b> <small>(includes amounts relating to investment contracts)</small> Life: € 3,305 million Non-Life: € 1,465 million	<b>34.7%</b> <b>Market Share (PT)</b>  Life: 39.1% Non Life: 27.5%	<b>9.3 %</b> <b>Weight of International Non-Life operation</b>
<b>€ 17.9 billion</b> <b>Net Assets</b>	<b>3,787</b> <b>Employees</b>	<b>96.1%</b> <b>Non-Life Combined Ratio</b>
<b>€ 241.7 million</b> <b>Net Profits</b> <small>(after minority interests)</small>	<b>€ 2,224 million</b> <b>Shareholders' Equity</b>	<b>10.3%</b> <b>Return on Equity</b>

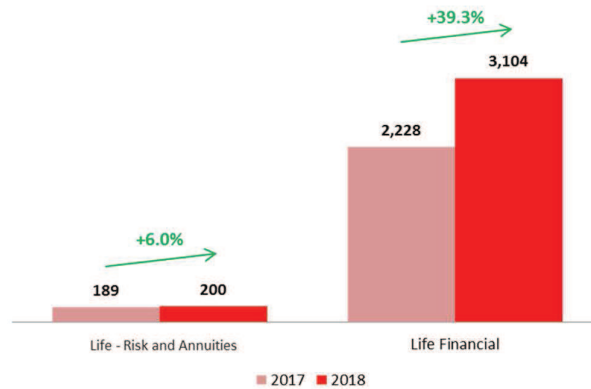
Longrun’s international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The Group currently operates in three continents (Europe, Africa and Asia), with several business units, in the form of branches or subsidiaries.

In 2018, the companies in Longrun’s consolidation perimeter had positive performance, recording total premiums written of EUR 4,769 million. Regarding the activity in Portugal, Longrun’s insurance business registered EUR 4,498 million, enabling it to strengthen its leadership position, with a total market share of 34.7%. International premiums also increased in 2018, by 14%, totalling 271 million, and reflecting efforts made with existing international operations.

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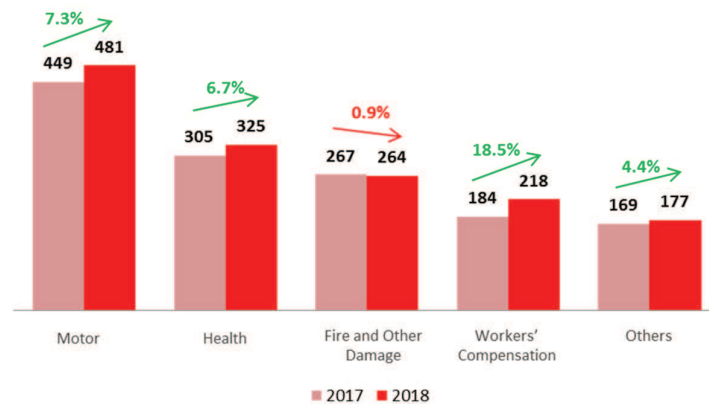
In the Life lines of business, Longrun's insurance business strengthened its position as market leader, largely as a result of the market conditions for financial products and the appetite that Clients continue to show for products with guaranteed capital and/or rates.



Premiums Written – Life Segment - By Line of Business (M€)

In the Non-Life segment, the performance of Longrun's insurance business was notable, with growth of 6.7%, enabling the leadership position to be strengthened, with market share increasing to 27.5%.

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Premiums Written – Non-Life Segment – By Line of Business (M€)

Operational performance improved substantially during 2018, with the combined ratio decreased from 99.0% to 96.1% (-2.9pp).

The claims ratio improved by 3.5 pp, from 73.2% in 2017 to 69.7% in 2018, benefiting from several factors.

On the other hand, the expense ratio increased slightly (0.6 pp), from 25.8% to 26.4%, in 2018, reflecting non-recurrent factors that had a positive impact on this indicator in 2017.

The Net Assets of the companies in Longrun's consolidation perimeter were EUR 17,935 million in 2018, representing a rise of 3.2% compared to 2017.

Longrun's consolidated investment portfolio (including Cash and Bank Deposits) totalled EUR 15.9 billion, corresponding to an increase of around 1.0% over 2017.

In 2018, the policy of diversifying by class of asset and geographical location was continued, as a means of maximising yields with an appropriate level of risk, in an environment of low interest rates.

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;
- Fundo Broggi;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED;
- FID Loans 1 (Ireland) Limited;
- FID Loans 2 (Ireland) Limited;
- Fidelidade SG0II.

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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 D 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 E, 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.

Lastly, no activities or other significant events with a material impact on the Group occurred during the period covered by this report.

## **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, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A.

Since Fidelidade – Companhia de Seguros, S.A., 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.

The remuneration policy applicable to the management body and the way the practices in it are established promote sound and effective risk management and do not encourage excessive risk-taking.

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.

Longrun's insurance business has implemented processes and procedures for managing risk by type of risk – strategic risk, underwriting risk (product design and pricing; underwriting; reserving; claims management processes; reinsurance and alternative risk transfer), market risk, counterparty default risk, concentration risk, liquidity risk and reputational risk.

Operational risk management and internal control processes are also implemented in Longrun's insurance business 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. The ORSA plays a critical role in the management of the Longrun group companies, and the results obtained from it are taken into consideration in Risk Management, in Capital Management and in Decision Making.

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

The internal audit function is performed with independence, impartiality and objectivity, and mechanisms have been set up to preserve these principles.

# Longrun Portugal, SGPS, S.A.

Due to the nature, complexity and scale of the Companies' portfolios, the actuarial function is subdivided into life actuarial and non-life and health actuarial. These actuarial functions are independent in functional terms.

Lastly, there were no material changes in the governance either of Longrun or of the Companies held by it during the period covered by this report.

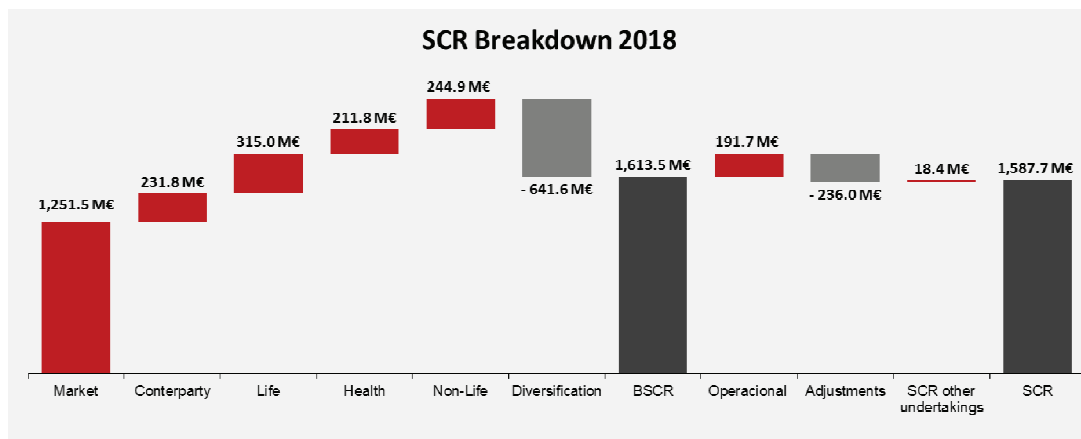
## Risk profile

Risk management is an integral part of the daily activities of the Longrun group Companies. An integrated approach is used to ensure that the group Companies' strategic objectives (client interests, financial solidity and efficiency of processes) are upheld.

Accordingly, to outline Longrun's risk profile, the various risks to which the group is exposed are identified and these are then assessed.

The risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the group has opted to use a qualitative analysis to classify the foreseeable impact on its capital needs.

Hence, the calculation of Longrun's solvency capital requirement (SCR) with reference to 31/12/2018 was as follows:



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.

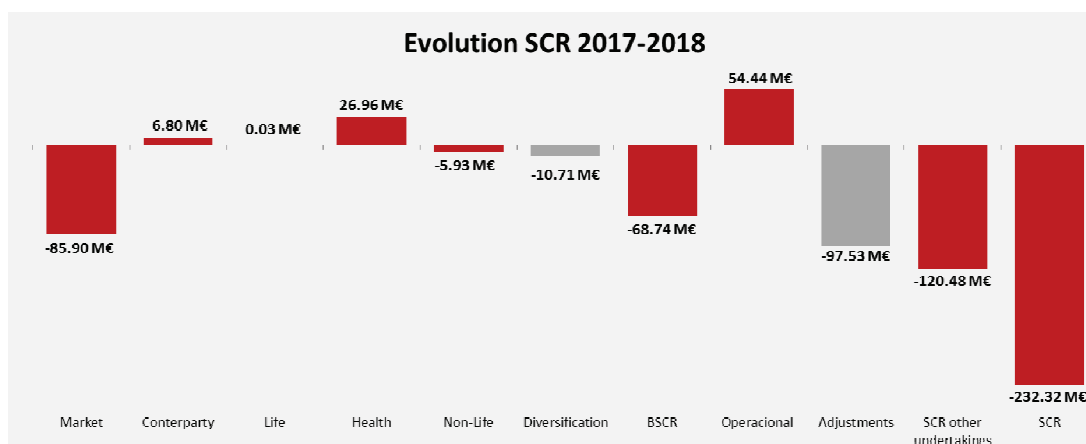
Risks which do not fall within the standard formula are identified as part of the ORSA process.

In 2018, the group concluded the ongoing project to recognise adjustment for the loss-absorbing capacity of deferred taxes not only relating to the impact on deferred tax liabilities as in previous year, but also the impact on deferred tax assets, using exclusively the effect deriving from temporary differences and not the recovery of tax losses.

It was also decided to limit the impact of the adjustment for the loss-absorbing capacity of deferred taxes, in the component that would imply an increase in deferred tax assets, as follows: the sum of the net current deferred tax asset and the adjustment cannot be greater than 15% of the SCR, considering that, in case of underlying scenario occurrence, that would be the eligibility limit since it corresponds to Tier 3 own funds.

During the period covered by this report, there was a decrease in Longrun's risk profile, embodied in a decrease in the solvency capital requirement (SCR) of around EUR 232 million, when compared with the figure at 31 December 2017.

# Longrun Portugal, SGPS, S.A.



The following elements can be highlighted in this evolution:

- the decrease in market risk, as detailed in point C.2.;
- the increase in operational risk, detailed in Chapter C.5.;
- the increase in the adjustment amount, as described in point C.7.1.; and
- the decrease in SCR – other undertakings in C.7.4..

## 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.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference	Solvency II previous year
Financial assets	13,115,809	13,277,802	-161,993	12,956,692
Real estate assets	1,776,967	1,775,228	1,739	1,973,993
Other assets	1,689,704	1,840,920	-151,216	1,189,672
Reinsurance recoverables	201,074	230,928	-29,854	257,739
<b>Total</b>	<b>16,783,554</b>	<b>17,124,878</b>	<b>-341,324</b>	<b>16,378,096</b>

The main differences are in the following classes of assets:

### Holdings in related undertakings, including participations

This results 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 fell by m€ 146,032).



# Longrun Portugal, SGPS, S.A.

The total difference includes the impact of valuation of Luz Saúde using the Adjusted Equity Method (AEM), (the value of this holding for solvency purposes decreased by m€ 163,766).

## Collective investment undertakings

This results from funds valuation adjustments for which the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

## Other investments

This results from reclassification of an ongoing investment, which in the statutory financial statements is classified on Other investments caption and, due to its nature, is classified as equity holding under Solvency II. 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 group's assets considered in this class do not meet these requirements, their value for solvency purposes is zero.

## 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 technical provisions, given that its valuation for solvency purposes is net of these receivables.

## Reinsurance recoverables

This results from the use of different bases, methods and main assumptions when valuing the assets for solvency purposes and in the financial statements.

The differences between the amounts for solvency purposes in 2017 and those in 2018 reflect the evolution of Longrun's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the assets for solvency purposes.

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.

Amounts in thousand euros

## Longrun Portugal, SGPS, S.A.

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life	10,894,672	11,435,283	-540,611	10,067,655
Non-Life	827,221	1,102,499	-275,278	914,611
Health - SLT	898,998	861,827	37,171	830,695
Health - NSLT	221,320	228,285	-6,965	222,000
<b>Total</b>	<b>12,842,211</b>	<b>13,627,894</b>	<b>-785,683</b>	<b>12,034,961</b>

The main differences result, on the one hand, from the use of different bases, methods and main assumptions for the valuation of the technical provisions for solvency purposes and in the financial statements, and, on the other, from the application of the transitional measure mentioned above.

The differences between the amounts for solvency purposes in 2017 and those in 2018 reflect the evolution of Longrun's insurance business in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

Pursuant to Article 25 of Law No. 147/2015, of 9 September, Fidelidade applied the transitional deduction on technical provisions on the first day of 2018. The table below shows the amount of that deduction at 31/12/2018:

Amounts in thousand euros

Lines of business / Homogeneous risk groups	Transitional Deduction		
	Initial Amount	Decrease at 1/1/2018 <sup>1</sup>	Amount at 31/12/2018
29 and 33 Life insurance liabilities - Health – SLT	325,545	-20,347	284,852
30 Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	-12,844	179,819
32 Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	-24,612	344,568
<b>Total</b>	<b>924,845</b>	<b>-57,803</b>	<b>809,239</b>

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

Amounts in thousand euros

Liabilities	Solvency II	Financial statements	Difference	Solvency II previous year
Other liabilities	1,167,959	928,805	239,154	1,426,254
<b>Total</b>	<b>1,167,959</b>	<b>928,805</b>	<b>239,154</b>	<b>1,426,254</b>

The main differences are in the following classes of liabilities:

<sup>1</sup> Equal to the decrease at 1 January 2017.

# Longrun Portugal, SGPS, S.A.

## 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.

## Debts owed to credit institutions

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading “Derivatives”) or to the initial margin (collateral), which was considered in the financial statements valuation under the heading “Cash and cash equivalents” in other assets.

## Insurance and intermediaries payables

The difference relates to payables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life technical provisions, given that its valuation for solvency purposes is net of these payable.

The differences between the amounts for solvency purposes in 2017 and those in 2018 reflect the evolution of Longrun’s activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

## **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.

The table below presents a comparison between the own funds, as these are set out in Longrun’s financial statements, and the excess of assets over liabilities calculated for the purposes of solvency:

Amounts in thousand euros

	<b>Solvency II</b>	<b>Financial statements</b>	<b>Difference</b>	<b>Solvency II previous year</b>
Assets	16,783,554	17,124,878	-341,324	16,378,096
Technical Provisions	12,842,211	13,627,894	-785,683	12,034,961
Other liabilities	1,167,959	928,805	239,154	1,426,254
<b>Excess of assets over liabilities</b>	<b>2,773,384</b>	<b>2,568,179</b>	<b>205,205</b>	<b>2,916,881</b>

Regarding the structure, amount and tiering of basic own funds, Longrun does not have any ancillary own funds and all the basic own funds are classified as Tier 1.

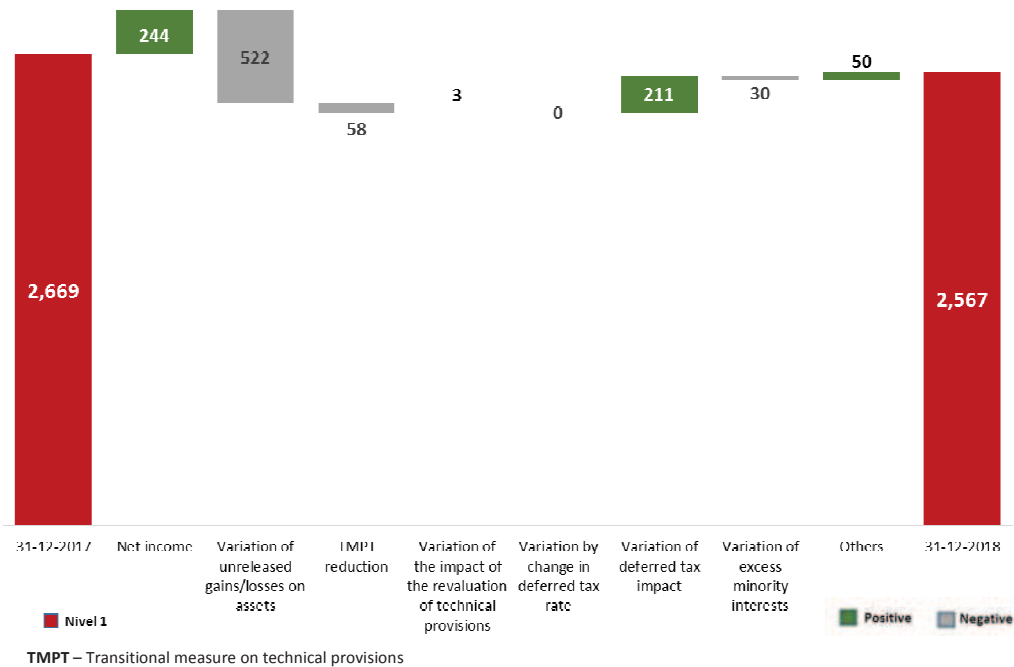
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The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31/12/2018 and 31/12/2017:

Amounts in thousand euros

	Available own funds to meet			Available own funds to meet previous year		
	SCR		MCR	SCR		MCR
	with financial sector	without financial sector		with financial sector	without financial sector	
Tier1	2,566,935	2,566,302	2,566,302	2,668,592	2,668,592	2,668,592
Tier 2	0	0	0	0	0	0
Tier 3	0	0	0	0	0	0
<b>Total</b>	<b>2,566,935</b>	<b>2,566,302</b>	<b>2,566,302</b>	<b>2,668,592</b>	<b>2,668,592</b>	<b>2,668,592</b>

The graph below shows the main changes to Longrun's available own funds during the period covered by this report (amounts in million euros):



When calculating the Solvency Capital Requirement (SCR), the Companies in Longrun's insurance business use the standard formula and do not apply any internal model.

On the other hand, the Companies in Longrun's insurance business 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.

Calculation of capital requirements of the currency risk sub-module and the counterparty default risk module includes the effect of hedging of exchange rate exposure of assets held in portfolio denominated in American dollars (USD), Hong Kong dollars (HKD) and Pounds sterling (GBP), via the use of futures and forwards exchange contracts.

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

## Longrun Portugal, SGPS, S.A.

The consolidated group solvency capital requirement (SCR) and the consolidated group minimum solvency capital requirement (MCR), at 31/12/2018 and 31/12/2017, were:

Amounts in thousand euros

	Capital Requirements	Coverage Ratio	Capital Requirements previous year	Coverage Ratio previous year
<b>SCR with financial sector</b>	1,587,656	161.68%	1,819,976	146.63%
<b>SCR without financial sector</b>	1,587,656	161.64%	1,819,976	146.63%
<b>MCR</b>	494,554	518.91%	485,517	549.64%

This improvement in the coverage ratios is the result of a significant decrease in the solvency capital requirement (SCR) largely due to the evolution of the market risk, recognition of the adjustment for the loss-absorbing capacity of deferred taxes and also the fall in SCR – other undertakings, which is largely explained by the decrease in assets exposure (particularly due to the sale of part of the participation in Luz Saúde) and by the application of look-through approach to Fid Loans I.

Lastly, it should be stressed that if Longrun did not apply the transitional deduction to the technical provisions, the consolidated group solvency capital requirement (SCR) coverage ratio would be 122.41%.

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## A. Business and performance

No activities or other significant events with a material impact on the Group occurred during the period covered by this report.

Notwithstanding, comparisons with the information included in the 2017 report are presented throughout this chapter.

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### A.1. Business

#### A.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.

#### A.1.2. Supervisory authority responsible for supervision of the group

The Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF, the Portuguese Insurance and Pension Funds Supervisory Authority), 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 also the supervisor of the Longrun group.

#### A.1.3. Statutory Auditor

The Statutory Auditor, at 31 December 2018, is Ernst & Young Audit & Associados – SROC, S.A., represented by its partner Ricardo Nuno Lopes Pinto, Statutory Auditor no. 1579 and registered with the Portuguese Securities Market Commission under licence no. 20161189.

The Statutory Auditor was appointed on 15 May 2014 and re-appointed on 31 March 2017 to exercise its duties until the end of the three-year period 2017/2019.

#### A.1.4. Holders of qualifying holdings

The qualifying shares in Longrun’s share capital, at 31 December 2018, 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 2018, the members of the management and supervisory bodies did not hold shares or bonds in the Company.

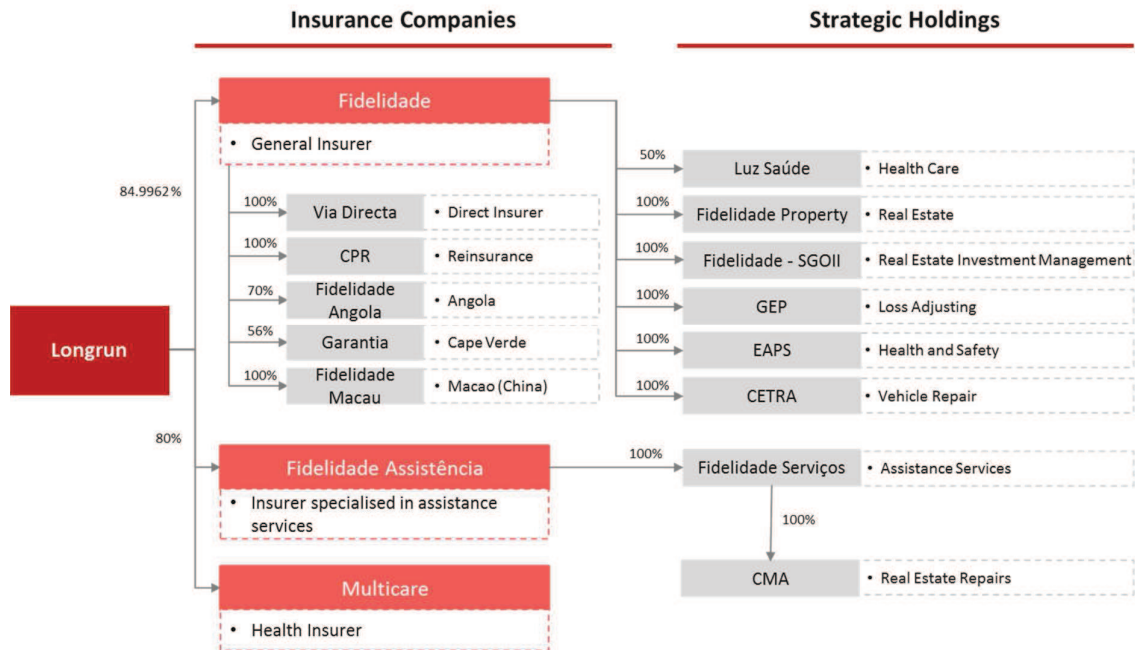
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## A.1.5. Insurance group structure

Longrun operates in the Portuguese market through its different insurance companies (Fidelidade, Multicare, Via Directa, Fidelidade Assistência and Companhia Portuguesa de Resseguros). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia and Fidelidade Macao (Non-Life segment).

Lastly, Longrun has, through Fidelidade and Fidelidade Assistência, 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 Group's 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.



## A.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.

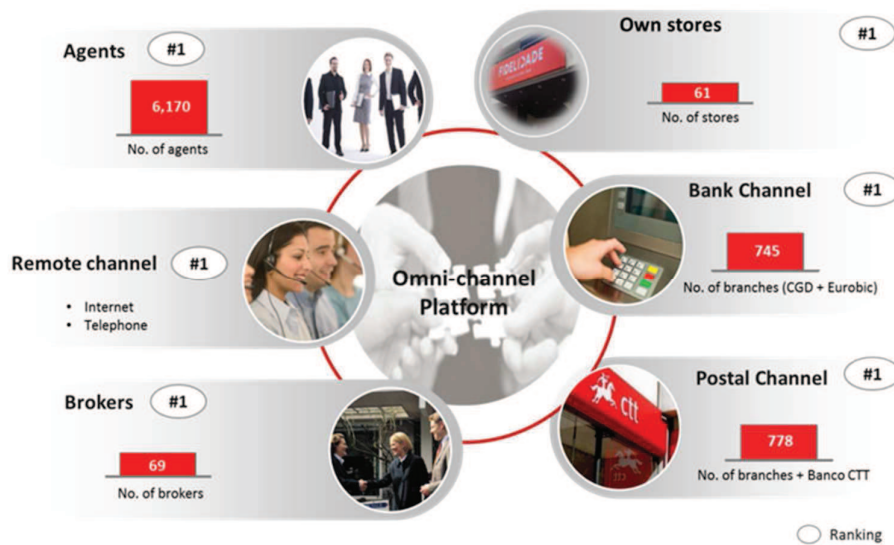
# Longrun Portugal, SGPS, S.A.

Key indicators in 2018 were:

<p><b>€ 4,769 million</b>  <b>Total Premiums Written</b>  <small>(includes amounts relating to investment contracts)</small>                  Life: € 3,305 million                  Non-Life: € 1,465 million</p>	<p><b>34.7%</b>  <b>Market Share (PT)</b>                  Life: 39.1%                  Non Life: 27.5%</p>	<p><b>9.3 %</b>  <b>Weight of International Non-Life operation</b></p>
<p><b>€ 17.9 billion</b>  <b>Net Assets</b></p>	<p><b>3,787</b>  <b>Employees</b></p>	<p><b>96.1%</b>  <b>Non-Life Combined Ratio</b></p>
<p><b>€ 241.7 million</b>  <b>Net Profits</b>  <small>(after minority interests)</small></p>	<p><b>€ 2,224 million</b>  <b>Shareholders' Equity</b></p>	<p><b>10.3%</b>  <b>Return on Equity</b></p>

Longrun's insurance companies sell 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 and Eurobic bank branches; the CTT (postal service and bank); internet and telephone channels.



This large distribution network and its geographical presence throughout the country allow Longrun to be close to its clients, offering services which are increasingly customised and differentiated.





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

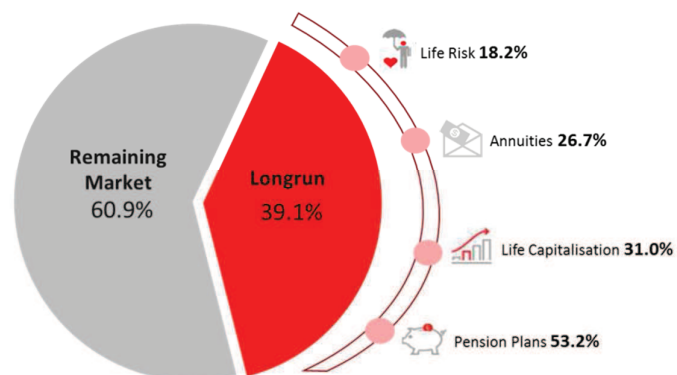
Brand	Brief description
	<ul style="list-style-type: none"> <li>• <u>Life and Non-Life</u> products</li> <li>• Benchmark brand focused on all channels</li> </ul>
	<ul style="list-style-type: none"> <li>• <u>Health Insurance</u></li> <li>• Broad offer of health insurance</li> </ul>
	<ul style="list-style-type: 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 recent years, Longrun is proud to have had its subsidiaries recognised on several occasions as a brand of reference by the Portuguese. Fidelidade is the insurance company which has won the most awards in Portugal.

In 2018, Longrun's insurance business held its leadership across both the Life and Non-Life segments, recording an overall market share of 34.7%, which corresponded to an increase of 4.1 pp over the previous year.

In the Life Segment, the market share in financial products (capitalisation and retirement savings plans) and risk products was strengthened. In the case of retirement products, and as a result of continued emphasis in this area, Longrun's insurance business holds a considerable share of the market, reflecting our clients' great confidence in the Group's robustness.

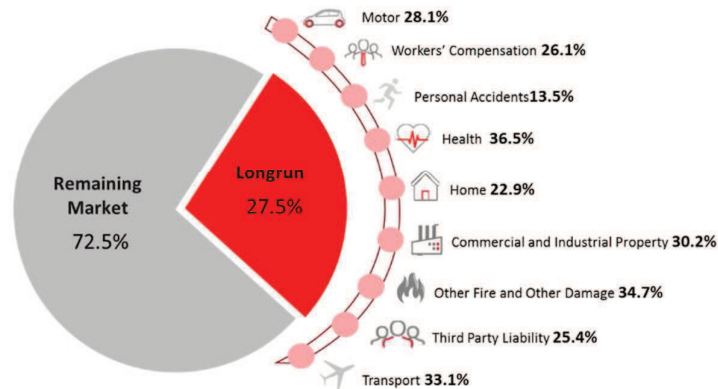
## Life Segment – Market Share



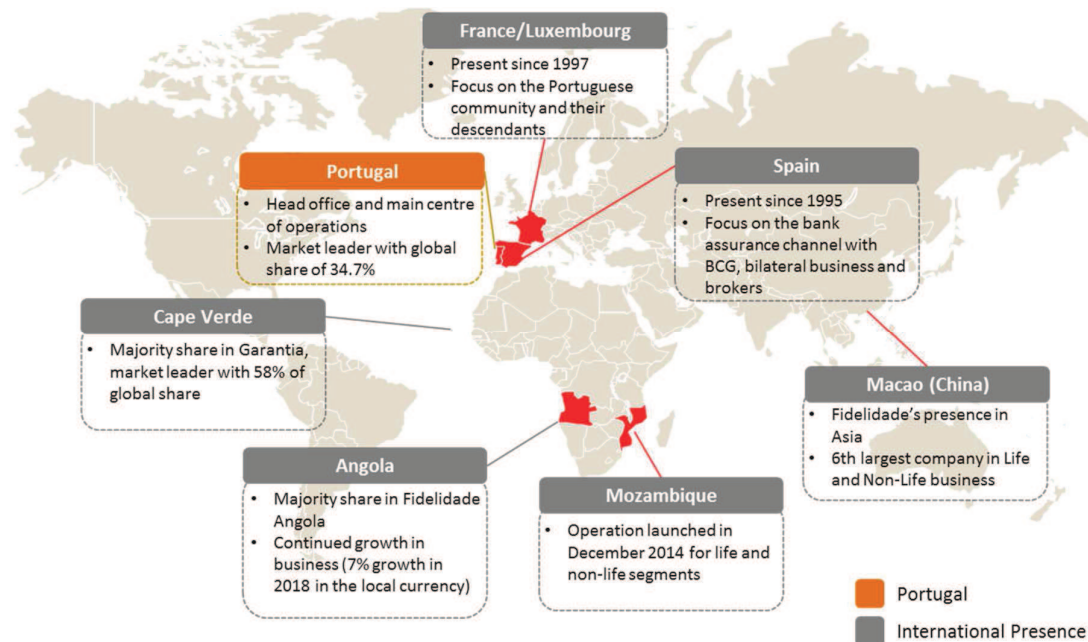
In the Non-Life Segment, Longrun's insurance companies grew more than most of the competitors, increasing their market share by 0.3 pp to 27.5%. Noteworthy was the increase in market share in highly competitive lines of business, in particular Workers' Compensation (+1.7 pp), Motor (+0.5 pp) and Health (+0.4 pp).

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## Non-Life Segment – Market Share



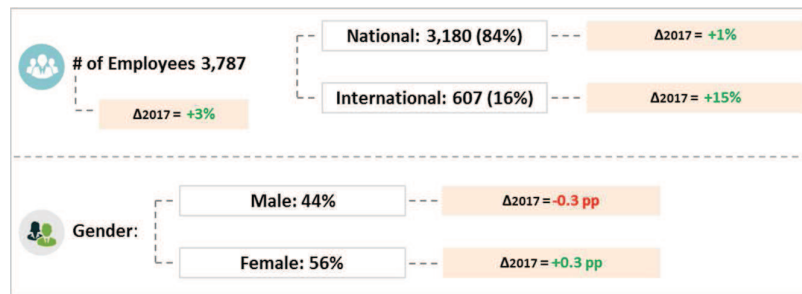
Longrun's international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The Group currently operates in three continents (Europe, Africa and Asia), with several business units, in the form of branches or subsidiaries.



At the end of 2018, Longrun had 3,787 employees working in its insurance business, 84% based in Portugal and the remaining 16% in international operations.

In comparison with 2017, the number of employees rose by 3%, reflecting the evolution of the various companies in the international operations (+15%), while in Portugal there was only a slight increase (+1%). The rise in the number of employees working abroad reflects the increase in turnover in line with the increasing internationalisation.

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In 2018, the emphasis on rejuvenating and adapting the organisation in order to keep pace with new market challenges continued. This focus, aimed at developing new skills, led to a reduction in the average age from 44.0 in 2017 to 43.6 in 2018, thereby counteracting the natural ageing of the workforce by one more year.

## Events Summary 2018

January	<b>Health – New digital functions with impact in transforming policy acceptance processes (example: Individual Health Questionnaire completed by telephone for Multicare 3 insurance and e-mails/text messages sent to clients with the acceptance conditions of their insurance)</b>
February	<b>OK! Auto Eléctricos</b> - New covers provided adapted to the needs of electric vehicles, with towing to the nearest fast charging point, and discounts on products and services related to sustainable mobility, via a partnership with ZEE  <b>Single Insurance Document (SID)</b> – Introduction of the SID in the Motor line of business, a digital tool that combines the insurance proposal and specific conditions in a single document, simplifying content for both the Client and the commercial network
March	<b>Digital Desk by Fidelidade</b> – new commercial, relational and analytical solution that introduces new content and functions to improve the client’s experience in own stores using tablets
April	<b>New Commercial Platform</b> – Following Fidelidade’s Omnichannel strategy, a new Commercial Platform was launched. This simpler and more intuitive tool enables the agents’ channel to accompany and advise clients and be pay greater attention to their needs  <b>Risk Scoring Platform</b> – development began on a Risk Analysis and Scoring digital platform to provide support to all risk assessment and prevention activity in the Fidelidade Group
May	<b>Fidelidade Drive App</b> – introduction of new functions enabling clients to win prizes, regardless of the points they have, and new products (for example, tablets) and strategic partnerships developed by Fidelidade (for example: Car Wash)  <b>National Award for Urban Rehabilitation 2018</b> – the new Head Office of Abreu Advogados, a Fidelidade Property project, won the main annual awards in the real estate sector  <b>Multicare – Action Freemium</b> – Marketing action to Fidelidade clients without health insurance, based on offering the “Programa põe-te em forma” [Get-in-shape programme] (included in the Online Medicine cover). Clients were invited to use the nutritional advice service and a personalised exercise plan free of charge
June	<b>Launch of the 2nd edition of the Fidelidade Comunidade Award</b> – As part of its social responsibility programme, Fidelidade launched the 2018 edition of this award totalling €500,000, which sought to support projects in the areas of social inclusion, health prevention and ageing

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**Fidelidade Medical Congress** – The first Fidelidade Medical Congress was held, with the participation of several recognised professionals in different areas of Health, Law and Management, and different institutions, aiming to find solutions that best meet the needs of accident victims

**July**     **NOS Alive 2018** - Fidelidade was the official insurer of the summer festival NOS Alive'18, held in Lisbon. Several brand activation initiatives were carried out to create opportunities for public involvement

**Fidelidade Angola** - presentation of new Motor products for the Angolan market, designed to meet clients' needs

**August**     **New partnership agreement with Millennium bim in Mozambique** - Fidelidade and Millennium bim signed a new long-term strategic partnership agreement

**OKI Bike** – Launch of the new Personal Accidents insurance intended for cyclists, which is different from the rest of the market mainly due to the “Assistência GEO” cover, which locates the person in the event of an accident and/or sudden illness

**October**     **Multicare 60+** - Launch of Multicare 60 +, an innovative health insurance designed specifically for the over-60s, with differentiating advantages

**November**     **Fidelidade Pets** – Launch of the new Fidelidade Pets on the digital platform, a Health and Civil Liability insurance for pets

**Proteção Vital da Família** – Improvements in the products and service, with increased covers and the launch of new products designed for specific needs

**December**     **Protechting** – Protechting, the startups attraction and acceleration programme promoted by Fosun and Fidelidade, won the “Sustainable Development 2018 Enterprise Best Practice” award for the UNGC China Network

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## A.2. Underwriting performance

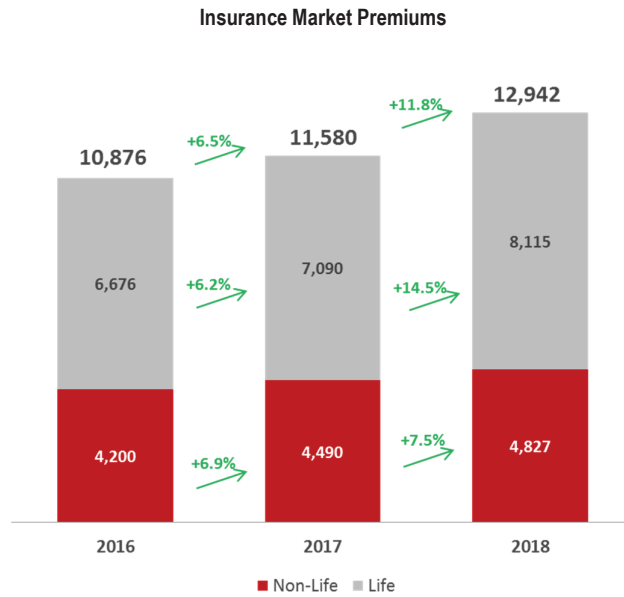
### A.2.1. Evolution of the Portuguese Insurance Market

The Portuguese insurance sector recorded total premiums of EUR 12,942 million, corresponding to an increase of 11.8% compared to 2017, reflecting the positive performance of both the Life and Non-Life segments.

In the Life segment, there was a 14.5% increase in premiums to EUR 8,115 million, approximately three times the growth seen in 2017, reflecting the performance of financial products.

In the Non-Life segment, premiums continued the upward trend that began in 2015, recording an increase of around 7.5% compared to the previous year, totalling EUR 4,827 million.

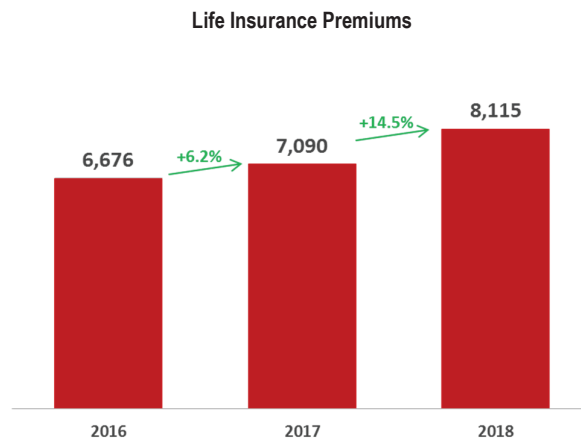
# Longrun Portugal, SGPS, S.A.



Unit: Million Euros

Source: APS "Direct Insurance Production 2018"

In 2018 the Life segment recorded total premiums of EUR 8,115 million, an increase of 14.5% compared to the previous year. The main catalyst for this increase was the evolution of financial products.



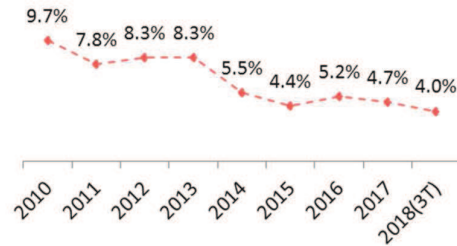
Unit: Million Euros

Source: APS "Direct Insurance Production 2018"

Of particular note is the evolution of Retirement Savings Plans (PPR), which recorded growth of over 50%. In the current context of low interest rates and a further fall in savings rates, this situation demonstrates the growing concern regarding retirement income and the attractiveness of these products.

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Global rate of savings from families' disposable income

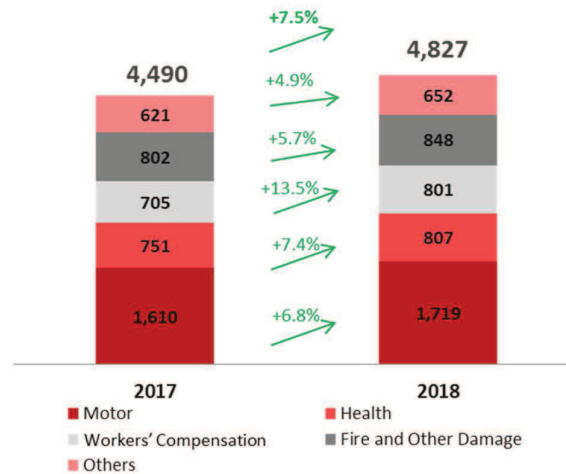


Source: INE

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

The Non-Life segment displayed positive performance across all lines of business, as a result of improvements in the Portuguese economy. Growth in Workers' Compensation (+13.5%) and in Health (+7.4%) was particularly significant.

Non-Life Insurance Premiums



Unit: Million Euros

Source: APS "Direct Insurance Production 2018"

In 2018, the Workers' Compensation line of business was the line of business that grew the most in the Non-Life segment, with an increase of 13.5% compared to the previous year (total premiums of EUR 801 million).

The Health line of business also recorded robust growth (+7.4%), with total premiums of EUR 807 million.

In the Motor insurance line of business, the increase in the average premium, associated with the rise in vehicle ownership, led to positive performance in this line of business, with growth of 6.8% compared to the previous year.

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The Fire and Other Damage line of business, which also includes Home Insurance products, grew by 5.7%, with total premiums of EUR 848 million in 2018.

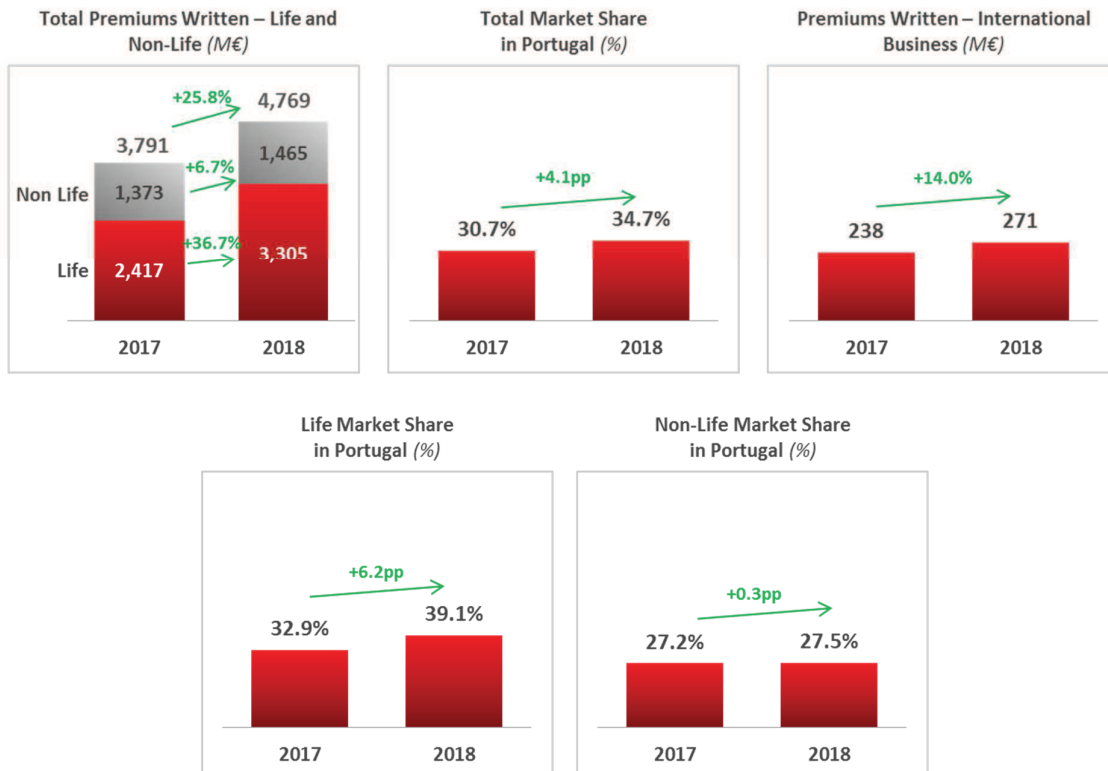
The other less significant lines of business in the Non-Life segment also grew when compared to the previous year. Their aggregate increased 4.9%, totalling EUR 652 million.

## A.2.2. Group performance

In 2018, a year marked by the trends previously referred to, the companies in Longrun's consolidation perimeter had positive performance, recording total premiums written of EUR 4,769 million (+25.8% compared to the previous year), as a result of growth in Portugal and abroad.

Regarding the activity in Portugal, Longrun's insurance business registered EUR 4,498 million, which represented an increase of 26.6% compared to 2017, enabling it to strengthen its leadership position, with a total market share of 34.7% (an increase of 4.1 pp compared to the same period due to the performance of the Life and Non-Life segments).

International premiums also increased in 2018, by 14%, totalling 271 million, and reflecting efforts made with existing international operations.



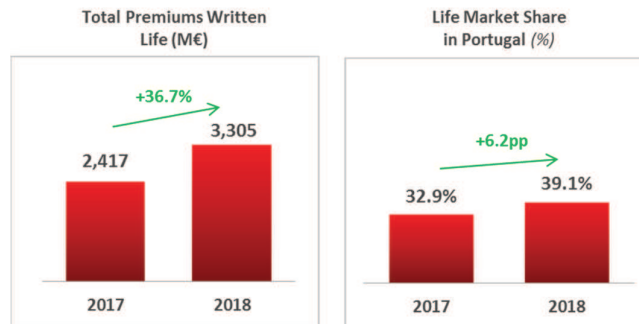
### Life Segment

In 2018, Longrun's insurance companies recorded highly significant growth in premiums in the Life segment, largely as a result of the market conditions for financial products and the appetite that Clients continue to show for products with guaranteed capital and/or rates.

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Overall, Longrun's insurance business attained premiums of EUR 3,305 million, an increase of 36.7% compared to 2017, coming both from Portugal and from the international business.

The premiums increase in Portugal was considerably above the market average, enabling the position as market leader to be strengthened and the market share to be increased to 39.1%, up 6.2 pp compared to 2017.



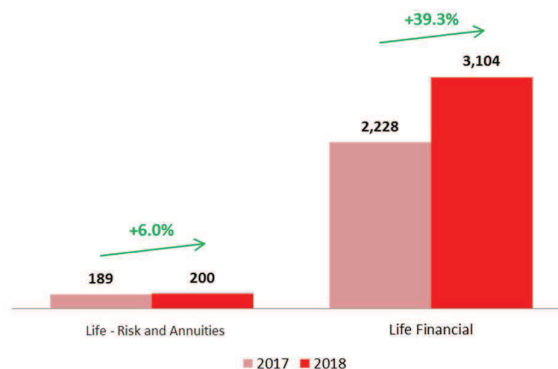
The Life segment is composed of Life Risk and Annuities products and Life Financial products, with the latter being responsible for the great majority of premiums, representing over 90% of the total.

In 2018, growth in the Life Financial segment was undoubtedly the main catalyst for overall growth in the Life segment.

In an environment dominated by low interest rates and a low rate of savings by families, Longrun's insurance business was able to enhance its product range in line with market needs, leverage its distribution network and take advantage of its high levels of trust, reputation and client satisfaction in order to strengthen its position in financial products. In fact, in 2018, premiums in this segment increased 39.3% compared to 2017, from EUR 2.2 billion to EUR 3.1 billion.

Also of note this year is the highly positive performance in Life Risk and Annuities products, which was above the market average. These products saw growth of 6% to a total of EUR 200 million.

The Life Risk segment has also built on the success of the launch of Protecção Vital da Família in the middle of 2017.



Premiums Written – Life Segment - By Line of Business (M€)



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The banking and postal channels continue to be the most significant for Life segment products. Together, they represented around 80% of Life premiums.

There was also consolidated growth in the traditional channels (agents, own stores and brokers), also with positive performance compared to the previous year, and notable growth in the international business (approximately 60%).

Life Segment			
Distribution Channel	2018	2017	Change
Traditional	377	375	0.6%
Bank and Postal	2,792	1,957	42.6%
Longrun in Portugal	3,169	2,332	35.9%
International	136	85	59.1%
Longrun	3,305	2,417	36.7%
Portuguese Market	8,115	7,090	14.5%

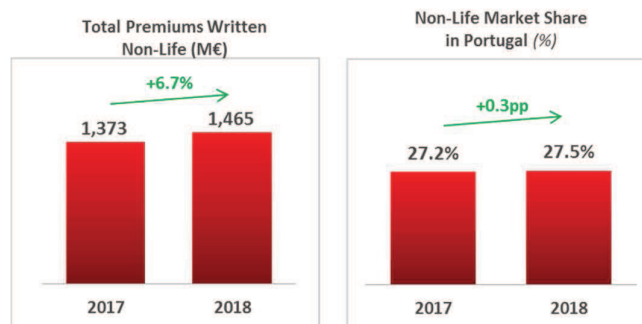
\*Includes the companies in Longrun's consolidation perimeter

Unit: Million Euros

## Non-Life Segment

In 2018, the performance of Longrun's insurance business was notable in the Non-Life segment, with growth of 6.7% compared to the previous year, totalling EUR 1,465 million in premiums written.

Commercial performance in Portugal of the companies in Longrun's consolidation perimeter exceeded the positive trend of most of the market, with premiums growing by 9%, above the market (7.5%). These results enabled the leadership position of these companies to be strengthened, with market share increasing to 27.5%, representing a 0.3 pp increase over 2017.



Contributing to this positive performance in the Non-Life segment was the enhancement of the range of products and services, with a strong emphasis on differentiation and innovation, and the creation of integrated solutions supported by a high level of vertical integration, responding to market expectations.

The Non-Life segment comprises a wide range of lines of business, although the four main lines – Workers' Compensation, Health, Motor, and Fire and Other Damage – represent approximately 90% of the total premiums written.

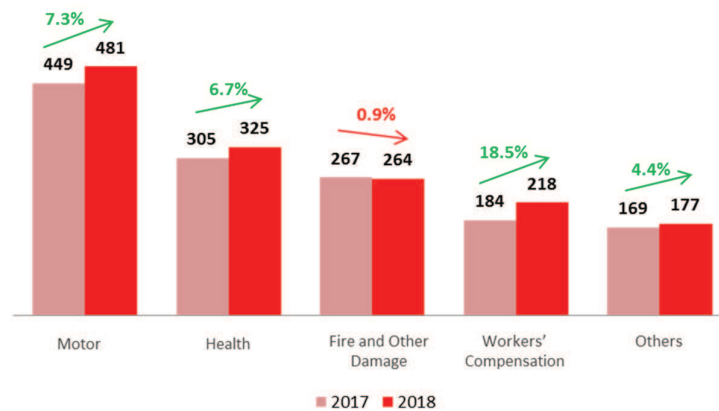
## Longrun Portugal, SGPS, S.A.

Most of the Non-Life lines of business displayed positive performance throughout 2018, but particularly significant was the performance of Workers' Compensation, which grew by 18.5%.

With total premiums of EUR 218 million, Workers' Compensation displayed double-digit growth for the fourth year in a row.

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the segment total. Performance in this highly competitive line of business was particularly positive, with the companies in Longrun's consolidation perimeter growing 7.3%.

Health premiums also continued to rise, consolidating the position of this line of business as the second most important in the Non-Life segment. The emphasis on the differentiation and innovation of products and services made available in this line of business, such as the introduction of the new Multicare 60+ and the continual inclusion of services in existing products (for example, telephone and online medical advice) contributed to this growth.



*Premiums Written – Non-Life Segment – By Line of Business (M€)*

All the distribution channels in the Non-Life segment of Longrun's insurance business in Portugal performed positively from 2017 to 2018 in terms of product sales.

It is of particular note that the traditional channels (agents, own stores and brokers) continued to present the greatest share of product sales in the segment, representing around 80% of the total sales.

These distribution channels had considerable growth compared to the previous year (9.3%), thereby contributing greatly to the segment's performance.

On the other hand, the decrease in the international activity is mainly a result of the depreciation of the Angolan currency against the Euro, since there was, in fact, an increase in the business of the international operations.

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## Non-Life Segment

Distribution Channel	2018	2017	Change
Traditional	1,168	1,069	9.3%
Bank and Postal	109	104	5.5%
Remote	52	48	8.3%
<b>Longrun in Portugal</b>	<b>1,329</b>	<b>1,221</b>	<b>8.9%</b>
International	136	153	-11.2%
<b>Longrun</b>	<b>1,465</b>	<b>1,373</b>	<b>6.7%</b>
<b>Portuguese Market</b>	<b>4,827</b>	<b>4,490</b>	<b>7.5%</b>

\*Includes the companies in Longrun's consolidation perimeter

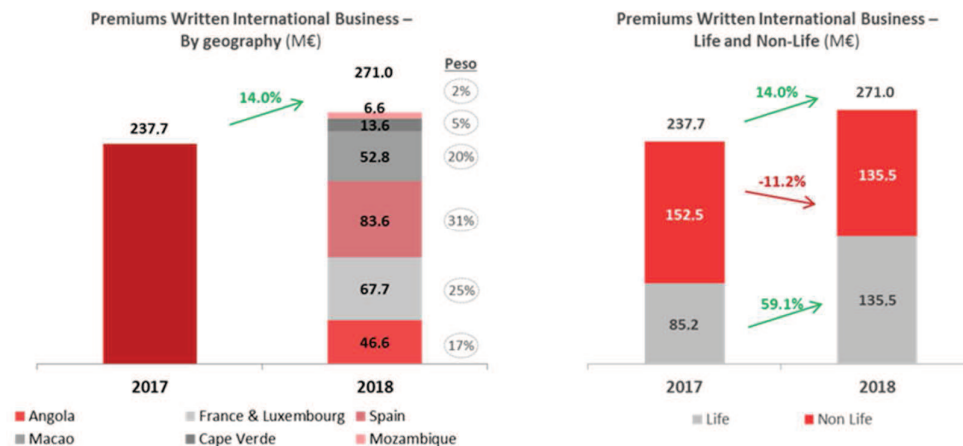
Unit: million euros

## International Activity

The international business grew by 13.8% in 2018, recording total premiums written of EUR 271 million, with the improvement in ongoing international operations. The Non-Life international business is mostly concentrated in the operations in France and Angola, while the Life segment has more solid growth in Macao and Spain.

The positive development of the international business benefited from the positive performance in the Life segment (growth of 58.5% to EUR 135.5 million). Meanwhile, there was a decrease in Non-Life premiums, mainly due to the depreciation in the Angolan currency against the Euro. However, it is important to highlight the significant growth in Non-Life premiums in the operations in Macao and Mozambique and Garantia's continuing position as market leader in the Cape Verde insurance market.

In 2018, the Non-Life segment in the international business represented 9.3% of the total consolidated premiums.



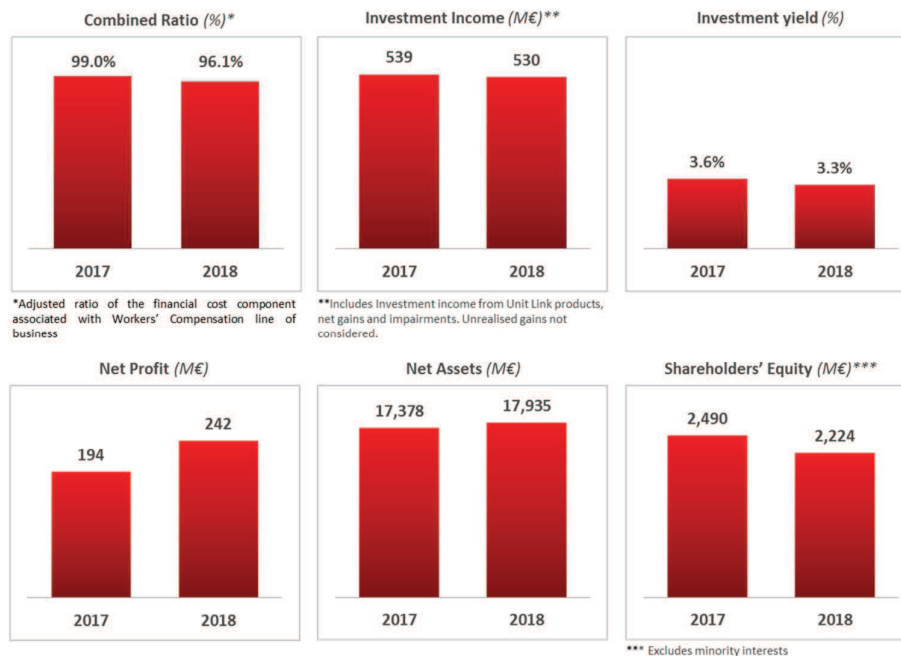
# Longrun Portugal, SGPS, S.A.

## Operational and Financial Performance

In 2018, Longrun through the companies in its consolidation perimeter, reported a net profit of EUR 241.7 million, which represented an increase of 24.4% when compared to previous year. This positive result was influenced by the significant improvement in the combined ratio and the solid performance in investment management, thus demonstrating the consistency and solidity of investment management.

The combined ratio was 96.1% in 2018, 2.9 pp lower than in the previous year, influenced by positive development of the claims ratio, reflecting cautious claims management together with a strict underwriting policy.

Investments also performed consistently, resulting in total investment income of EUR 530 million, corresponding to an investment yield of 3.3%.



\*Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

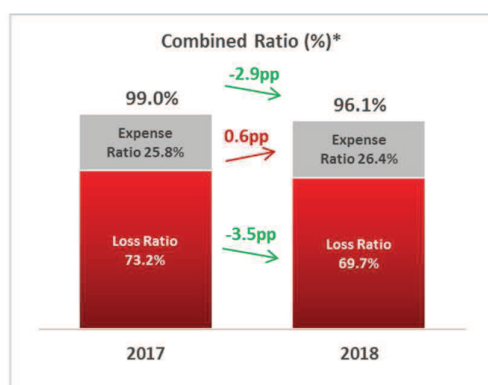
\*\*Includes Investment income from Unit Link products, net gains and impairments. Unrealised gains not considered.

\*\*\* Excludes minority interests

The claims ratio improved by 3.5 pp, from 73.2% in 2017 to 69.7% in 2018, benefiting from several factors. Firstly, the 2017 ratio was heavily impacted by the extraordinary effects of the forest fires in Portugal in June and October and adverse weather in Macao. Secondly, the positive development also reflects the significant improvement in the yield of some lines of business that had traditionally made a loss, namely Workers' Compensation, largely as a result of the measures introduced to adjust tariffs and improvements to the underwriting policy and claims management.

The expense ratio increased slightly (0.6 pp), from 25.8% to 26.4%, in 2018, also reflecting non-recurrent factors that had a positive impact on this indicator in 2017.

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\*Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

## A.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

Life Line of business	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Life reinsurance	Total	Previous year
<b>Premiums written</b>						
Gross	280,005	1,961	3,022,205	500	3,304,671	2,417,487
Reinsurers' share	1,013	0	14,274	250	15,537	13,323
<b>Net</b>	<b>278,992</b>	<b>1,961</b>	<b>3,007,931</b>	<b>250</b>	<b>3,289,134</b>	<b>2,404,164</b>
<b>Premiums earned</b>						
Gross	279,990	1,961	3,022,128	500	3,304,579	2,417,512
Reinsurers' share	1,028	0	13,570	250	14,848	13,330
<b>Net</b>	<b>278,962</b>	<b>1,961</b>	<b>3,008,558</b>	<b>250</b>	<b>3,289,731</b>	<b>2,404,182</b>
<b>Claims incurred</b>						
Gross	185,116	128,533	1,739,693	151	2,053,493	2,051,138
Reinsurers' share	297	0	6,706	76	7,079	7,009
<b>Net</b>	<b>184,819</b>	<b>128,533</b>	<b>1,732,987</b>	<b>75</b>	<b>2,046,414</b>	<b>2,044,129</b>
<b>Changes in other technical provisions</b>						
Gross	141,772	0	15,239	0	157,011	81,671
Reinsurers' share	-37	0	1,934	0	1,897	253
<b>Net</b>	<b>141,809</b>	<b>0</b>	<b>13,305</b>	<b>0</b>	<b>155,114</b>	<b>81,418</b>
<b>Expenses incurred</b>						
<b>Net</b>	<b>19,790</b>	<b>605</b>	<b>99,172</b>	<b>33</b>	<b>119,600</b>	<b>96,674</b>

# Longrun Portugal, SGPS, 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	Previous year
<b>Premiums written</b>						
Gross	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0
<b>Net</b>	<b>0</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	0
Reinsurers' share	0	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Claims incurred</b>						
Gross	0	103,848	0	0	103,848	94,120
Reinsurers' share	0	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>103,848</b>	<b>0</b>	<b>0</b>	<b>103,848</b>	<b>94,120</b>
<b>Changes in other technical provisions</b>						
Gross	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenses incurred</b>						
<b>Net</b>	<b>0</b>	<b>2,124</b>	<b>0</b>	<b>0</b>	<b>2,124</b>	<b>1,954</b>

# Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Health - NSLT Line of business	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Total	Previous year
<b>Premiums written</b>					
Gross - Direct business	322,660	32,327	217,624	572,611	518,378
Gross - Proportional reinsurance accepted	2,168	0	122	2,290	1,848
Gross - Non-proportional reinsurance accepted	0	0	0	0	0
Reinsurers' share	5,682	7,712	3,102	16,496	15,908
<b>Net</b>	<b>319,146</b>	<b>24,615</b>	<b>214,644</b>	<b>558,405</b>	<b>504,318</b>
<b>Premiums earned</b>					
Gross - Direct business	319,582	32,935	216,210	568,727	512,775
Gross - Proportional reinsurance accepted	1,870	0	79	1,949	1,728
Gross - Non-proportional reinsurance accepted	0	0	0	0	0
Reinsurers' share	6,124	8,286	3,102	17,512	16,346
<b>Net</b>	<b>315,328</b>	<b>24,649</b>	<b>213,187</b>	<b>553,164</b>	<b>498,157</b>
<b>Claims incurred</b>					
Gross - Direct business	247,513	16,745	90,813	355,071	320,727
Gross - Proportional reinsurance accepted	621	-54	46	613	1,757
Gross - Non-proportional reinsurance accepted	0	0	0	0	0
Reinsurers' share	3,109	4,521	1,339	8,969	9,570
<b>Net</b>	<b>245,025</b>	<b>12,170</b>	<b>89,520</b>	<b>346,715</b>	<b>312,914</b>
<b>Changes in other technical provisions</b>					
Gross - Direct business	3,525	-125	-4,786	-1,386	-9,899
Gross - Proportional reinsurance accepted	0	0	4	4	-4
Gross - Non-proportional reinsurance accepted	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
<b>Net</b>	<b>3,525</b>	<b>-125</b>	<b>-4,782</b>	<b>-1,382</b>	<b>-9,903</b>
<b>Expenses incurred</b>					
<b>Net</b>	<b>72,877</b>	<b>12,785</b>	<b>54,485</b>	<b>140,147</b>	<b>132,589</b>

Amounts in thousand euros

Line of business Non-Life	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	Previous year
<b>Premiums written</b>											
Gross - Direct business	295,938	185,191	19,942	262,280	39,707	744	5,629	43,919	34,156	887,506	851,515
Gross - Proportional reinsurance accepted	86	0	1	1,801	296	0	1	198	7	2,390	1,368
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	2,350	737	11,889	103,221	11,716	424	2	284	12,054	142,677	144,815
<b>Net</b>	<b>293,674</b>	<b>184,454</b>	<b>8,054</b>	<b>160,860</b>	<b>28,287</b>	<b>320</b>	<b>5,628</b>	<b>43,833</b>	<b>22,109</b>	<b>747,219</b>	<b>708,068</b>
<b>Premiums earned</b>											
Gross - Direct business	288,690	184,301	19,865	259,837	39,356	733	5,501	41,869	35,455	875,607	838,670
Gross - Proportional reinsurance accepted	107	559	1	1,425	342	0	0	172	8	2,614	1,107
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	2,314	628	11,704	103,533	11,948	421	1	270	13,231	144,050	140,512
<b>Net</b>	<b>286,483</b>	<b>184,232</b>	<b>8,162</b>	<b>157,729</b>	<b>27,750</b>	<b>312</b>	<b>5,500</b>	<b>41,771</b>	<b>22,232</b>	<b>734,171</b>	<b>699,265</b>
<b>Claims incurred</b>											
Gross - Direct business	207,336	78,247	4,313	117,129	12,274	321	-397	34,165	17,473	470,861	595,949
Gross - Proportional reinsurance accepted	283	-113	-141	-232	525	-8	0	-45	-9	260	-1,635
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	6,814	199	1,006	46,036	6,582	1	0	2	9,550	70,190	170,900
<b>Net</b>	<b>200,805</b>	<b>77,935</b>	<b>3,166</b>	<b>70,861</b>	<b>6,217</b>	<b>312</b>	<b>-397</b>	<b>34,118</b>	<b>7,914</b>	<b>400,931</b>	<b>423,414</b>
<b>Changes in other technical provisions</b>											
Gross - Direct business	-7,055	-191	180	-2,559	244	4	67	-242	161	-9,391	12,847
Gross - Proportional reinsurance accepted	-38	-20	-3	-10	-3	0	0	0	0	-74	-1,256
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0
<b>Net</b>	<b>-7,093</b>	<b>-211</b>	<b>177</b>	<b>-2,569</b>	<b>241</b>	<b>4</b>	<b>67</b>	<b>-242</b>	<b>161</b>	<b>-9,465</b>	<b>11,591</b>
<b>Expenses incurred</b>											
<b>Net</b>	<b>98,561</b>	<b>77,607</b>	<b>2,561</b>	<b>81,400</b>	<b>15,309</b>	<b>137</b>	<b>4,179</b>	<b>18,142</b>	<b>10,276</b>	<b>308,172</b>	<b>281,050</b>



## A.3. Investment performance

The Net Assets of the companies included in Longrun's consolidation perimeter were EUR 17,935 million in 2018, representing a rise of 3.2% compared to 2017.

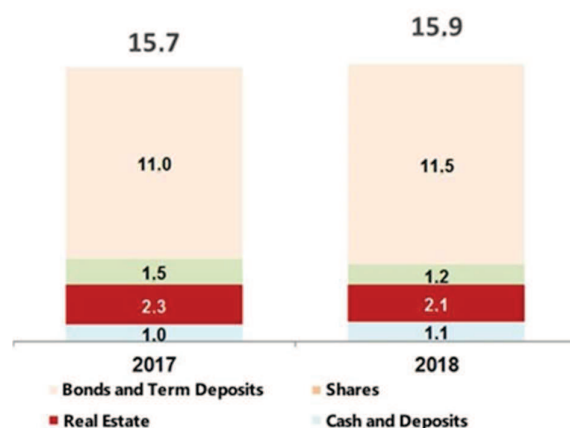
In its definition and application, the investment policy used by the companies in Longrun's consolidation perimeter considers the challenges currently facing the insurance business:

- 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 consolidated investment portfolio (including Cash and Bank Deposits) totalled EUR 15.9 billion, corresponding to an increase of around 1.0% over 2017. Compared to the previous year, of note is the increase in the weight of bonds as the largest class of asset, and currently representing 72% of the total portfolio.

In 2018, the policy of diversifying by class of asset and geographical location was continued, as a means of maximising yields with an appropriate level of risk, in an environment of low interest rates.

Longrun's Investment Structure (consolidated accounts) by class of assets (€ billion)



# Longrun Portugal, SGPS, S.A.

## A.3.1. Income and expenses from investments

At 31 December 2018, 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

Investments and other assets	Life insurance	Non-life insurance	Not allocated	Total	Previous year
Property, plant and equipment held for own use	0	79,907	56,399	136,306	163,833
Property (other than for own use)	0	61,950	936,323	998,273	1,188,418
Holdings in related undertakings, including participations	304,656	26,419	21,888	352,963	378,109
Equities - listed	633,680	402,625	2,608	1,038,913	1,376,746
Equities - unlisted	0	516	1,366	1,882	2,074
Government bonds	4,687,349	204,371	47,706	4,939,426	5,768,815
Corporate bonds	3,635,229	752,624	199,412	4,587,265	4,024,977
Structured notes	87,336	0	0	87,336	37,523
Collateralised securities	0	0	0	0	305
Collective investment undertakings	233,534	109,174	396,408	739,116	709,710
Derivatives	14,031	3,669	3,184	20,884	80,924
Deposits other than cash equivalents	1,340,504	406,303	203,309	1,950,116	1,023,559
Assets held for index-linked and unit-linked contracts	40,294	0	0	40,294	175,692
Loans and mortgages	0	0	22,825	22,825	23,303
Cash and cash equivalents	0	0	942,113	942,113	434,880
<b>Total</b>	<b>10,976,613</b>	<b>2,047,558</b>	<b>2,833,541</b>	<b>15,857,712</b>	<b>15,388,868</b>

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

Amounts in thousand euros

Investments allocated to unit-linked contracts	Total	Previous year
Group companies debt instruments	0	103
Public debt instrument – domestic issuers	621	89,496
Public debt instrument – foreign issuers	9,322	8,443
Debt instrument – other domestic issuers	99	309
Debt instrument – other foreign issuers	4,277	7,694
Equity instruments – domestic issuers	7,593	11,129
Equity instruments – foreign issuers	7,507	7,564
Transactions to be settled	-205	-539
Derivatives	28	12
Sight deposits	10,752	42,441
Term deposits	300	9,040
<b>Total</b>	<b>40,294</b>	<b>175,692</b>

# Longrun Portugal, SGPS, S.A.

In 2018, the following income was gained from investments:

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total	Previous year
<b>Investments allocated to technical provisions – life segment</b>					
Government bonds	0	95,047	0	95,047	116,015
Corporate bonds	0	125,925	0	125,925	91,637
Equity securities	18,775	-84	0	18,691	11,439
Collective investment undertakings	6,345	0	0	6,345	13,674
Structured notes	0	84	0	84	1,112
Collateralised securities	0	0	0	0	5
Cash and cash equivalents	0	2,387	0	2,387	2,930
Loans and mortgages	0	1,210	0	1,210	0
Property	0	0	36	36	23
Derivatives	0	-1,482	0	-1,482	-1,534
<b>Subtotal</b>	<b>25,120</b>	<b>223,087</b>	<b>36</b>	<b>248,243</b>	<b>235,301</b>
<b>Investments allocated to technical provisions – non-life segment</b>					
Government bonds	0	7,201	0	7,201	10,301
Corporate bonds	0	17,554	0	17,554	22,022
Equity securities	6,984	-22	0	6,962	12,401
Collective investment undertakings	850	1	0	851	4,347
Structured notes	0	2	0	2	22
Collateralised securities	0	1	0	1	2
Cash and cash equivalents	0	2,038	0	2,038	1,217
Loans and mortgages	0	0	0	0	0
Property	0	0	10,822	10,822	18,091
Derivatives	0	0	0	0	0
<b>Subtotal</b>	<b>7,834</b>	<b>26,775</b>	<b>10,822</b>	<b>45,431</b>	<b>68,403</b>
<b>Investments not allocated</b>					
Government bonds	0	1,382	0	1,382	547
Corporate bonds	0	15,281	0	15,281	7,760
Equity securities	6,047	0	0	6,047	635
Collective investment undertakings	889	0	0	889	50
Structured notes	0	35	0	35	234
Collateralised securities	0	0	0	0	0
Cash and cash equivalents	0	2,844	0	2,844	651
Loans and mortgages	0	191	0	191	1,397
Property	0	0	50,953	50,953	110,831
Derivatives	0	-115	0	-115	3
<b>Subtotal</b>	<b>6,936</b>	<b>19,618</b>	<b>50,953</b>	<b>77,507</b>	<b>122,108</b>
<b>Total</b>	<b>39,890</b>	<b>269,480</b>	<b>61,811</b>	<b>371,181</b>	<b>425,812</b>

## Longrun Portugal, SGPS, S.A.

In 2018, the financial expenses resulting from investments were as follows:

Amounts in thousand euros

Investment expenses	Life	Non-Life	Not allocated	Total	Previous year
Costs allocated	10,144	7,539	37,754	55,437	50,360
Other investment expenses	541	173	122	836	729
<b>Total</b>	<b>10,685</b>	<b>7,712</b>	<b>37,876</b>	<b>56,273</b>	<b>51,089</b>

# Longrun Portugal, SGPS, S.A.

## A.3.2. Information on gains and losses directly recognised in shareholders' equity

In 2018, the net gains and losses in financial instruments were as follows:

Investments	As a charge to		Total	Previous year
	Income Statement	Shareholders' Equity		
Amounts in thousand euros				
<b>Investments allocated to technical provisions – life segment</b>				
Government bonds	196,786	4,336	201,122	121,962
Corporate bonds	132,989	111,969	244,958	-97,482
Equity securities	62,544	227,608	290,152	6,262
Collective investment undertakings	8,277	-399	7,878	20,202
Structured notes	1,794	-314	1,480	1,369
Collateralised securities	0	0	0	5
Cash and cash equivalents	2,831	-1,552	1,279	-9,851
Loans and mortgages	1,210	0	1,210	0
Property	36	21	57	-182
Derivatives	-1,695	-266,717	-268,412	253,830
Other	0	0	0	0
<b>Subtotal</b>	<b>404,772</b>	<b>74,952</b>	<b>479,724</b>	<b>296,115</b>
<b>Investments allocated to technical provisions – non-life segment</b>				
Government bonds	9,811	7,976	17,787	14,158
Corporate bonds	12,555	17,828	30,383	-19,042
Equity securities	566	90,653	91,219	44,358
Collective investment undertakings	6,023	-144	5,879	7,570
Structured notes	2	0	2	23
Collateralised securities	-14	0	-14	1
Cash and cash equivalents	2,084	773	2,857	6,607
Loans and mortgages	0	0	0	0
Property	12,187	6,430	18,617	36,995
Derivatives	0	-42,959	-42,959	73,536
Other	0	0	0	0
<b>Subtotal</b>	<b>43,214</b>	<b>80,557</b>	<b>123,771</b>	<b>164,206</b>
<b>Investments not allocated</b>				
Government bonds	1,424	0	1,424	658
Corporate bonds	13,818	5,945	19,763	1,675
Equity securities	-73,834	11,090	-62,744	-45,876
Collective investment undertakings	1,268	326	1,594	416
Structured notes	36	0	36	234
Collateralised securities	0	0	0	0
Cash and cash equivalents	6,344	1,008	7,352	-22,089
Loans and mortgages	191	0	191	1,385
Property	50,837	23,701	74,538	103,624
Derivatives	8,471	-42,286	-33,815	5,508
Other	0	0	0	0
<b>Subtotal</b>	<b>8,555</b>	<b>-216</b>	<b>8,339</b>	<b>45,535</b>
<b>Total</b>	<b>456,541</b>	<b>155,293</b>	<b>611,834</b>	<b>505,856</b>

# Longrun Portugal, SGPS, S.A.

## A.3.3. Information on investment in securitisations

At 31 December 2018, the value of investment in securitisations is immaterial, and no information is therefore included in this chapter.

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## A.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.

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## A.5. Any other information

### A.5.1. Group Structure

Longrun operates in the Portuguese market through its different insurance companies (Fidelidade, Multicare, Via Directa, Fidelidade Assistência and Companhia Portuguesa de Resseguros). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia and Fidelidade Macao (Non-Life segment).

Lastly, Longrun has, through Fidelidade and Fidelidade Assistência, 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 Group's 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.

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

#### 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, 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.

# Longrun Portugal, SGPS, S.A.

**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.

**Fidelidade Angola – Companhia de Seguros, S.A.** (previously **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.

**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, n.º 567, BNU Building, 14.º, 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, n.º 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, n.º 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, by investment in a diversified range of assets, predominantly real estate. This fund was managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. until September 2018, and as of 1 October it has been managed by Fidelidade - Sociedade Gestora de Organismos de Investimento Imobiliário, S.A..

**Fundo de Investimento Imobiliário Fechado IMOFID** (formerly Bonança I) was set up on 22 December 1993 with the investment aim of achieving medium and long-term capital appreciation, by investment in a diversified range of assets, predominantly real estate. This fund was managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A. until September 2018, and as of 1 October it has been managed by Fidelidade - Sociedade Gestora de Organismos 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 Legalinx Limited, One Fetter Lane, London, EC4A 1BR, England, was set up on 18 December 2014 with the corporate purpose of purchasing property.

# Longrun Portugal, SGPS, S.A.

**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.

**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.

**Godō 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.

**Godō 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.

**Fundo Broggi**, set up on 24 March 2017 under Italian law, is an alternative real estate closed-end fund. The fund is managed by IDEa FIMIT - Società di Gestione del Risparmio S.p.A., an Italian investment funds management company.

**Broggi Retail S.R.L.** is an Italian company, 100% held by IDEa FIMIT - Società di Gestione del Risparmio S.p.A., in its capacity as Fundo Broggi's management company, and in the interest of Fundo Broggi. Its corporate purpose is, among others, the management, restructuring, appreciation and maintenance of real estate assets, both its own and those of third parties.

**Fidelidade - Sociedade Gestora de Organismos de Investimento Imobiliário, S.A.** with its head office in Lisbon, at Largo do Chiado, n° 8, 1º andar, was set up on 8 February 2018 with the corporate purpose of managing, on behalf of the participants and in their exclusive interest, one or more public or private, closed or open real estate investment undertakings, and managing the property included in the applications portfolios or collective interest bodies managed by it.

## 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, n° 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, n° 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 n° 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.



## Longrun Portugal, SGPS, S.A.

**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..

**Cares - Assistência e Reparações, S.A.** (formerly 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.

**Highgrove - Investimentos e Participações, SGPS, S.A.**, with its head office at Lugar de Meladas, nº 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities. The participation in this company arose following a partnership with the Amorim Group to rebuild the closed condominium of Convento dos Inglesinhos, located in a historical area in the Bairro Alto district, which is currently selling its last units.

**FCM Beteiligungs GmbH**, with its head office at Garstedter Weg 14, 22453 Hamburg, Germany, 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 - 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.

**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.

**FID Loans 1 (Ireland) Limited** and **FID Loans 2 (Ireland) Limited** are special purpose vehicles, with their head office at 1st Floor, 118 Lower Baggot Street, Dublin 2, Ireland, and were set up on 13 June 2017.

**Universal - Assistência e Serviços, Lda.**, with its head office at Rua Pedro de Castro Van Dunen Loy s/n, Morro Bento, Luanda, was set up on 21 April 2017 with the purpose of providing assistance services and claims management support services, and services in accounting, technical consultancy, human resource management, training, IT support, risk analysis and prevention, laboratory support, planning and monitoring of environmental recovery interventions, and facilities management. It also provides 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.

**FID LatAm SGPS, S.A.**, with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 19 February 2018 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities.

**FF Investment Luxembourg 1 S. a r.l.**, with its head office in the Grand Duchy of Luxembourg, at 6, rue Eugène Ruppert, L-2453 Luxembourg, was set up on 23 December 2013.

**GEP Cabo Verde Gestão de Peritagens, Lda.**, with its head office at Rua Serpa Pinto, nº 9 – 4º andar Dto, Plateau, Ilha de Santiago, Cape Verde, was set up on 5 June 2018 with the main corporate purpose of providing and managing motor vehicle

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and property loss adjusting services and inquiries, providing claims management assistance and support services, providing and managing any repair, restoration, assembly and improvement works to be made to any property, and hiring any entities to perform such works, acquiring and supplying various materials, products and tools, and performing any operations that are related or complementary to these activities.

**FID Perú, S.A.**, with its head office in Lima, Peru, at Av. Victor Andrés Belaunde 147, San Isidro District, Province and Department of Lima, was set up on 9 July 2018 with the corporate purpose of investments and the holding of securities, including, but not limited to, shares in other companies, either national or foreign, in any form.

**FID Chile, SpA.**, with its head office in Santiago, Chile, was set up on 16 October 2018 with the corporate purpose of making all kinds of investments, in tangible and intangible assets, all kinds of securities and property, and setting up and participating in other companies and/or legal persons of any kind, regardless of their purpose, managing those investments and assessing their results, and carrying on any other type of investment that the partners agree.

### A.5.2. Information on the scope of the group

For the preparation of Longrun's consolidated financial statements, the subsidiaries listed in point A.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:

- Luz Saúde, S.A., Sociedade Aberta;
- Fundo de Investimento Imobiliário Fechado Saudeinveste;
- Fundo de Investimento Imobiliário Fechado Bonança I;
- Fundo Broggi;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED;
- FID Loans 1 (Ireland) Limited;
- FID Loans 2 (Ireland) Limited;
- Fidelidade SG0II.

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 Saudinveste, Fundo Bonança I, Fundo Broggi, FCM Beteiligungs GmbH, FID I (HK) Limited, FID III (HK) Limited, FID Loans 1, FID Loans 2 and Fidelidade SG0II.

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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

	Financial Statements		Difference	Accounting Financial Statements (previous year)	Solvency II Financial Statements (previous year)
	Accounting Perimeter	Solvency II Perimeter			
<b>Total Assets</b>	17,935,332	17,124,878	<b>810,454</b>	17,377,679	16,847,403
<b>Total Liabilities</b>	15,020,094	14,556,699	<b>463,395</b>	14,483,542	14,032,513
<b>Excess assets over liabilities</b>	<b>2,915,238</b>	<b>2,568,179</b>	<b>347,059</b>	2,894,137	2,814,890

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

Lastly, it should be noted that in July 2018 there was an operation for the alienation/sale of the entirety of the capital held by the Group in Highgrove - Investimentos e Participações, SGPS, S.A..

### A.5.3. Intra-group operations and transactions

The main movements in the Group's subsidiaries during 2018 were the following:

- In January 2018 the Group increased the share capital of FID Loans 1 (Ireland) Limited by EUR 60,000,000.
- In January Fidelidade – Companhia de Seguros, S.A. sold 49% of the share capital of Luz Saúde, S.A., corresponding to 46,815,704 totalling EUR 236,136,286. In the last quarter of 2018 the Group acquired 544,636 shares in Luz Saúde, S.A., totalling EUR 3,109,872, increasing its shareholding from 49.79% to 50.36%.
- On 8 February 2018 the company Fidelidade - Sociedade Gestora de Organismos de Investimento Imobiliário, S.A. was set up, with share capital of EUR 500,000, with the Group holding 100% of its shares. In October, supplementary contributions were granted to it totalling EUR 1,000,000.
- On 19 February 2018 the company FID LatAm, SGPS, S.A. was set up, with share capital of EUR 50,000, with the Group holding 100% of its shares. In November, supplementary contributions were granted to it totalling EUR 194,283.
- In March 2018 Fidelidade – Property International, S.A. reduced the capital of FPI (AU) 1 PTY LIMITED to EUR 31,054,031.
- In March 2018 Fidelidade - Serviços de Assistência, S.A. (100% owned by Fidelidade Assistência – Companhia de Seguros, S.A.) acquired 49% of the share capital of Cares - Assistência e Reparações, S.A. (formerly Cares Multiassistance, S.A.) for EUR 5,000,000, from then on owning 100% of the company's share capital.
- In April the Group acquired 100% of FF Investment Luxembourg 1 S. à r.l., with share capital of EUR 113,822,820. In October, an operation was performed for the alienation/sale of the entirety of the capital held by the Group.
- In May 2018 there was a capital increase in Fidelidade – Companhia de Seguros, S.A. of EUR 64,795,500, with an Issue Premium of EUR 57,184,600, and repayment of supplementary contributions totalling EUR 121,980,100, resulting in a 0.0023% increase in the holding.

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- On 5 June 2018 GEP Cabo Verde Gestão de Peritagens, Lda. was set up with share capital of 5,000,000 Cape Verdean Escudos, worth EUR 45,345 at the exchange rate on the date the company was set up. The Group owns 100% of the shares, 50% being held by GEP - Gestão de Peritagens Automóveis, S.A., 25% by Garantia - Companhia de Seguros de Cabo Verde, S.A, and 25% by Fidelidade Assistência – Companhia de Seguros, S.A..
- In June 2018 Fidelidade – Property International, S.A. reduced the capital of FPI (UK) 1 LIMITED to 112,000,000.
- On 9 July 2018 the company FID Perú, S.A. was set up, with share capital of 500 Peruvian Sols, worth EUR 136 at the exchange rate on the date the company was set up. The Group owns 100% of the shares, 99.8% being held by Fidelidade – Companhia de Seguros, S.A. and 0.20% by FID LatAm SGPS, S.A.. By the end of the year capital increases of EUR 125,543,259 had been made, so that the share capital totalled EUR 125,543,394 at 31 December 2018.
- In October 2018 the company FID Chile, SpA was set up, with share capital of EUR 1,305, with the Group holding 100% of its shares.
- At the end of 2018 there was a reduction in the supplementary contribution of Fidelidade – Property International, S.A., of EUR 100,000,000.

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.

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

Amounts in thousand euros										
Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Transaction maturity date	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interests/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
Fidelidade - Companhia de Seguros, S.A.	Garantia - Companhia de Seguros de Cabo Verde, S.A.	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	CVE			371		
Fidelidade - Property International, S.A.	FPI (AU) 1 PTY LIMITED	Bonds / Debts — uncollateralised	31/03/2018	31/12/9999	AUD			-95		
Fidelidade - Property Europe, S.A.	Thomas More Square (Lux) Sarl	Bonds / Debts — uncollateralised	31/12/2016	31/12/9999	GBP	33, 137	270	1, 692	32, 866	5.15 %
Fidelidade - Property Europe, S.A.	Thomas More Square (Lux) Sarl	Bonds / Debts — uncollateralised	31/12/2016	31/12/9999	GBP	165, 684	1, 352	4, 480	164, 332	2.73 %
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Sociedade Gestora de Org. de Investimento Imobiliario, S.A	Shares and equity securities — Shares / participations	08/02/2018	31/12/9999	EUR	500				
Fidelidade - Companhia de Seguros, S.A.	FID LatAm SGPS	Shares and equity securities — Shares / participations	19/02/2018	31/12/9999	EUR	50				
Garantia - Companhia de Seguros de Cabo Verde, S.A.	GEP Cabo Verde	Shares and equity securities — Shares / participations	05/06/2018	31/12/9999	CVE	11				
Fidelidade Assistencia - Companhia de Seguros, S.A.	GEP Cabo Verde	Shares and equity securities — Shares / participations	05/06/2018	31/12/9999	CVE	11				
GEP - Gestao de Peritagens, S.A.	GEP Cabo Verde	Shares and equity securities — Shares / participations	05/06/2018	31/12/9999	CVE	23				
Fidelidade - Companhia de Seguros, S.A.	FID PERU S.A.	Shares and equity securities — Shares / participations	09/07/2018	31/12/9999	PEN	0				
FID LatAm SGPS, SA	FID PERU S.A.	Shares and equity securities — Shares / participations	09/07/2018	31/12/9999	PEN					
Fidelidade - Companhia de Seguros, S.A.	GEP - Gestao de Peritagens Automoveis, S.A.	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	EUR			86		
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Sociedade Gestora de Org. de Investimento Imobiliario, S.A	Shares and equity securities — Other	31/10/2018	31/12/9999	EUR	1, 000				

# Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Transaction maturity date	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/interest rate
FID LatAm SGPS, SA	FID PERU S.A.	Shares and equity securities — Other	31/10/2018	31/12/9999	PEN	194				
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Property Internacional, S.A.	Shares and equity securities — Other	31/12/2018	31/12/9999	EUR		100,000			
LongRun	Fidelidade - Companhia de Seguros, S.A.	Shares and equity securities — Other	01/06/2018	31/12/9999	EUR		121,980			
Fidelidade - Servicos de Assistencia, S.A. (antes Cares RH)	CARES - Assistencia e Reparacoes, S.A.	Shares and equity securities — Shares / participations	31/03/2018	31/12/9999	EUR	5,000				
LongRun	Fidelidade - Companhia de Seguros, S.A.	Shares and equity securities — Shares / participations	01/06/2018	31/12/9999	EUR	121,980				
Fidelidade - Companhia de Seguros, S.A.	FID PERU S.A.	Shares and equity securities — Shares / participations	31/10/2018	31/12/9999	PEN	96,947				
Fidelidade - Companhia de Seguros, S.A.	FID LatAm SGPS	Shares and equity securities — Shares / participations	30/11/2018	31/12/9999	EUR	194				
Fidelidade - Companhia de Seguros, S.A.	FID PERU S.A.	Shares and equity securities — Shares / participations	31/12/2018	31/12/9999	PEN	28,345				
FID LatAm SGPS, SA	FID PERU S.A.	Shares and equity securities — Shares / participations	31/12/2018	31/12/9999	PEN	57				
Fidelidade - Companhia de Seguros, S.A.	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	EUR			69		
Fidelidade - Property Internacional, S.A.	FPI (AU) 1 PTY LIMITED	Shares and equity securities — Shares / participations	31/03/2018	31/12/9999	AUD		31,054			
Fidelidade - Property Internacional, S.A.	FPI (UK) 1 LIMITED	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	GBP		112,000			
Fidelidade - Companhia de Seguros, S.A.	Cetra - Centro Tecnico de Reparacao Automovel, S.A.	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	EUR			100		
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Property Internacional, S.A.	Shares and equity securities — Shares / participations	30/06/2018	31/12/9999	EUR			65,614		

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Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Transaction maturity date	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	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 - Property International, S.A.	FPI (AU) 1 PTY LIMITED	Shares and equity securities — Shares / participations	31/12/2018	31/12/9999	AUD			14,705		
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Property Europe, S.A.	Bonds / Debts — uncollateralised	31/12/2014	18/07/2024	EUR	6,799		408	6,799	6.00 %
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Property Europe, S.A.	Bonds / Debts — uncollateralised	31/12/2014	17/07/2024	EUR	2,000		120	2,000	6.00 %
Fidelidade - Property International, S.A.	FPI (AU) 1 PTY LIMITED	Bonds / Debts — uncollateralised	31/03/2018	31/12/9999	AUD			-9		

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

Investor / Buyer	Issuer / seller	Transaction type	Transaction date	Maturity Date	Currency	Amounts in thousand euros		
						Notional amount at transaction date	Notional amount at reporting date	Amount of collateral
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	22/12/2017	11/01/2018	AUD	34, 717		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - forwards	13/12/2018	28/06/2019	GBP	195, 014	195, 875	
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - forwards	12/12/2018	17/05/2019	GBP	152, 339	153, 500	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	08/11/2018	12/11/2019	JPY	7, 353	7, 590	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	02/10/2018	05/07/2019	JPY	14, 586	15, 236	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	21/08/2018	12/11/2019	JPY	23, 022	23, 235	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	16/06/2017	07/05/2019	JPY	245, 176	109, 351	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	13/09/2018	19/12/2018	GBP	210, 888		
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - futures	19/09/2018	19/12/2018	GBP	139, 841		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	07/09/2018	19/12/2018	GBP	76, 371		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	14/03/2018	20/06/2018	GBP	142, 086		
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - futures	12/03/2018	20/06/2018	GBP	198, 093		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	13/03/2018	20/06/2018	GBP	153, 458		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	13/12/2017	21/03/2018	GBP	132, 810		



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Amounts in thousand euros

Investor / Buyer	Issuer / seller	Transaction type	Transaction date	Maturity Date	Currency	Notional amount at transaction date	Notional amount at reporting date	Amount of collateral
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - futures	21/12/2017	21/03/2018	GBP	197, 314		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	13/12/2017	21/03/2018	GBP	144, 819		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	08/11/2018	20/03/2019	GBP	2, 326	2, 266	
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - futures	08/11/2018	20/03/2019	GBP	3, 488	3, 399	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	08/11/2018	20/03/2019	GBP	38, 501	37, 515	
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	07/06/2018	19/09/2018	GBP	137, 725		
Fidelidade - Companhia de Seguros, S.A.	FPE(Lux) Holding, Sarl	Derivatives - futures	07/06/2018	19/09/2018	GBP	207, 279		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	07/06/2018	19/09/2018	GBP	140, 995		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	15/12/2017	20/06/2018	USD	223, 668		

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### 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 RESSEGUROS, S.A.	Excess of loss (per risk)	Income protection insurance	01/01/2016	01/01/2018	EUR	25,000	0	40	0		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Income protection insurance	01/01/2018	31/12/2018	EUR	25,000	-3	0	-203		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Workers' compensation insurance	01/01/2012	01/01/2018	EUR	30,000	0	0	7		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Workers' compensation insurance	01/01/2014	01/01/2018	EUR	30,000	-19	0	-180		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Workers' compensation insurance	01/01/2015	01/01/2018	EUR	30,000	-31	0	-299		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Workers' compensation insurance	01/01/2016	01/01/2018	EUR	30,000	-3	86	-30		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Workers' compensation insurance	01/01/2018	31/12/2018	EUR	30,000	46	183	151		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Motor vehicle liability insurance	01/01/2014	01/01/2018	EUR	47,500	2	202	25		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Motor vehicle liability insurance	01/01/2015	01/01/2018	EUR	47,500	0	3	0		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Motor vehicle liability insurance	01/01/2018	31/12/2018	EUR	47,500	-20	0	-750		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	General liability insurance	01/01/2014	01/01/2018	EUR	6,750	61	234	596		
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	General liability insurance	01/01/2016	01/01/2018	EUR	6,750	2	10	16		

## Longrun Portugal, SGPS, 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 RESSEGUROS, S.A.	Excess of loss (per risk)	General liability insurance	01/01/2018	31/12/2018	EUR	6,750	-7	0	-258
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	15/02/2017	14/02/2018	EUR	3,000	14	316	-56
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	9,299	2	1	4
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/10/2016	01/01/2018	EUR	2,607	0	0	0
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	11,080	0	7	3
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	01/01/2018	EUR	0	0	12,191	0
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2018	30/06/2019	EUR	0	0	0	-1,204
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	54,806	0	14	-25
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	35,500	0	0	-10
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2012	01/01/2018	EUR	0	0	106	0
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2016	01/01/2018	EUR	0	0	13	0
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	01/01/2018	31/12/2018	EUR	0	0	0	-91
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per event)	Proportional general liability reinsurance	01/01/2016	01/01/2018	EUR	600	0	102	121

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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 RESSEGUROS, S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2018	31/12/2018	EUR	250	-5	0	-7
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	20/11/2018	01/07/2019	EUR	350	-1	0	-1
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2016	01/01/2018	EUR	56,800	0	0	10
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2017	03/04/2018	EUR	56,800	0	0	-4
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per event and per risk)	Non-proportional health insurance	01/01/2018	31/12/2018	EUR	600	0	0	-43
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per risk)	Non-proportional property insurance	01/01/2018	31/12/2018	EUR	2,250	0	0	-31
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Excess of loss (per event and per risk)	Non-proportional health insurance	01/01/2018	31/12/2018	EUR	2,760	0	0	-19
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/02/2017	31/01/2018	EUR	61,800	0	0	-21
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	17/02/2017	16/07/2018	EUR	29,278	0	0	-45
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2017	30/06/2018	EUR	1,920	0	0	0
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2017	30/06/2018	EUR	4,500	0	0	-2
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/10/2017	05/10/2018	EUR	4,578	0	0	-27
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/10/2018	05/10/2019	EUR	4,578	0	0	-9

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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 RESSEGUROS, S.A.	Quota-share	Proportional marine, aviation and transport reinsurance	01/01/2018	31/12/2018	EUR	500	0	0	-4
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	01/01/2018	31/12/2018	EUR	600	0	0	-3
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/12/2017	30/11/2018	EUR	13,667	0	0	-1
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional general liability reinsurance	23/01/2018	22/01/2019	EUR	600	0	0	-3
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	General liability insurance	01/01/2018	31/12/2018	EUR	3,000	-5	4	-12
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Medical expenses insurance	01/01/2018	31/12/2018	EUR	0	5	10	-10
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	0	136	148	-276
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Motor vehicle liability insurance	01/01/2018	31/12/2018	EUR	0	-54	176	109
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Other motor insurance	01/01/2018	31/12/2018	EUR	0	-5	220	10
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Income protection insurance	01/01/2018	31/12/2018	EUR	0	4	0	-8
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	General liability insurance	01/01/2018	31/12/2018	EUR	0	3	2	-7
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Marine, aviation and transport insurance	01/01/2018	31/12/2018	EUR	0	10	0	-21
Fidelidade - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Quota-share	Workers' compensation insurance	01/01/2018	31/12/2018	EUR	0	-66	259	134

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Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Income protection insurance	01/01/2017	01/01/2018	EUR	0	0	0	-6
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Income protection insurance	01/01/2018	31/12/2018	EUR	0	-3	0	-759
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Workers' compensation insurance	01/01/2018	31/12/2018	EUR	0	-82	0	-5,059
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Marine, aviation and transport insurance	01/01/2018	31/12/2018	EUR	0	0	0	-9
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Fire and other damage to property insurance	01/01/2017	01/01/2018	EUR	0	0	0	-1
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	0	-41	0	-1,484
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	General liability insurance	01/01/2018	31/12/2018	EUR	0	0	0	-17
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Credit and suretyship insurance	01/01/2018	31/12/2018	EUR	0	0	0	0
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Legal expenses insurance	01/01/2018	31/12/2018	EUR	0	-63	-2,198	-2,062
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2017	01/01/2018	EUR	0	0	-22	-38
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2018	31/12/2018	EUR	0	-534	-18,871	-30,910
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Annuities stemming from non-life insurance contracts and relating to insurance obligations that are not health insurance obligations	01/01/2017	01/01/2018	EUR	0	0	0	0

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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.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Annuities stemming from non-life insurance contracts and relating to insurance obligations that are not health insurance obligations	01/01/2018	31/12/2018	EUR	0	-1	0	0
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2018	31/12/2018	EUR	0	-97	4	-37
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Legal expenses insurance	01/01/2018	31/12/2018	EUR	0	-5	0	-2
Fidelidade - Companhia de Seguros, S.A.	MULTICARE SEGUROS SAUDE SA	Quota-share	Medical expenses insurance	01/01/2017	01/01/2018	EUR	0	-187	2,884	-1,379
Fidelidade - Companhia de Seguros, S.A.	MULTICARE SEGUROS SAUDE SA	Quota-share	Medical expenses insurance	01/01/2018	31/12/2018	EUR	0	-3,420	54,804	-26,202
Fidelidade - Companhia de Seguros, S.A.	MULTICARE SEGUROS SAUDE SA	Quota-share	Medical expenses insurance	01/01/2018	31/12/2018	EUR	0	-252	100	-118
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional workers' compensation reinsurance	01/01/2016	01/01/2018	EUR	0	1	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional workers' compensation reinsurance	01/01/2015	01/01/2018	EUR	0	0	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional workers' compensation reinsurance	01/01/2016	01/01/2018	EUR	0	0	1	4
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional workers' compensation reinsurance	01/01/2017	01/01/2018	EUR	0	0	179	326
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional workers' compensation reinsurance	01/01/2018	31/12/2018	EUR	0	-3	45	-103
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional workers' compensation reinsurance	19/04/2018	18/04/2019	EUR	1,764	-3	0	-5

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Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional workers' compensation reinsurance	27/04/2018	26/04/2019	EUR	2,130	-3	0	-5
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional other motor reinsurance	01/01/2015	01/01/2018	EUR	0	0	0	15
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional other motor reinsurance	01/01/2016	01/01/2018	EUR	0	-11	9	-12
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional other motor reinsurance	01/01/2017	01/01/2018	EUR	0	7	80	331
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional other motor reinsurance	01/01/2018	31/12/2018	EUR	0	-19	51	-218
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional marine, aviation and transport reinsurance	01/01/2017	01/01/2018	EUR	0	0	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional marine, aviation and transport reinsurance	01/01/2018	31/12/2018	EUR	0	-1	0	-31
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional marine, aviation and transport reinsurance	19/02/2018	13/07/2018	EUR	0	0	0	-2
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional marine, aviation and transport reinsurance	28/04/2018	07/06/2018	EUR	0	0	0	-6
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	0	0	4	-5
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2016	01/01/2018	EUR	0	0	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2018	31/12/2018	EUR	0	2	1	8
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2016	01/01/2018	EUR	0	0	2	-6



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Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	0	0	3	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	0	0	4	9
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional fire and other damage to property reinsurance	01/01/2018	31/12/2018	EUR	0	-1	0	-61
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2016	01/01/2018	EUR	56,800	0	0	-4
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2017	03/04/2018	EUR	56,800	0	0	-6
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/10/2016	01/01/2018	EUR	2,607	0	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	11,080	0	7	4
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	3,000	14	325	-74
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	15/03/2017	14/03/2018	EUR	2,588	-2	0	-8
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	35,500	0	0	-14
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	02/06/2016	01/01/2018	EUR	30,565	0	85	-113
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/12/2013	01/01/2018	EUR	22,705	-22	1,473	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	55,200	0	14	-34

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Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2013	01/01/2018	EUR	4,267	0	0	85
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	01/01/2018	EUR	0	0	12,563	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2018	30/06/2019	EUR	0	0	0	-1,593
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	01/01/2018	EUR	9,299	2	1	5
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2018	31/12/2018	EUR	3,402	1	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	22/11/2018	27/08/2019	EUR	3,052	-2	0	-3
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	08/01/2017	07/01/2018	EUR	6,914	0	2	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/02/2016	01/01/2018	EUR	0	0	0	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/02/2017	31/01/2018	EUR	0	0	0	-28
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	17/07/2017	16/07/2018	EUR	0	0	0	-60
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2017	30/06/2018	EUR	0	0	0	-3
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2017	02/05/2018	EUR	0	0	0	-8
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2018	02/05/2019	EUR	0	0	0	-15

## Longrun Portugal, SGPS, 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)
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/04/2017	31/03/2018	EUR	0	0	0	-1
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/02/2017	19/02/2018	EUR	0	0	0	-11
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	22/08/2017	21/08/2018	EUR	0	0	0	-2
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	22/08/2018	21/08/2019	EUR	0	0	0	-5
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/10/2017	05/10/2018	EUR	0	0	0	-35
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/10/2018	05/10/2019	EUR	0	0	0	-11
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/12/2017	30/11/2018	EUR	0	0	0	-2
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	08/03/2017	07/03/2019	EUR	0	0	0	-111
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	09/01/2017	08/01/2018	EUR	0	0	0	7
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	09/01/2018	08/01/2019	EUR	0	0	0	-10
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2018	31/12/2018	EUR	0	0	0	-98
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/12/2017	30/11/2018	EUR	0	0	0	-24
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/10/2016	01/01/2018	EUR	0	0	0	0

## Longrun Portugal, SGPS, 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)
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional general liability reinsurance	01/01/2017	01/01/2018	EUR	0	0	0	1
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Proportional general liability reinsurance	01/01/2018	31/12/2018	EUR	0	1	0	-12
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2012	01/01/2018	EUR	0	0	109	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2016	01/01/2018	EUR	0	0	13	0
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	20/11/2018	01/07/2019	EUR	350	-1	0	-1
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2018	30/06/2019	EUR	0	0	0	-120
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	15/05/2017	14/05/2018	EUR	0	0	0	-1
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional general liability reinsurance	23/01/2018	22/01/2019	EUR	0	0	0	-4
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Non-proportional health insurance	01/01/2017	01/01/2018	EUR	0	0	0	-6
Companhia Portuguesa de Resseguro, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Non-proportional health insurance	01/01/2018	31/12/2018	EUR	0	0	0	-24
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess	Fire and other damage to property insurance	01/01/2015	01/01/2018	EUR	0	0	29	0
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess	Fire and other damage to property insurance	01/01/2016	01/01/2018	EUR	0	0	62	0
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2012	01/01/2018	EUR	2,000	-1	551	97

# Longrun Portugal, SGPS, 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 COMPANHIA SEGUROS S.A.	Excess	Fire and other damage to property insurance	01/01/2017	01/01/2018	EUR	0	-1	95	71
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2016	01/01/2018	EUR	2,000	0	11	0
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2017	01/01/2018	EUR	2,500	0	696	806
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2018	31/12/2018	EUR	2,000	0	413	-471
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	10,000	-4	0	-49
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	0	-66	64	-30
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	0	-19	0	-125
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	6,500	0	0	-82
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event e per risk)	Income protection insurance	01/01/2018	31/12/2018	EUR	910	0	0	-6
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Legal expenses insurance	01/01/2018	31/12/2018	EUR	0	70	-258	-285
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2018	31/12/2018	EUR	0	-1,151	-3,184	-5,025
Via Directa - Companhia de Seguros, S.A.	MULTICARE SEGUROS SAUDE S.A.	Quota-share	Medical expenses insurance	01/01/2018	31/12/2018	EUR	0	-14	136	-49
Multicare - Seguros de Saude, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Medical expenses insurance	01/01/2016	31/12/2018	EUR	0	-47	0	-619

## Longrun Portugal, SGPS, 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 Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Fire and other damage to property insurance	01/01/2017	01/01/2018	EUR	6,650	-4,912	1,395	-7,719
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Marine, aviation and transport insurance	01/01/2017	01/01/2018	EUR	280	0	0	0
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Marine, aviation and transport insurance	01/01/2017	01/01/2018	EUR	2,363	-16	5	-25
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	Marine, aviation and transport insurance	01/01/2017	01/01/2018	EUR	2,364	0	0	0
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2017	01/01/2018	EUR	300	-33	9	-52
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Proportional general liability reinsurance	01/01/2017	01/01/2018	EUR	500	-13	4	-20
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Workers' compensation insurance	01/01/2017	01/01/2018	EUR	500	-106	30	-167
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Income protection insurance	01/01/2017	01/01/2018	EUR	2,750	0	0	0
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Marine, aviation and transport insurance	01/01/2017	01/01/2018	EUR	0	0	0	0
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2017	01/01/2018	EUR	0	-11	222	-1
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Medical expenses insurance	01/01/2017	01/01/2018	EUR	0	-933	0	-124
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Assistance	01/01/2017	01/01/2018	EUR	0	-171	0	-23
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Quota-share	Legal expenses insurance	01/01/2017	01/01/2018	EUR	0	0	0	0

## Longrun Portugal, SGPS, 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 Angola - Companhia de Seguros, S.A.	MULTICARE SEGUROS SAUDE S.A.	Stop loss	Health plan	01/01/2017	01/01/2018	EUR	0	-1,163	117	53
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Medical expenses insurance	01/03/2018	28/02/2019	EUR	1,318	0	1	-4
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	66,978	16	0	-96
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	01/01/2018	EUR	10,873	0	2	-86
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Fire and other damage to property insurance	03/05/2018	02/05/2019	EUR	87,435	0	66	17
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Fire and other damage to property insurance	30/11/2018	29/11/2019	EUR	93,846	-41	59	30
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Fire and other damage to property insurance	20/06/2018	19/06/2019	EUR	38,098	0	33	23
Fidelidade Macau - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Facultative proportional	Miscellaneous financial loss	08/07/2018	30/06/2019	EUR	9,346	-1	3	-2
Fidelidade Macau - Companhia de Seguros, S.A.	COMPANHIA PORTUGUESA RESSEGUROS, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/12/2013	30/06/2019	EUR	20,861	0	1,371	54
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other non-proportional treaties	Other life insurance	01/01/2018	31/12/2018	EUR	136	9	0	73
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other non-proportional treaties	Income protection insurance	01/01/2018	31/12/2018	EUR	3,628	9	9	-33
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other non-proportional treaties	Fire and other damage to property insurance	01/01/2018	31/12/2018	EUR	4,535	41	46	-312
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other non-proportional treaties	Marine, aviation and transport insurance	01/01/2018	31/12/2018	EUR	2,267	46	57	-202

## Longrun Portugal, SGPS, 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)
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other non-proportional treaties	Marine, aviation and transport insurance	01/01/2018	31/12/2018	EUR	1,333	22	9	-70
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Other proportional treaties	Marine, aviation and transport insurance	01/01/2018	31/12/2018	EUR	544	9	7	-27
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Quota-share	General liability insurance	01/01/2018	31/12/2018	EUR	499	32	70	-42
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Motor vehicle liability insurance	01/01/2018	31/12/2018	EUR	765	-36	326	171
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Excess of loss (per event)	Workers' compensation insurance	01/01/2018	31/12/2018	EUR	871	51	140	-49
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Stop loss	Medical expenses insurance	01/01/2018	31/12/2018	EUR	30	0	0	-6
Garantia - Companhia de Seguros de Cabo Verde, S.A.	FIDELIDADE ASSIST COMP SEGUROS S.A.	Facultative proportional	Assistance	01/01/2018	31/12/2018	EUR	33	9	13	-179
Garantia - Companhia de Seguros de Cabo Verde, S.A.	MULTICARE SEGUROS SAUDE S.A.	Stop loss	Medical expenses insurance	01/01/2018	31/12/2018	EUR	3	3	0	-6



## Longrun Portugal, SGPS, 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, S.A.	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of employees	31/12/2018	EUR	541
Fidelidade Assistencia - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	271
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	284
Fidelidade - Servicos de Assistencia, S.A. (antes Cares RH)	FIDELIDADE ASSIST COMP SEGUROS S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	524
Multicare - Seguros de Saude, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	610
Fidelidade - Companhia de Seguros, S.A.	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Internal cost sharing	Assignment of employees	31/12/2018	EUR	60
Multicare - Seguros de Saude, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of employees	31/12/2018	EUR	3,247
Fidelidade Assistencia - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of employees	31/12/2018	EUR	537
Via Directa - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of employees	31/12/2018	EUR	257
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of employees	31/12/2018	EUR	1,124
Fidelidade - Companhia de Seguros, S.A.	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	1,852
Fidelidade - Companhia de Seguros, S.A.	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	1,235
Fidelidade Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2018	EUR	0

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## B. System of governance

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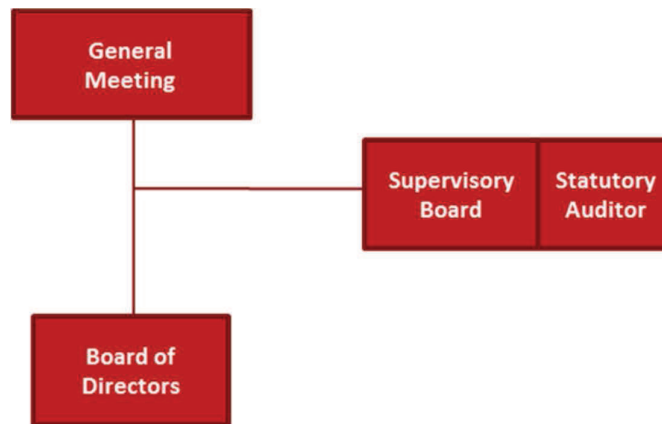
### B.1. General information on the system of governance

#### B.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 and a supervisory body composed of a Supervisory Board and a Statutory Auditor Firm.

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



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

#### **General Meeting**

Pursuant to Article 8 of 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.

#### **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.

# Longrun Portugal, SGPS, S.A.

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

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

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

## **B.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, S.A., 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, S.A., Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, S.A., 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.

Regarding the Group's solvency, as described in points B.3.2, and E.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.

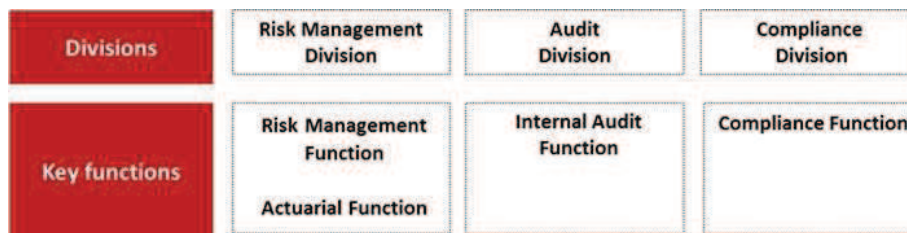
Conditions are, therefore, created for the relevant body at Group level to adequately manage the risk management and internal control systems, both at the individual and Group level, with appropriate reporting lines and procedures for providing information.

## **B.1.3. Key functions**

Key functions are established within the scope of the risk management and internal control systems in Longrun's insurance business. Longrun has policies, processes and procedures which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business. Accordingly, key functions across the Group are defined in the areas of risk management, internal audit, actuarial and compliance, and these are guaranteed by the Risk Management Division, the Internal Audit Division and the Compliance Division.

# Longrun Portugal, SGPS, S.A.

In addition to the areas that perform key functions across the Group within the scope of risk management and internal control systems, other corporate functions, such as legal, information systems, planning and control and accounting and investment have been implemented and strengthened in the Fidelidade Group..The key functions established within the risk management and internal control systems are given to the following bodies:



The following functions are defined for these bodies:

## B.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;
- Drawing up, proposing and revising the ORSA Policy and coordinating the performance of the annual exercise;
- Assessing and monitoring the current and future solvency situation;
- Drawing up, proposing and revising the Asset and Liability Management and Policy and Liquidity Policy;
- Participating in the drawing up and revision of the Investments Policy;
- 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;
- Identifying, assessing and monitoring underwriting risks and the credit risk of instruments to mitigate those risks, and preparing information to support decision-making.

## B.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.
- Drawing up, proposing and revising the Provisioning Policies;

# Longrun Portugal, SGPS, S.A.

- Coordinating the calculation of technical provisions;
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions;
- Ensuring the appropriateness of methodologies, underlying models and assumptions used in the calculation of technical provisions;
- Comparing the technical provisions best estimate against the actual amounts;
- Informing the management body of the reliability and adequacy of the calculation of technical provisions;
- Supervising the calculation of technical provisions whenever the Company does not have sufficient data, with the quality needed to apply a reliable actuarial method and, therefore, approximations are used;
- Issuing an opinion on the overall underwriting policy;
- Issuing an opinion on the adequacy of reinsurance agreements;
- Contributing to the effective application of the risk management system, particularly regarding the risk modelling underlying the calculation of the solvency capital requirement and minimum capital requirement, and also regarding the own risk and solvency assessment.

### **B.1.3.3. Internal Audit Function**

- Drawing up an Annual Audit Plan based on a methodical analysis of risk, covering all significant activities and the governance system of the Insurers in the Fidelidade Portugal Group, including planned developments regarding activities and innovations;
- 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;
- Carrying out audit actions based on a specific methodology which, since it always has risk assessment in mind, can help to determine the probability of the risks occurring and the impact they may have on the Fidelidade Group;
- Presenting to the Executive Committee, through IT application, the audit reports prepared by the Function;
- Drawing up the Annual Audit Report, with a summary of the main deficiencies detected in the audit actions, and presenting it to the Executive Committee and the Supervisory Bodies;
- Analysing the level of implementation of recommendations issued;
- 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 audits requested by the Executive Committee;
- Working with the External Audit and with the Statutory Auditor.

### **B.1.3.4. Compliance Function**

- Ensuring the coordination and/ or 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.

### **B.1.4. Committees**

The management of the risk management and internal control systems is also ensured by the following committees that perform functions across the Group:

# Longrun Portugal, SGPS, S.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.

## 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.

## Products Committee (Life and Non-Life)

The Products Committee's 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.

## Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee (ALCO) was created in August 2018. The main objectives of this Committee are to supervise the asset / liability matching, the investments portfolio and market risks (namely interest rate risk, currency risk and liquidity risk). Another aim is to establish an optimal structure for the group's balance sheet to allow maximum profitability, limiting the level of risk possible and monitoring the performance of investments in terms of risk and return and the implementation of the ALM strategy, as well market and liquidity risks.

### **B.1.5. 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 only receive fixed remuneration.

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.

The remuneration of the members of the management and supervisory bodies, if any, is fixed with reference to the applicable legal and regulatory standards, and to the principles guiding the policy for fixing the remunerations of the members of the corporate bodies of the Group companies.

### **B.1.6. 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 Financial Statements.

## **B.1.7. Assessment of the adequacy of the system of governance**

Longrun considers that its system of governance is adequate for the nature, scale and complexity of the risks to which it is exposed, and complies with the requirements set out in the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance.

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## **B.2. Fit and proper requirements**

The Fit & Proper Policy currently in force, which falls within the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR), aims to establish general principles for assessing whether the persons who effectively run the company, supervise it, are its managers or perform key functions within it are fit and proper.

The fit and proper requirements assessed in the terms and for the purposes of this Policy are:

- Integrity;
- Professional Qualification;
- Independence, Availability and Capacity.

Professional qualification is assessed according with academic qualifications, specialist training and professional experience.

In the assessment of academic qualifications and specialist training, is especially valued knowledge obtained in insurance and general finance fields or any other area which is relevant for the activity to be performed. In the assessment of professional experience, the nature, size and complexity of activities previously performed are compared to those that will be performed in the future.

In the specific case of Top Management, meaning management positions with direct reporting to the executive management body, 5 years' previous professional experience is required.

## Longrun Portugal, SGPS, S.A.

In the case of key functions, the following professional qualifications are required:

	Academic Qualifications	Specialist Training	Professional Experience
<b>Internal Audit (head)</b>	Degree in Business Management, Economics, Auditing or similar	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function.	15 years' experience in the area
<b>Internal Audit (team member)</b>	Degree in Economics, Management, Business Management or similar	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function. Higher education (at post-graduate level) in Financial Markets or similar areas is also relevant.	2 years' minimum experience in the area or similar, depending on the specific function the employee is performing
<b>Compliance (head)</b>	Law Degree	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function.	15 years' experience in the area or similar
<b>Compliance (team member)</b>	Law Degree	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function. Higher education (at post-graduate level) in European Studies, Business Management, Compliance or similar areas is also relevant.	5 years' experience in the area or similar
<b>Risk Management (head)</b>	Higher education in Business Organisation and Management, Mathematics, Actuarial Studies, Economics, Statistics or similar	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function.	15 years' experience in the area or similar
<b>Risk Management (team member)</b>	Higher education in Mathematics, Management, Actuarial Studies, Finance, Economics, Actuarial Science, Statistics, Sociology, Engineering or similar.	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function. Higher education (at post-graduate level) in Banking and Insurance Management and in Markets and Financial Assets is also relevant.	4 years' minimum experience, depending on the specific function the employee is performing
<b>Actuarial Function (head)</b>	Higher education in Mathematics, Actuarial Studies, Economics or Statistics	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function. Higher education (at post-graduate level) in Actuarial Science is also relevant.	10 years' experience in actuarial
<b>Actuarial Function (team member)</b>	Higher education in Mathematics, Actuarial Studies, Economics or Statistics	Ongoing training, provided by the Fidelidade Group, to develop technical and behavioural skills to perform the function. Higher education (at post-graduate level) in Actuarial Science is also relevant.	5 years' experience in actuarial

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 possess and demonstrate the capacity to at all times guarantee sound and prudent management of the insurance company, with a view, in particular, to safeguarding the interests of policyholders, insured persons and beneficiaries.

For this reason, they must comply with the requirements of qualifications (fit), integrity (proper), independence and availability. Additional requirements are provided for collegiate bodies.



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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, 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.

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.

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.

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## **B.3. Risk management system including the own risk and solvency assessment**

The risk management and internal control systems are managed by the Risk Management Division, the Audit Division, the Compliance Division, the Risk Committee, the Products Committee (Life and Non-Life), the Underwriting Policy Acceptance and Supervision Committee and the Assets and Liabilities Management Committee.

### **B.3.1. Risk management processes**

To determine 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.

As set out in the Own Risk and Solvency Assessment policy, the Economic Capital Model is based on a standard formula for calculating the SCR, although changes to this model are possible, whenever this proves appropriate, to better adjust the Economic Capital calculation to the risks to which the Group is exposed.

The following concepts will be introduced:

- Economic Capital Requirement (ECR): equivalent to the standard formula SCR, reached by adding the Basic Economic Capital Requirement, the operational risk and adjustments (deferred taxes and technical provisions);
- Basic Economic Capital Requirement (BECR): equivalent to the standard formula BSCR, reached by aggregating market risk, counterparty default risk, underwriting risks (life, non-life and health) and intangible risk. The correlation framework used corresponds to the correlation framework used to calculate the standard formula BSCR.

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This year, with the exception of Fidelidade, calculation of the Economic Capital for the risks identified in the standard formula corresponded to the calculation for the SCR using the standard formula, and there was no change in the assumptions and parameters underlying the standard formula, and no new risk modules were included. In Fidelidade, the calculation of the Economic Capital for the risks identified in the standard formula has the following differences in relation to the capital required calculated with the standard formula:

- The look-through approach was applied to investments made by Fidelidade Property International, Fidelidade Property Europe and FID Loans 1 (Ireland) Limited;
- Hong Kong was considered a “member” of the OECD, and as such, the shares quoted on the local market were considered “Type 1” within the scope of the equity risk sub-module;
- The participations held by LongRun were aggregated in a new economic group – “LongRun Group” – which was allocated a shock equal to zero in the concentration risk sub-module.

To classify the importance of each risk modules/sub-modules, was used their percentage in the amount of the Basic Economic Capital Requirement (BECR).

For other risks (“Pillar II” risks) a qualitative analysis was used in order to classify the foreseeable impact on the Group’s capital needs. For these risks, that are not “captured” by the Economic Capital Model, there is also assessment of the level of mitigation provided for them through both the processes and procedures associated with them and the internal control mechanisms aimed at their mitigation.

The group perimeter considered includes the following Companies:

- Fidelidade – Companhia de Seguros, S.A.;
- Multicare – Seguros de Saúde, S.A.;
- Via Directa – Companhia de Seguros, S.A.;
- Fidelidade Assistência – Companhia de Seguros, S.A.;
- Companhia Portuguesa de Resseguros, S.A..

### **Identification of risks**

Analysis was undertaken of both risks that are not considered at individual level but should be at group level and possible differences between the group entities, in particular, in business strategy, the business plan horizon or risk profile, and also the effects of national particularities of the place where the different entities are located and how these are reflected at group level.

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

Accordingly, the risks at Group level coincide with those that were identified at the individual level of the different Companies in the Group: Fidelidade, Multicare, Via Directa, Fidelidade Assistência and Companhia Portuguesa de Resseguros (CPR), whether those are risks considered in the respective regulatory capital requirements or other risks to which the Companies are or may become exposed, with Fidelidade having particular significance, due to its size.

In the specific cases of Garantia (Cape Verde), Fidelidade 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.

# Longrun Portugal, SGPS, S.A.

## Most significant risks

Although the Companies have different risk profiles, reflecting their specific business and different investment strategies, some risks are assessed as “medium” or “high” in all or almost all of them:

- The counterparty default risk is assessed as “medium” or “high” in all the companies except Via Directa;
- The market risk is assessed as “medium” or “high” in all the companies except Multicare<sup>2</sup>;
- The non-life premiums and reserves risk is assessed as medium or high in all the companies except Multicare. In the case of Multicare, the NSLT module of the underwriting risk for health is assessed as “high”;

The risks identified in each Company as having a high or medium impact are:

FIDELIDADE	FIDELIDADE ASSISTÊNCIA	MULTICARE	VIA DIRECTA	CPR
Market risk	Market risk	Counterparty	Market risk	Market risk
Equity	Counterparty	Health	Interest rate	Interest rate
Spread	Life	NSLT	Non-Life	Concentration
Property	Premiums and Reserves	Operational risk	Premiums and Reserves	Spread
Counterparty			Operational risk	Counterparty
Life				Non-Life
Lapse				Premiums and Reserves
Non-Life				
Premiums and Reserves				
Legal risk				

## Monitoring

The evolution of the Group Companies' risk profile is assessed regularly, as well as any deviations, by monitoring the evolution of:

- the investments portfolio (financial and real estate);
- premiums of the different lines of business;
- existing reinsurance treaties;
- other accounting headings that may have an impact on the risk profile.

### **B.3.2. Risk Management Function**

The risk management function is part of the risk management system, and is performed by the Risk Management Division, a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. This function is performed across all the Longrun Group's insurance companies.

<sup>2</sup> This due to the particular fact that Multicare has an important part of its assets as “deposits to cedents” at Fidelidade – and therefore subject to counterparty default risk.

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The mission of the risk management function 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, enabling the Executive Committee and the various Divisions involved to incorporate this knowledge into their decision-making process.

The activities carried out by the Risk Management Division, in 2018, were 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 supervisory report;
- Preparing and sending annual information, with reference to 31 December 2017, incorporated in the Quantitative Report Templates (QRT), which has been subject to certification by the statutory auditor and the responsible actuary pursuant to the regulations issued by the ASF, and also the Regular Supervisory Report;
- Reporting to the ASF and publicly disclosing the Solvency and Financial Condition Report relating to 31 December 2017, accompanied by certification by the statutory auditor and the responsible actuary;
- Preparing and sending the quarterly quantitative reporting under Solvency II.

It is also important to mention the activities related with the review of the governance system, namely, the review and maintenance of risk management policies and the review of processes and data quality, with the implementation of capital optimisation measures, namely improvements in the ALM process and recognition of adjustment for the loss-absorbing capacity of deferred taxes, and the conducting of the ROCI Cycle – 2018.

### **B.3.3. 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.

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In order to comply with these objectives, the ORSA process is divided into five major activities: (1) definition of the business strategy and risk appetite; (2) global solvency needs assessment; (3) stress tests and analysis of scenarios; (4) prospective assessment of the global solvency needs; (5) *reporting*. In addition to these five major activities, a further activity is defined: continual monitoring of the group Companies' solvency position.

The Executive Committee is responsible for steering the entire ORSA process, including approving it. The CRO (the member of the Executive Committee responsible for risk management) and the Risk Committee are responsible for regularly monitoring the ORSA process, by means of regular monitoring meetings. The Risk Management Division and the Strategic Planning and Corporate Performance Division are involved in carrying out the process.

When performing the ORSA, the group Companies begin by conducting an assessment (which is qualitative and, whenever so justified, quantitative) of the possible differences between the Company's risk profile and the assumptions underlying the calculation of the SCR using the standard formula.

The global solvency needs are then calculated taking into account the risk profile of the Longrun insurance group. The concept of Economic Capital is used to produce this calculation, which is based on the standard formula for calculating the solvency capital requirement (SCR), and the changes that the group deems relevant to better reflect its risk profile are introduced. In this process, all the risks that the Company is or may be exposed to are identified. These risks are assessed quantitatively and/or qualitatively.

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

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 its financial position, the result of its operations, the changes in its own funds and its solvency needs.

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, continual assessment is carried out of the regulatory capital requirements and the requirements applicable to the technical provisions. This 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.

The ORSA plays a key role in the management of the Longrun group companies, and the results obtained from it are taken into consideration in the various group Companies' Risk Management, in Capital Management and in Decision Making.

One of the key elements of the ORSA is to identify and measure the risks to which the Companies are exposed and project their evolution for the period under analysis.

Therefore, based on the results obtained, the group defines possible actions to be taken:

- *Assuming the risks;*
- *Taking additional mitigation measures (controls/ capital, etc.);*
- *Transferring the risks; or*
- *Eliminating activities which lead to risks which the Longrun group is not willing to run.*

The ORSA also provides support for the main activities related with Capital Management, 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;
- Monitoring capital adequacy.

# Longrun Portugal, SGPS, S.A.

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, the group defines the corrective actions to be implemented, in order to restore the adequate/intended level of capital.

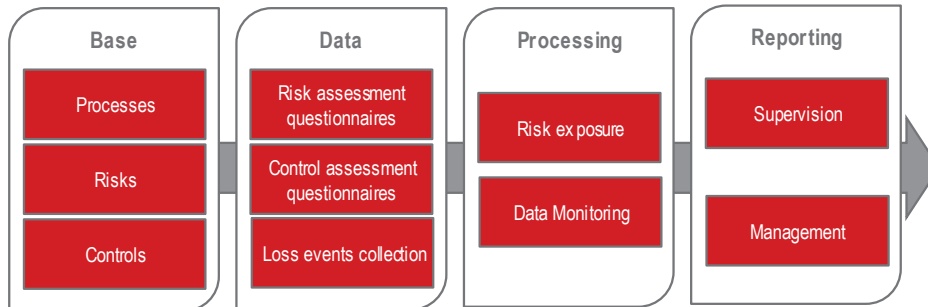
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## B.4. Internal control system

### B.4.1. Information on the internal control system

The Risk Management Division is responsible for managing operational risk and the Companies' 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



### Business processes

All the Companies' business processes are 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 risk management and internal control systems.

### Risks and Controls

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

The Companies' controls are thus documented and characterised, in addition to the risks they mitigate.

### Assessment

To assess the Companies' operational risk, quantitative information is collected on the risks previously identified by means of Risk Assessment Questionnaires and the recording of loss events and subsequent losses.

The assessment of the internal control system is supported by a process of own assessment of the controls, which occurs by means of answers to Controls Assessment Questionnaires. These questionnaires aim to assess the effectiveness of the controls in mitigating risk.

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It is important to mention that the Companies' various Structural Bodies 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.

## **B.4.2. Information on activities performed by the compliance function**

On 18 June 2018 the Compliance Division was created, and took over the functions previously entrusted to the then defunct Compliance Office – management of compliance risks, prevention of money laundering and combat of terrorist financing – in addition to the new function of personal data protection. The Compliance Division is a structural body, with functional independence, which performs key functions within the system of Risk Management and Internal Control.

The Compliance Division'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 at a given time, both externally and internally, in order to avoid situations of non-conformity that may harm the Group companies' image and their reputation in the market, and/or that may give rise to financial losses.

Among the compliance function's processes and controls, carried out by the Compliance Division throughout 2018, the following can be highlighted:

- Analysis of main changes to regulations
- Recording of compliance incidents
- Analysis of new products and advertising and marketing material
- Analysis of internal processes

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 Longrun group, lead to the behaviour which is expected of and mandatory for all employees.

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## **B.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.

The rules and principles that the internal audit function must obey are established in the Internal Audit Regulation, approved in January 2011.

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 Group's insurance undertakings.

Three mechanisms are used to preserve the independence, impartiality and objectivity of the internal audit function. Firstly, persons who perform the internal audit function are not responsible for any other operational functions. Secondly, the internal audit function communicates its conclusions directly and exclusively to the Chairman of the Executive Committee and of the Board of Directors of each of the Companies. Lastly, all the audit work carried out, in particular the conclusions obtained and the recommendations issued, is duly documented and filed, and there is a specific IT application to send audit reports to the Directors and to the Heads of the Divisions audited, with no possibility of these being changed.

## Longrun Portugal, SGPS, S.A.

To perform its 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.

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### **B.6. Actuarial Function**

Due to the nature, complexity and scale of the Companies' portfolios, the actuarial function is subdivided into life actuarial and non-life and health actuarial.

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



# Longrun Portugal, SGPS, S.A.

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 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, and 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.

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## **B.7. Outsourcing**

### **B.7.1. Outsourcing policy**

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

The Outsourcing Policy also establishes the principles and process applicable to new outsourcing of critical or important functions or activities.

### **B.7.2. Outsourced critical or important functions or activities**

Regarding the application of the Outsourcing Policy, within the Group a range of outsourced functions or activities considered critical or important have been identified, most of which are outsourced intra-group, and which are related with key functions, investments, accounting, information technology, claims and call centres.

Of the range of functions or activities considered critical or important that are outsourced in the Companies, of note are the activities related with asset management regarding, on the one hand, a Senior Secured Loans portfolio and, on the other, two Investment Grade Fixed Income Securities portfolios. The jurisdictions of the providers of these services are located in the United Kingdom, and Hong Kong.

Fidelidade Assistência, Multicare, Via Directa and CPR outsource services related with key functions of risk management, internal audit, actuarial and compliance, in line with the RJASR. These key functions are subcontracted to Fidelidade – Companhia de Seguros, S.A..

The Contact Centre management and operation services are provided at the group's premises in Évora and Lisbon by a service provider with its headquarters in Portugal.

## **B.8. Any other information**

### **B.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.

## C. Risk profile

Risk management is an integral part of the daily activities of the Longrun group Companies. An integrated approach is used to ensure that the group Companies' strategic objectives (client interests, financial solidity and efficiency of processes) are upheld.

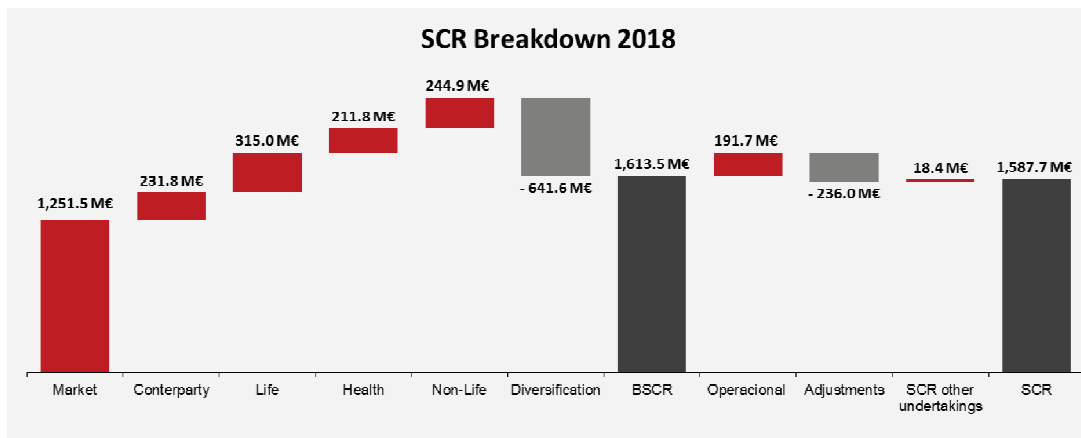
On the other hand, this integrated approach ensures value creation via the identification of adequate balance between risk and return, simultaneously guaranteeing the Companies' obligations to their stakeholders.

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 their risk profile.

Accordingly, to outline Longrun's risk profile, the various risks to which the group is exposed are identified and these are then assessed.

The risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the group has opted to use a qualitative analysis to classify the foreseeable impact on its capital needs.

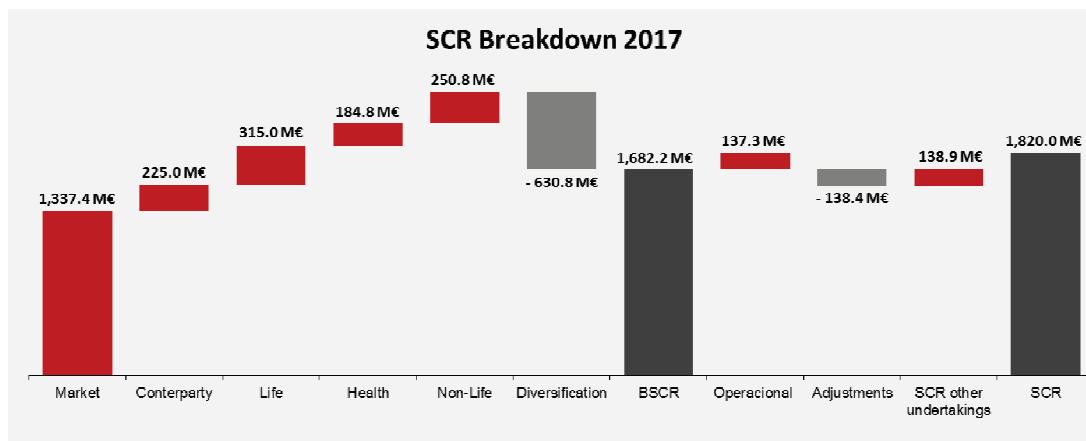
Hence, the calculation of Longrun's solvency capital requirement (SCR) with reference to 31/12/2018 was as follows:



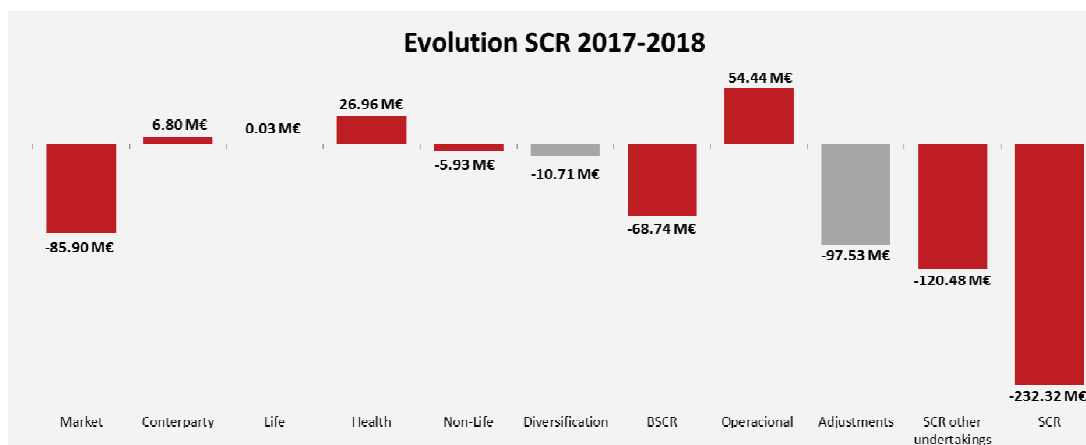
The market risk is clearly prominent in this requirement, followed by the Life and Non-Life underwriting risks, which are much lower.

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The same calculation relating to 31/12/2017 was as follows:



The difference, of EUR 232.32 million, is shown in the graph below.



The following elements can be highlighted in this evolution:

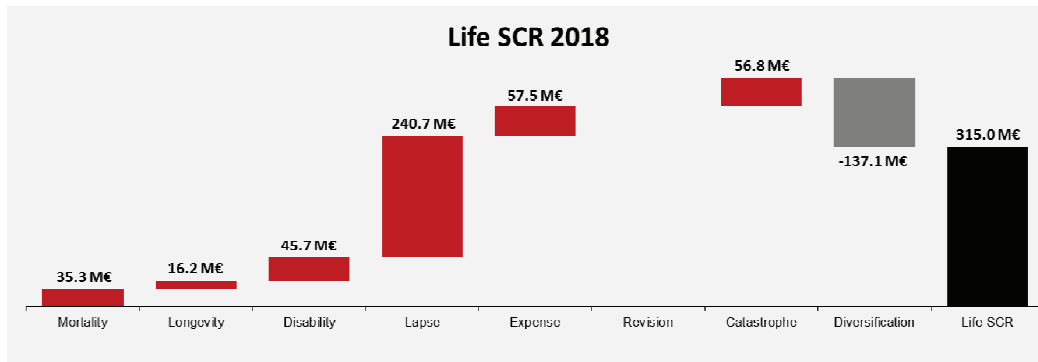
- the decrease in market risk, as detailed in point C.2.;
- the increase in operational risk, detailed in Chapter C.5.;
- the increase in the adjustment amount, as described in point C.7.1.; and
- the decrease in SCR – other undertakings in C.7.4..

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

## C.1. Underwriting risks

### C.1.1. Life underwriting risk

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



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 the group 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 expense, which basically results from the fact that, when calculating the capital requirements of this risk sub-module, the group 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.

The next 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.

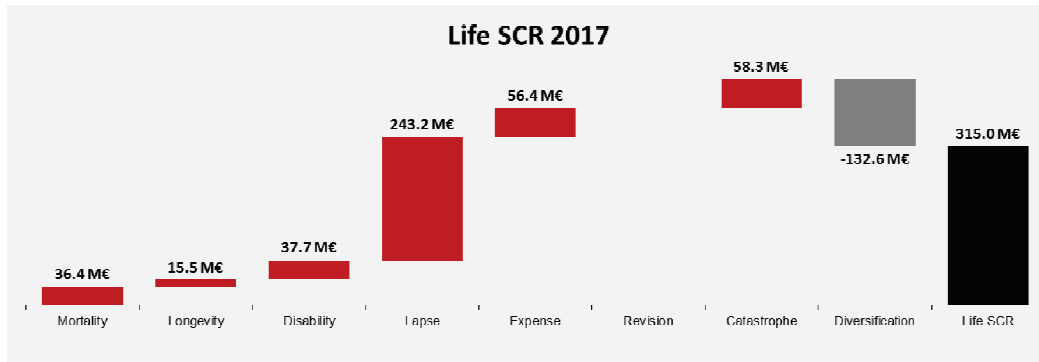
With similar values, not far from the weight of the two previous risks (expense and catastrophe risks), we have the mortality and disability risks, both with their origins in Life Risk insurance contracts.

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

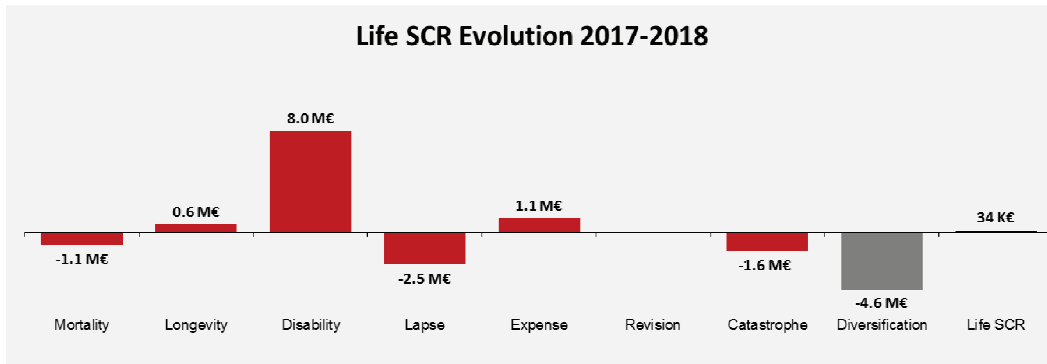
The revision risk is zero, since there is no exposure to this risk in the Portuguese market.

# Longrun Portugal, SGPS, S.A.

The Life SCR at 31/12/2017 was:



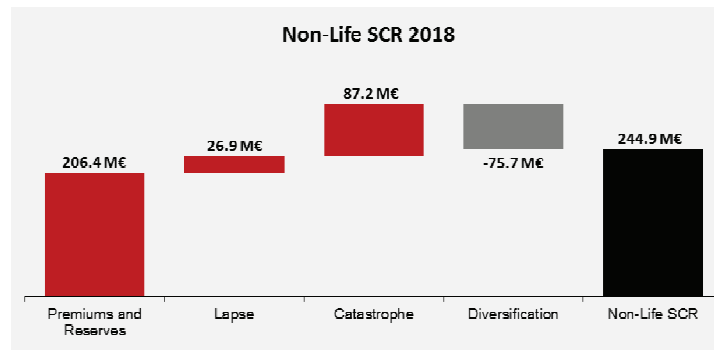
The difference, of EUR 34 thousand, is shown in the graph below.



As can be seen, although the disability risk percentage increased significantly, due to the increase in the claims amounts relating to this coverage, this did not have a significant impact on this risk module.

## C.1.2. Non-Life underwriting risk

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



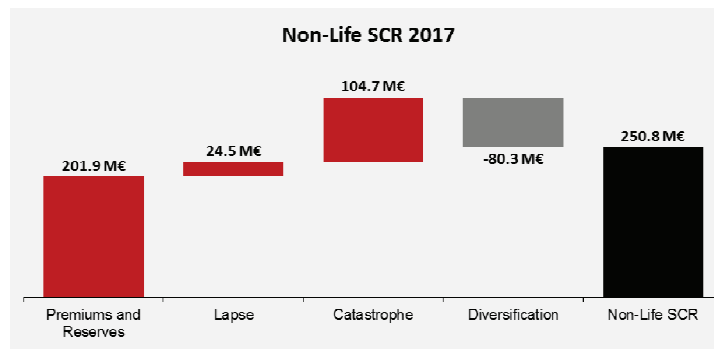
Within this sub-module, the premium and reserve risk is the most important.

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 arises 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 group. The effect of this risk is not significant for this reason. It is also important to state that the mitigating effect of these reinsurance contracts is considered in the counterparty risk module.

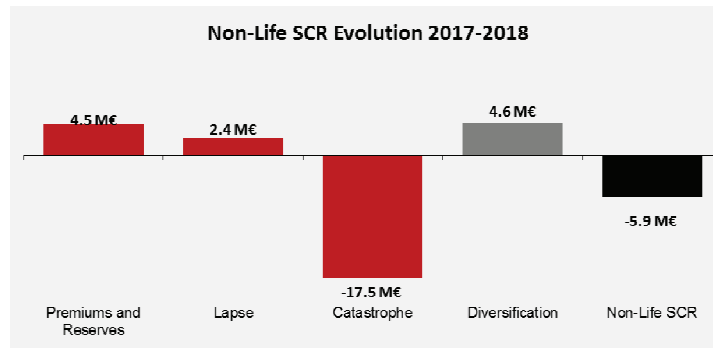
Regarding the lapse risk, its weight is particularly insignificant, given that the insurance contracts have a contract boundary up to the next renewal date.

The Non-Life SCR at 31/12/2017 was:



# Longrun Portugal, SGPS, S.A.

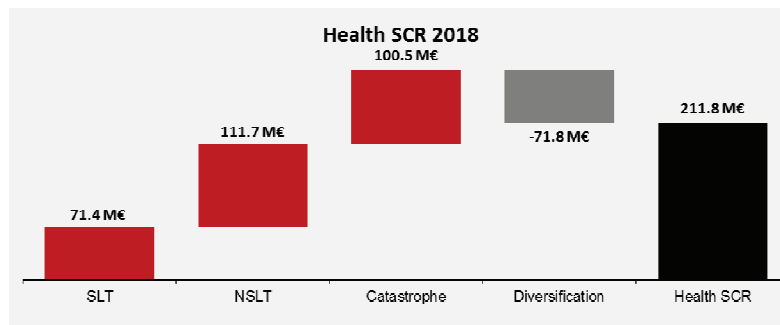
The fall, of EUR 5.9 million, is shown in the graph below.



The decrease in this module results from the decrease in catastrophe risk, due to more of the risk being transferred via reinsurance ceded.

## C.1.3. Health underwriting risk

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



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

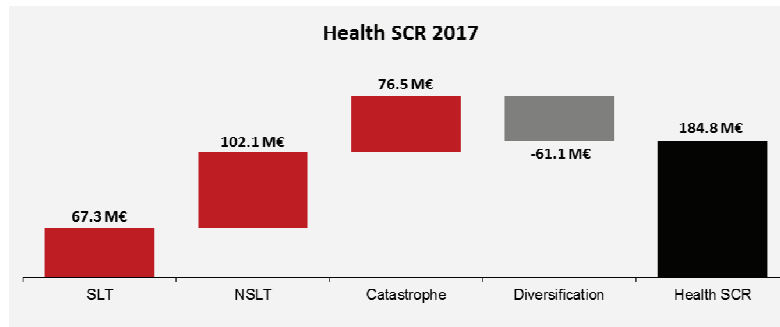
With a lower figure is the NSLT (not similar to life techniques) module of health, the origins of which are in the premiums and reserves risk from the workers' compensation and personal accidents lines of business, given that health insurance is reinsured with Multicare.

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

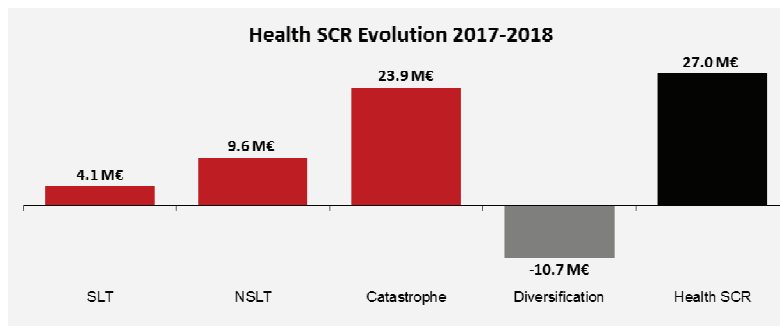


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The Health SCR at 31/12/2017 was:



The difference, of EUR 27 million, is shown in the graph below.



The evolution in this module is basically due to the catastrophe risk resulting from the increased exposure to catastrophe risk in workers' compensation.

## C.1.4. Mitigation measures – underwriting risk

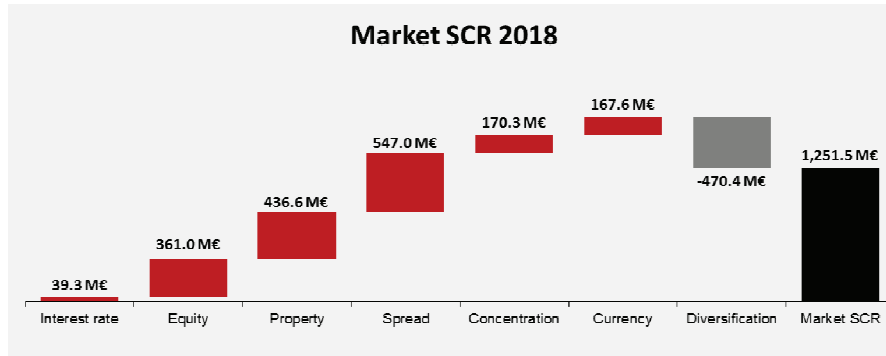
For a number of lines of business, the group uses reinsurance contracts which guarantee mitigation of underwriting risks for life, non-life and accidents and health. This mitigation is taken into account when calculating the respective capital requirements.

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

## C.2. Market risk

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



Within this module, the Spread risk is the highest.

The most important sub-module of market risk is spread risk, as a result of the Group's high exposure to fixed income financial instruments, other than European government bonds.

The second most important sub-module is property risk, reflecting the group's investment strategy in real estate market.

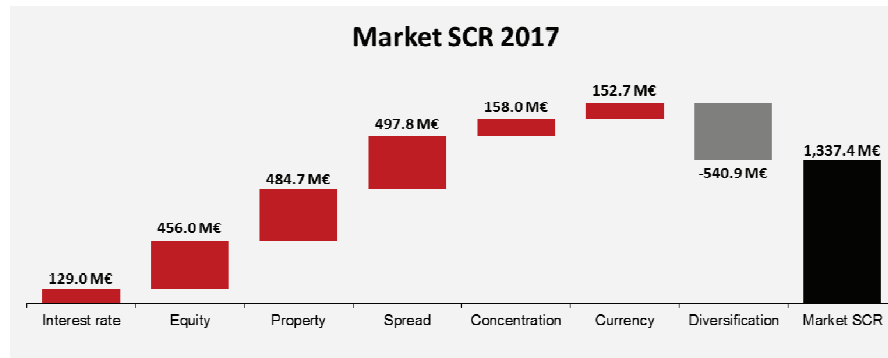
The third most important sub-module is equity risk, reflecting the investment strategy followed by the group, where exposure to equity markets continues to be significant.

Concentration and currency risks represent exposure of amounts of around M€ 170.0 each. For concentration risk, the capital requirement is a result of exposure to CGD Bankinter, Banco Santander and Fosun. For currency risk, the figure reflects the hedging for the most significant exposures to foreign currency.

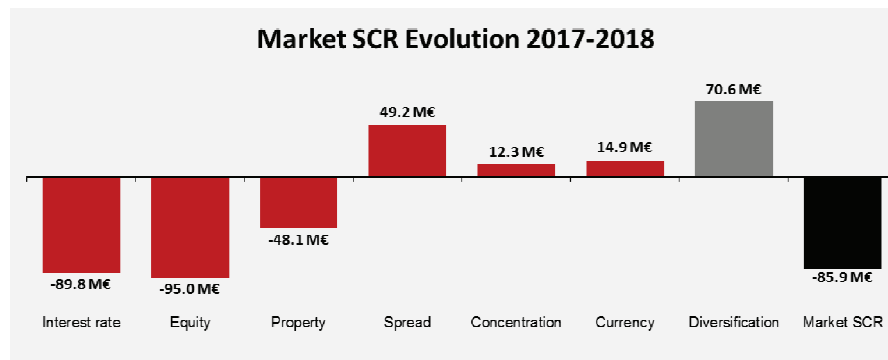
The figure for interest rate risk is much lower. The group's balance sheet has a low level of sensitivity to interest rate changes given both the current climate of low interest rates and the short average duration of its assets and liabilities. In any case, since the average duration of liabilities is greater than that of assets, largely due to the weight of lifelong pensions related with workers' compensation contracts, sensitivity to changes in interest rates is greater for liabilities.

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The Market Risk SCR at 31/12/2017 was:



The difference, of EUR 85.9 million, is shown in the graph below.



The fall in the equity risk is largely explained by the decrease in exposure to assets subject to risk (particularly due to the sale of part of the participation in Luz Saúde), since the symmetrical adjustment went from 1.9% to -6.3%.

The group's greater exposure to corporate debt, as against a lower exposure to sovereign debt of EU member states, and other similar debt, which has zero shock, together with the fact that the look-through approach began to be applied to Fid Loans, largely explains the increase in the spread risk.

The increase in concentration risk is explained predominantly by the increase in exposure to CGD and two other banking groups (Santander and Bankinter).

The decrease in property risk was largely a consequence of the sale of a significant number of properties.

The fall in the interest rate risk is essentially due to a reduction in the duration of assets.

No significant changes occurred in the currency risk. In fact, although there was an increase in foreign currency investments, the currency risk exposure not covered by mitigation instruments remained relatively stable.

The Longrun group's investment process, besides guaranteeing compliance with the prudent person principle, seeks to enable both rational and reasoned decisions when selecting assets and an adequate balance between risk and return.

The process, therefore, begins with the identification of investment opportunities, through tracking, identification and analysis of investment opportunities all over the world, which leads to investment proposals being presented. These are based, on the one hand, on qualitative aspects, such as a description of the investment, including different possibilities on how it can be made, and a description of the business rationale, and, on the other, quantitative aspects such as financial indicators or the expected return.

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These proposals are analysed, including a preliminary study on capital consumption in the light of the Solvency II rules and calculation of the expected RORAC.

If the investment proposal is accepted, an investment case is prepared, containing a summary of the investment to be made, an analysis of compliance with the legal limits and the limits set out in the Companies' Investments Policy, an analysis of the adequacy of the investment in ALM terms (cash flow matching), calculation of the capital consumption associated with the investment in line with the Solvency II rules and calculation of the respective expected RORAC.

This investment case includes an Internal Communication to the Executive Committee which contains the proposal and the grounds for making the investment, as well as other information. When securities transactions are performed, the traders responsible for these are subject to limits defined in the Investments Policy.

The entire process falls within the general investment guidelines for the group as a whole.

According to these guidelines, the main objective of the investment portfolio is to generate income for the Longrun companies, while considering the associated risks and other restrictions arising from the business strategy defined by the Executive Committee.

Assets are allocated to each investments portfolio in a way which enables the aggregate return from all portfolios and respective cumulative risk to meet the established investment objectives.

## **C.2.1. Mitigation measures – market risk**

### Market Risk - Currency

Using futures and forwards contracts the group hedges the currency exposure of its directly or indirectly held 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 and forwards contracts in USD;
- the exposure to assets denominated in Pounds Sterling (GBP) is mitigated by using futures and forwards contracts in GBP;
- the exposure to assets denominated in Yens (JPY) is mitigated by using forwards in JPY.

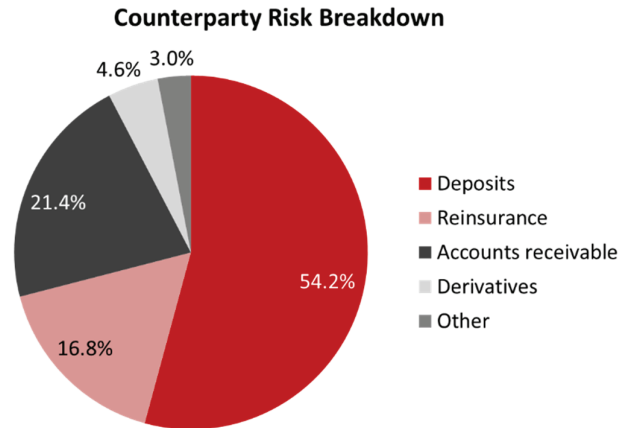
The futures contracts in question have a duration of three months, and the Group intends to replace them with similar contracts, at the end of that period.

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## C.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:



This figure is the result, on the one hand, of the application of sight deposits, with Caixa Geral de Depósitos having a significant weight, and, on the other, the remaining types of exposure to other counterparties, in particular those relating to “accounts receivable” (around 21.4%) and reinsurance (around 16.8%).

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## C.4. Liquidity risk

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

Accordingly, an ALM analysis of the Assets and Liabilities is prepared monthly.

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.

Liquidity-generating needs are analysed following the ALM process. Based on the ALM report, the adequacy of the portfolio size is tested, in particular, compared to the known liabilities, taking into account the movements of liabilities maturities foreseeable in the current month. The result of this diagnosis is the application or generation of liquidity, identifying portfolios and amounts of liquidity to be generated or applied that lead to recommendations on need to purchase or sell assets.

A sensitivity analysis is also carried out monthly on different factors, such as changes in the interest rate structures, downturns in the stock market or default of some of the Companies' major positions. These analyses lead to recommendations on the liquidity level of the assets held in portfolio.

Given the above, there is considered to be adequate mitigation of this risk in the group, which allows for the conclusion that this risk is low.

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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 2018, is:

	Amount in thousand euros
Expected profit included in future premiums	593,304

This figure only refers to the life risk line of business, and the methods and main assumptions described in point D.2.1 of this report are used.

Premiums considered when calculating this profit are net of reinsurance liabilities.

Lastly, the valuation referred to in Article 260(1) d) ii) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, is not adjusted to the characteristics of the products associated with this line of business.

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## C.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. Its increase reflects the evolution of the Company’s business in the life segment.

In their management of operational risk and internal control, the Companies identify, within their processes, the most significant operational risks to which these are exposed, 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.

## C.6. Other material risks

As part of the ORSA process, risks are identified which do not fall within the standard formula.

Risk	Fidelidade	Fidelidade Assistance	Multicare	Via Directa	CPR
<b>Standard formula risks</b>					
Market	✓	✓	✓	✓	✓
Counterparty	✓	✓	✓	✓	✓
Life	✓	n.e.	n.e.	n.e.	n.e.
Health	✓	n.e.	✓	✓	✓
Non-Life	✓	✓	n.e.	✓	✓
Operational	✓	✓	✓	✓	✓
Intangible assets	n.e.	n.e.	n.e.	n.e.	n.e.
<b>Other risks</b>					
Reputational	✓	✓	✓	✓	✓
Strategic	✓	✓	✓	✓	✓
Business	✓	✓	✓	✓	✓
Legal	✓	✓	✓	✓	✓
Liquidity	✓	✓	✓	✓	✓
Inflation	✓	✓	✓	✓	✓
Contagion	✓	n.e.	n.e.	n.e.	n.e.

✓ - The standard formula seems appropriate

× - The standard formula may not be appropriate

n.e. – Not exposed

The following risks are recognised by the Company as possible material risks:

### C.6.1. Reputational risk

Besides the processes for managing this risk, based on the existence of communication and image and complaints management functions, on the adequate planning and monitoring of the Company's human resources and on the Corporate Social Responsibility Programme, the Company manages its public image by, whenever necessary, issuing press releases and appearing in the media and in publications of interest, which allows it to effectively manage potential reputational effects.

In addition, being aware of the growing importance of reputation for an organisation's standing and success, the Company also set up a Communication Coordination Committee, which meets regularly and is led by the Chairman of the Executive Committee, in order to better articulate all of the Company's internal and external communication flows.

The Company, therefore, considers that there is adequate mitigation of this risk, and this risk is classified as low for that reason.

### C.6.2. Strategic risk

The Company's strategy is attained by means of a chain of responsibilities beginning with the Executive Committee, which defines the high level strategic objectives (this process is accommodated within a governance model which involves the Board of Directors, the Investments Committee and the Advisory Board), passing to the first line managers of each Division, who are responsible for outlining plans to achieve those objectives, and ending with the Company's employees, who seek to achieve the proposed objectives on a daily basis within the scope of their functions.

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The strategic decisions taken by the Company are based on well-defined processes of approval and of implementation and monitoring, which have proved to be both effective in terms of implementing the strategy and adequate as a reaction to external factors which may affect the Company's activity. This risk is therefore considered to be low.

## **C.6.3. Business (continuity) risk**

Like any other insurance undertaking operating in Portugal, the Company may be exposed to potential market events. However, this risk is classified as low, given the Company's strong position in the Portuguese insurance market, which has also been increasing.

When analysing this risk, the possibility of the Company suffering losses as a consequence of centralising the development of its business in a given sector, geographical area or specific clients was also considered.

The Company's business concentration risk is considered low, given the high level of diversification in the type of products sold and the sales channels used and in the Company's clients. However, it should be noted that there is a high level of concentration geographically speaking, with most of the business being in Portugal. Nevertheless, the Company is in the process of expanding its business internationally, in particular in markets outside Europe where it is already carrying on its business.

## **C.6.4. Legal risk**

Although this risk is included in the definition of operational risk, the decision was made to analyse it separately, given both its importance and the method of assessment / measurement set out in the standard formula for operational risk, which does not allow for it to be highlighted.

The Company is constantly adapting to the rules in force (at both national and international level) and to the impacts that these have on its business. However, there is a risk, which is considered medium, resulting from potential regulatory changes.

Regarding fiscal changes to which the Company may become subject, we may highlight those related with deferred taxes, namely in terms of the tax rate and/or period for reporting tax losses.

Linked to this risk there is also the risk of possible changes to the level of tax benefits related with certain investment products. If these changes occur, some products may lose the competitive advantage associated with them, which leads to a risk related to sales of these products. Although this situation has already occurred in the past with some products, without any significant impact for the Company, this risk must still be considered.

It should also be said that the Company is subject to possible changes to various European rules which are under consultation, such as IMD2, the Insurance Mediation Directive, MiFID 2, the Markets in Financial Instruments Directive, and also regulation on packaged retail and insurance-based investment products (PRIIPs).

In conclusion, and considering all the points covered above, the legal risk associated with the Company is considered medium, due to the impacts which potential changes in the tax legislation would have and due to uncertainties related with the application of the Solvency II rules.

Besides the risks mentioned above, we may also find Liquidity Risk, Inflation Risk and Contagion Risk.

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), Fidelidade 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.



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## C.7. Any other information

### C.7.1. Adjustment for the loss-absorbing capacity of deferred taxes

In 2018, the group concluded the ongoing project to recognise adjustment for the loss-absorbing capacity of deferred taxes not only relating to the impact on deferred tax liabilities as in previous year, but also the impact on deferred tax assets, using exclusively the effect deriving from temporary differences and not the recovery of tax losses.

It was also decided to limit the impact of the adjustment for the loss-absorbing capacity of deferred taxes, in the component that would imply an increase in deferred tax assets, as follows: the sum of the net current deferred tax asset and the adjustment cannot be greater than 15% of the SCR, considering that, if in case of underlying scenario occurrence, that would be the eligibility limit since it corresponds to Tier 3 own funds.

### C.7.2. Risk sensitivity

The sensitivity of the solvency ratio, at 31 December 2018, 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:

Risk Type	Effect of changes on:		Total effect
	Eligible funds	Capital requirement	
Value of equity-20%	-9.1	-8.5	-17.1
Value of property -10%	-7.4	+1.9	-5.6
Spread +100bps	-12.3	-6.7	-18.5
Interest rate - 100 bps increase	+0.3	+0.7	+1.1
Interest rate - 50 bps decrease	-0.9	-1.3	-2.2

At 31 December 2017 the solvency ratio sensitivity was:

Risk Type	Effect of changes on:		Total effect
	Eligible funds	Capital requirement	
Value of equity-20%	-10.5	+4.3	-6.5
Value of property -10%	-7.1	+2.8	-4.5
Spread +100bps	-14.5	+0.1	-14.4
Interest rate - 100 bps increase	-3.0	-0.8	-3.8
Interest rate - 50 bps decrease	+0.7	+1.0	+1.7

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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.
Interest rate	Parallel increase of 100 bps (basis points) along the whole curve
	Parallel decrease of 50 bps (basis points) along the whole curve

## C.7.3. 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 exposure	Type of Exposure				
	Assets – shares and equity securities	Assets - bonds	Assets - other	Liabilities - Insurance	
	Exposure amount			Exposure amount	Maximum amount payable by reinsurer
PT	383,797	2,711,560	1,059,218	48,827,518	
IT	369,217	1,707,518			
JP			446,269		
GB		2,936	854,625		
ES	120	563,699	454,330		
VG		270,115			
CN		100,011			
IE	252,253				
KY		81,724			
CV	282,108		20,417		
MZ			138,266		
MO			2,431		
PE			353,718		
MX		29,766			
AO			52,202		
US	17,885	212,255			
AT	3,389				
HK	0				
JE		100,000			
DE			18,998		

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

Regarding the 'Assets' exposures, the greatest concentration relates to Portuguese and Italian public debt (M€ 2,612,813 and M€ 1,410,544 respectively, around 38% of the Group's total assets).

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The third largest exposure within 'Assets' exposures is approximately 6.5% of the group's total assets.

## **C.7.4. SCR – other undertakings**

The fall in the SCR – other undertakings is largely explained by the decrease in assets exposure (particularly due to the sale of part of the participation in Luz Saúde) and by the application of look-through approach to Fid Loans I. The companies included in this module are now only:

- FCM
- FID I
- FID III
- FID Loans 2
- Luz Saúde

## D. 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 this valuation with that used in the financial statements.

The same information, for solvency purposes, is presented in relation to 31 December 2017.

During the period covered by this report, there were no material changes, when compared with the period covered by the previous report, in the bases, methods and main assumptions used for the valuation of the assets or in the relevant assumptions used to calculate the technical provisions.

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	Solvency II previous year
<b>Assets</b>					
D.1.	Total assets	16,783,554	17,124,878	-341,324	16.378.096
<b>Liabilities</b>					
D.2.	Technical Provisions	12,842,211	13,627,894	-785,683	12.034.961
D.3.	Other liabilities	1,167,959	928,805	239,154	1.426.254
	Total liabilities	14,010,170	14,556,699	-546,529	13.461.215
	Excess of assets over liabilities	2.773.384	2,568,179	205,205	2,916,881

### D.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.

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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	Solvency II previous year
Financial assets	13,115,809	13,277,802	-161,993	12,956,692
Real estate assets	1,776,967	1,775,228	1,739	1,973,993
Other assets	1,689,704	1,840,920	-151,216	1,189,672
Reinsurance recoverables	201,074	230,928	-29,854	257,739
<b>Total</b>	<b>16,783,554</b>	<b>17,124,878</b>	<b>-341,324</b>	<b>16,378,096</b>

## D.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

Assets	Solvency II	Solvency II previous year
Holdings in related undertakings, including participations	352,964	378,109
Equities - listed	1,038,913	1,376,746
Equities - unlisted	1,882	2,074
Government bonds	4,939,426	5,768,815
Corporate bonds	4,587,266	4,024,977
Structured notes	87,336	37,523
Collateralised securities	0	305
Collective investment undertakings	96,728	87,968
Derivatives	20,883	80,924
Deposits other than cash equivalents	1,950,117	1,023,559
Other investments	0	0
Assets held for index-linked and unit-linked contracts	40,294	175,692
<b>Total</b>	<b>13,115,809</b>	<b>12,956,692</b>

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 parties interested in concluding the transaction in normal market conditions (exit price).

Within the scope of the Solvency II regime, to determine the fair value of financial instruments, assets are classified in line with IFRS 13 (Fair Value Measurement) in the following categories:

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

In this category, the fair value is determined considering the bid price in the active market available on the electronic platform.

## **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. 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 BVAL (*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.

## **IEM – IFRS equity methods**

Not currently applicable.

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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	Solvency II	Financial statements	Difference
Holdings in related undertakings, including participations	352,964	498,996	-146,032
Equities - listed	1,038,913	1,038,913	0
Equities - unlisted	1,882	1,850	32
Government bonds	4,939,426	4,939,404	22
Corporate bonds	4,587,266	4,587,266	0
Structured notes	87,336	87,336	0
Collateralised securities	0	0	0
Collective investment undertakings	96,728	97,170	-442
Derivatives	20,883	20,883	0
Deposits other than cash equivalents	1,950,117	1,950,076	41
Other investments	0	15,620	-15,620
Assets held for index-linked and unit-linked contracts	40,294	40,288	6
<b>Total</b>	<b>13,115,809</b>	<b>13,277,802</b>	<b>-161,993</b>

The differences, by class of asset, are:

### Holdings in related undertakings, including participations

This results 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 fell by m€ 146,032).

The total difference includes the impact of valuation of Luz Saúde using the Adjusted Equity Method (AEM), (the value of this holding for solvency purposes fell by m€ 163,766).

### Equities - unlisted

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

Government bonds This results from valuation differences in LPS investments from Mozambique. The main difference come from the applied exchange rate, given that the investment information is received in MZN and converted into EUR at different times for the statutory financial statements and for Solvency II, in addition there is other minimal differences.

### Collective investment undertakings

This results from funds valuation adjustments for which the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

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## Derivatives

This is largely the result of splitting the heading into assets balance and liabilities balance. The level of detail in Solvency II was greater than that in the financial statements. This effect is also reflected in the corresponding account in liabilities.

## Deposits other than cash equivalents

This results from valuation differences in LPS investments from Mozambique. The main difference come from the applied exchange rate, given that the investment information is received in MZN and converted into EUR at different times for the statutory financial statements and for Solvency II, in addition there is other minimal differences.

## Other investments

This results from reclassification of an ongoing investment, which in the statutory financial statements is classified on Other investments caption and, due to its nature, is classified as equity holding under Solvency II.

## Assets held for index-linked and unit-linked contracts

This results from different times in obtaining the closing quoted prices at 31/12/2018. In the financial statements the valuation at 31/12/2018 was made some hours before the close of some financial markets which have an extended operation. For Solvency II it was possible to consider the final value after the close of all financial markets.

## **D.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	Solvency II	Solvency II previous year
Property, plant and equipment held for own use	136,306	163,833
Property (other than for own use)	998,273	1,188,418
Collective investment undertakings	642,388	621,742
<b>Total</b>	<b>1,776,967</b>	<b>1,973,993</b>

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

The group'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, it being implied that: i) the asset is put up for sale on the market; ii) the conditions of sale permit a regular sale; iii) the period for negotiating the sale is normal, considering the nature of the property.

Following this, one of the following valuation methods is used to determine the Market Value:

### **Market Approach**

The Market Approach consists of determining the value of a property by comparing it with identical or similar properties, according to the information available on the market regarding transaction values or prices practiced for comparable properties.



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In line with this approach, the value of the property is the result of adjustment to the values and prices obtained on the market, in the light of the location and physical characteristics of the property being valued.

## **Cost Approach**

The Cost Approach consists of applying the principle that a purchaser will not pay more for an asset than the cost of obtaining another with the same level of utility, whether through purchase or construction, unless undue time, inconvenience, risk or other factors are involved.

This approach provides an indication of value by calculating the current replacement or reproduction cost of the asset and deducting for deterioration and all other relevant forms of obsolescence.

## **Income Approach**

The Income Approach considers information relating to the income and operating expenses of the property being valued, determining the value by a capitalisation process. In this approach, taking into account the principle of replacing the asset, it is assumed that at a given rate of return required by the market, the revenue flow generated by the property will lead to its most probable fair value.

Accordingly, the estimate of the property's value results from converting the income it generates (usually the net revenue) by applying a given capitalisation rate or update rate, or even both, which reflect the expected level of return on the investment.

In order to comply with the regulations applicable to the Portuguese insurance sector, the following methodology is applied to value Longrun group companies real estate properties:

- It is necessary to follow the property valuation criteria defined for insurance sector entities within the scope of the *Conselho Nacional de Supervisores Financeiros* (CNSF) [National Board of Financial Supervisors], namely as set out in the future regime<sup>3</sup> of the document "*A Avaliação e Valorização de Imóveis – Uma Abordagem Integrada para o Sistema Financeiro Português*" [Appraisal and Valuation of Property – An Integrated Approach for the Portuguese Financial System];
- Besides being registered with the Portuguese Securities Market Commission and have taken general liability insurance, must be also a RICS member, and follow RICS standards;
- In the case of properties the Market Value of which is estimated to be greater than EUR 2.5 million, two valuations are performed by different experts, and the lower value prevails;
- It is necessary to use at least two of the three methods in IFRS 13, with the income approach being compulsory;
- The valuation report must itemise the valuation of the land and the valuation of the building(s);
- In the case of buildings under the horizontal property regime, the valuation report must also allocate valuations per unit, that is, it must include a breakdown of the quota share of the land and the building(s) per unit;
- The valuation report must include a sensitivity analysis regarding the most relevant variables in the valuation;
- Following a principle of prudence, real estate assets must be revalued annually.

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<sup>3</sup> Or transitional regime, when applicable.

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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

Assets	Solvency II	Financial statements	Difference
Property, plant and equipment held for own use	136,306	136,306	0
Property (other than for own use)	998,273	998,273	0
Collective investment undertakings	642,388	640,649	1,739
<b>Total</b>	<b>1,776,967</b>	<b>1,775,228</b>	<b>1,739</b>

The differences, by class of assets, are:

### Collective investment undertakings

This results from funds valuation adjustments for which the look-through approach was applied. In the statutory financial statements, the available valuation at the close of accounts date was considered. In some funds this did not correspond to the year-end valuation. For Solvency II purposes, it was possible to consider the year-end valuation that was made available in the meantime by the collective investment undertakings.

### D.1.3. Other Assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II previous year
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	325,478	319,655
Pension benefit surplus	7,299	12,345
Loans and mortgages to individuals	26	79
Other loans and mortgages	21,645	21,642
Loans on policies	1,154	1,582
Deposits to cedents	543	167
Insurance and intermediaries receivables	150,043	189,755
Reinsurance recoverables	21,382	19,684
Receivables (trade, not insurance)	191,326	164,171
Own shares (held directly)	0	0

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Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	942,114	434,880
Any other assets, not elsewhere shown	28,694	25,712
<b>Total</b>	<b>1,689,704</b>	<b>1,189,672</b>

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.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Goodwill	0	70,178	-70,178
Deferred acquisition costs	0	75,185	-75,185
Intangible assets	0	18,802	-18,802
Deferred tax assets	325,478	281,463	44,015
Pension benefit surplus	7,299	7,299	0
Loans and mortgages to individuals	26	26	0
Other loans and mortgages	21,645	21,645	0
Loans on policies	1,154	1,154	0
Deposits to cedents	543	543	0
Insurance and intermediaries receivables	150,043	183,368	-33,325
Reinsurance recoverables	21,382	21,265	117
Receivables (trade, not insurance)	191,326	191,326	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	942,114	939,972	2,142
Any other assets, not elsewhere shown	28,694	28,694	0
<b>Total</b>	<b>1,689,704</b>	<b>1,840,920</b>	<b>-151,216</b>

The differences, by class of asset, are:

### Goodwill and Deferred acquisition costs

The value of these assets for solvency purposes is zero.

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## 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 group's assets considered in this class do not meet these requirements, their value for solvency purposes is zero.

## 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 technical provisions, given that its valuation for solvency purposes is net of these receivables.

## Reinsurance recoverables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the best estimate of the Non-Life technical provisions (m€ 117), given that its valuation for solvency purposes is net of these receivables.

## Cash and cash equivalents

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading "Derivatives") or to the initial margin (collateral), which was considered in the valuation for solvency purposes under the heading "Debts owed to credit institutions" in other liabilities.

### D.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	Solvency II	Financial statements	Difference	Solvency II previous year
Life and accidents and health similar to life, excluding accidents and health insurance and index-linked and unit-linked	17,538	23,391	-5,853	17,123
Life, index-linked and unit-linked	0	0	0	0
Non-Life, excluding accidents and health insurance	159,374	180,847	-21,473	219,232
Accidents and health similar to life	0	0	0	0
Accidents and health similar to non-life	24,162	26,690	-2,528	21,384
<b>Total</b>	<b>201,074</b>	<b>230,928</b>	<b>-29,854</b>	<b>257,739</b>

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

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Recoverables in the Non-Life, Health SLT and Health NSLT lines of business were obtained based on the following assumptions:

- In each of the insurers in the group, in the Non-Life, Health SLT and Health NSLT lines of business, when calculating the claims provision, the values of the accounting provisions of reinsurance ceded adjusted by the expected losses from counterparty default were assumed as the base value, and these were then distributed in annual future cash flows calculated on the basis of the future pattern of payments obtained for direct insurance in each of the lines of business. Longrun's values were obtained by consolidation, eliminating intra-group relations;
- The component of the provision for premiums in the Non-Life and Health NSLT lines of business was calculated as described in points D.2.2 and D.2.4.

Recoverables from the Life line of business were obtained based on the following assumptions:

- To calculate Life reinsurance recoverables, projections are obtained of future premiums cash flows, claims, commissions and expenses in line with the reinsurance contracts, considering the contractual limits of the direct insurance contracts. All liabilities cash flows are based on the concept of expected value, insofar as they are linked to probabilities of occurrence of events to which they are subject, taking into account the time value of cash.

The expected inflation and interest rate structures referred to in points D.2.5 and D.2.6, respectively, were applied to the cash flows in the Life, Non-Life, Health SLT and Health NSLT lines of business.

## D.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	Solvency II previous year
Life	10,894,672	11,435,283	-540,611	10,067,655
Non-Life	827,221	1,102,499	-275,278	914,611
Health - SLT	898,998	861,827	37,171	830,695
Health - NSLT	221,320	228,285	-6,965	222,000
<b>Total</b>	<b>12,842,211</b>	<b>13,627,894</b>	<b>-785,683</b>	<b>12,034,961</b>

The valuation of the technical provisions results from applying statistical methods which have a degree of uncertainty resulting from random factors which may not yet be reflected in the base information used, namely, market factors, legal changes and political factors.

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However, this degree of uncertainty is lower due to the Companies held by Longrun not using simplifications when calculating the technical provisions.

## D.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>4</sup>	Technical Provisions	Technical Provisions previous year
<b>Index-linked and unit-linked insurance</b>					
Contracts without bonds and guarantees	36,124	155	0	36,279	87,871
Contracts with bonds and guarantees	2,971	0	0	2,971	86,006
<b>Savings</b>					
Contracts with profit sharing	1,897,062	12,675	-179,819	1,729,918	1,595,848
Contracts without profit sharing	9,520,509	21,267	-344,568	9,197,208	8,374,185
<b>Risk</b>					
Contracts with profit sharing	40,490	257	0	40,747	41,546
Contracts without profit sharing	-487,614	133,336	0	-354,278	-352,121
<b>Annuities</b>					
Contracts with profit sharing	129,995	6,891	0	136,886	138,751
Contracts without profit sharing	101,151	3,643	0	104,794	95,569
<b>Reinsurance accepted</b>					
Reinsurance accepted	147	0	0	147	0
<b>Total</b>	<b>11,240,835</b>	<b>178,224</b>	<b>-524,387</b>	<b>10,894,672</b>	<b>10,067,655</b>

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 D.2.6). Stochastic techniques were used when determining the time value of the options and guarantees.

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

<sup>4</sup> Transitional measure on technical provisions.

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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 value of the best estimate results from the sum of the claims provision and the value of the best estimate of future cash flows from policies held in portfolio.

The value of the claims provision corresponds to the value reported in the financial statements, at 31 December 2018, since the average payment time is very low so that any reduction caused by the discount effect would be minimal.

All liabilities cash flows are based on the concept of expected value, insofar as they are linked to probabilities of occurrence of events to which they are subject. These probabilities constitute second-order technical bases, and that expected value is therefore the group's best estimate, following a historical analysis covering several years.

Income to calculate profit sharing, included in the claims estimates, was determined on the basis of assets held in portfolio at 31 December 2018 and their potential gains at that date. For such purpose a "risk neutral" projection was made, in which different securities were subject to the reference interest rates curve (see point D.2.6), added to the recognition of potential gains at that date.

Therefore, in the case of fixed income securities, in order to determine the cash flows default probabilities were calculated so that the current value of those cash flows, discounted at the reference curve, was the same as the market value.

Profit sharing was calculated based on the minimum percentage of allocation, defined contractually.

For insurance with demographic risk, profit sharing was calculated on the technical and financial results, and was distributed by payment in cash. In the case of annuities insurance, the profit-sharing calculation also comes from the technical and financial results, and was allocated by increase in future annuities. For capitalisation products, profit sharing was calculated on the financial results, and was allocated by addition to the mathematical provision, with the consequent increase in sums insured, that is, increase in the amounts paid at maturity, redemption or death.

The Monte Carlo method was used to determine the time value of the options and guarantees.

For unit-linked insurance without guarantees, the technical provision is calculated using the sum of the statutory technical provision (corresponding to the value of the assets) and the corresponding provision for expenses and risk margin. The provisions for expenses are calculated using the current value of the difference between the estimated expenses and the management costs charged at the end of each year.

For unit-linked insurance with guarantees, the best estimate is calculated using the current value of the best estimate of future cash flows, maturities, redemptions, claims, commissions, expenses and less any future premiums. When calculating the maturity cash flow, we consider the higher of the guaranteed value and the estimated value of the assets on the maturity date, with these figures being obtained based on their market value on the valuation date, on the reference curve (see point D.2.6) and net of the products' management costs.

Expenses are estimated using the unit costs calculated based on the total costs charged to unit-linked products in the previous year. Commissions are estimated in line with the distribution agreements for each product. Redemption and death cash flows are estimated based on probabilities calculated in line with the group's past history.

The following calculation assumptions were used:

### Decreases by Death and Disability

Mortality was analysed by class of products, namely: products in the event of death, in the event of life and the financial component. The disability risk was treated in the same way as the risk of death.

# Longrun Portugal, SGPS, S.A.

## Decreases by Redemption and Cancellation

Decreases by cancellations and decreases by redemption were determined according to the historical experience for each type.

## Technical Management Costs

Since these come into play in determining the economic value of the existing business, the acquisition costs were removed from the total expenses charged to the Life Line of Business, at 31 December 2018. The total expenses were divided by the seven different classes of products: Individual Risk, Group Risk, Individual Annuities, Group Annuities, Unit Linked, Capitalisation with Profit Sharing and Capitalisation without Profit Sharing.

## Premiums

For products with demographic risk all future premiums were considered, while for capitalisation products it was assumed that, if the policy is in force, the policyholder will comply with the established premiums payment plan, provided that the product's general and specific conditions so permit and only in scenarios in which the reference interest rate (see point D.2.6) is lower than the product's technical rate. For products whose contracts allow for extraordinary payments, the average payments made in the last five years were taken into account.

## Commissions

Commissions cash flows were calculated based on the provision of services/ commissioning agreements in force in the group, defined in the technical specifications and notes of the different types.

## Future management measures

Regarding future management measures, it was agreed to maintain the portfolio's asset mix at the valuation date. Thus, the proportion of each class of assets and the structure of securities within each class will tend to remain the same over time in the representation in the mathematical provisions.

## Policyholders' behaviour

Policyholders' behaviour in terms of redemptions and cancellations is that described in the point on Decreases by Redemption and Cancellation.

For capitalisation products the payment plans are dealt with in line with that set out in the point on Premiums.

## Risk margin

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%.



## Longrun Portugal, SGPS, S.A.

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
<b>Index-linked and unit-linked insurance</b>			
Contracts without options and guarantees	36,279	37,317	-1,038
Contracts with options and guarantees	2,971	2,971	0
<b>Savings</b>			
Contracts with profit sharing	1,729,918	1,776,005	-46,087
Contracts without profit sharing	9,197,208	9,239,303	-42,095
<b>Risk</b>			
Contracts with profit sharing	40,747	41,648	-901
Contracts without profit sharing	-354,278	142,793	-497,071
<b>Annuities</b>			
Contracts with profit sharing	136,886	97,688	39,198
Contracts without profit sharing	104,794	97,411	7,383
<b>Reinsurance accepted</b>			
Reinsurance accepted	147	147	0
<b>Total</b>	<b>10,894,672</b>	<b>11,435,283</b>	<b>-540,611</b>

For risk products the differences are justified, on one hand, by the use of more prudent technical bases (mortality table, discount rate, etc.) when calculating the technical provisions in the financial statements, so that the technical provisions for solvency purposes are lower.

On the other hand, the difference stems from the fact that the contract boundaries of a series of temporary annual renewable (TAR) group life insurance contracts linked to mortgages are linked to the maturity of the underlying mortgage contract, as described in point D.5.2. This change to the contract boundaries has a positive impact on the group's solvency capital requirement coverage ratio of around 18 pp.

The differences in the index-linked and unit-linked class arise from the current value of the difference between the estimated technical management costs and the future management costs.

For capitalisation products, without profit sharing, the differences are a result, on the one hand, of the application of the transitional technical provisions measure and, on the other, of the difference between the rates guaranteed to clients and the rates contained in the reference interest rates curve (see point D.2.6).

# Longrun Portugal, SGPS, S.A.

## D.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	Technical Provisions previous year
Motor vehicle liability insurance	372,328	10,923	383,251	381,861
Other motor insurance	69,047	4,199	73,246	75,065
Marine, aviation and transport insurance	10,472	417	10,889	13,464
Fire and other damage to property insurance	214,541	3,847	218,388	294,857
General liability insurance	84,683	2,449	87,132	95,843
Credit and suretyship insurance	1,170	63	1,233	2,678
Legal expenses insurance	3,755	148	3,903	3,531
Assistance	27,802	1,270	29,072	27,891
Miscellaneous financial loss	18,869	1,238	20,107	19,421
Non-proportional reinsurance accepted	0	0	0	0
<b>Total</b>	<b>802,667</b>	<b>24,554</b>	<b>827,221</b>	<b>914,611</b>

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 provisions best estimate is the result of the sum of the best estimate of the provisions 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 using the relevant interest rate term structures (see point D.2.6)

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

The risk margin for each of the Group's insurers 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 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.

## Longrun Portugal, SGPS, S.A.

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 Provisions	Financial statements	Difference
Motor vehicle liability insurance	383,251	519,123	-135,872
Other motor insurance	73,246	97,691	-24,445
Marine, aviation and transport insurance	10,889	13,912	-3,023
Fire and other damage to property insurance	218,388	270,455	-52,067
General liability insurance	87,132	113,854	-26,722
Credit and suretyship insurance	1,233	926	307
Legal expenses insurance	3,903	6,010	-2,107
Assistance	29,072	29,142	-70
Miscellaneous financial loss	20,107	24,083	-3,976
Non-proportional reinsurance accepted	0	0	0
Other technical provisions	0	27,303	-27,303
<b>Total</b>	<b>827,221</b>	<b>1,102,499</b>	<b>-275,278</b>

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 D.1.3. Other Assets;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
  - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
  - The estimate of payables not discounted.

The heading Other technical provisions, which only appears in the financial statements with the value of m€ 27,303, mostly corresponds to amounts allocated to the equalisation provision.

# Longrun Portugal, SGPS, S.A.

## D.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>5</sup>	Technical Provisions	Technical Provisions previous year
<b>Health insurance (direct insurance)</b>					
Contracts without options and guarantees	0	0	0	0	0
Contracts with options and guarantees	0	0	0	0	0
<b>Health insurance (reinsurance accepted)</b>					
Health insurance (reinsurance accepted)	0	0	0	0	0
<b>Annuities stemming from non-life insurance contracts</b>					
relating to health insurance obligations	1,090,757	93,093	-284,852	898,998	830,695
relating to insurance obligations other than health insurance obligations	0	0	0	0	0
<b>Total</b>	<b>1,090,757</b>	<b>93,093</b>	<b>-284,852</b>	<b>898,998</b>	<b>830,695</b>

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 using the relevant interest rate term structures (see point D.2.6).

Future cash-flow projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the group's 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%.

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.

<sup>5</sup> Transitional measure on technical provisions.

## Longrun Portugal, SGPS, S.A.

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
<b>Health insurance (direct insurance)</b>			
Contracts without options and guarantees	0	0	0
Contracts with options and guarantees	0	0	0
<b>Health insurance (reinsurance accepted)</b>			
Health insurance (reinsurance accepted)	0	0	0
<b>Annuities stemming from non-life insurance contracts</b>			
relating to health insurance obligations	898,998	861,827	37,171
relating to insurance obligations other than health insurance obligations	0	0	0
<b>Total</b>	<b>898,998</b>	<b>861,827</b>	<b>37,171</b>

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 point D.2.6.

### D.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	Technical Provisions previous year
Medical expenses insurance	83,086	4,075	87,161	84,122
Income protection insurance	39,354	674	40,028	35,328
Workers' compensation insurance	90,139	3,992	94,131	102,550
<b>Total</b>	<b>212,579</b>	<b>8,741</b>	<b>221,320</b>	<b>222,000</b>

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 using the relevant interest rates term structures (see point D.2.6).

# Longrun Portugal, SGPS, S.A.

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the group's portfolio, 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.

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
Medical expenses insurance	87,161	106,609	-19,448
Income protection insurance	40,028	42,709	-2,681
Workers' compensation insurance	94,131	78,967	15,164
<b>Total</b>	<b>221,320</b>	<b>228,285</b>	<b>-6,965</b>

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 D.1.3 Other Assets;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
  - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
  - The estimate of payables not discounted.

## D.2.5. Inflation rate

The harmonised index of prices, three-year forecast, disclosed by Banco de Portugal in December 2018 is used to calculate the best estimate.

In the best estimate projections, 1.4% was considered in 2019, 1.5% in 2020 and 1.6% in subsequent years.

## D.2.6. Reference interest rates

When valuing the technical provisions, Longrun used the relevant risk-free interest rate structures established in Commission Implementing Regulation (EU) 2018/165, of 31 January 2018, without volatility adjustment.

# Longrun Portugal, SGPS, S.A.

## D.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	Solvency II	Financial statements	Difference	Solvency II (previous year)
Contingent liabilities	0	0	0	0
Provisions other than technical provisions	48,181	48,181	0	154,637
Pension benefit obligations	315	315	0	375
Deposits from reinsurers	53,288	53,288	0	59,379
Deferred tax liabilities	365,347	120,334	245,013	524,388
Derivatives	29,537	29,537	0	6,422
Debts owed to credit institutions	311,784	309,642	2,142	298,783
Financial liabilities other than debts owed to credit institutions	52	52	0	77
Insurance and intermediaries payables	88,450	96,451	-8,001	108,456
Reinsurance payables	47,999	47,999	0	37,806
Payables (trade, not insurance)	96,600	96,600	0	128,666
Subordinated liabilities	0	0	0	0
Any other liabilities, not elsewhere shown	126,406	126,406	0	107,265
<b>Total</b>	<b>1,167,959</b>	<b>928,805</b>	<b>239,154</b>	<b>1,426,254</b>

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

The differences, by class of liability, are:

### 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.

### Debts owed to credit institutions

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading "Derivatives") or to the initial margin (collateral), which was considered in the financial statements valuation under the heading "Cash and cash equivalents" in other assets.

# Longrun Portugal, SGPS, S.A.

## Insurance and intermediaries payables

The difference relates to payables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life technical provisions, given that its valuation for solvency purposes is net of these payable.

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## **D.4. Alternative valuation methods**

As mentioned in point D.1.1 of this report, Longrun does not make valuations from financial models.

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## **D.5. Any other information**

### **D.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.

### **D.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 the group has provenly 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, Longrun 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 Longrun assumed a time limit consistent with the insurance contract limits to which they relate, according to the understanding of the ASF.

### **D.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.



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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		Transitional 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>

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the transitional deduction to the technical provisions was applied on the first day of 2018. The table below shows the amount of that deduction at 31/12/2018:

Amounts in thousand euros

Lines of business / Homogeneous risk groups	Transitional Deduction			
	Initial Amount	Decrease at 1/1/2018 <sup>6</sup>	Amount at 31/12/2018	
29 and 33	Life insurance liabilities - Health – SLT	325,545	-20,347	284,852
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	-12,844	179,819
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	-24,612	344,568
<b>Total</b>		<b>924.845</b>	<b>-57,803</b>	<b>809,239</b>

<sup>6</sup> Equal to the decrease at 1 January 2017.

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The following table quantifies the impact on the group's financial condition, at 31/12/2018, of not applying this transitional deduction, namely the impact on the amount of the technical provisions, the solvency capital requirement, the basic own funds and the eligible own funds to meet the solvency capital requirement:

Amounts in thousand euros

	Transitional measure on technical provisions		
	Amount with the transitional measure	Amount without the transitional measure	Impact of the transitional measure
<b>Technical provisions</b>	<b>12,842,211</b>	<b>13,651,450</b>	<b>-809,239</b>
<b>Basic own funds</b>	2,566,302	2,125,545	440,757
Total basic own funds before deductions	2,773,385	2,219,055	554,330
<b>Eligible own funds to meet SCR</b>	<b>2,566,935</b>	<b>2,126,178</b>	<b>440,757</b>
<b>Solvency Capital Requirement (SCR)</b>	<b>1,587,656</b>	<b>1,736,931</b>	<b>-149,275</b>
<b>SCR coverage ratio</b>	<b>161.68%</b>	<b>122.41%</b>	

ASF imposed that for 2019 the transitional deduction to the technical provisions must be recalculated, based on 31/12/2018 information, and the reduction resulting from that calculation (if greater than the normal gradual reduction) must be reported on the first day of 2019. As a consequence of that recalculation, the impact of the decrease in the transitional deduction to technical provisions, on the first day of 2019, is approximately 1.7% of the total amount of Longrun's technical provisions and reducing SCR coverage ratio by 12.7 pp.

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## E. Capital management

During the period covered by this report, there were no significant changes related to the objectives, policies and processes adopted Longrun to manage own funds.

The changes which occurred in 2018, both in its own funds and in its solvency capital requirement are explained in this chapter.

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.

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### E.1. Own funds

#### E.1.1. Management of own funds

The new legal framework on the taking-up and pursuit of the business of insurance requires insurance undertakings 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 by the insurance undertaking.

The ORSA exercise, which coincides with the group's strategic planning timeframe (never less than 2 years), therefore plays a key role in the 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;
- Monitoring of capital adequacy in line with the regulatory capital requirements and the internal capital needs.

As an insurance holding company, Longrun Portugal, SGPS, S.A., 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.

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

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

# Longrun Portugal, SGPS, S.A.

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.

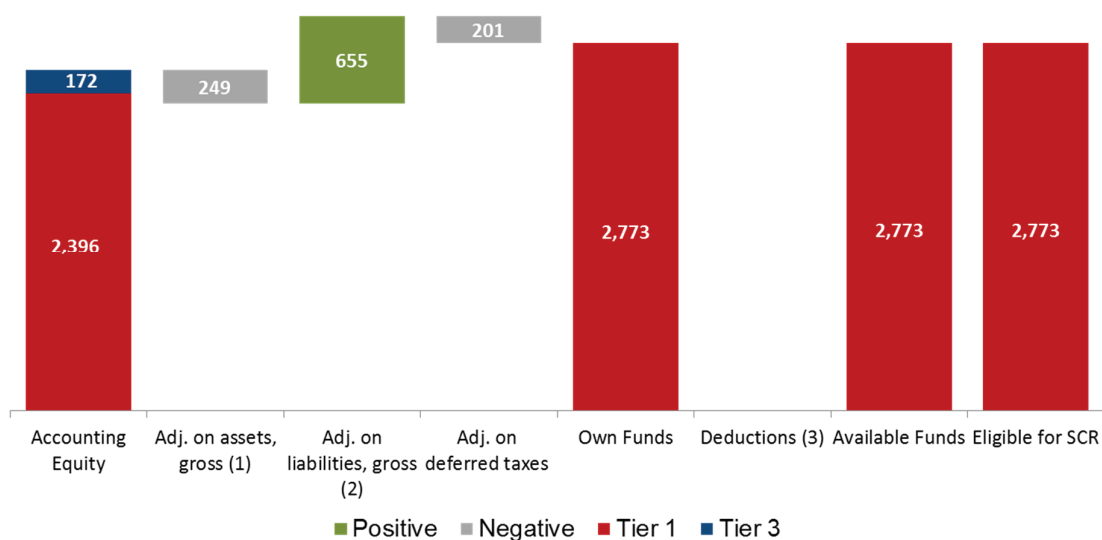
## E.1.2. Structure, amount and tiering of own funds

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

	Solvency II	Financial statements	Difference	Solvency II previous year
Assets	16,783,554	17,124,878	-341,324	16,378,096
Technical Provisions	12,842,211	13,627,894	-785,683	12,034,961
Other liabilities	1,167,959	928,805	239,154	1,426,254
<b>Excess of assets over liabilities</b>	<b>2,773,384</b>	<b>2,568,179</b>	<b>205,205</b>	<b>2,916,881</b>

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



(1) Own Funds 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

# Longrun Portugal, SGPS, S.A.

The following table provides information on the structure, amount and quality of the basic own funds and ancillary own funds, at 31/12/2018 and 31/12/2017.

Amounts in thousand euros

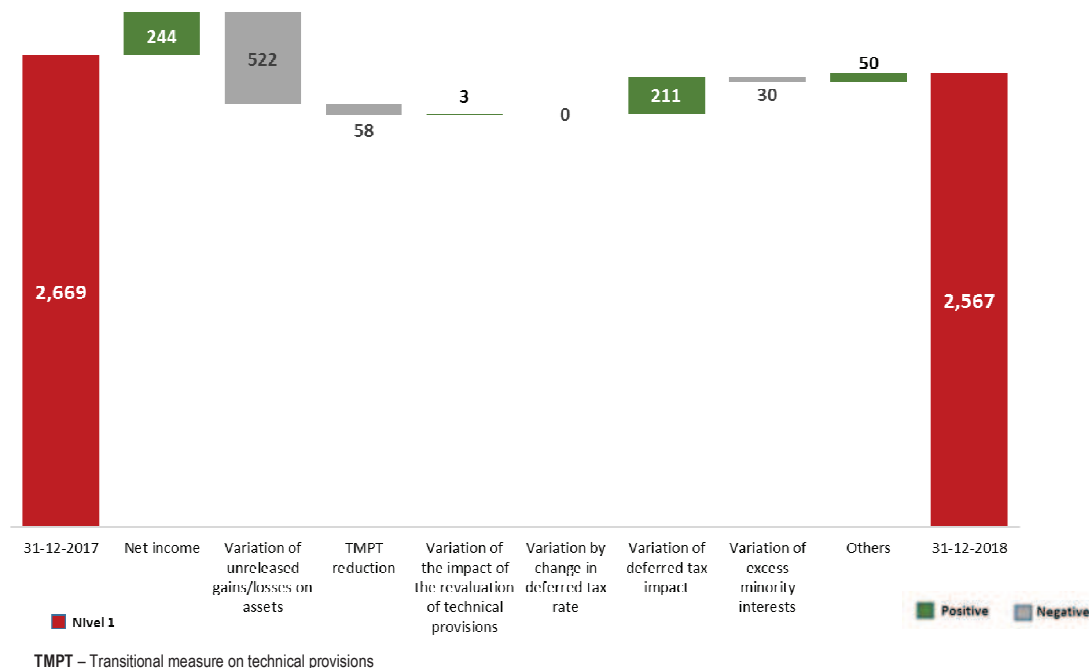
Own Funds - Structure			Amount	Tier	Amount previous year	Tier previous year
Basic own funds	Ordinary share capital (gross of own shares)		50	1	50	1
	Non-available called but not paid in ordinary share capital at group level		0		0	
	Share premium account related to ordinary share capital		0		0	
	Surplus funds		0		0	
	Non-available surplus funds at group level		0		0	
	Preference shares		0		0	
	Non-available preference shares at group level		0		0	
	Share premium account related to preference shares		0		0	
	Non-available share premium account related to preference shares at group level		0		0	
	Reconciliation reserve		1,173,936	1	1,317,432	1
	Subordinated liabilities		0		0	
	Non-available subordinated liabilities at group level		0		0	
	An amount equal to the value of net deferred tax assets		0		0	
	An amount equal to the value of net deferred tax assets non available at group level		0		0	
	Other items approved by the supervisory authority as basic own funds not specified above		1,599,399	1	1,599,399	1
	Non-available own funds related to other own funds items approved by supervisory authority		0		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		0	
	<b>Total basic own funds before deductions</b>		<b>2,773,385</b>		<b>2,916,881</b>	
	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		633	1	0	
	Deductions for participations where there is non-availability of information (Article 229)		0		0	
Deduction for participations included with D&A when the combination of methods is used		0		0		
<b>Total basic own funds</b>		<b>2,772,752</b>		<b>2,916,881</b>		

# Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Own Funds - Structure		Amount	Tier	Amount previous year	Tier previous year
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	0		0	
	Unpaid and uncalled preference shares callable on demand	0		0	
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0		0	
	Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0		0	
	Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	0		0	
	Non available ancillary own funds at group level	0		0	
	Other ancillary own funds	0		0	
	<b>Total ancillary own funds</b>	<b>0</b>		<b>0</b>	
<b>Excess of assets over liabilities</b>	<b>2,772,752</b>		<b>2,916,881</b>		
Minority interests at group level (if not reported as part of another own fund item)	0		0	0	
Non available minority interests at group level	-206,450	1	-248,289	1	
<b>Total eligible own funds without financial sector</b>	<b>2,566,302</b>		<b>2,668,592</b>		
Credit institutions, investment undertakings, financial institutions, alternative investment funds managers, financial institutions	633	1	0		
<b>Total eligible own funds with financial sector</b>	<b>2,566,935</b>		<b>2,668,592</b>		

The graph below shows the main changes to the available own funds during the period covered by this report (amounts in million euros):



## Longrun Portugal, SGPS, S.A.

The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31/12/2018 and 31/12/2017:

Amounts in thousand euros

	Available own funds to meet			Available own funds to meet previous year		
	SCR		MCR	SCR		MCR
	with financial sector	without financial sector		with financial sector	without financial sector	
Tier1	2,566,935	2,566,302	2,566,302	2,668,592	2,668,592	2,668,592
Tier 2	0	0	0	0	0	0
Tier 3	0	0	0	0	0	0
<b>Total</b>	<b>2,566,935</b>	<b>2,566,302</b>	<b>2,566,302</b>	<b>2,668,592</b>	<b>2,668,592</b>	<b>2,668,592</b>

### E.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.

## E.2. Solvency capital requirement and minimum capital requirement

To calculate the solvency capital requirement, the group 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 parameters.

Calculation of the minimum capital requirement is in line with that set out in Article 147 of the aforementioned Legal Framework.

Information is presented below on the solvency capital requirement (SCR) and the minimum capital requirement (MCR) and also the respective coverage ratio, at 31/12/2018 and 31/12/2017.

Amounts in thousand euros

	Capital Requirements	Coverage Ratio	Capital Requirements previous year	Coverage Ratio previous year
<b>SCR with financial sector</b>	1,587,656	161.68%	1,819,976	146.63%
<b>SCR without financial sector</b>	1,587,656	161.64%	1,819,976	146.63%
<b>MCR</b>	494,554	518.91%	485,517	549.64%

The table below provides a breakdown of the SCR by risk modules, with reference to 31/12/2018 and 31/12/2017, focusing, in particular, on the breakdown of the BSCR and the adjustments for the loss-absorbing capacity of the technical provisions and of deferred taxes.

# Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

	SCR Breakdown	SCR Breakdown previous year
Market risk	1,251,536	1,337,433
Counterparty default risk	231,831	225,026
Life underwriting risk	315,014	314,980
Health underwriting risk	211,786	184,830
Non-Life underwriting risk	244,851	250,784
Diversification	-641,556	-630,846
Intangible assets risk	0	0
<b>Basic Solvency Capital Requirement</b>	<b>1,613,462</b>	<b>1,682,207</b>
Operational risk	191,742	137,303
Loss-absorbing capacity of technical provisions	-1,101	-5,892
Loss-absorbing capacity of deferred taxes	-234,858	-132,535
<b>Solvency Capital Requirement</b>	<b>1,569,245</b>	<b>1,681,083</b>
Capital requirement for other financial sectors (capital requirements not linked to the insurance sector)	125	0
Capital requirement for residual undertakings	18,285	138,893
<b>Group Solvency Capital Requirement</b>	<b>1,587,655</b>	<b>1,819,976</b>

Information on the main changes to the solvency capital requirement in the period covered by this report, and the reasons for those changes, are included in Chapter C.

## E.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.

## E.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.



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## **E.5. Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement**

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

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## **E.6. Any other information**

### **E.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.

### **E.6.2. Futures and forwards 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 and forwards contracts.

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

### **E.6.3. Solvency capital requirement and own funds of the Group's 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, SGPS, 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.	1,313,196	197,447	315,014	175,803	220,143	188,078	1,564,023	442,420	2,609,484
Fidelidade Assistência - Companhia de Seguros, S.A.	1,696	7,963	0	0	15,798	1,506	22,285	5,571	43,002
Multicare - Seguros Saúde, S.A.	2,167	11,557	0	51,657	0	8,631	62,496	16,715	85,878
Via Directa - Companhia de Seguros, S.A.	3,237	1,431	0	33	13,726	1,521	16,257	7,316	23,655
Companhia Portuguesa de Resseguros, S.A.	729	958	0	78	415	483	1,981	3,600	12,016

# Longrun Portugal, SGPS, S.A.

## b) Insurance and reinsurance undertakings outside the EEA (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 Angola – Companhia de Seguros, S.A.	29,430	7,400	20,606
Fidelidade Macau – Companhia de Seguros, S.A.	16,529	4,132	24,438
Garantia - Companhia de Seguros de Cabo Verde, S.A.	7,348	7,400	10,556

## c) Other regulated and non-regulated financial undertakings including insurance holding companies and mixed financial holding companies

Amounts in thousand euros

Legal name of undertaking	Local capital requirement	Minimum local capital requirement	Own funds eligible in line with local rules
Fidelidade - Sociedade Gestora de Org. de Investimento Imobiliário, S.A.	125	0	633

### E.6.4. Effects of group diversification

As previously stated, as an insurance holding company, Longrun Portugal, SGPS, S.A., 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 within the group's consolidation perimeter, Fidelidade's business has a very substantial weight, when compared with the other entities.

## Longrun Portugal, SGPS, S.A.

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
	<b>SCR</b>
Fidelidade – Companhia de Seguros, S.A.	1,564,023
Fidelidade Assistência – Companhia de Seguros, S.A.	22,285
Multicare – Seguros de Saúde, S.A.	62,496
Via Directa – Companhia de Seguros, S.A.	16,257
Companhia Portuguesa de Resseguros, S.A.	1,981
Fidelidade Angola - Companhia de Seguros, S.A.	29,430
Garantia - Companhia de Seguros de Cabo Verde, S.A.	7,348
Fidelidade Macau - Companhia de Seguros, S.A.	16,529
<b>Total</b>	<b>1,720,349</b>
Adjustment in Fidelidade participations	-23,617
<b>Total</b>	<b>1,696,732</b>
Group diversification effects	-109,076
<b>Group SCR</b>	<b>1,587,656</b>

# Longrun Portugal, SGPS, S.A.

## E.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

Insurance undertakings	MCR <sup>7</sup>	Proportional part <sup>8</sup>
Fidelidade – Companhia de Seguros, S.A.	442,420	100%
Fidelidade Assistência – Companhia de Seguros, S.A.	3,600	100%
Multicare – Seguros de Saúde, S.A.	5,571	100%
Via Directa – Companhia de Seguros, S.A.	7,316	100%
Companhia Portuguesa de Resseguros, S.A.	16,715	100%
Garantia, Companhia de Seguros de Cabo Verde, S.A.	7,400	100%
Fidelidade Angola – Companhia de Seguros, S.A.	7,400	100%
Fidelidade Macau – Companhia de Seguros, S.A.	4,132	100%
<b>Minimum consolidated group solvency capital requirement</b>	<b>494,554</b>	

<sup>7</sup> Minimum capital requirement at 31/12/2018.

<sup>8</sup> Taking into account Article 261 of the Legal Framework on the Taking-Up and Pursuit of the Business of Insurance and Reinsurance.

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**Appendices**

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**Quantitative information**

Annex I  
S.02.01.02  
Balance sheet

	Solvency II value	
	C0010	
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	325,478
Pension benefit surplus	R0050	7,299
Property, plant & equipment held for own use	R0060	136,306
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	14,716,176
Property (other than for own use)	R0080	998,273
Holdings in related undertakings, including participations	R0090	352,964
Equities	R0100	1,040,795
Equities - listed	R0110	1,038,913
Equities - unlisted	R0120	1,882
Bonds	R0130	9,614,027
Government Bonds	R0140	4,939,426
Corporate Bonds	R0150	4,587,266
Structured notes	R0160	87,336
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	739,116
Derivatives	R0190	20,883
Deposits other than cash equivalents	R0200	1,950,116
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	40,294
Loans and mortgages	R0230	22,825
Loans on policies	R0240	1,154
Loans and mortgages to individuals	R0250	26
Other loans and mortgages	R0260	21,645
Reinsurance recoverables from:	R0270	201,074
Non-life and health similar to non-life	R0280	183,537
Non-life excluding health	R0290	159,374
Health similar to non-life	R0300	24,162
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	17,538
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	17,538
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	543
Insurance and intermediaries receivables	R0360	150,043
Reinsurance receivables	R0370	21,382
Receivables (trade, not insurance)	R0380	191,326
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	942,113
Any other assets, not elsewhere shown	R0420	28,694
<b>Total assets</b>	<b>R0500</b>	<b>16,783,554</b>

	Solvency II value	
	C0010	
Liabilities		
Technical provisions – non-life	R0510	1,048,543
Technical provisions – non-life (excluding health)	R0520	827,222
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	802,667
Risk margin	R0550	24,555
Technical provisions - health (similar to non-life)	R0560	221,321
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	212,579
Risk margin	R0590	8,742
Technical provisions - life (excluding index-linked and unit-linked)	R0600	11,754,418
Technical provisions - health (similar to life)	R0610	898,998
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	805,905
Risk margin	R0640	93,093
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	10,855,420
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	10,677,352
Risk margin	R0680	178,068
Technical provisions – index-linked and unit-linked	R0690	39,249
Technical provisions calculated as a whole	R0700	37,317
Best Estimate	R0710	1,777
Risk margin	R0720	155
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	48,181
Pension benefit obligations	R0760	315
Deposits from reinsurers	R0770	53,288
Deferred tax liabilities	R0780	365,347
Derivatives	R0790	29,537
Debts owed to credit institutions	R0800	311,784
Financial liabilities other than debts owed to credit institutions	R0810	52
Insurance & intermediaries payables	R0820	88,450
Reinsurance payables	R0830	47,999
Payables (trade, not insurance)	R0840	96,600
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	126,406
<b>Total liabilities</b>	<b>R0900</b>	<b>14,010,169</b>

**Excess of assets over liabilities** R1000 2,773,384







Annex I

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	<b>R0010</b>	12,842,211	809,239	0	0	0
Basic own funds	<b>R0020</b>	2,566,302	-440,757	0	0	0
Eligible own funds to meet Solvency Capital Requirement	<b>R0050</b>	2,566,935	-440,757	0	0	0
Solvency Capital Requirement	<b>R0090</b>	1,587,656	149,275	0	0	0

Annex I  
S.23.01.22  
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector</b>						
Ordinary share capital (gross of own shares)	R0010	50	50			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	0	0			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	1,173,936	1,173,936			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180	1,599,399	1,599,399			
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210	206,450	206,450			
<b>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</b>						
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	R0220					
<b>Deductions</b>						
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	R0230	633	633			
Deductions for participations where there is non-availability of information (Article 229)	R0240					
Deduction for participations included by using D&A when a combination of methods is used	R0250					
Total of non-available own fund items	R0260					
	R0270	206,450	206,450	0	0	0
<b>Total deductions</b>	R0280	207,082	207,082	0	0	0
<b>Total basic own funds after deductions</b>	R0290	2,566,302	2,566,302	0	0	0
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390	0				
<b>Total ancillary own funds</b>	R0400				0	0
<b>Own funds of other financial sectors</b>						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - Total	R0410	633	633			
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440	633	633			
<b>Own funds when using the D&amp;A, exclusively or in combination of method 1</b>						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	R0520	2,566,302	2,566,302	0	0	0
Total available own funds to meet the minimum consolidated group SCR	R0530	2,566,302	2,566,302	0	0	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	R0560	2,566,302	2,566,302	0	0	0
Total eligible own funds to meet the minimum consolidated group SCR	R0570	2,566,302	2,566,302	0	0	
<b>Minimum consolidated Group SCR</b>	R0610	494,554				
<b>Ratio of Eligible own funds to Minimum Consolidated Group SCR</b>	R0650	5				
<b>Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A )</b>	R0660	2,566,935	2,566,935	0	0	0
<b>Group SCR</b>	R0680	1,587,656				
<b>Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&amp;A</b>	R0690	2				
<b>C0060</b>						
<b>Reconciliation reserve</b>						
Excess of assets over liabilities	R0700	2,773,384				
Own shares (included as assets on the balance sheet)	R0710	0				
Forseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	1,599,449				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Other non available own funds	R0750					
<b>Reconciliation reserve before deduction for participations in other financial sector</b>	R0760	1,173,936				
<b>Expected profits</b>						
Expected profits included in future premiums (EPIFP) - Life business	R0770	593,304				
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0				
<b>Total EPIFP</b>	R0790	593,304				

Annex I  
S.25.01.22  
Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	1,251,536		
Counterparty default risk	R0020	231,831		
Life underwriting risk	R0030	315,014		
Health underwriting risk	R0040	211,786		
Non-life underwriting risk	R0050	244,851		
Diversification	R0060	-641,556		
Intangible asset risk	R0070	0		
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	<b>1,613,462</b>		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	191,742
Loss-absorbing capacity of technical provisions	R0140	-1,101
Loss-absorbing capacity of deferred taxes	R0150	-234,858
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>	<b>R0200</b>	<b>1,569,246</b>
Capital add-on already set	R0210	
<b>Solvency capital requirement</b>	<b>R0220</b>	<b>1,587,656</b>
Other information on SCR		
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	
Minimum consolidated group solvency capital requirement	R0470	494,554
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	125
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	125
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	18,285
Overall SCR		
SCR for undertakings included via D and A	R0560	
<b>Solvency capital requirement</b>	<b>R0570</b>	<b>1,587,656</b>

Annex I  
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	LEI/529900FNLE8ZOPUOT704	LEI	Fidelidade - Companhia de Seguros, S.A.	4	0	2	ASF	85.00%	100.00%	85.00%	0	1	100.00%	1	0	1	
PT	LEI/9598005TTT45GTVTB854	LEI	COMPANHIA PORTUGUESA DE RESSEGUROS, S.A.	3	0	2	ASF	100.00%	100.00%	100.00%	0	1	100.00%	1	0	1	
PT	LEI/959800J9FW7L435TD92	LEI	FIDELIDADE ASSISTENCIA - COMPANHIA DE SEGUROS, S.A.	2	0	2	ASF	80.00%	100.00%	80.00%	0	1	100.00%	1	0	1	
PT	LEI/959800XGKSDYTU6HVV17	LEI	VIA DIRECTA - COMPANHIA DE SEGUROS, S.A.	2	0	2	ASF	100.00%	100.00%	100.00%	0	1	100.00%	1	0	1	
PT	LEI/95980038LJ194K38XP93	LEI	MULTICARE - SEGUROS DE SAUDE, S.A.	2	0	2	ASF	80.00%	100.00%	80.00%	0	1	100.00%	1	0	1	
PT	SC/1002	SC	FIDELIDADE - PROPERTY EUROPE, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	SC/1003	SC	GEP - GESTAO DE PERITAGENS, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	SC/1004	SC	EAPS - EMPRESA DE ANALISE, PREVENCAO E SEGURANCA, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	SC/1006	SC	Fundo Saudeinveste	99	0	2		99.09%	99.09%	99.09%	0	1	99.09%		0	10	
PT	SC/1007	SC	Audatex Portugal S.A.	10	0	2		33.67%	33.67%	33.67%	0	2	33.67%		0	3	
PT	SC/1040	SC	CETRA - CENTRO TECNICO DE REPARACAO AUTOMOVEL, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	SC/1053	SC	Fundo Bonanca I	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	10	
PT	SC/1060	SC	FIDELIDADE - SERVICOS DE ASSISTENCIA, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	SC/1061	SC	CARES MULTIASSISTANCE, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
AO	SC/1072	SC	FIDELIDADE ANGOLA - COMPANHIA DE SEGUROS, S.A.	4	0	2	ARSEG	70.00%	100.00%	70.00%	0	1	100.00%		0	1	
DE	SC/1073	SC	FCM Betelligungs GmbH	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	3	
PT	SC/1075	SC	Luz Saude	99	0	2		50.36%	50.36%	50.36%	0	1	50.36%		0	10	
PT	SC/1096	SC	FIDELIDADE - PROPERTY INTERNATIONAL, S.A.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
HK	SC/1098	SC	FID I (HK) LIMITED	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	10	
HK	SC/1100	SC	FID III (HK) LIMITED	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	10	
GB	SC/1101	SC	FPI (UK) 1 LIMITED	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
AU	SC/1103	SC	FPI (AU) 1 PTY LIMITED	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
IT	SC/1113	SC	FPE (IT) Societa per Azioni	10	0	2		95.76%	100.00%	95.76%	0	1	100.00%		0	1	
MZ	SC/1114	SC	FIDELIDADE - CONSULTORIA E GESTAO DE RISCO, LIMITADA	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
MZ	SC/1115	SC	FIDELIDADE - ASSISTENCIA E SERVICOS, LIMITADA	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
MO	SC/1116	SC	FIDELIDADE MACAU - COMPANHIA DE SEGUROS, S.A.	2	0	2	AMM	100.00%	100.00%	100.00%	0	1	100.00%		0	1	
LU	SC/1124	SC	FPE (Lux) Holding S.A r.l.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
LU	SC/1125	SC	Thomas More Square (Lux) Sarl	10	0	2		99.30%	100.00%	99.30%	0	1	100.00%		0	1	
LU	SC/1126	SC	Thomas More Square (Lux) Holdings Sarl	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
JP	SC/1128	SC	Godou Kaisha Praia	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
JP	SC/1129	SC	Godou Kaisha Moana	10	0	2		97.00%	100.00%	97.00%	0	1	100.00%		0	1	
IT	SC/1130	SC	Fundo Broggi	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	3	
PT	SC/1131	SC	Fidelidade - Sociedade Gestora de Org. de Investimento Imobiliari	15	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	5	
IE	SC/1134	SC	Fid Loans 1 (Ireland) Limited	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	10	
IE	SC/1136	SC	FID LOANS 2 (IRELAND) LIMITED	99	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	10	
IT	SC/1137	SC	Broggi Retail S.R.L.	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	3	
AO	SC/1142	SC	UNIVERSAL - ASSISTENCIA E SERVICOS, LIMITADA	10	0	2		80.00%	100.00%	80.00%	0	1	100.00%		0	1	
PT	SC/1143	SC	Fid Latam, SGPS S.A	5	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
CV	SC/1144	SC	GEP Cabo Verde, Gestao de Peritagens limitada	10	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PE	SC/1150	SC	FID PERU S.A.	5	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
CL	SC/1151	SC	Fid Chile SpA	5	0	2		100.00%	100.00%	100.00%	0	1	100.00%		0	1	
PT	LEI/959800V577BYKYBLGS47	LEI	LongRun	5	0	2											
CV	SC/201	SC	GARANTIA - COMPANHIA DE SEGUROS DE CABO VERDE, S.A.	4	0	2	BCV	55.89%	100.00%	55.89%	0	1	100.00%		0	1	

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## Responsible Actuary's Report

**LONGRUN PORTUGAL, SGPS, S.A.**

**REPORT OF**

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

**CONDITION AT 31 DECEMBER 2018**

Lisbon, May 30, 2019

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## 1. Introduction

This report was produced 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 LongRun Portugal, SPGS, S.A. at December 31, 2018.

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

### *Technical Provisions*

#### **Life**

Best Estimate (after Transitional Deduction to the Technical Provisions)	10,677,352,197
Risk Margin	178,068,102
	<b>10,855,420,299</b>

#### **Non-Life**

Best Estimate	802,667,179
Risk Margin	24,555,038
	<b>827,222,217</b>

#### **Health SLT**

Best Estimate	805,904,868
Risk Margin	93,093,152
	<b>898,998,020</b>

#### **Health NSLT**

Best Estimate	212,578,991
Risk Margin	8,741,721
	<b>221,320,712</b>

#### **Index-linked and Unit-linked**

Technical Provisions calculated as a whole	37,317,064
Best Estimate	1,777,140
Risk Margin	155,099
	<b>39,249,303</b>

<b>Total Technical Provisions</b>	<b>12,842,210,551</b>
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U: Euros

*Amounts Recoverable*

<b>Life</b>	17,537,881
<b>Non-Life</b>	159,374,305
<b>Health SLT</b>	0
<b>Health NSLT</b>	24,162,228
<b>Total Amounts Recoverable</b>	<b>201,074,414</b>

U: Euros

*Future Discretionary Benefits*

<b>Future Discretionary Benefits</b>	7,761,165
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U: Euros

*Underwriting Risks*

	<b>Net Capital Requirement</b>	<b>Gross Capital Requirement</b>
Life Underwriting Risks	314,312,614	315,014,073
Non-Life Underwriting Risks	244,851,074	244,851,074
Health Underwriting Risks	211,786,320	211,786,320
Technical Provisions Loss Adjustment	-701,459	

U: Euros

*Total own funds*

Solvency Capital Requirement (SCR)	1.587.656.029
Minimum Capital Requirement (MCR)	494.553.715
Ratio of eligible own funds to SCR	162%
Ratio of eligible own funds to MCR	519%
Total available own funds to meet the SCR	2,566,302,037
Total available own funds to meet the MCR	2,566,302,037
Total eligible own funds to meet the SCR	2,566,302,037
Total eligible own funds to meet the MCR	2,566,302,037

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 produced in accordance 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 Article 77 of Law No. 147/2015, of 9<sup>th</sup> September.

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.

In this report, we have aimed to provide sufficient information for another Actuary to be able to recognise the methodology and the assumptions used and to understand the reasons upon which the opinion of the Appointed Actuary is based on, in what concerns the adequacy of the calculation of the elements subject to certification and 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 cannot be used with other aims and/or within any other scope.

It must be understood that the results 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 produced 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.

On the date this statement is made, we do not have information from the external auditor on the conclusions it has reached on the risks which it is responsible for certifying. Our conclusions have been sent to the external auditors.

#### 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, May 30, 2019

Actuarial - Consultadoria Lda.



Luís Portugal  
Partner-Director

# Longrun Portugal, SGPS, S.A.

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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 3º 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 3º 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 27º from Regulatory Standard No. 8/2016-R, of 16 August (republished by Regulatory Standard No. 1/2018, of 11 January) including the quantitative information to be disclosed with that Report ("Quantitative Information"), according to articles 4º and 5º of the Commission's Implementing Regulation (EU) No. 2015/2452, of 2 December 2015 of Longrun Portugal, SGPS, S.A. ("The Entity"), with reference to 31 December 2018.

Our report comprises the reporting of the following matters:

- A. Report on the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification, availability and eligibility of own funds and on the calculation of the solvency capital requirement and minimum capital requirement;
  - 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 STATUTORY STATEMENT OF FINANCIAL POSITION AND THE BALANCE SHEET FOR SOLVENCY PURPOSES AND THE CLASSIFICATION, AVAILABILITY AND ELIGIBILITY OF OWN FUNDS AND ON THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

### Responsibilities of the Management Board

It is the responsibility of the Entity's Board of Directors the calculation of the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification and the availability evaluation and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement submitted to ASF, under the terms of Commission Implementing Regulation (EU) No. 2015/35, of 10 October 2014, that completes the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, relating to the Taking-up and Pursuit of the Business of Insurance and Reinsurance ("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 reasonable assurance conclusion, as to whether the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and that classification, availability and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement, are free from material misstatements, are complete and reliable and, in all materially relevant respects, are presented in accordance with the applicable legal and regulatory requirements.



According to No. 2 of article 3<sup>o</sup> of Regulatory Standard, it is not our responsibility to verify the adequacy of legal requirements, applicable regulatory and calculation techniques (i) of the elements included within the certification by the Entity's responsible actuary, as established in the article 7<sup>o</sup> of same Regulatory Standard, and (ii) of the elements of solvency capital requirement included within the certification by the Entity's responsible actuary, as established in the article 10<sup>o</sup> of same 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, that the classification, availability and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement, 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 Entity's information systems and the respective statutory financial position statement as of 31 December 2018, object of the Statutory Audit whose Report was issued on 22 May 2019 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 Entity, except for those referred to in the next paragraph that are excluded from the scope of this certification;
- (v) the reconciliation of the base information used for the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2018, with the financial position statement for solvency purpose, with book records and other information maintained in the Entity's systems with reference to the same date;
- (vi) the review, on a sample basis, of the correct classification and characterization of assets in accordance with regulation requirements;
- (vii) the review of the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2018, performed by the Entity; and
- (viii) reading the documentation prepared by the Entity under the regulation requirements.

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 7<sup>o</sup> of Regulatory Standard, were subject to actuarial certification by the Entity's responsible actuary.

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 Entity.

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, 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 an extensive quality control system which includes 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 statutory statement of financial position and the balance sheet for solvency purposes and that the classification, availability and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement, with reference to the Report of the Solvency and Financial Condition date (31 December 2018), 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 Entity'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 No. 8/2016-R, of 16 August, issued by ASF (republished in the Regulatory Standard No. 1/2018-R, of 11 January); and
- Define, approve, periodically review and document the main policies, strategies and processes that define and regulate the Entity governance, management and control, including the risk management and internal control systems ("Governance System"), which should be described on chapter B 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 Entity at 31 December 2018.

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

- (i) the assessment of the information included on Entity's Report relating to the Governance System with respect to the following main aspects: general information; qualification and integrity 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 Entity is governed, managed and controlled and obtaining supporting evidence of its implementation;
- (iii) discussing the conclusions with the Entity's management.

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, 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 an extensive system of quality control which includes 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 2018), 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 Entity'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, of 16 August, issued by ASF (republished by Regulatory Standard No. 1/2018, of 11 January), including the quantitative information to be jointly disclosed with that report, as established in the articles 4º e 5º of the Commission's Implementing Regulation (UE) No. 2015/2452, of 2 December 2015.

### Auditor's responsibilities

Our responsibility, as defined in subparagraph c) of No. 1 of article 4º 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.

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, 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 an extensive system of quality control which includes 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, with reference to the Report of the Solvency and Financial Condition date (31 December 2018), 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 Entity 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, 3 June 2019

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

(Signed)

Ricardo Nuno Lopes Pinto - ROC No. 1579  
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