

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

ANNUAL  
REPORT  
**2019**

**20  
19**

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**REPORT OF  
THE BOARD  
OF DIRECTORS  
CONSOLIDATED  
ACCOUNTS**

**1.**

# **CORPORATE BODIES**

## LONGRUN PORTUGAL, SGPS, S.A.

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### Board of Directors

**Chairman**

Lingjiang XU

**Member**

Wai Lam William MAK

### Supervisory Board

**Chairman**

Pedro Antunes de Almeida

**Members**

Vasco Jorge Valdez Ferreira Matias

João Filipe Gonçalves Pinto

**Alternate**

Isabel Gomes de Novais Paiva

### Statutory Auditors

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

**2.**

**LONGRUN  
PORTUGAL**

## A. KEY INDICATORS

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**€4,083  
million**

**Total Premiums Written**  
(includes amounts relating to  
investment contracts)

Life: € 2,053 million  
Non-Life: € 2,029 million

**€20.4  
billion**

**Net Assets**

**€177.6  
million**

**Net Profits**

**25.5%**

**Market Shares (PT)**

Life: 23.6%  
Non-Life: 27.9%

**6,412**

**Employees**

**€2,635  
million**

**Shareholders' Equity**

**28.3%**

**Weight of International  
Non-Life Operation**

**96.5%**

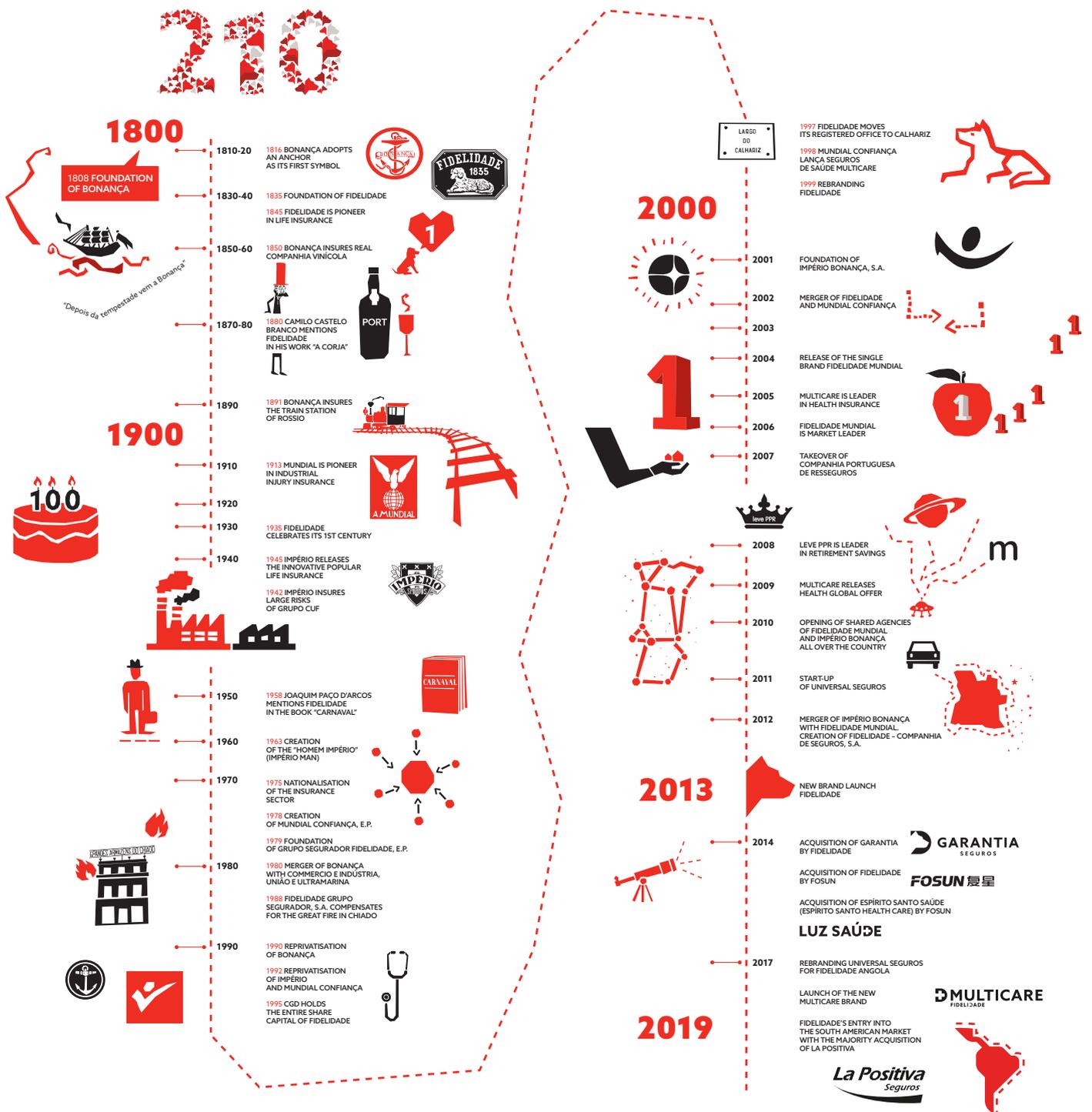
**Non-Life  
Combined Ratio**

(Ratio adjusted to the technical costs of  
the insurance activity)

**7.3%**

**Return on Equity**

## B. HISTORY OF LONGRUN'S INSURANCE BUSINESS



Two centuries of history have contributed to guarantee the current credibility, size and solidity of the companies in the consolidation perimeter of Longrun Portugal, SGPS, S.A. ("Longrun" or "Company").

Until 2000 the Portuguese insurance sector was mostly concentrated on the insurers that resulted from the reorganisation of the industry in the 1980s.

More recently, after 2000, the Portuguese market began a new phase of consolidation, which gave rise to two major players in the sector: Fidelidade Mundial and Império Bonança.

In 2005, CGD – the sole shareholder of Fidelidade Mundial – acquired Império Bonança, establishing the basis for a new phase in the consolidation of the market. The result was a Portuguese insurance group combining the major Portuguese insurers, enabling the creation of important synergies and consolidation of assets and unique skills within the sector.

The years that followed were marked by progressive integration of the operations of the two companies, culminating in their final merger in 2012 and the launch of the single brand, Fidelidade, in 2013.

In 2014, the company was privatised, with the Fosun Group acquiring approximately 84.99% of the capital of Fidelidade, and the CGD Group remaining the reference shareholder with 15%.



From 2014 on, Longrun's insurance business entered a new phase of development, bolstered by support from the shareholders and focused on two priorities: consolidation of its leadership in the Portuguese market and international expansion.

Applying this strategy, in 2014 Longrun's insurance business acquired Garantia, the leading insurance company in Cape Verde, and Espírito Santo Saúde, a leading healthcare provider in Portugal, now renamed Luz Saúde.

The Group enhanced its strategy of expansion in 2019, completing the acquisition of a majority shareholding in the La Positiva y Reaseguros Insurance Group, which has a leading position in Peru and also operates in Bolivia and Paraguay, and also commencing its operation in the Chilean market.

The completion of this expansion process represents another step in consolidating Longrun's insurance internationalisation strategy and marks the start of business in Latin America.

## C. ABOUT LONGRUN PORTUGAL

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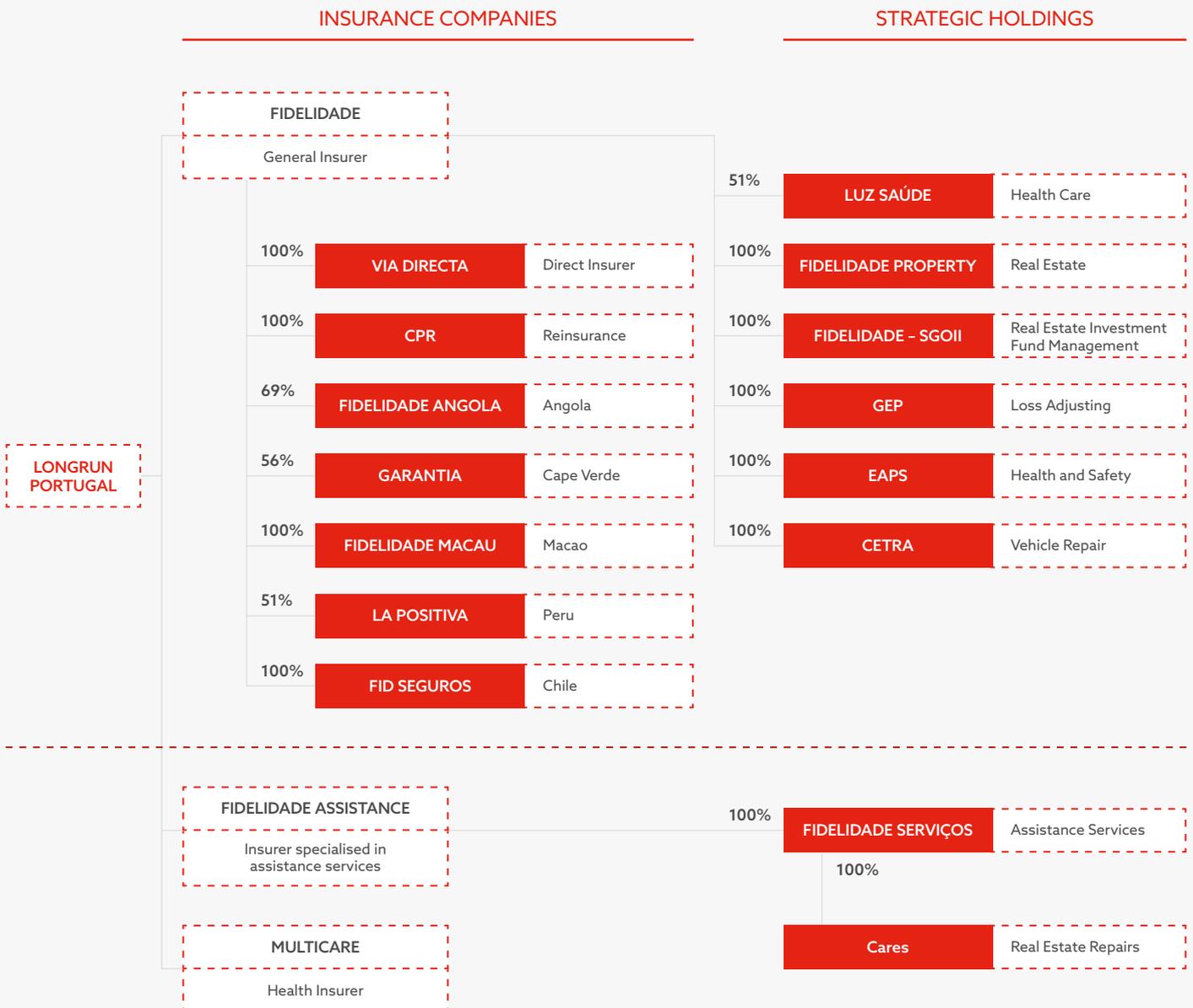
### i. Group Structure

Longrun owns several insurance companies in the Portuguese market: 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, Fidelidade Macao (Non-Life segment), Grupo La Positiva Group and Fid Chile.

Lastly, through Fidelidade and Fidelidade Assistência, Longrun has 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.

## SIMPLIFIED ORGANISATION CHART



## ii. Positioning

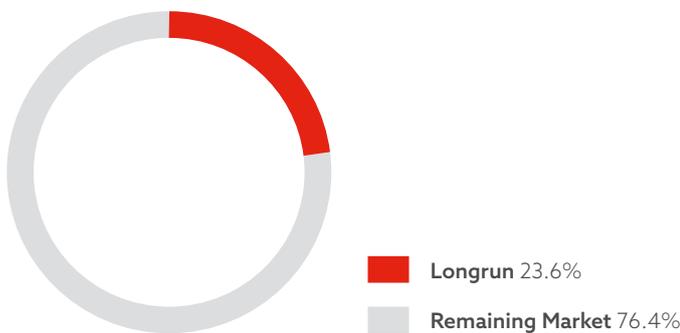
Longrun's insurance business acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, which includes increasing growth of remote channels.

In 2019, Longrun's insurance business held its position as market leader in both the Life and Non-Life segments, recording an overall market share of 25.5% in the Portuguese market, although this corresponds to a decrease of 9.2 pp compared to the previous year, originating from the financial products component.

However, in the Life segment, which is heavily influenced by the behaviour of financial products, it is important to highlight that Longrun's insurance business increased its market share for Life Risk products.

In fact, the success recorded for Life Risk products reflects not only the recent evolution in mortgages, but also the success of the focus on new solutions adapted to the current social and macroeconomic context. 2019 also saw further consolidation of the success of both the Proteção Vital da Família product, an innovative life insurance that accompanies families throughout their life cycle, and the Proteção Vital 65+ product, an insurance dedicated to the needs of the over-65s.

### Life Segment – Market Share



### Longrun

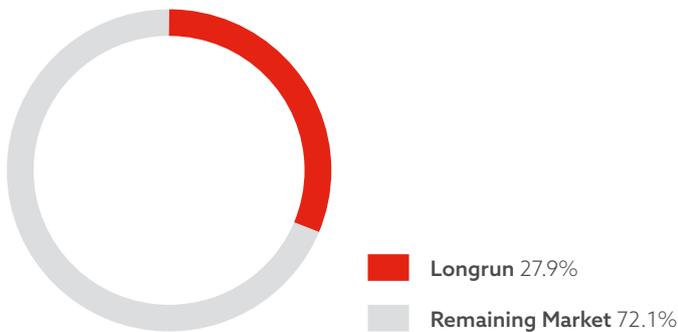
Life Risk **18.3%**  
Annuities **32.9%**  
Life Capitalisation **22.6%**  
Pension Plans **26.2%**

In the **Non-Life** segment, the commercial performance of Longrun's insurance business in the Portuguese market surpassed the positive trend of the market as a whole, with the Group strengthening its market share by 0.4 pp to 27.9%.

This evolution reflects the positive performance of most lines of businesses. Of particular note was the increase in share in some highly competitive lines of business, in particular Workers' Compensation (0.3 pp), Motor (0.3 pp) and Health (0.6 pp).

The performance of Longrun's insurance business enabled it to consolidate its position of leadership in all lines of business, and it remained the clear market leader in Non-Life insurance in Portugal.

### Non-Life Segment - Market Share



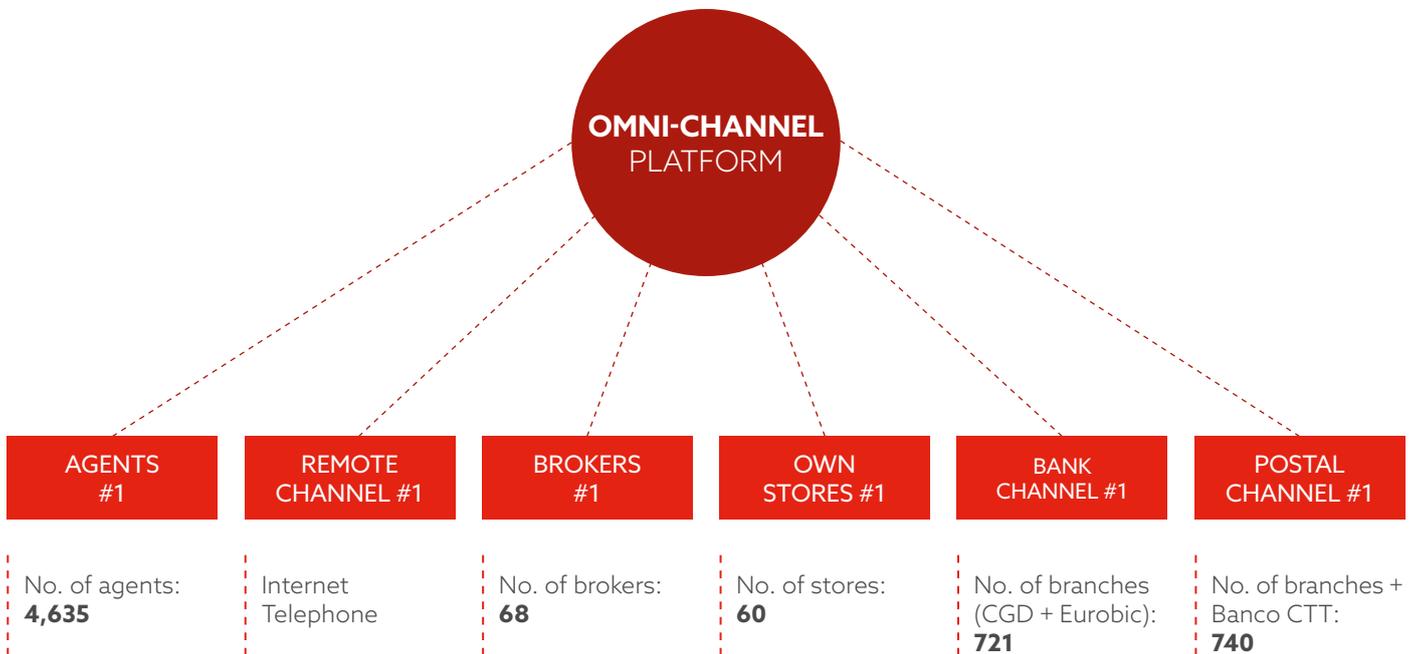
### Longrun

Motor	<b>28.3%</b>
Workers' Compensation	<b>26.4%</b>
Personal Accidents	<b>14.0%</b>
Health	<b>37.2%</b>
Home	<b>22.9%</b>
Commercial and Industrial Property	<b>28.8%</b>
Other Fire and Other Damage	<b>37.4%</b>
Third Party Liability	<b>26.0%</b>
Transport	<b>34.3%</b>

### iii. Distribution Network

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 us to be close to our clients, offering services which are increasingly customised and differentiated.



Capitalising on its strong presence in the various distribution channels, Longrun's insurance business has been developing an Omni-Channel strategy, ensuring a coherent range of products and a perception of integration by the consumer, regardless of the channel being used, linked to extensive regional penetration, which can provide more personalised services that also enhance proximity.

#### iv. Longrun's offer of brands

Longrun's insurance business has a wide range of products and services available to its clients, resulting from its vast accumulated experience and from the constant search for insurance innovations.

The offer includes Life insurance (Risk, Annuities and Financial) and Non-Life insurance, which includes products such as Motor Insurance, Workers' Compensation, Health and Home Insurance, among many others, complemented by a unique range of assistance in the different areas.

Longrun's insurance business has also been developing a number of new products to offer more wide-ranging and innovative solutions. These include Fidelidade Pets, covering household pets, that reflects an effort to diversify the product range with a focus on the Family, and the Proteção Vital 65+ insurance, designed for the over-65s.

In the corporate sector, the Group has launched Fidelidade Cyber Safety, a solution that seeks to safeguard companies' financial stability in the wake of a cyber-attack, representing further diversification in the products offered to Small and Medium-Sized Enterprises.

At the same time, after observing market dynamics and trends and focusing on satisfying clients' needs, Longrun's insurance business has sought to identify and develop innovative solutions and business models, creating new value propositions in the different sectors where it provides insurance (Home, Mobility, Health, Leisure and Entertainment).

Of particular note here is the launch of the Smart Drive project, in the area of digital mobility, in partnership with Brisa, which includes telematics-based insurance products and mobility insurance for Via Verde clients.

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

 SEGUROS DESDE 1808	<ul style="list-style-type: none"><li>• Life and Non-Life products</li><li>• Benchmark brand focused on all channels</li></ul>
 FIDELIDADE	<ul style="list-style-type: none"><li>• Health Insurance</li><li>• Broad offer of health insurance</li></ul>
	<ul style="list-style-type: none"><li>• Online sales of insurance</li><li>• Focus of Non-Life products ( ex. Motor, Property) sold through the remote channel</li></ul>

## v. Focus on Operational Excellence and Service Quality

A focus on operational excellence and service quality has long been a priority, with a strong impact in terms of client satisfaction. The skill of the companies in Longrun's consolidation perimeter in these areas has been identified and recognised by clients.

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. These awards are the result of the path that Longrun has followed, in choosing to be an insurance company made up of people thinking about people.



### SUPERBRANDS PORTUGAL 2019

Fidelidade and Multicare attained the status of Superbrands 2019



### MARKTEST 2019

Brand with the Best Reputation in the Insurance category (Fidelidade)



### MARKTEST 2019

Brand with the Best Reputation in the Health Insurance category (Multicare)



### MARKTEST 2019

Brand with the Best Reputation in the Remote Channels category (OK! Telesseguros)



### CONSUMERS' CHOICE 2019

OK! Telesseguros was the consumers' choice in the Remote Channels category



### CONSUMERS' CHOICE 2019

Fidelidade was the consumers' choice in the Insurance category



### EXCELLENTIA CONSUMERS' 2019

Fidelidade was the Excellentia 2019 consumers' choice, an award given to the best Customer-Centric company



### TRUSTED BRAND 2019

The Portuguese voted Fidelidade a Trusted Brand in 2019



### FIVE STARS AWARDS

OK! Telesseguros received the Five Stars 2019 award in the "Remote Channels" category



### MARKETEER AWARDS

The Fidelidade brand received the most votes in the Insurance category



### PORTUGAL DIGITAL AWARDS 2019

The "Smart Drive" project, a partnership between Fidelidade and Brisa, was distinguished in the Best Digital Product & CX category

## vi. International Presence

Longrun's international insurance business is an important means of sustained growth and pursuit of medium and long-term goals. The Group currently operates in four continents and twelve countries, with several business units, including local branches, representative offices and subsidiaries.

Initially, the process of internationalisation sought, in particular, to take advantage of markets with which Portugal had greater economic, cultural and language ties. From 2014, with the change in the shareholder structure, the Chinese community also became a priority in terms of developing the international business.

In recent years, with an additional focus on value creation, Longrun has been analysing specific opportunities for international expansion in countries with an attractive growth potential and where the Group can use the experience and knowledge it has gained over the last 200 years, in order to add value.

These growth efforts have produced solid results and the international business currently accounts for a significant part of the Group's overall turnover. In 2019, Longrun's insurance business entered a new continent, South America, when it acquired a majority shareholding in the La Positiva Insurance Group, which has a leading position in Peru and also operates in Bolivia and Paraguay, as well as also creating a new insurer in Chile.

The acquisition of such a large company in a new market for the Group is significant in consolidating the internationalisation strategy, at a turning point from the previous focus on Portuguese-speaking markets. With the inclusion of these companies in Longrun, the number of Spanish-speaking employees and clients in the Group is similar to that of their Portuguese-speaking counterparts.

Longrun regards internationalisation as a strategic priority to diversify business, create synergies and transfer innovation between companies and, above all, between markets. However, it is also a commitment to developing markets where the Longrun decides to operate, in terms of both developing people and creating infrastructures or providing services and solutions to the people, while always remaining aware that each operation must be financially and operationally sustainable.

**PORTUGAL**

- Head office and main centre of operations
- Market leader with global share of 25.5%

**SPAIN**

- Present since 1995
- Focus on the bank assurance channel with BCG, bilateral business and brokers

**FRANCE/  
LUXEMBOURG**

- Present since 1997
- Focus on the Portuguese community and their descendants.

**MACAO LIFE/  
MACAO NON-LIFE**

- Fidelidade's presence in Asia
- 4th largest company in Life and 6th Non-Life business

**CAPE VERDE**

- Majority share in Garantia, market leader with 60% of global share

**PERU**

- Acquisition of the insurance group La Positiva with a presence in Paraguay and Bolivia

**ANGOLA**

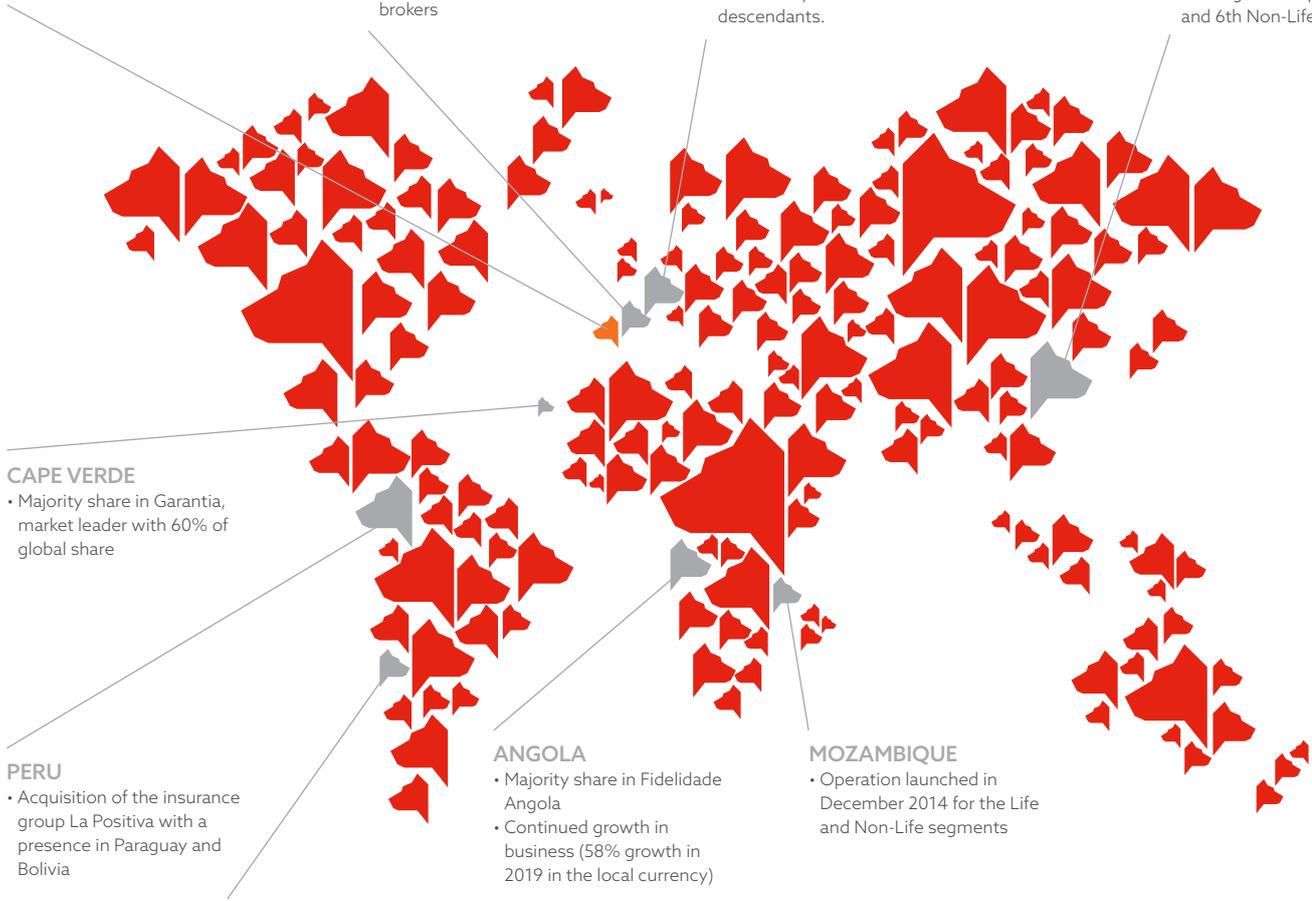
- Majority share in Fidelidade Angola
- Continued growth in business (58% growth in 2019 in the local currency)

**MOZAMBIQUE**

- Operation launched in December 2014 for the Life and Non-Life segments

**CHILE**

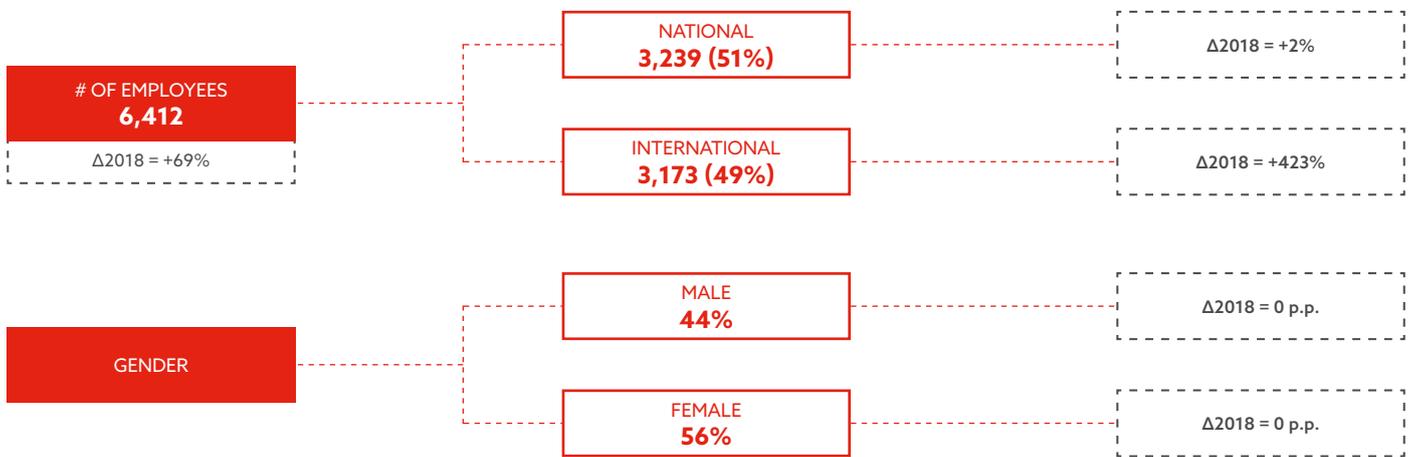
- Operation launched in December 2019 through the insurance company FID Chile



**vii. Longrun insurance business team**

At the end of 2019, Longrun had 6,412 employees working in its insurance business, 51% based in Portugal and the remaining 49% in international operations.

The overall number of employees rose dramatically (69%) when compared to 2018, reflecting the evolution of the various Group companies in international operations, given that the increase in Portugal was relatively small. This rise reflects the Group's acquisition of La Positiva and subsequent expansion in the South America market, in line with the Fidelidade Group's increasing internationalisation.



In 2019, 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 of employees of the companies in Longrun's consolidation perimeter from 43.6 in 2018 to 40.7 in 2019, reflecting, on the one hand, the lower average age in Portugal (counteracting the natural ageing of the workforce by one more year) and, on the other, the greater weight of employees working abroad, whose average age is lower than that of employees in Portugal.

Reflecting the ongoing transformation of the business, 2019 continued the adjustments to the organisation begun in 2014, thanks to the significant involvement of all our People and the important increase in the international team.

Besides the efforts in terms of organisational change and redimensioning of structures, the process of reformulating human resources management policies and practices also continued.

These various initiatives should have a considerable impact in the medium term, cementing the company's position as an organisation which is increasingly recognised for human resource management in Portugal and as a benchmark employer for the younger generation.

## D. LONGRUN'S INSURANCE BUSINESS STRATEGY

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Through its insurance companies, Longrun is the uncontested leader in the Portuguese insurance market, standing out in several areas, which give it a competitive advantage over other insurers operating in Portugal:

- Clear market leader, with a client base of over 2.3 million, served by an omni-channel network with a high level of regional penetration;
- Brand leader in value, reputation and client recognition, resulting from a continued focus on operational excellence and service quality;
- Unique and leading position in distribution deriving from a multi-channel strategy, selling insurance through agents, brokers, own stores, banks, post offices and online channels;
- Technical skills which are unique in the market, having a broad range of insurance products and recognised claims management capability, thereby guaranteeing a high level of client satisfaction;
- Prudent risk management policies and above-average provision levels.

In this context, starting from a particularly strong position in Portugal, Longrun, through its insurance companies, is seeking to grow from a local player, with a very strong brand and outstanding technical and multi-channel management skills, to a recognised international player.

Gaining international recognition involves increasing the proportion of international business in the total Non-Life business, assuming a position of reference in the markets where the Group is present. The aim is to base this evolution on creating critical mass, building an identity of excellence in the insurance sector in the international markets where the Group already operates, and growing internationally in attractive and stable markets with growth potential and where the Group's strong skills can represent solid competitive advantage, adding value to clients and partners in those markets.

Accordingly, Longrun's insurance companies have been working on the following strategic objectives:

- Consolidation of the position in the Portuguese market;
- Expansion of the international business;
- Optimisation of investment management;
- Digital Transformation and Analytics.

### FIDELIDADE STARTING POINT

- Leadership in the Portuguese market, with a client base of 2.3 million
- Unique brand in the market due to its value and recognition with clients
- Benchmark technical skills, broad product range
- Quality in claims management, recognised for its efficiency

### STRATEGIC AREAS

- 1. Consolidation of the position in the Portuguese Market**
- 2. International Business Expansion**
- 3. Optimisation of Investment Management**
- 4. Digital Transformation and Analytics**

Throughout 2019, these strategic directions provided the guiding principle for activity within Longrun's insurance business, giving rise to a wide range of initiatives that were implemented by the different Group companies.

### **Consolidation of the position in the Portuguese market**

Despite the leading position held by Longrun's insurance business, different factors point to the need for constant evolution in the approach to the market. Of particular note are the extreme levels of competition experienced in some lines of business in recent years.

In this context, Longrun's insurance companies are taking a structured and coherent approach in important areas of the business, to maintain and strengthen their position in the Portuguese market, and, as a result, have a series of on-going initiatives in several areas:

- Improvement in product profitability;
- Innovation in the range of products and services;
- Improvement in performance and efficacy of sales in the distribution channels;
- Implementation of an omni-channel strategy, combining the various channels, and their product ranges and service levels, to guarantee an integrated client experience;
- Enhancement of the organisation, to become more client-focused, more efficient, more agile, and capable of supporting business growth.

Enhancing interaction with clients and focusing on prevention are both guiding principles in the strategy of Longrun's insurance business, in a context where striking a balance between current profits and processes of transformation is top of the Group's agenda.

As market leader, Longrun's aim, through its insurance companies, is to understand the trends where it is operating and identify new market directions, triggering the initiatives needed to meet clients' expectations. All this will lead to greater proximity to the client and the creation of more frequent and relevant interactions with people, with added value and recognition in the long term.

Success in implementing these initiatives should enable Longrun's insurance companies not only to strengthen their position in the Portuguese market, but also to acquire skills and transfer this knowledge to current international operations and those the Group intends to develop in the future.

### **Expansion of the international business**

Throughout the process of internationalisation of Longrun's insurance business, the target has been markets where Portugal has greater economic, cultural and language ties. In the case of Fidelidade (an insurance company held by Longrun), for the most part, the company followed its natural distribution partner in the bank channel (CGD), concentrating its operations in markets where the Bank was present.

In Europe, this strategy led to a presence in France and Luxembourg, two countries well-known for their large communities of Portuguese immigrants, and also in Spain. The presence in Macao followed the same logic.

In Africa, in a more recent development, Longrun's insurance business also expanded to markets where, for historical and cultural reasons, ties with Portugal are more evident – Angola, Cape Verde and Mozambique.

International expansion continues to be a strategic priority for Longrun, as a means of diversifying its business and guaranteeing new paths for growth. The goal is to enter new markets where it can use its skills base to offer competitive advantage, while complying scrupulously with all criteria to remain financially and operationally sustainable.

Accordingly, the Group has been actively analysing opportunities in specific countries in Africa and Latin America, where the economic environment and the level of development of their insurance markets appears favourable to the successful entry of Longrun's insurance companies.

In this context, in 2019 Longrun's insurance business acquired a majority shareholding in the insurance company La Positiva, which has a leading position in Peru and also operates in Bolivia and Paraguay.

The acquisition of the stake in the La Positiva Group is a symbol of the importance of international expansion in the Group today and its classification as a strategic priority, as a means of guaranteeing new growth paths.

However, international expansion is not only about identifying markets where Longrun's skills can produce competitive advantage. Nowadays, internationalisation, per se, is a means of transferring knowledge, skills and innovation between all the companies belonging to the Group.

Skills transfer between companies also enables expansion in the different markets, promoting innovative and competitive solutions, and thereby contributing to economic development and to the creation of infrastructures in all the locations where Longrun's insurance companies operate.

This is an extremely important step in cementing the position of Longrun's insurance companies as a reference in the international insurance industry.

### **Optimisation of investment management**

The aim in this area is to guarantee the right fit for the market and regulatory context in which Longrun operates, naturally seeking optimisation of return and risk, but safeguarding the level of prudence that has always characterised the activity of Longrun's insurance companies.

In recent years, the financial markets have been characterised by very low interest rates. This situation presents a challenge for business profitability, especially in the Life segment.

In this environment, the investment strategy involves implementing a policy of greater diversification of financial investments that guarantees appropriate exposure to different classes of assets, geographies and currencies, and also enables restructuring of the real estate investments portfolio, with emphasis on the commercial and services areas.

Naturally, this investment policy requires constant monitoring, to ensure control over the exposures incurred and appropriate alignment between assets and liabilities. Implementation of this policy is also based on the assumption that the company's capital needs are properly safeguarded, taking into account the criteria included in the European Solvency II regulations.

### Digital Transformation and Analytics

Longrun's insurance companies have also remained focused on digitalisation, with various initiatives that can provide them with tools able to respond to the potential disruptive impact of new business models based on the new technologies.

A market leader must understand the trends where it is operating and identify new market directions, in order to generate ideas for innovation projects.

In this context, and in preparation for the future, Longrun has been developing various initiatives in several areas:

- Development of MyFidelidade and new Apps (e.g. MySavings, MyPets), which allow clients to use the internet to take out new products, obtain simulations, follow their insurance portfolio, report claims, etc.;
- New products and suggestions linked to the use of new technologies, particularly in the Health line of business (e.g. launch of the innovative telemedicine service), the Motor line of business (e.g. launch of telematics-based products such as "Fidelidade Drive") and the Home line of business (e.g. the new "Fidelidade Casa" product that offers a range of unique covers in the Portuguese market);
- Digital transformation of business processes and client relations. In loss adjusting, for example, digitalisation has enabled the company to test innovative solutions for Motor insurance, creating a new concept of loss adjusting that allows quotes to be validated using intelligent algorithms and, at the same, damage to be assessed solely from photographs.

The Group's work to innovate in products and services, to digitalise and to promote improvement in service quality follows the developing trends in technology and capitalises on its potential to make a positive change regarding some of the main challenges facing society.

The major motivation behind the innovation and transformation processes occurring today at Longrun is a desire to prepare for the future with new products embedded in the ecosystems where it operates, making it more relevant to people and filling gaps in the many areas where insurance companies normally work: the home, mobility, health and social.

**3.**

**LONGRUN'S**

**PERFORMANCE**

## A. MACROECONOMIC ENVIRONMENT

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

In fact, this trend has largely been the result of the favourable external climate in financial markets and increased exports, as well as high levels of confidence of economic agents and positive improvements in the labour market.

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

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

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

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

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

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

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

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

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

## B. INSURANCE MARKET ENVIRONMENT

### i. Evolution of the Portuguese Insurance Market

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

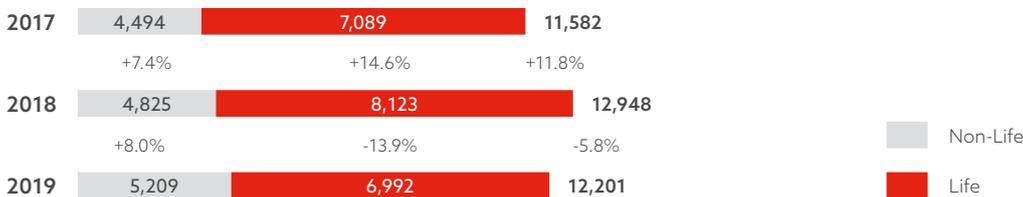
The Life segment, which recorded a decrease of 13.9% to EUR 7.0 billion, was the main catalyst for the decline in premiums recorded in the sector as a whole. After two consecutive years of growth (14.6% in 2018 and 6.2% in 2017), total premiums in this segment contracted once again in 2019, reflecting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

Meanwhile, in contrast to the evolution in the Life segment, total premiums in the Non-Life segment continued the upward trend seen in recent years (7.1% in 2017 and 7.4% in 2018), recording a premiums increase of 8.0% compared to the previous year, with direct insurance premiums rising to EUR 5.2 billion.

#### Portuguese Insurance Market

Source: ASF

(million euros)



### ii. Evolution of the Life insurance market in Portugal

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

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

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

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

## Life Insurance Premiums

Source: ASF

(million euros)



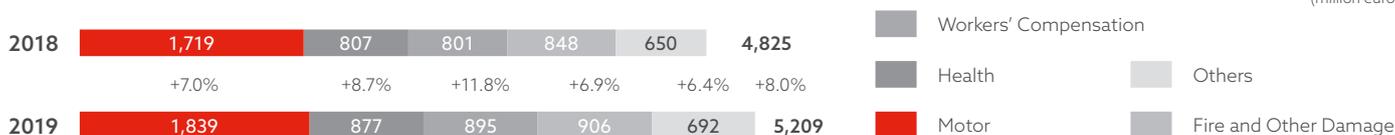
### iii. iii. Evolution of the Non-Life insurance market in Portugal

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

## Non-Life Insurance Premiums

Source: ASF

(million euros)



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

Total premiums in the Motor and Health lines of business also continued to grow in 2019, consolidating the trend seen in previous years.

The Health line of business, boosted not only by greater awareness among the population of the importance of health insurance as a complement to the National Health Service but also by employers' increasing inclusion of health insurance in employees' benefits plans, recorded growth of 8.7% (compared to 7.4% in 2018), bringing direct insurance premiums to EUR 877 million.

The Motor line of business, which is still by far the most important Non-Life line of business, also grew at a noticeable pace (7.0%), recording EUR 1.8 billion. This increase in premiums, essentially due to growth in the average premium associated with the rise in vehicle ownership, meant that the Motor line of business maintained its structural weight in the total Non-Life premiums (35% of all Non-Life premiums).

The Fire and Other Damage line of business, where Home Insurance products are particularly significant, displayed robust growth of 6.9%, with total premiums of EUR 906 million. Increases in business investment and buoyancy in residential construction in 2019 were important factors in this evolution.

The other less significant lines of business in the Non-Life segment also grew when compared to the previous year. Their aggregate increased 6.4%, totalling EUR 692 million.

## C. EVENTS SUMMARY 2019

JANUARY	<p><b>La Positiva - Peru:</b> Completion of the process to acquire the La Positiva group, marking Fidelidade's entry into the Latin American market.</p> <p><b>Fidelidade Access   Digital Clients Panel:</b> creation of a Facebook group with the aim of inviting clients to share ideas, opinions and suggestions on products and services and also Fidelidade's communication campaigns</p> <p><b>Accidents Medical Care Unit - Coimbra:</b> Opening of a new healthcare provider within the area of workers' compensation, in Coimbra</p>
FEBRUARY	<p><b>Fidelidade Cyber Safety:</b> launch of a new product aimed at Small and Medium-sized Enterprises that wish to safeguard their financial stability in the wake of a cyber-attack</p> <p><b>Fidelidade Automóvel - New classic car product:</b> Launch of a new product aimed at clients who, in addition to their regular vehicle, own classic cars with the following features: quality, historical importance, rarity, or exclusivity</p>
MARCH	<p><b>Fidelidade Studio:</b> Inauguration of a new space at the Campus of Nova School of Business and Economics, in Carcavelos, which seeks to create a new experience and increase proximity between the younger generation and the insurance sector</p>
APRIL	<p><b>Artificial Intelligence (AI):</b> In partnership with Culturgest, organisation of the Cycle of Conferences "Artificial Intelligence: Applications, Implications and Speculations" to promote examination and reflection on current applications of Artificial Intelligence</p> <p><b>Faustudo App:</b> Launch of the pilot project "Faustudo", an application for the provision of services in the home, which is fully digital, including to receive quotes, submit requests, make payments and evaluate service providers</p>
MAY	<p><b>Brisa Partnership:</b> Establishment of a partnership with Brisa in the area of social mobility, covering telematics-based insurance products and mobility insurance for Via Verde clients.</p> <p><b>Multicare - 1 Million People:</b> Launch of a new communication campaign to commemorate reaching 1 million Health clients, making Fidelidade the No. 1 health insurer in Portugal</p>
JUNE	<p><b>Multicare Santé:</b> Launch of the new product Multicare Santé, health insurance designed for the French community in Portugal that guarantees payment of health expenses as a complement to reimbursements from French Social Security</p> <p><b>Real Estate Project Award:</b> The new offices of the law firm Vieira de Almeida &amp; Associados, a project by Fidelidade Property, won the award in the sub-category "Urban Rehabilitation Offices" in the first edition of the Expresso and SIC Notícias Real Estate Awards</p>

JULY	<p><b>A Fidelidade contínua com Portugal:</b> Launch of the communication campaign "A Fidelidade continua com Portugal" [Fidelidade keeps going with Portugal], which was tailored to each of the different regions of Portugal with the aim of strengthening the brand's close relationship with every client and enhancing the commercial network throughout the country</p> <p><b>China Reinsurance Partnership:</b> Establishment of a cooperation agreement with China Reinsurance, the largest reinsurer in China, which will allow Fidelidade to diversify its business scope and develop new international corporate growth opportunities</p>
AUGUST	<p><b>GEP Cape Verde:</b> Start of "GEP Cabo Verde"'s international business, as a result of the expansion of the Fidelidade Group's loss adjusting management firm (GEP)</p> <p><b>Summer Festivals:</b> Fidelidade was the official insurance company at several summer festivals, including NOS Alive, NOS Primavera Sound and Vodafone Paredes de Coura</p>
SEPTEMBER	<p><b>Just in Case:</b> Launch of the pilot project "Just in Case", an application that helps travellers prepare and plan their trips and provides assistance and travel insurance functions on demand</p> <p><b>Cascais Padel Masters:</b> Fidelidade, together with Multicare, was the Official Insurer of the Cascais Padel Masters, a competition which is part of the World Padel Tour</p>
OCTOBER	<p><b>Television Programme "Por Falar Nisso" [Speaking of Which]:</b> Multicare launched a television programme in partnership with Júlio Machado Vaz, a well-known professional in the field of psychiatry, with the aim of promoting careful and proactive reflection on the main issues, challenges and behaviours of modern society</p> <p><b>Pensar Maior 2019 [Think Bigger 2019]:</b> Fidelidade held a national meeting of staff, shareholders and partners all in one place with the aim of enhancing the Group culture, summing up the decade and preparing for the future</p>
NOVEMBER	<p><b>Fidelidade Automóvel - reformulation:</b> Restructuring of the motor product range with the aim of providing a solution for different client profiles and responding to their real needs</p> <p><b>Legal Team Award:</b> Fidelidade's legal team was distinguished as "In-house Legal Team of the Year" in the insurance industry in the Iberian Peninsula in the III Edition of Iberian Lawyer's Gold Awards</p>
DECEMBER	<p><b>Arya Real Estate portfolio:</b> Fidelidade sold a portfolio of real estate assets that included several offices used by central services, which will be relocated in the new headquarters at Entrecampos</p> <p><b>Fid Seguros - Chile:</b> Fidelidade continued its international expansion with the opening of FID Seguros in Chile, thereby strengthening its position in the Latin American market</p>

## D. LONGRUN PORTUGAL'S ACTIVITY

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### i. Longrun's main areas of activity

The robust performance of the companies in Longrun's consolidation perimeter was based on various actions that can be split into three key areas:

- I. Products and Services;
- II. Distribution;
- III. People and Organisation.

#### I. Products and Services

The constant effort to innovate in products and services is a feature of the insurance companies held by Longrun, which is seeking to increasingly position itself in the market as a company with integrated service solutions associated with people protection, rather than simply an Insurance Group.

Besides complying with the legal requirements of the insurance sector, which often simply means paying claims in a timely manner, the objective is to go further, exceeding clients' expectations by providing exemplary service quality and a wide range of cover and services which respond to the broadest of needs.

The Group's work to innovate in products and services, to digitalise and to promote improvement in service quality follows the developing trends in technology and capitalises on its potential to make a positive change regarding some of the main challenges facing society. Accordingly, the range of products and services has been clearly developed in recent years, supported by a greater level of vertical integration within Longrun's companies, in response to market needs.

In the **Motor** line of business, "**Fidelidade Automóvel**" was restructured, with the aim of providing a solution for different client profiles and responding to their real needs. The various plans were simplified, and a solution was created for more digital clients, who did not previously have a specific offer. Being aware of market developments and the need to create solutions increasingly targeted to specific segments, Longrun's insurance business also launched the new product "**Fidelidade Automóvel Clássicos**". This insurance is designed for clients who, in addition to their regular vehicle, own classic cars with the following features: quality, historical importance, rarity or exclusivity.

Additionally, the launch of telematics products was prepared. These record driving behaviour in real time with the aim of contributing to better and safer driving. The client can assess different aspects of his/her driving, such as the number of breaks during a long journey or abrupt acceleration or braking, and these are automatically recorded in an application which informs the driver of possibilities for improvement and encourages safe driving. This new service also provides economic benefits for the client: on one hand, it tends to reduce the motor insurance premium and, on the other, it encourages saving by offering several discount options.

Following the launch of the Fidelidade Drive App in 2017, and its consolidated growth in 2018, with the introduction of new functions (such as the possibility of clients' winning prizes, regardless of the points they have), 2019 marked the start of a partnership in the area of digital mobility, between Fidelidade and Brisa, the largest private operator of transport infrastructures in Portugal. This partnership includes telematics-based insurance products and mobility insurance for Via Verde clients, with specific advantages within Via Verde's ecosystem of services. The partnership was launched with the Smart Drive project, based on an app that provides members of Via Verde's "Viagens&Vantagens" loyalty scheme who are not yet Fidelidade clients with an innovative experience of immersing in the mobility ecosystem of the two brands, by means of an invitation to use Via Verde's Smart Drive app and take advantage of its benefits.

Regarding roadside assistance, and following the launch of the OK! Teleseguros app containing the function to request assistance and report claims using geo-referencing, the Fidelidade Assistance application, available since 2016, simplified how requests can be made, enabling clients to manage vehicle assistance using this means. Since its launch, use of the Fidelidade Assistance app has increased steadily year by year, and it is increasingly the channel that clients prefer to use to report claims.

In loss adjusting, digitalisation is also transforming the business model of Longrun's insurance business, enabling efficiency gains in processes and a response more tuned to clients' needs. Vehicle loss adjusting has seen new advances, and there is now a new concept of loss adjusting that enables quotes from repair shops to be validated using intelligent algorithms and, at the same time, damage to be assessed solely from photographs, in addition to the possibility of video loss adjusting.

The **Health** line of business has also been one of the main growth areas within Longrun's insurance companies. "**Orientação Médica Online**", an innovative service and pioneer in the Portuguese market developed by Multicare, operates 24 hours a day, 7 days a week. Using this service, Multicare clients have free access to consults with general practitioners and family doctors, 24 hours a day, and can also obtain prescriptions for medicines or complementary diagnostic tests without leaving their home. Since its launch, Longrun's insurance companies have been encouraging clients to use the service more and more and have provided new services that demonstrate the Group's commitment to continually enhancing the value proposition of services made available to clients.

As part of this, in 2019 Online Medicine was extended to include Oncology Nutrition and Psycho-Oncology, in addition to Paediatric and Dermatology specialisations. Quit Smoking and Stress Management programmes were also developed, enhancing Longrun's positioning, through its insurance companies, as a company that uses technology for prevention and to promote healthier lifestyles.

In terms of products, in 2019 Longrun's insurance business consolidated on the success of the new **Multicare 60+** product, an innovative health insurance designed specifically for the over-60s with differentiating advantages. Also, being aware of the growing number of French citizens living in Portugal, Longrun's insurance business launched **Multicare Santé**, a product specifically for the French community that guarantees payment of health expenses as a complement to reimbursements from the French Social Security.

In the **Workers' Compensation** line of business there has been continued effort to rebalance the technical results, also by working in close cooperation with the selected network of healthcare providers. In cooperation with Luz Saúde, specific medical treatment units were set up, which has enabled better service quality for clients and greater control over the healthcare services provided.

In the **Home Insurance** line of business, in 2019 priority was given to boosting the "**Fidelidade Casa**" insurance, which accompanies clients throughout their lives, providing a range of innovative services suited and adjusted to clients' needs, in line with their particular circumstances at any given moment of time, and also "**Fidelidade Alojamento Local**", a solution for owners of holiday lettings which combines a response to mandatory insurance requirements under the law and, at the same time, protection of property within the scope of the holiday letting business.

In the field of home insurance loss adjusting, in 2018 Longrun's insurance companies began conducting video loss adjusting in less complex processes, thereby facilitating assessment of damage at a distance without the need for loss adjusters to travel to the claim location. This solution combines with the repair service provided by CARES, another company in Longrun's consolidation perimeter, making it possible to provide Clients, at their claim location, with a proposal for repair of the damage and a service which can meet their needs.

In the **Personal Accidents** line of business, the year was marked by efforts to boost two products in particular. The first, "**Fidelidade GO**", is a product designed to meet the needs of students studying abroad that aims to attract younger age groups who tend not to have many dealings with the world of insurance. The second is "**OK! Bike**", a product from OK! Teleseguros that provides a response to new trends in mobility and which differs from the rest of the market mainly due to the "Assistência GEO" cover (which locates the insured person in the event of an accident and/or sudden illness, via the OK! Teleseguros app).

Also in the Non-Life segment, there was continued effort to build on the success of "**Fidelidade Pets**" following its launch in 2018. This insurance for pets demonstrates a clear commitment to diversifying the product range of Longrun's insurance business and focusing on the family and providing services that go beyond mere risk coverage.

In the corporate client sphere, Longrun's insurance business launched **Fidelidade Cyber Safety**. Conceived for Portuguese firms wishing to safeguard their financial stability in the wake of a cyber-attack, this solution presents a new focus for Longrun's insurance companies on diversifying their products for SMEs.

In the Life segment, through its insurance companies, Longrun has also rolled out new solutions, adapting to the new macroeconomic situation and with the aim of increasingly responding to clients' needs.

In the **Life Financial** area, which has been heavily affected by the environment of low interest rates and a low rate of saving by private individuals, Longrun's insurance companies have been renewing their offer of products.

Of particular note is the launch, in 2019, of **Flexi-Mais**, a multi-option product which includes 4 investment options (three of which are unit-linked) suitable for different risk profiles, and of **Fidelidade Savings**, a product with innovative investment options and distribution. Clients can access the **Flexi-Mais** product 24 hours a day, 7 days a week, on the MySavings App.

In **Life Risk**, following the success of the "**Proteção Vital das Famílias**" product, in 2019 "**Proteção Vital 65+**" was launched. This complements the product range for this line of business, and contributes decisively to the development of Funeral Insurance in Portugal.

"**Proteção Vital das Famílias**" is an innovative and wide-ranging life insurance policy aimed at families. Included in its basic covers, besides funeral services, are new Health, Assistance and Accident covers, which are combined in a single contract. These covers are adjusted throughout the lifecycle of the various members of the family. "**Proteção Vital 65+**", on the other hand, is insurance designed specifically for the over-65s and aims to remove the burden on families of bearing funeral costs and managing tasks associated with funeral services, while also providing peace of mind on this subject.

In addition to these new products, Longrun's insurance companies have been positioning themselves to benefit from renewed interest in the Portuguese real estate market, which, because of insurance attached to mortgages, plays a dominant role in the evolution of this line of business.

Lastly, in terms of service to the client, during 2019 important steps were taken to develop solutions to improve clients' experiences on "**MyFidelidade**". Using this App, clients can manage their Motor, Home and Health insurance on a single site, intuitively and with easy access. In addition, they can request motor assistance, follow claims procedures and submit requests for medical expense reimbursements in real time, as well as search Multicare's network of healthcare providers and Fidelidade's network of repair shops.

## II. Distribution

The distribution channels of Longrun's insurance companies constitute an important competitive advantage, enabling them to be closer to their clients and to provide them with high levels of service quality. As a result of an omni-channel strategy, based on the multi-channel distribution platform, Longrun's insurance business has encouraged interaction between the various channels, their product ranges and service levels, to provide clients with an integrated and consistent response to their needs.

The distribution platform is composed of own stores, agents, brokers, banks, the post office, and phone and online channels, thereby enabling it to offer a vast distribution network and geographical presence with more personalised services that increase proximity.

Enhancing interaction with clients and offering increasingly customised services are both guiding principles in Longrun's strategy, through its insurance companies. In a context where striking a balance between current profits and processes of transformation is top of the Group's agenda, digitalisation and technology play a very important role in the search for solutions to satisfy those principles.

However, although the digitalisation process ensures proximity and immediate feedback from clients, Longrun's insurance business has always been founded on a sales force based in agencies, stores and brokers' centres, and emphasis continues to be placed on improving these partners' skills.

Accordingly, in 2019 the communication campaign "A Fidelidade continua com Portugal" [Fidelidade keeps going with Portugal] was launched. The campaign was tailored to each of the different regions of Portugal, strengthening the brand's close relationship with every client and acknowledging the strength and importance of the commercial network throughout the country.

Focus was also placed on simplifying certain processes by digital means and by continuing to provide agents with training. This training included the Mercury Project, which was designed to prepare a change in behaviour in the commercial areas so as to increase business in the traditional network, through training. At the same time, a range of initiatives have been implemented in the banking and postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

### III. People and Organization

Thinking about the Longrun's People and the Organisation is helping to build the Group's future.

In an ever changing world, with ever greater uncertainty, protecting people and providing simpler and more agile solutions that represent greater proximity to and support for our clients and partners is only possible if technology and innovation are combined with the most important factor: the People at Longrun's insurance companies make the difference.

Following the working plan defined for People Management, the companies in Longrun's consolidation perimeter have been implementing new models and new ways of working, some of which are highlighted below:

- **People Development** – with the aim of guaranteeing that people are prepared to face new challenges, a new Integrated People Management Model has been phased in. This Model seeks to aid in clarifying the objectives and responsibilities of each function and also identifying the skills needed for each function, configuring natural career paths and taking decisions on succession, promotion/progression and professional development.

In addition, there has been continued focus on rejuvenation and capturing new talent, and on developing essential business skills through, for example, leadership training, commercial training and training in new products and new regulations in the sector;

- **Transformation of the Organisation** – Longrun's insurance companies have been adjusting their organisation, by reviewing and building organisational structures which better respond to the challenges of the business and which guarantee the introduction of new skills and ways of working. Besides this, they have sought to implement workforce monitoring and planning processes, which are essential in ensuring the right people for the Organisation's structures and functions;

- **Change Management and Business Partnerships** – with the aim of understanding and working alongside the business in order to support business unit leaders in managing their people, Longrun's insurance companies have been working on rejuvenating their structure, retaining knowledge, promoting mobility and succession, and preparing leaders to motivate their teams with a focus on People, the market, proximity to the client and results;

- **Corporate Culture** – as a means of developing a corporate culture, which promotes the company's cultural identity (Vision; Values) and the commitment and recognition of the People who contribute daily to its success, a number of initiatives have been implemented around communication, for example, the creation of a modern and agile Intranet, which is now the main channel of internal communication.

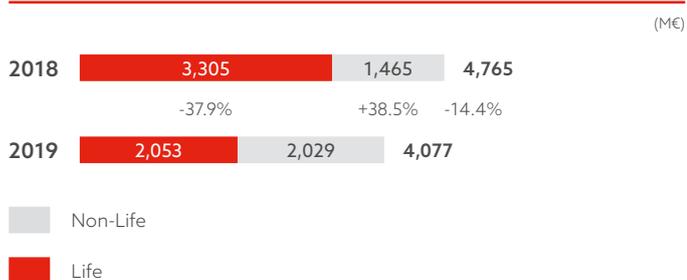
## ii. Key activity indicators

In 2019, which was marked by the trends described above, the companies in Longrun's consolidation perimeter performed positively, recording total premiums written of EUR 4,083.

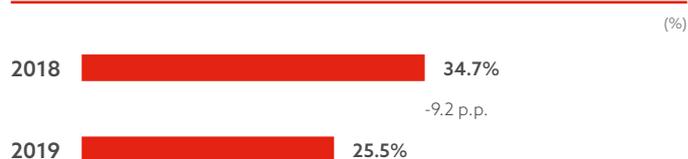
In Portugal, Longrun's insurance business attained EUR 3,109 million, a decrease of 31.0% compared to the previous year, originating from the Life segment and thus following the general trend in the market. This equated to a total market share of 25.5%, which enabled Longrun, through its insurance companies, to maintain its position as market leader.

2019 was also marked by an important increase of 259.3% in premiums from the international business, which totalled EUR 974 million, reflecting, on one hand, strengthening of the existing international operations and, on the other, the contribution from the expansion into Latin America.

### Total Premiums Written - Life and Non-Life



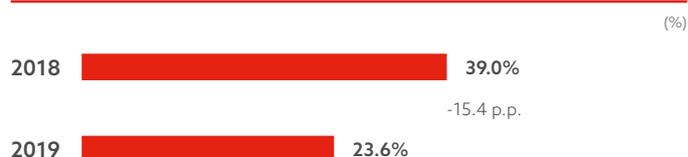
### Total Market Share in Portugal



### Premiums Written - International Business



### Life Market Shares in Portugal



### Non-Life Market Share in Portugal



## ii. Life Segment

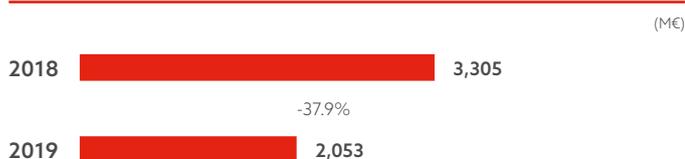
### Key activity indicators – Life Segment

In 2019, Longrun's insurance companies saw a decrease in premiums in the Life segment, reflecting, on one hand, market conditions for financial products and the climate of low interest rates, and, on the other, the fact that in 2018 Longrun, through its insurance companies, recorded particularly high premiums, enabling it to achieve a market share of 39%.

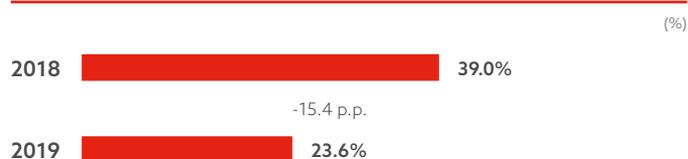
Overall, Longrun's insurance business attained premiums of EUR 2,053 million, a decrease of 37.9% compared to 2018, as a result of the business in Portugal, where the insurance sector as a whole recorded a decrease in this segment of the business

Despite the fall in premiums, Longrun, through its insurance companies, remains the clear leader in the Portuguese market, with a market share of 23.6%.

#### Total Premiums Written Life



#### Life Market Share in Portugal



### Evolution of the Life segment by line of business

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 80% of the total.

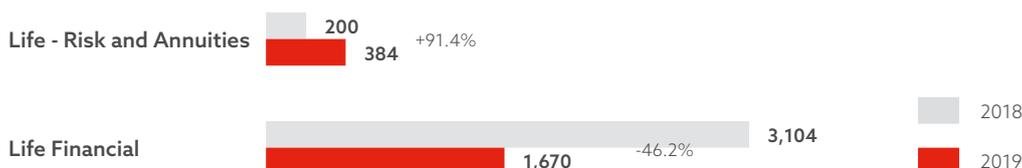
In 2019, the evolution of the Life Financial segment was the main critical variable in the overall performance of the Life segment. In an environment dominated by low interest rates and a low rate of savings by families, Longrun followed the downward trend seen in the market in this segment.

On the other hand, of note this year is the positive performance in Life Risk and Annuities products, which grew in relation to 2018 to a total of EUR 384 million, benefiting both from increased sales of the "Proteção Vital 65+" product and from the positive contribution from the international business, resulting from the acquisition of a majority shareholding in the La Positiva Group.

Risk products, which are traditionally life insurance products associated with bank loans and mortgages, also benefited from the upturn in the Portuguese economy that has enabled recovery of the real estate market and greater flexibility of banks when granting credit.

## Life Segment Premiums - Longrun's insurance companies

(million euros)



### Evolution of the Life Segment by distribution channel

The banking and postal channels continue to be the most significant for Life segment products. Compared to the previous year, these channels decreased by around 50%, following the overall trend of a fall in Life segment premiums.

Focus on the bancassurance distribution model allowed the banking channel operation to continue to be a reference for Life products, offering products most suited to market needs.

On the other hand, there was consolidated growth in premiums from the international business, which tripled in relation to the previous year, heavily influenced by the positive contribution of the group's expansion into Latin America.

## Life Segment

(million euros)

Distribution Channel	2019	2018	Var
Traditional	247	377	-34.5%
Bank and Postal	1,406	2,792	-49.6%
<b>Longrun in Portugal</b>	<b>1,653</b>	<b>3,169</b>	<b>-47.8%</b>
International	400	136	195.4%
<b>Longrun</b>	<b>2,053</b>	<b>3,305</b>	<b>-37.9%</b>

### iii. Non-Life Segment

#### Key activity indicators - Non-Life Segment

In 2019, Longrun's insurance companies recorded very positive performance in the Non-Life segment, with a growth of 38.5% compared to the previous year, with premiums totalling EUR 2,029 million, as a result of both growth in the Portuguese market and the impact of the expansion into Latin America.

The commercial performance of Longrun's insurance companies in Portugal exceeded the positive trend of the overall market, allowing the leadership position to be strengthened and the market share to rise by 0.4 pp to 27.9%

Contributing to the Group's 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 the high level of vertical integration, responding to market expectations, in addition to the important contribution to the Non-Life portfolio from the Latin America operations.

#### Total Premiums Written Non-Life



#### Non-Life Market Share in Portugal



#### Evolution of the Non-Life segment by line of business

Most of the Non-Life lines of business displayed positive performance throughout 2019, heavily influenced by the positive contributions both from the business in Portugal and from the expansion to the Latin American market.

The Workers' Compensation line of business displayed double-digit growth for the fifth year in a row, which, besides the positive contribution from the expansion to new markets, reflects the Group's competitive position in Portugal regarding capacity to respond, service levels, product quality and reputation.

The Motor line of business continues to be, clearly, the most significant line of business in the Non-Life segment, representing around one third of the total for this segment. Through its insurance companies, Longrun recorded an important increase in premiums written in this line of business, as a result of both the improved structure of vehicle ownership in Portugal, with an increase in numbers and in quality, and the positive contribution from the Latin America operation.

Restructuring of the "Fidelidade Automóvel" product, which is now more adjusted to different client profiles, the launch of the new product "Fidelidade Automóvel Clássicos", aimed at a more specific client segment, and the creation of the application for telematics-based insurance products (Smart Drive), in partnership with Brisa, also contributed to the positive performance of this line of business.

Health premiums also continued to rise, consolidating the position of this line of business as the second most important in the Non-Life segment. Contributing to this growth was the capacity to capitalise on the product and service innovations introduced in recent years, for example, the launch of Multicare 60+, an innovative health insurance designed specifically for the over-60s, and the "Orientação Médica Online" service, which was enhanced in 2019, expanding the existing areas and including new specialities, such as Dermatology.

**Evolution of the Non-Life segment by distribution channel**

All of the distribution channels of Longrun's insurance business in Portugal performed positively, and Non-Life product sales in 2019 were higher than those in previous year.

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. Although the digitalisation process ensures proximity and immediate feedback from clients, Longrun, through its insurance companies, has always continued to place emphasis on improving the skills of its partners in the traditional channel, which explains the considerable growth compared to the previous year.

Similarly, the banking and postal channels performed positively and, as in the Life Risk segment, this is due to positive effects from the granting of mortgages, in particular on Home insurance. At the same time, a range of initiatives have been implemented to boost sales of products not linked to credit, in an effort to take greater advantage of the sales potential of these outlets, with significant results.

**Non-Life Segment**

(million euros)

Distribution Channel	2019	2018	Var
Traditional	1,282	1,168	9.7%
Bank and Postal	119	109	9.0%
Remote	55	52	6.6%
<b>Longrun in Portugal</b>	<b>1,456</b>	<b>1,329</b>	<b>9.5%</b>
International	573	136	323.2%
<b>Longrun</b>	<b>2,029</b>	<b>1,465</b>	<b>38.5%</b>

## v. International Activity

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

The Fidelidade Group's international business grew by 259.4% in 2019, recording total premiums written of EUR 974.0 million, due not only to improvements in ongoing international operations, but also, predominantly, to the positive contribution of the expansion into Latin America.

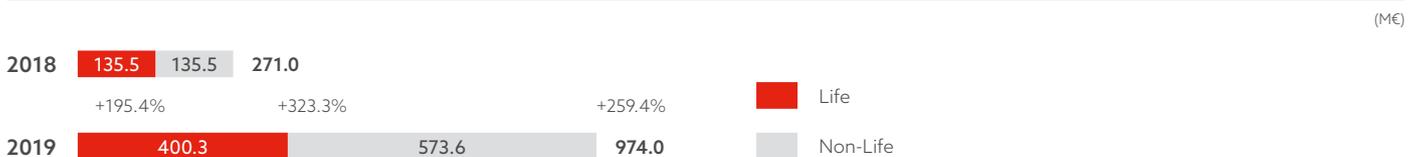
### Premiums Written International Activity - By geography



If we consider only the international operations that existed in 2018, Fidelidade grew from EUR 271 million to EUR 340 million, this being merely organic growth; this growth occurred both in the Non-Life segment (+14% to EUR 154 million in 2019) and in the Life segment (+38% to EUR 186 million in 2019). In addition, and with the acquisition of La Positiva – that is, with the contributions of its operations in Peru, Chile and Paraguay – the total premiums written abroad reached EUR 974 million in 2019.

This data therefore reflects the positive performance in 2019 of most of the markets where Fidelidade was already operating in 2018, both in Life and Non-Life, with the added contribution from the operations in Latin America, which Fidelidade entered in 2019.

### Premiums Written International Business - Life and Non-Life



## E. OPERATIONAL AND FINANCIAL PERFORMANCE

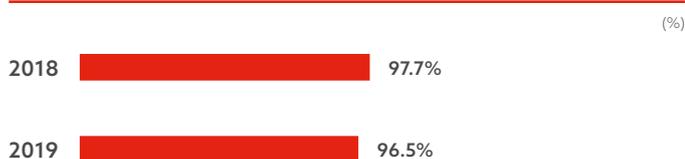
### Key indicators of the operational and financial performance

In 2019, Longrun, through its insurance companies, reported a net profit of EUR 178 million, which represented a decrease of 27% when compared to 2018. This trend was influenced by a fall in investment income, which suffered a decline of over 13% compared to 2018. This was directly related with the evolution of capital gains made on investments, since, in 2018, the Group's real estate portfolio restructuring programme was completed, leading to the sale of a number of investment properties.

In 2019, the acquisition of the Entrecampos land (commonly known as the land of the former Funfair) was completed. In conjunction with a large-scale real estate project, this land will house the Group's new headquarters. The combined effects of the sale of investment properties in 2018 and the acquisition of land for future development of real estate projects, led to a reduction in the investment yield, which stood at 2.7% at the end of 2019.

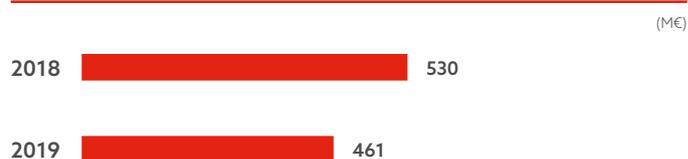
On the other hand, the combined ratio was 96.5% in 2019, 0.7 pp lower than in the previous year, influenced by the positive development of the claims ratio, reflecting cautious claims management and a strict underwriting policy.

#### Combined Ratio \*



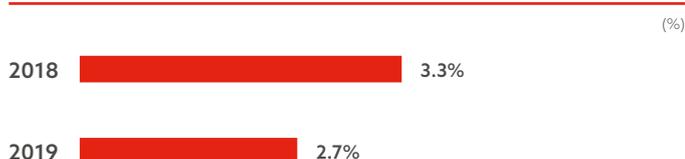
\* Adjusted ratio of the financial cost component with Workers' Compensation line of business

#### Investment Income \*\*

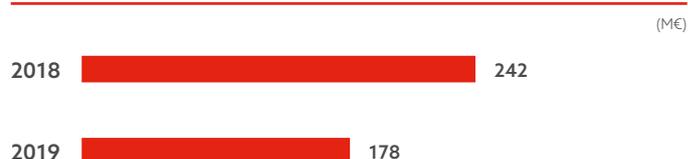


\*\* Includes Investment income from Unit Link products , net gains and impairments. Unrealised gains not considered.

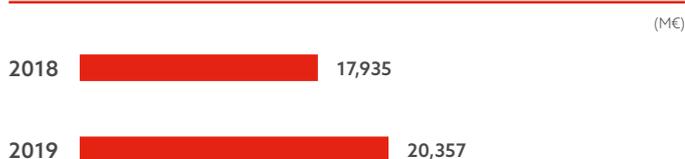
#### Investment Yield



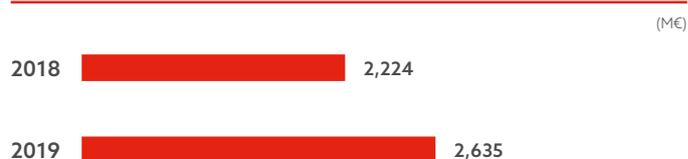
#### Net Profits



#### Net Assets



#### Shareholders' Equity \*\*\*



\*\*\* Excludes minority interests

## i. Operational Performance

As stated above, operational performance evolved positively in 2019, with the combined ratio falling from 97.2% to 96.5%, a decrease of 0.7pp.

### Combined Ratio \*



\* Ratio adjusted to the technical costs of the insurance activity

## ii. Financial Performance

In its definition and application, the investment policy of the companies in Longrun's consolidation perimeter reflects 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 18.4 billion, corresponding to an increase of around 13% over 2018.

In 2019, 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.

# 4. OUTLOOK

## A. LONGRUN FUTURE POSITIONING

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Forecasts for the Portuguese economy in 2020 are heavily dependent on how the current epidemiological situation evolves. Longrun and its subsidiaries will need to be ready to respond to this new economic context that the country and the world are experiencing and the future consequences of the current situation.

In recent years, Longrun, through its companies, has pursued its strategy with generally positive results. It has managed to successfully overcome the challenges of the Portuguese market, despite the difficult environment in which it is working. In 2014 the Group began a programme of strategic actions with the key pillars being a focus on innovation and improved service quality, strengthening of the multi-channel distribution, digitalisation of the business and enhancement of the organisation's capabilities.

Initiatives to transform the business, which are critical for consolidating the position in Portugal, international expansion and strengthening of the capital position will remain key areas of activity.

Through its insurance companies, Longrun is also reaffirming its aim of positioning itself more as a partner for its clients in the provision of protection and assistance services that are an intrinsic part of the insurance business, but it intends to place emphasis on new services in a wider approach to the creation of a more global offer.

Accordingly, it has been increasing its emphasis on the concept of an ecosystem, that is, on the development of partnerships with key entities in other business areas and with skills which are complementary to the insurance business, to create broader and more competitive value propositions for its clients in areas such as Mobility, Health or Assistance.

In all these cases, new digital capabilities will enable the development of an offer that can respond to the changes already visible in client profiles, and which will certainly intensify in the coming years. However, the focus will always remain on clients and their needs, maintaining proximity to people, which sometimes is only possible through physical channels involving human contact.

Additionally, international expansion will continue to be a priority, given that Longrun aims to position itself as a leading player in the international markets where it operates and to build a clear growth path outside the domestic market. Hence, it will continue to analyse opportunities to enter new and attractive markets where it can gain competitive advantage. Based on the support of their shareholders, their strong operational capabilities and the motivation of their teams, Longrun and the companies in its consolidation perimeter are confident of success.

**5.**

**COMPANIES IN  
THE LONGRUN  
GROUP**

Longrun's insurance business operates in the Portuguese market through several insurance companies (Fidelidade, Via Directa, Multicare, Fidelidade Assistência and Companhia Portuguesa de Resseguro). In addition, besides their branches, these companies are also present in the international market through their insurance subsidiaries (Fidelidade Angola, Garantia, Fidelidade Macao, La Positiva Group and FID Seguros - Chile).

Lastly, through Fidelidade and Fidelidade Assistência, Longrun also has strategic interests in insurance-related service companies, for example Luz Saúde, the leading healthcare provider group in Portugal. These participations favour 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 associated with people protection.

A summary overview of these companies is presented below indicating the most important events of 2019, the key indicators and the priorities for 2020.

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## FIDELIDADE

**Fidelidade is the largest insurance company in the Portuguese market, with a strong presence in the Life and Non-Life segments. Fidelidade is a major reference in the Portuguese insurance sector, with a wide range of products and services, provided by means of the largest distribution network in Portugal. It is also present in international markets through branches in locations such as Spain, France, Luxembourg, Macao and Mozambique.**

2019 was marked by the following aspects:

- Strengthening of the presence in the Portuguese market, with gains in market share in the Life Risk and Non-Life segments, and an increase in share in the main lines of business in the Non-Life segment, in particular Motor, Workers' Compensation and Health;
- Consolidation of the international business, with the creation of synergies and transfer of innovation between companies and, above all, between markets;
- Enhancement of the product range and improvement in the quality of service across the different lines of business, in particular, for private clients, launch of the new Proteção Vital 65+ product, restructuring of the Fidelidade Automóvel product, and creation of the application for telematics-based insurance products (Smart Drive) in partnership with Brisa. For corporate clients, the launch of Fidelidade Cyber Safety can be highlighted, which represents a new focus for Fidelidade, diversifying its products aimed at SMEs;
- Consolidation and strengthening of the current multi-channel distribution networks, with a focus on simplifying certain processes using digital means and continuing to pursue training goals;
- Emphasis on digitalisation, impacting on the gradual transformation of business processes and client relations processes through an omni-channel approach.

In 2020, Fidelidade will continue its strategy of consolidating its position in the Portuguese market, continuing to place emphasis on digital transformation of the business and on international growth, by boosting its operations in the markets where it is already present and assessing new opportunities to enter markets with significant potential for growth.



**Multicare is the insurer in Longrun's consolidation perimeter that sells health insurance, providing access to an extensive network of private healthcare providers and also a broad range of health and well-being services.**

The company's Mission is to support the development and construction of a sustainable society, and it assumes the commitment to accompany and care for people throughout their lives with innovative products and services that provide them with effective protection.

2019 was marked by the following aspects:

- Enhancement of the company's positioning, having been elected as the insurer with the best reputation in Portugal on the Marktest Reputation Index and having passed the 1 million clients milestone;
- Launch of "Multicare Santé", health insurance designed for the French community in Portugal that guarantees payment of health expenses incurred in Portugal or France;
- Reinforcement and enhancement of the Online Medicine cover with the introduction of Oncology Nutrition and Psycho-Oncology consults. Quit Smoking and Stress Management programmes were also developed, enhancing Multicare's positioning as a company that uses technology for prevention and to promote healthier lifestyles;
- Launch of different initiatives to promote discussion and careful reflection on the main issues related to health, challenges and behaviours of modern society, such as Medical Conferences, interviews on health topics on the Saúde+ TV Channel and a television programme with Professor Júlio Machado Vaz.

In 2020, leveraged by a solid technological base, Multicare plans to implement a healthy lifestyle reward programme, enhancing its position with regard to the important role of prevention in health. The company also plans to change its approach to oral health, seeking to meet clients' current needs in the area of dental medicine.

From the operations perspective, the company will continue to automate and robotise tasks to improve both the client experience and process efficiency, thereby allowing Multicare employees to become closer to clients and to assist them and become true managers of their health.



COMPANHIA DE SEGUROS, S.A.

**Via Directa – Companhia de Seguros, S.A, is the insurance company designed to retail insurance policies through remote channels (telephone and internet), with the vision of providing a service of excellence to its clients and making insurance a simple, accessible and innovative product, supported by new technologies. It is currently the leader among insurers specialising in remote channels.**

In terms of management of the OK! Teleseguros brand, 2019 was marked by the following aspects:

- Focus on the strategic products OK! Auto Eléctricos, OK! Bike and OK! Viagem, which provide a response to new mobility trends;
- Reformulation of the Client's Private Area, aiming to improve clients' experience on this platform, with changes to its visual aspect and the browsing capabilities and functions covered. The objective was to make this tool more accessible, more user-friendly and truly useful to clients;
- Development of the Digital Inspections APP using artificial intelligence algorithms, to be used in motor insurance pre-inspection processes;
- Recognition from Portuguese consumers, with the following awards: Five Stars Award 2019, Consumers' Choice 2019 and Reputation Award 2019 (from the Marktest Reputation Index);
- Renewal of the Bureau Veritas Certification for Motor, Home, Personal Accidents and Health Insurance, in line with ISO 9001:2015;
- In partnership with Associação Salvador, launch of a campaign to raise awareness on road safety. Another Social Responsibility initiative included support to the Para dressage athlete, Rita Lagartinho.

During 2020, Via Directa will continue to focus on increasing the turnover of strategic products marketed by OK! Teleseguros, reformulating its product range, and, in particular, its health and travel insurance products, so as to respond to its clients' needs and position itself in the market with solutions that are truly different, and, lastly, optimising its digital platforms, in particular the online simulators on the ok.pt site and on the brand's client app.



**The corporate purpose of Companhia Portuguesa de Resseguros, S.A. (CPR) is to perform any operations related to reinsurance in the Non-Life segment in Portugal, and also internationally. Besides managing the existing portfolio, the company has been taking advantage of new business opportunities which are largely a result of its inclusion within the Fidelidade insurance group. Risks with catastrophic exposure are excluded from its scope, except those included in the Personal Accidents Treaty.**

The Company only underwrites risks under non-Proportional Treaties, namely with Fidelidade and its branches in Spain and Mozambique.

As Reinsurer of the Fidelidade Group, exceptionally, facultative reinsurance is accepted for risks underwritten by Fidelidade - Companhia de Seguros, S.A. for its major clients. Once again, respecting the maximum prudence criteria, the percentage of this reinsurance retained by the Company is residual or nil, with retrocession being used to pass on the risk.

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## FIDELIDADE

### ASSISTANCE

(Companhia de Seguros)

#### **Fidelidade Assistência – Companhia de Seguros, S.A., operates in the insurance market, in the Assistance and Legal Protection lines of business.**

Its business is mainly based on reinsurance accepted in Portugal and most of its billing originates from the Insurance Companies in the Longrun Group.

The following activities can be highlighted in 2019:

- 5.1% increase in total premiums;
- Net operating income of over EUR 4.1 million;
- Technical margin of 21.6% and combined ratio of 92.1%;
- Audit and renewal of the company's ISO 9001:2015 Quality Certification, with zero findings of non-conformance or sensitive areas;
- Within the scope of the Quality Management System, satisfaction surveys carried out with Clients and Insured Persons resulted in a Global Satisfaction level for Fidelidade Assistance of 8.90 (on a scale of 1 to 10) and a Net Promoter Score of 70.

In 2020, in line with the strategic guidelines defined, the Company will focus its attention on three areas: digitalisation, internationalisation, with particular focus on Africa, and the creation of new disruptive products to launch on the Portuguese market.



**Fidelidade Angola has been operating in the Angolan market since 2012, and in 2019 was ranked second among Angolan insurance companies in terms of turnover, and first for private capital.**

The Company has been operating mainly in the Corporate sector, but 2019 was marked by an emphasis on diversification, in order to attract more individual clients. The company is recognised for the quality of its service and its diversified product range, covering all market segments.

Successfully implementing this strategy required major investment in new sales platforms, customer service improvements and the promotion of synergies with the Company's Shareholders and Partners.

In 2019, Fidelidade Angola became a leading player in the Angolan market. Some of the main highlights were:

- Moving the central services to the new headquarters, located in the Financial City, in Talatona, providing employees with excellent working conditions and contributing to Fidelidade Angola's image as an important and modern company;
- Expanding Fidelidade Angola's presence, with the opening of 5 new stores, in line with the Angolan expansion strategy;
- Creation of a sales team – Fidelidade Especialistas – totally focused on the private clients and small businesses segments and playing a key role in implementing the growth strategy in these segments;
- Fidelidade Ambassadors- Pérola and Matias Damásio – partners who not only transmit an image of trust, but who also play a key role in promoting products and services, contributing to high recognition of the Fidelidade brand;
- Fidelidade was voted a Superbrand, and its visibility and importance had a positive impact on the company's image in Angola.

In 2020, Fidelidade Angola will maintain its strategy of selective growth, consolidating the top position it now has in the insurance sector, and will continue to place emphasis on innovation and improving the quality of customer service. The company will continue its focus on creating value for its shareholders, proactively managing its employees, developing skills to further improve the professionalism of its team, maintaining solvency levels that are appropriate for management of the commitments assumed, and also maintaining its commitment to Angolan citizens and the Angolan society.



**In 2015, Fidelidade decided to strengthen its presence in Macao Special Administrative Region (China) by setting up a Non-Life insurer under local law. Fidelidade Macau – Companhia de Seguros, SA, began its operations on 1 October 2015, incorporating, by acquisition, the assets of Fidelidade’s Non-Life branch in Macao, which ceased activity on that date.**

Fidelidade Macau is authorised to engage in the insurance business in the Non-Life segment, ensuring the provision of a diversified offer of products and solutions for individuals and companies and responding effectively to market needs, based on a multi-channel distribution system.

2019 was an important year for strengthening the company’s position, with the following highlights:

- Celebration of 20 years in Macao (China), marked by an institutional event with key partners joining the company to celebrate its success and history;
- Solid growth in several lines of business, especially construction-related insurance, in line with the considerable growth in the economy of Macao and the region;
- Excellent results in the technical management of the different lines of business, aided by the fact that there were fewer storms in 2019 than in previous years;
- Excellent financial performance enabled interesting investment results to be obtained.

In 2020, the main strategic guidelines will include boosting commercial activity, both by expanding the sales network (agents and brokers) and by consolidating the distribution agreement with Banco Nacional Ultramarino (BNU). Opportunities arising from Macao’s inclusion in the Greater Bay Area (Guandong-Hong Kong-Macao) mean that Fidelidade Macau is optimistic regarding its business’ growth and profitability, helping to further consolidate its presence in Macao as one of the country’s preferred insurance companies.



**Garantia is the leader in the Cape Verde insurance market, operating in both the Life and Non- Life segments, with a diversified range of protection solutions for individuals, companies and self-employed persons. It has developed a multi-channel strategy regarding product distribution, which enables it to respond more effectively to the needs of the Cape Verdean market.**

2019 was a year for Garantia to consolidate its leadership in the Cape Verde insurance market, as a result of a series of actions and initiatives of different kinds that added to the Company's positive performance and the results achieved. The following can be highlighted:

- Refurbishment and modernisation of own stores and exclusive agent stores, plus further expansion of the commercial network, with the opening of a store on Brava island and a desk at Santa Catarina do Fogo, to make a current total of 16 stores;
- Launch of "My Garantia" – a reserved area for clients on the Company's website, providing a number of functions;
- Automatising the sending of receipts;
- Launch of the Roadside Assistance 365 days insurance;
- Renewal of Quality Certification (ISO 9001:2015);
- Adapting the company to data protection legislation;
- Production of the first Sustainability Report.

In 2020, Garantia Seguros will pursue the strategy defined for 2019/2021, which seeks to continue strengthening the Company's leadership in the market, by consolidating innovation and digitalisation projects already implemented and by focusing on the banking channel and health insurance, in order to increase the premiums portfolio.



**The La Positiva Group is a Latin American Insurance Group composed of insurance companies in Peru, Bolivia and Paraguay, of which Fidelidade became the majority shareholder at the beginning of 2019. In Peru, the insurance operation is represented by the La Positiva brand, while in Bolivia and Paraguay the brands are Alianza and Alianza Garantía, respectively.**

The company is currently the fourth largest insurer in Peru, with a solid presence and market leadership outside the capital, Lima, a geographical area with enormous growth potential.

2019 was a year of transformation for La Positiva, with the following highlights:

- Despite this only being the company's first year as part of the Fidelidade Group, the relationship has led to solid results:
  - Identification of opportunities for improvement as a result of the companies working together and sharing knowledge, in particular in the technology, financial and technical areas;
  - Identification of commercial opportunities with Chinese companies in Peru;
  - Participation in the Fidelidade Group and Fosun's acceleration programme for start-ups, Protechtig
- Attraction of important clients and portfolios within the Peruvian market, particularly in the large corporate clients and international brokers segment;
- Successful adoption of the SOAT Electrónico product, this being an example to be followed in the market;
- Focus on the digital channel, strengthening the company's multi-channel position and therefore being even closer to clients throughout their lives;
- Holding of a seminar on risk prevention at Work with the presence of hundreds of managers and executives from the Peruvian business community;
- Organisation of a university Hackathon, in partnership with the Catholic University of Peru (CIDE-PUCP), involving over 30 teams from different regions in the country;
- Redefining the company's aim and vision for the future.

The future looks promising, not only because of the natural potential of the market and of the regions, but also because of the positioning and competitive advantage that La Positiva has in the Peruvian market. Leveraged by the recognised reputation and experience of the new majority shareholder and by the company's presence in the regions outside the capital, Lima, the ambition is to continue to gain market share, but not forgetting the importance of financial sustainability, proper risk management and profitability.



## **FID Chile Seguros Generales. S.A. or FID Chile is a new Insurance Company that commenced its operations at the end of 2019.**

2019 was marked not only by the Fidelidade Group's arrival in Latin America, but also by its entry in the Chilean market through a start-up, the subsidiary FID Seguros, with registered office in Santiago.

The most recent insurer in the Group obtained authorisation to operate in the Non-Life segment in the Chilean market at the end of the last quarter of the year, and operations began formally at the beginning of 2020.

The aim is for FID Seguros's strategic positioning to be leveraged by a strong bond with brokers and other non-traditional channels, and by a wide range of Non-Life products designed for private and corporate clients.

It also intends to be a lean organisation, with processes that are transparent, agile and focused on partners and clients. The operational support is entirely technological, regarding both data management and the creation of analysis models based on artificial intelligence.

2020 will see a major focus on boosting sales, with expansion of the network of partners, agents and brokers, and also non-traditional channels, such as Bancassurance. Increased proximity to FID Seguros's clients will be guaranteed by the company's physical presence in 4 regions, with offices located in Santiago, Viña del Mar, La Serena and Valdivia.



## **GEP – Gestão de Peritagens, S. A. is the company responsible for providing loss adjusting opinions and claims inquiries for the Group.**

In 2019 the most important events were:

- Attraction of new clients, contributing to the sustained development of the company's business, in assessing property damage, surveying damage to vehicles and providing expert opinions/inquiries for public entities in motor insurance;
- Improvement of the "Confirma/ MA Value" application – an integrated project that enables automatic acceptance of a repair quote from a repair shop without the need for validation in person;
- Start of the international business with "GEP Cabo Verde";
- Implementation of the digital project in property loss adjusting;
- Trials with technology for the recognition of damage via images;
- Implementation of the LDR concept (Direct Settlement – Repair) as the preferred method of performing property loss adjusting;
- Renewal of the ISO 9001:2015 Quality Certification with zero non-conformance findings, for the eleventh year in a row;

In 2020, besides continuing to focus on the quality of the services provided, operational efficiency and the creation of differentiated services in the digital area, GEP will also continue investing in innovation, specifically in developing separate applications for the property inquiry and loss adjusting lines of business, incorporating offline and mobile capacity, in internationalisation and in diversifying its business, in particular by implementing the "Digital Loss Adjusting" project, consolidating GEP Cabo Verde's operations and developing its commercial area.



**CETRA – Centro Técnico de Reparação Automóvel, S.A, is the company in the Group which, under the brand Fidelidade Car Service, provides motor vehicle repair services.**

Aligned with the Group's mission, Fidelidade Car Service aims to contribute positively to its shareholder's strategy in providing Clients with a service of excellence, combined with a perspective of reducing claims costs both by sustained reduction of the average repair cost and by streamlining downtime costs, by adopting the best practices and techniques in the market.

The following achievements can be highlighted in 2019:

- Consolidation of the volume of invoicing in the three areas where FCS operates (Lisbon, Queluz and Porto);
- Important increase in quality indicators, measured by a fall in the complaints rate (from 0.55% in 2018 to 0.3% in 2019) and the Customer Satisfaction Index, collected from the MyCar platform, which was 8 (on a scale of 1 to 10);
- Renewal of CZ certification, with a 5-star rating for the FCS Units in Porto and Queluz, with zero non-conformance findings;
- The Online Reputation Management Project allowed us to reach a top position as a multi-make repair shop, in the various digital channels where we are referenced;

In 2020, we plan to adopt the following initiatives:

- Expansion to other locations;
- Boosting the tow services line of business, as a complementary activity;
- Use of increasingly environmentally sustainable solutions to promote internal productivity (e.g. automatisisation and digitalisation of processes via the adoption of paperless solutions);
- Increase in competitiveness and reduction in average repair costs, by optimising management of providers and suppliers of parts and other services;
- Analysis of new lines of business, in order to prepare ourselves for the new ecosystem of auto mobility.



**Safemode is the brand under which EAPS – Empresa de Análise, Prevenção e Segurança SA develops and provides services of Risk Analysis, Health and Safety at Work, including Workplace Medicine, for the companies in Longrun’s consolidation perimeter and the market.**

Highlights in 2019 were:

- Increased investment in consolidating the range of health and safety at work services;
- Geographical expansion of operations;
- Acquisition of a Mobile Health Unit;
- Opening of an Occupational Health Clinic in Porto;
- As part of the risk analyses conducted for Fidelidade, Safemode increased its interaction with the Commercial and Business Divisions, accompanying clients, providing internal training, supporting Business Managers, collaborating in claims assessments and operating in new locations where the Group operates, namely, Angola, Cape Verde, Spain and Mozambique, and;
- Completion of risk analysis and scoring IT project, ScoreRisk.

In 2020, Safemode’s activities will continue to be guided by a focus on quality, innovation and promotion of a prevention and risk management culture within the Insurance Group and among its clients.

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## **FIDELIDADE**

**ASSISTANCE**  
(Serviços)

**Fidelidade – Serviços de Assistência, S.A. has the corporate purpose of representing foreign insurers, managing claims, and providing claims management support services, telephone answering services, and services for management of providers’ networks for any repair, restoration, assembly and improvement works to be carried out on property.**

Fidelidade – Serviços de Assistência, S.A. shares human and technological resources with its shareholder Fidelidade Assistência - Companhia de Seguros, S.A, which gives it an increased capacity in terms of management and a results-driven approach, always with the aim of finding the best technical solutions and the most appropriate services for its clients.

The following activities can be highlighted in 2019:

- 7% increase in turnover;
- Claims management support services continued to be the most important line of business, representing 45% of billing, with recorded growth of 4%;
- Motor claims management, representing foreign insurance companies and the Portuguese Green Card Office, increased its weight in the overall billing to 37% and recorded growth of 20%;
- Representation agreement signed with a Latin American insurance company, to enhance the portfolio of clients in Portugal and Europe;
- Audit and renewal of the company’s ISO 9001:2015 Quality Certification, with zero findings of non-conformance or sensitive areas.

In 2020, Fidelidade – Serviços de Assistência, S.A. will boost the commercial area of the existing lines of business, with special focus on representing and assisting foreign insurers.



**CARES – Assistência e Reparações, S.A. has the corporate purpose of providing the services of repair, restoration, assembly and improvement of real estate properties and their contents, and is market leader in this field.**

The company is 100% owned by Fidelidade – Serviços de Assistência, S.A., and since March 2018 its core business has been management of home insurance claims processes (individuals sector). Its clients are some of the main insurance companies operating in Portugal.

The following activities can be highlighted in 2019:

- Start of a new strategic project – Peritagem Digital [Digital Loss-Adjusting], the main aim being to create value and enhance the brand's positioning in terms of service quality, speed and innovation;
- Reformulation of Cares' business model and strategy, with particular focus on the repair segment;
- 30,000 claims processes in total managed, and for processes included within Peritagem Digital Cares' intervention only directed towards repairs;
- Maintenance of the Company's two lines of business – Water Damage and Electrical Risks – with a fairly balanced distribution of processes between the two. The companies in Longrun's consolidation perimeter continued to be the main clients, accounting for around 83% of Cares' income;
- Strengthening of the strategic partnership with the Fidelidade's Providers' Management Division, in order to extend and optimise management of the providers' network in both lines of business.

In 2020, CARES' main strategy will be to increase operating efficiency and productivity, by consolidating control and monitoring of repair processes. The volume of business is expected to grow, together with the development of an increasingly distinctive service based on creating value for the client, with swift intervention and added quality.

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## FIDELIDADE

### PROPERTY

(Europe & International)

**Fidelidade Property Europe and Fidelidade Property International (including their subsidiaries) are the companies in the Group which manage real estate, an area which has been gaining significance in the investments portfolio of the insurance segment.**

In recent years, these companies have made a series of new and important investments in real estate both in Portugal and in key locations around the world (London, Tokyo and Milan), thereby strengthening the Group's positioning as a benchmark real estate investor in Portugal and internationally.

2019 was a particularly important year for these companies. The following aspects can be highlighted:

- Pursuit of the policy of optimising the current real estate assets in Portugal;
- Purchase of the former Lisbon "Feira Popular" land;
- Management and Sale of a real estate portfolio that mostly includes buildings occupied by companies in the Fidelidade Group;
- Continuing the projects currently in progress in the area of urban rehabilitation in Lisbon;
- Purchase of the Pegasus Office Park in Brussels;
- Strengthening the structure and internal skills in order to meet new challenges.

In 2020, these companies will continue their current strategy of optimising the current portfolio and developing new projects with the right risk/return profile, contributing decisively to the profitability and robustness of the investment portfolio of the Group's insurers.

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## **FIDELIDADE**

**REAL ESTATE INVESTMENT  
MANAGEMENT**

### **Fidelidade – SGOLL, S.A. is a Real Estate Investment Undertakings Management Company operating in Southern Europe.**

The main purpose of the company is to manage real estate investment funds that attract investors throughout different market cycles, in particular to obtain long-term cash-flow stability.

The investment strategy of the Funds managed by Fidelidade – SGOLL, S.A. is aimed at core tertiary assets mainly located in markets in Southern Europe, where efforts are made to obtain yields through disciplined management throughout the cycle, from acquisition of the real estate to its sale. The Management Company has a professional investment approach, with an emphasis on management processes that add value to the assets.

In 2019, the following aspects can be highlighted:

- Completion of the management company's first full year of activity;
- Stabilising the new framework of the closed Real Estate Investment Fund "IMOFID", as a "core" fund, with a capital increase of around EUR 120 million, which meant new real estate investments could be made;
- Start of the transformation process of "IMOFID" into an open investment fund and;
- Re-award of the management of the closed real estate investment fund "Saudeinveste" to Fundger - Sociedade Gestora de Investimentos Imobiliários, S.A., following the resolution of proceedings with the Competition Authority;

For 2020, the company plans to finalise the process of opening the "IMOFID" fund to the market, which will allow external capital to be attracted, enabling growth of the fund, in terms of volume of assets and of yields.

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## LUZ SAÚDE

Luz Saúde is one of the market leaders in private healthcare services in Portugal. The Company manages fifteen private hospitals, one NHS hospital under Public-Private Partnership rules, twelve private clinics operating on an out-patient basis and two senior residences.

2019 was a particularly important year. The following aspects can be highlighted:

- Luz Saúde had 1,650 beds, maintaining its growth trend in 2019, driven by development in the private healthcare segment;
- Over two million out-patient consults were performed, 600,000 emergency consults and 68,000 surgeries and deliveries, with a total of EUR 586 million in operating profits;
- The expansion of Hospital da Luz Lisboa (the largest private hospital in Portugal) was completed, increasing its capacity by 80% and further strengthening its leadership position in the market, and the gradual opening of the new installed capacity began;
- Focus on the ramp-up of Hospital de Vila Real (inaugurated in September 2018), and on increasing the activity of other recently acquired units, such as Hospital da Luz de Coimbra, Hospital da Luz Torres de Lisboa and Hospital da Luz Funchal.
- Continued investment in the three strategic areas that are an important source of competitive advantage:
  - 1) **digitalisation** of clients' access to health services via the development of a full Digital Clinical Centre, in combination with the My Luz app, and the implementation of an advanced system of customer relationship management (CRM);
  - 2) **implementation** of a broad project of medicine based on organisation-wide value, which will radically alter the approach to treatment and prevention of certain pathologies, and the provision of services to clients, and;
  - 3) **leveraging** of the enormous amount of data currently held in the organisation to develop advanced analytics and data science projects, focused on three areas: clinical, operational and clients.

**6.**

**RISK**

**MANAGEMENT**

## A. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

Accordingly, Longrun implemented a global risk management system, in order to meet these requirements. The implementation of this system, besides complying with the rules applicable to the insurance business, is regarded as an opportunity to improve the processes for assessing and managing risk, thereby contributing to maintaining the solidity and financial stability of Longrun's insurance business.

The risk management system is therefore an integral part of the companies in Longrun's consolidation perimeter, enabling them to ensure that their strategic objectives (client interests, profitability, financial solidity and efficiency of processes) are maintained.

Moreover, the own risk and solvency assessment (ORSA), which enables risk, capital and return to be related to each other in a prospective vision, within the context of the business strategy, plays a key role in monitoring both the risk profile of Longrun's insurance companies and the capital adequacy in terms of meeting the regulatory requirements and the internal capital needs. Longrun's insurance business has policies, processes and procedures relating to the governance system that are adapted to its business strategy and operations, guaranteeing solid and prudent management of its business.

To ensure compliance with these policies, processes and procedures, Longrun's insurance companies have established a series of key functions, which are allocated to the following bodies: the Risk Management Division (actuarial and risk management functions), the Audit Division and the Compliance Division.

Alongside the areas with key functions, risk management and internal control systems are also the responsibility of the following committees: Risk Committee, Underwriting Policy Acceptance and Supervision Committee, Life and Non-Life Products Committees and Assets and Liabilities Management Committee.

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

Regarding the reporting requirements, Longrun, through its insurance companies, prepared and disseminated, on its Internet site, the "Solvency and Financial Condition Report", with reference to 31/12/2018, which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management.

Given the time lag between the disclosure of these financial statements and the prudential information in the "Solvency and Financial Condition Report" for the year 2019, it is important to mention that the Company, based on preliminary quarterly data reported to the ASF and on information currently available, continues to comply comfortably with the capital requirements.

## B. MANAGEMENT OF FINANCIAL RISKS AND HEDGE ACCOUNTING

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Longrun's insurance business performs operations with derivative products as part of its activity, with the aim of reducing its exposure to fluctuations in exchange and interest rates.

The derivative financial instruments are recognised at their fair value at the contract date. They are also recognised in off-balance sheet accounts at their notional value. Subsequently, derivatives are measured at their fair value, which is calculated on the basis of quotes obtained in active markets or using models that incorporate valuation techniques accepted in the market.

These derivatives are used to hedge the exposure of Longrun's insurance business to the currency fluctuation risk inherent in its activity.

For all operations concerning hedge derivatives, Longrun, through the companies in its consolidation perimeter, prepares the formal documentation, in the terms defined by IAS39.

Assessments of hedge effectiveness are periodically performed and documented by comparing the changes in the fair value of the hedging instrument and that of the hedged item (part attributable to the hedged risk). In order to enable the use of hedge accounting, this ratio must fall within a range of 80% to 125%. Prospective effectiveness assessments are also performed, in order to estimate the future effectiveness of the hedge.

Positive and negative revaluations of hedge derivatives are recognised in specific asset and liability headings and valuations of hedged items are recognised in the balance sheet headings where those financial instruments are recognised.

Longrun's insurance business began using hedge accounting in 2015.

**7.**

**NON-FINANCIAL  
STATEMENT**

## A. LEGISLATIVE AND REGULATORY COMPLIANCE

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All of the Group's activity is guided by strict compliance with legal, regulatory, ethical and deontological rules and rules of good practice.

Accordingly, and in compliance with the provisions of Article 508 G(2) of the Code of Commercial Companies, the following is reported:

### i. Application of environmental rules

The Group is committed to preserving the environment, which means not only complying with environmental rules, but also promoting environmentally-appropriate behaviour.

### ii. Application of employment rules

The Group's labour relations are governed by strict criteria and high ethical standards. The Group always seeks to avoid conflict by engaging in clarifying and constructive dialogue with its employees.

### iii. Application of anti-corruption rules

The Group is committed to the fight against corruption and bribery, and complies strictly with the rules in force on these issues.

## B. DESCRIPTION OF THE BUSINESS MODEL

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Information regarding the business model has been described in this document, namely in the following chapters:

- Chapter 2 – Longrun Portugal;
- Chapter 3 – Longrun performance;
- Chapter 4 – Outlook.

## C. IMPLEMENTATION OF HUMAN RESOURCES POLICIES

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The human resources policy is guided by a series of pillars based on the following principles:

- Humanisation of working relations and conditions;
- Non-discrimination in the form of management based on equality, without ignoring diversity;
- Respect for the dignity and promotion of the Person;
- Adoption of integrated policies that combine measures of prevention, education, training, employment, balance between work and family life and equal opportunities;
- Implementation of human resources policies aimed at developing the individual and strengthening motivation and the stimulus to increase productivity;
- Application of human resources policies aimed at treating employees with respect and integrity which actively contribute to their professional development.

### **i. Equal treatment and opportunities for men and women**

The Group's human resources are evenly distributed between the genders according to the specific professional categories.

The recruitment and selection process fully respects the equal opportunities principle, and selection is according to the curriculum and skills profile of each candidate. Thus, when recruiting the Group does not discriminate based on gender/ethnicity/nationality.

Moreover, as part of the good practice followed in its human resources policy and promotion of the development of the individual, the Group also considers that equal treatment and opportunities should be given to persons with disabilities.

On this point, Chapter 2 c) vii may also be consulted.

### **ii. Balancing personal, family and professional life**

The Group has sought to implement a range of measures to support balancing work and family life, which include the following:

- Appropriateness and flexibility of work schedules and conditions;
- Internal mobility;
- Appropriateness of each placement to the physical and psychological conditions of employees, equipping work stations according to specific needs identified.

### **iii. Professional development of employees**

The Group promotes employee training, as a means of professional development. Employees are encouraged to undertake permanent and continual training throughout their professional life.

This focus on training contributes to continual improvement of operational indicators, as shown in Chapter 3 of this report.

## **D. MAIN RISKS AND MITIGATION ACTIONS**

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The Group's policies on risk management are set out in Chapter 6 of this report.

**8.**

**SOCIAL**

**RESPONSIBILITY**

Within the framework of its sustainability and business strategy, Longrun, through the companies in its consolidation perimeter, has maintained and expanded the FIDELIDADE COMUNIDADE Programme, which structures and shapes its activities and responses to the problems of society and the planet. Through this programme, Longrun has established a transparent and efficient modus operandi, with criteria for assessing and accompanying projects on the ground, and creating important synergies and partnerships.

The Group's priority areas in terms of corporate social responsibility continue to be based on strengthening the social sector, in the areas of ageing, health prevention and inclusion of persons with disabilities or incapacities, by gaining greater understanding of these issues in the interests of developing the respective communities and with regard to the respective impacts on the strategy and prosperity of the business. The issue of ageing relates to the current and future development of socio-demographic features of the Portuguese population and society and has direct consequences on the search for new forms of health prevention, alongside the appearance of new diseases and disorders identified for the 21st century. The inclusion of people with disabilities or incapacities enhances the development of local communities, by (re)creating better and more appropriate long-term care and through maximum (re)capacitating of these citizens for active living, whenever possible, thereby contributing to reducing social inequality. Overall, these are the issues that give shape to the "Fidelidade Comunidade" Award, as part of the mission of consolidating and promoting the third sector, in the form of giving financial support to institutions that act in these areas

In parallel, within the framework of EU Directive 2014/95/EU as regards disclosure of non-financial and diversity information, Longrun, through its subsidiaries, includes relevant concerns on environmental and social issues, respect for human rights, combating corruption, and supply chains and outsourcing. Environmental issues identify the main impacts of its activities on the environment and, consequently, on the health and safety of stakeholders. Social issues point out good practice to ensure gender equality, working conditions, social dialogue, preventing human rights violations, and indicate management and action tools to combat corruption and attempts at bribery, by means of a strict compliance exercise. Within these areas, the Group has a vast internal programme in practice to provide support for employee development, in general, and help for those most in need, in particular regarding legal, financial, medical, social and family matters. This programme, which is called "NOS - Social Support", has managed to create and enable appropriate responses to resolve complicated situations, contributing to employee's well-being.

The ultimate goal of all these concerns is to define, prevent and mitigate real and potential hostile effects resulting from the activity of Longrun, and of the companies in its consolidation perimeter, in the communities where they operate at national level, working towards an increasingly fairer and more global vision of policies, results and own risks. The desired result is to conduct ever more responsible business that is beneficial for all those that are part of its value chain.

In 2019, through its subsidiaries, Longrun continued to support areas that are of special importance within the scope of its activities and that prioritise the protection of people, property, the environment and economic activity, now and in the future. This performance is reported annually in the Sustainability Report, which is certified by an external entity.

**9.**

**FINAL  
REMARKS**

In concluding this report, the Board of Directors would like to express its thanks to all those who have contributed to the development and continued robustness of the company, and in particular:

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special supervision of the sector and timely intervention;
- The Portuguese Insurance Association, for its efforts in representing insurers in common fields of interest;
- The Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for their interest, availability and constant commitment to accompanying and checking the activity;
- The insurance distribution networks and the reinsurers, for the motivation, team spirit, openness and commitment they demonstrate in developing our business;
- The employees of all insurance companies included in the Longrun Group, who, with their professionalism, dedication and skill, made it possible to achieve the results seen and to continually enhance the value of the companies;
- The clients for their preference and for the constant stimulus to improve service quality.

Lisbon, 31 March 2020

#### **THE BOARD OF DIRECTORS**

Lingjiang XU  
Wai Lam William Mak

# **CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

Tax no: 510 999 018

(amounts in euros)

ASSETS	Notes	2019			2018
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	4 and 12	899,272,940	-	899,272,940	1,060,082,146
Investments in associates and joint ventures	5 and 12	3,979,082	-	3,979,082	2,307,146
Financial assets held for trading	6 and 12	21,839,020	-	21,839,020	16,613,601
Financial assets initially recognised					
at fair value through profit or loss	6 and 12	973,083,449	-	973,083,449	862,678,740
Hedge derivatives	7 and 12	3,676,945	-	3,676,945	4,384,369
Available-for-sale investments	8 and 12	11,191,237,113	-	11,191,237,113	10,148,310,814
Loans and accounts receivable	9 and 12	1,385,066,960	-	1,385,066,960	2,094,158,896
Deposits in ceding companies	9	146,916	-	146,916	542,606
Other deposits	9	1,362,123,759	-	1,362,123,759	2,050,386,112
Loans made	9	22,782,051	-	22,782,051	43,218,594
Other	9	14,234	-	14,234	11,584
Held-to-maturity investments	10	1,074,167,759	-	1,074,167,759	-
Properties	11 and 12	3,011,642,043	(175,150,657)	2,836,491,386	2,075,365,120
Properties for own use	11	800,095,766	(175,150,657)	624,945,109	522,933,205
Investment properties	11	2,211,546,277	-	2,211,546,277	1,552,431,915
Other tangible assets	12 and 13	363,182,561	(267,705,097)	95,477,464	64,321,969
Inventories	14	13,661,671	-	13,661,671	12,919,944
Goodwill	15	528,103,202	-	528,103,202	483,532,811
Other intangible assets	16	216,940,051	(89,886,232)	127,053,819	23,116,100
Technical provisions on reinsurance ceded		346,083,335	-	346,083,335	223,608,057
Provision for unearned premiums	17	92,721,079	-	92,721,079	30,138,691
Mathematical provision for life insurance	17	16,559,063	-	16,559,063	13,081,699
Claims provision	17	236,574,830	-	236,574,830	180,387,667
Profit sharing provision	17	228,363	-	228,363	-
Assets for post-employment and long-term benefits	36	4,302,237	-	4,302,237	7,299,079
Other debtors for insurance and other operations		559,331,967	(60,580,816)	498,751,151	420,762,046
Accounts receivable for direct insurance operations	18	297,932,568	(18,096,894)	279,835,674	183,368,220
Accounts receivable for other reinsurance operations	18	26,325,714	(7,583,945)	18,741,769	21,264,585
Accounts receivable for other operations	18	235,073,685	(34,899,977)	200,173,708	216,129,241
Tax assets		262,707,496	-	262,707,496	344,653,348
Recoverable tax assets	19	38,635,953	-	38,635,953	53,177,361
Deferred tax assets	19	224,071,543	-	224,071,543	291,475,987
Accruals and deferrals	20	88,156,026	-	88,156,026	86,794,351
Non-current assets held for sale	21	4,327,134	-	4,327,134	4,423,242
<b>TOTAL ASSETS</b>		<b>20,950,760,991</b>	<b>(593,322,802)</b>	<b>20,357,438,189</b>	<b>17,935,331,779</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

Tax no: 510 999 018

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2019	2018
<b>LIABILITIES</b>			
Technical provisions		5,906,195,480	4,204,988,672
Provision for unearned premiums	22	510,115,417	287,138,410
Mathematical provision for life insurance	22	3,163,842,270	1,907,427,795
Claims provision		2,030,102,680	1,816,564,111
Life	22	185,205,108	119,112,004
Workers' compensation	22	972,896,063	869,497,915
Other	22	872,001,509	827,954,192
Provision for profit sharing	22	85,369,984	81,104,520
Provision for interest rate commitments	22	29,392,059	22,683,110
Provision for portfolio stabilisation	22	26,462,475	26,254,032
Equalisation provision	22	29,119,191	27,302,513
Provision for unexpired risks	22	31,791,404	36,514,181
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	23	8,925,001,690	9,276,469,443
Financial liabilities held for trading	24	82,034,738	22,170,498
Other financial liabilities		962,592,455	759,709,161
Hedge Derivatives	7 and 24	25,705,957	11,154,763
Deposits received from reinsurers	24	75,145,827	53,287,505
Loans	24	656,263,672	633,948,491
Others	24	205,476,999	61,318,402
Liabilities for post-employment and other long-term benefits	36	364,474	314,949
Other creditors for insurance and other operations		363,167,313	277,542,218
Accounts payable for direct insurance operations	25	122,969,650	96,451,253
Accounts payable for other reinsurance operations	25	106,967,443	47,999,448
Accounts payable for other operations	25	133,230,220	133,091,517
Tax liabilities		218,340,056	168,821,197
Tax payable liabilities	19	52,681,270	37,936,229
Deferred tax liabilities	19	165,658,786	130,884,968
Accruals and deferrals	26	241,643,184	198,075,130
Other provisions	27	132,900,974	111,472,638
Liabilities from a group for disposal classified as held for sale	21	1,081,671	529,650
<b>TOTAL LIABILITIES</b>		<b>16,833,322,035</b>	<b>15,020,093,556</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

(continuation)

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2019	2018
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in Capital	28	50,000	50,000
Other Capital Instruments	28	1,600,073,902	1,599,398,902
Revaluation reserves		381,753,460	65,607,784
Adjustments in fair value of financial assets	29	338,350,520	8,376,097
Revaluation of properties for own use	29	71,103,094	80,570,755
Adjustments in fair value of hedging instruments in cash flow hedging	29	(1,489,474)	(1,310,237)
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	29	34,878,531	60,331,005
Exchange differences	29	(61,089,211)	(82,359,836)
Deferred tax reserve	29	(86,921,668)	(5,297,790)
Other reserves	29	451,183,391	108,032,817
Retained earnings	29	111,405,720	214,751,551
Net income for the year	29	177,590,892	241,706,106
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,635,135,697</b>	<b>2,224,249,370</b>
Non-controlling interests	30	888,980,457	690,988,853
<b>TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>3,524,116,154</b>	<b>2,915,238,223</b>
<b>TOTAL LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY</b>		<b>20,357,438,189</b>	<b>17,935,331,779</b>

Lisbon, 31 March 2020

Chief Accounting Officer  
Ana Paula Bailão RodriguesCertified Public Accountant  
Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Wai Lam William MAK  
Vice Chairman

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

Tax no: 510 999 018

(amounts in euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2019				2018
		Technical - life	Technical - non-life	Non-technical	Total	
Earned premiums net of reinsurance		814,600,919	1,643,798,710	-	2,458,399,629	1,732,920,578
Gross premiums written	31	904,727,162	2,029,438,160	-	2,934,165,322	1,925,323,040
Reinsurance ceded premiums	31	(90,188,243)	(329,564,454)	-	(419,752,697)	(174,711,276)
Provision for unearned premiums (change)	22 and 31	830,669	(70,799,548)	-	(69,968,879)	(15,991,908)
Provision for unearned premiums, reinsurers' share (change)	17 and 31	(768,669)	14,724,552	-	13,955,883	(1,699,278)
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	32	1,215,867	-	-	1,215,867	1,224,954
Claims costs, net of reinsurance		(363,453,560)	(1,107,579,228)	-	(1,471,032,788)	(1,204,276,844)
Amounts paid		(379,437,144)	(1,077,182,253)	-	(1,456,619,397)	(1,199,640,371)
Gross amounts	33 and 34	(427,718,901)	(1,223,380,934)	-	(1,651,099,835)	(1,337,739,366)
Reinsurers' share	33	48,281,757	146,198,681	-	194,480,438	138,098,995
Claims Provision (change)		15,983,584	(30,396,975)	-	(14,413,391)	(4,636,473)
Gross amount	33	5,978,847	1,973,628	-	7,952,475	47,226,008
Reinsurers' share	33	10,004,737	(32,370,603)	-	(22,365,866)	(51,862,481)
Other technical provisions, net of reinsurance	33	(7,056,327)	3,450,974	-	(3,605,353)	(5,964,059)
Mathematical provision for life insurance, net of reinsurance		(363,086,043)	-	-	(363,086,043)	(121,678,700)
Gross amount	22 and 33	(366,530,918)	-	-	(366,530,918)	(123,575,640)
Reinsurers' share	33	3,444,875	-	-	3,444,875	1,896,940
Profit sharing, net of reinsurance	22 and 33	(9,523,171)	(998,741)	-	(10,521,912)	(16,625,922)
Operating costs and expenses, net		(143,301,763)	(501,055,221)	-	(644,356,984)	(440,646,335)
Acquisition expenses	34	(119,498,790)	(376,785,504)	-	(496,284,294)	(370,041,498)
Deferred cost acquisition (change)	22	638,328	4,295,009	-	4,933,337	5,027,408
Administrative expenses	34	(44,207,838)	(166,296,503)	-	(210,504,341)	(106,448,696)
Commissions and reinsurance profit sharing	34	19,766,537	37,731,777	-	57,498,314	30,816,451
Financial income		254,365,038	62,841,909	93,833,796	411,040,743	392,358,522
From Interest on financial assets not recognised at fair value through profit or loss	37	245,666,815	48,657,902	8,215,469	302,540,186	297,597,781
Other	37	8,698,223	14,184,007	85,618,327	108,500,557	94,760,741
Financial expenses		(11,752,884)	(9,000,210)	(53,061,703)	(73,814,797)	(56,272,564)
Other	34 and 38	(11,752,884)	(9,000,210)	(53,061,703)	(73,814,797)	(56,272,564)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		75,793,818	1,620,336	4,188,494	81,602,648	284,209,725
Available-for-sale investments	39	115,796,739	1,622,581	7,375,947	124,795,267	359,274,833
Loans and accounts receivable	39	-	(2,245)	-	(2,245)	(30,104)
Financial liabilities recognised at amortised cost	23 and 39	(40,002,921)	-	-	(40,002,921)	(75,038,389)
Other	39	-	-	(3,187,453)	(3,187,453)	3,385
Net income on financial assets and liabilities recognised at fair value through profit or loss		(160,825,136)	(18,236,169)	(13,347,893)	(192,409,198)	(319,877,417)
Net income on financial assets and liabilities held for trading	40	(175,447,491)	(20,825,235)	(30,998,189)	(227,270,915)	(259,827,473)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	40	23,760,984	8,617,146	17,650,296	50,028,426	(35,321,742)
Other	40	(9,138,629)	(6,028,080)	-	(15,166,709)	(24,728,202)
Exchange differences	41	104,251,043	15,693,195	5,115,038	125,059,276	190,143,936
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	42	(15,025)	44,738,079	72,503,636	117,226,690	37,605,986
Impairment losses (net of reversals)		(55,930,308)	(22,879,748)	(67,408,038)	(146,218,094)	(189,334,440)

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

(continuation)

(amounts in euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2019				2018
		Technical - life	Technical - non-life	Non-technical	Total	
Available-for-sale investments	43	(55,805,702)	(26,197,194)	(40,649,154)	(122,652,050)	(245,626,850)
Loans and accounts receivable at amortised cost	43	-	(150,576)	-	(150,576)	(91,380)
Other	43	(124,606)	3,468,022	(26,758,884)	(23,415,468)	56,383,790
Other technical income/expenses, net of reinsurance	44	(4,108,790)	(27,945,684)	-	(32,054,474)	4,699,149
Other income/expenses	45	-	-	(20,819,901)	(20,819,901)	12,503,174
Gains and losses of associates and joint ventures (equity method)	46	-	-	89,294	89,294	676,246
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	21	-	-	-	-	113,075,199
<b>NET INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS</b>		<b>131,173,678</b>	<b>84,448,202</b>	<b>21,092,723</b>	<b>236,714,603</b>	<b>414,741,188</b>
Current income tax - current taxes	19	-	-	(20,877,444)	(20,877,444)	(50,810,582)
Current income tax - deferred taxes	19	-	-	14,526,585	14,526,585	(70,164,994)
<b>NET INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS</b>		<b>131,173,678</b>	<b>84,448,202</b>	<b>14,741,864</b>	<b>230,363,744</b>	<b>293,765,612</b>
Non-controlling interests	30	-	-	(52,772,852)	(52,772,852)	(52,059,506)
<b>NET INCOME FOR THE YEAR</b>	<b>29</b>	<b>131,173,678</b>	<b>84,448,202</b>	<b>(38,030,988)</b>	<b>177,590,892</b>	<b>241,706,106</b>

Lisbon, 31 March 2020

Chief Accounting Officer  
Ana Paula Bailão RodriguesCertified Public Accountant  
Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Wai Lam William MAK  
Vice Chairman

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2019 AND 2018 FINANCIAL YEARS

Tax no: 510 999 018

(amounts in euros)

	Paid-in-capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Other Reserves	
				Legal reserve	Other reserves
<b>Balance at 31 December 2017</b>	<b>1,599,448,902</b>	<b>757,792,302</b>	<b>(206,907,890)</b>	<b>40,452,859</b>	<b>(51,463,917)</b>
Appropriation of net income	-	-	-	29,345,277	159,338,851
Net gains through adjustments in fair value					
of available-for-sale investments	-	(782,999,276)	232,598,902	-	-
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	(356,291)	16,949	-	-
Net gains through adjustments in fair value					
of hedging instruments in hedging of net investments in a foreign currency	-	(15,327,119)	3,392,949	-	-
Exchange differences	-	(4,112,155)	329,840	-	-
Revaluation of properties for own use	-	40,850,729	(8,970,201)	-	-
Disposals of properties for own use	-	(7,307,827)	(1,153,925)	-	-
Actuarial gains and losses	-	-	(248,112)	-	757,287
Recognition of non-controlling interests	-	77,067,421	(24,356,302)	(4,837,338)	(65,560,202)
Others	-	-	-	-	-
Net income for the year	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,599,448,902</b>	<b>65,607,784</b>	<b>(5,297,790)</b>	<b>64,960,798</b>	<b>43,072,019</b>
Appropriation of net income	-	-	-	37,169,147	378,019,840
Supplementary contributions	675,000	-	-	-	-
Net gains through adjustments in fair value					
of available-for-sale investments	-	425,106,569	(101,834,963)	-	-
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	(416,547)	87,475	-	-
Net gains through adjustments in fair value					
of hedging instruments in hedging of net investments in a foreign currency	-	(29,945,418)	6,994,961	-	-
Exchange differences	-	29,836,669	(2,766,228)	-	-
Revaluation of properties for own use	-	(2,625,818)	(1,630,090)	-	-
Disposals of properties for own use	-	(9,755,487)	1,496,381	-	-
Actuarial gains and losses	-	-	1,751,170	-	(8,093,294)
Recognition of non-controlling interests	-	(96,054,292)	14,277,416	(6,318,631)	(57,626,587)
Others	-	-	-	-	99
Net income for the year	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,600,123,902</b>	<b>381,753,460</b>	<b>(86,921,668)</b>	<b>95,811,314</b>	<b>355,372,077</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2019 AND 2018 FINANCIAL YEARS

(continuation)

(amounts in euros)

	Retained earnings	Net income for the year	Sub-total	Non-controlling interests	Total
<b>Balance at 31 December 2017</b>	<b>156,882,138</b>	<b>194,251,243</b>	<b>2,490,455,637</b>	<b>403,681,672</b>	<b>2,894,137,309</b>
Appropriation of net income	5,567,115	(194,251,243)	-	-	-
Net gains through adjustments in fair value					
of available-for-sale investments	-	-	(550,400,374)	-	(550,400,374)
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	-	(339,342)	-	(339,342)
Net gains through adjustments in fair value					
of hedging instruments in hedging of net investments in a foreign currency	-	-	(11,934,170)	-	(11,934,170)
Exchange differences	-	-	(3,782,315)	-	(3,782,315)
Revaluation of properties for own use	-	-	31,880,528	-	31,880,528
Disposals of properties for own use	8,461,752	-	-	-	-
Actuarial gains and losses	-	-	509,175	-	509,175
Recognition of non-controlling interests	46,105,136	-	28,418,715	287,307,181	315,725,896
Others	(2,264,590)	-	(2,264,590)	-	(2,264,590)
Net income for the year	-	241,706,106	241,706,106	-	241,706,106
<b>Balance at 31 December 2018</b>	<b>214,751,551</b>	<b>241,706,106</b>	<b>2,224,249,370</b>	<b>690,988,853</b>	<b>2,915,238,223</b>
Appropriation of net income	(173,482,881)	(241,706,106)	-	-	-
Supplementary contributions	-	-	675,000	-	675,000
Net gains through adjustments in fair value					
of available-for-sale investments	-	-	323,271,606	-	323,271,606
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	-	(329,072)	-	(329,072)
Net gains through adjustments in fair value					
of hedging instruments in hedging of net investments in a foreign currency	-	-	(22,950,457)	-	(22,950,457)
Exchange differences	-	-	27,070,441	-	27,070,441
Revaluation of properties for own use	-	-	(4,255,908)	-	(4,255,908)
Disposals of properties for own use	8,259,106	-	-	-	-
Actuarial gains and losses	-	-	(6,342,124)	-	(6,342,124)
Recognition of non-controlling interests	62,284,374	-	(83,437,720)	197,991,604	114,553,884
Others	(406,430)	-	(406,331)	-	(406,331)
Net income for the year	-	177,590,892	177,590,892	-	177,590,892
<b>Balance at 31 December 2019</b>	<b>111,405,720</b>	<b>177,590,892</b>	<b>2,635,135,697</b>	<b>888,980,457</b>	<b>3,524,116,154</b>

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

Tax no: 510 999 018

(amounts in euros)

	2019	2018
<b>NET INCOME FOR THE YEAR</b>	<b>177,590,892</b>	<b>241,706,106</b>
<b>Items that may be reclassified subsequently to gains and losses</b>		
Change in potential gains on financial investments		
Gross amount		
Appreciation	434,574,355	( 679,832,720 )
Impairment	65,303,631	104,976,243
Disposal	( 63,390,561 )	( 231,457,612 )
Life insurance contracts with profit sharing	( 7,312,449 )	30,336,798
Exchange differences		
Gross amount	( 4,068,407 )	( 6,825,311 )
Life insurance contracts with profit sharing	-	( 196,674 )
Deferred tax	( 101,349,238 )	229,891,725
Current tax - Life insurance contracts with profit sharing	( 485,725 )	2,707,177
Net gains through adjust. in fair value of hedging instruments in cash flow hedging		
Gross amount	( 416,547 )	( 356,291 )
Deferred tax	87,475	16,949
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency		
Gross amount	( 29,945,418 )	( 15,327,119 )
Deferred tax	6,994,961	3,392,949
Change in potential gains due to exchange differences		
Gross amount	29,836,669	( 4,112,155 )
Deferred tax	( 2,766,228 )	329,840
<b>Items that maybe not be reclassified subsequently to gains and losses</b>		
Change in potential gains on properties for own use		
Gross amount	( 2,625,818 )	40,850,729
Deferred tax	( 1,630,090 )	( 8,970,201 )
Actuarial deviations		
Post-employment benefits	( 5,692,655 )	( 437,209 )
Health benefits	( 2,400,639 )	1,194,496
Current tax	744,156	79,233
Deferred tax	1,007,014	( 327,345 )
<b>INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>316,464,486</b>	<b>( 534,066,498 )</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR</b>	<b>494,055,378</b>	<b>( 292,360,392 )</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 2019 AND 2018 FINANCIAL YEARS

Tax no: 510 999 018

(amounts in euros)

	2019	2018
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	2,514,412,625	1,750,611,764
Claims paid, net of reinsurance	(1,248,252,031)	(1,062,899,659)
Commissions on insurance, investment and services contracts, net	(299,980,266)	(206,878,179)
Profit sharing payments, net of reinsurance	(22,154,226)	(27,128,547)
Payments to suppliers	(286,949,292)	(190,570,692)
Payments to employees	(243,872,213)	(191,177,715)
Contributions to pension funds	(8,920,000)	(10,090,175)
Others	(96,800,012)	(58,605,043)
	<b>307,484,585</b>	<b>3,261,755</b>
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	116,189,549	32,986,398
Debtors - other operations	42,296,038	(102,839,774)
Other assets	14,541,408	(51,807,770)
	<b>173,026,995</b>	<b>(121,661,146)</b>
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	(384,008,642)	626,473,025
Deposits received from reinsurers	21,368,996	(6,358,496)
Creditors - direct insurance and reinsurance operations	(26,593,791)	(1,971,307)
Creditors - other operations	(156,783,820)	(58,309,312)
Other liabilities	11,926,594	(30,454,108)
	<b>(534,090,663)</b>	<b>529,379,802</b>
<b>Net cash from operating activities before tax</b>	<b>(53,579,083)</b>	<b>410,980,411</b>
Payments of income tax	(16,757,191)	(42,435,456)
	<b>(70,336,275)</b>	<b>368,544,955</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	408,865,325	331,437,351
Available-for-sale investments	4,854,594,395	5,571,896,856
Loans and accounts receivable	2,964,878,908	1,763,848,975
Investment properties	46,838,691	39,185,239
Tangible and intangible assets	61,681,460	7,885,319
Non-current assets (or groups for disposal) classified as held for sale	1,391,098	400,962,499
Net income from financial assets	770,659,313	518,157,865
Other receipts	231,099	64,541,765
	<b>9,109,140,289</b>	<b>8,697,915,869</b>
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(596,340,147)	(644,866,382)
Available-for-sale investments	(4,633,859,703)	(5,244,009,185)
Held-to-maturity investments	(1,076,682,052)	-
Loans and accounts receivable	(2,256,335,483)	(2,675,072,399)
Investment properties	(413,128,354)	(136,996,084)
Tangible and intangible assets	(191,739,011)	(172,410,795)
Others	(17,217,724)	(52,379,893)
	<b>(9,185,302,474)</b>	<b>(8,925,734,737)</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 2019 AND 2018 FINANCIAL YEARS

(continuation)

(amounts in euros)

	2019	2018
Business combinations		
Disposal of subsidiaries, associates and joint ventures	50,000	267,317,671
Acquisition of subsidiaries, associates and joint ventures	( 119,665,517 )	( 3,104,192 )
<b>Net cash from investing activities</b>	<b>( 195,777,701 )</b>	<b>36,394,611</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Payment from leasing	( 30,255,362 )	-
Interest received	2,807,413	2,945,750
Other loans obtained	22,315,181	60,822,887
Other interest paid	( 3,035,092 )	( 5,372,723 )
Supplementary contributions	675,000	-
<b>Net cash from financing activities</b>	<b>( 7,492,860 )</b>	<b>58,395,914</b>
Increase (decrease) net of cash and equivalents	( 273,606,836 )	463,335,480
Cash and equivalents at start of the year	1,060,082,146	596,746,666
Entry into the consolidation perimeter	112,797,630	-
Cash and equivalents at end of the year	899,272,940	1,060,082,146

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1. INTRODUCTORY NOTE

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

It holds shares in other insurance companies and other subsidiaries and associates, which together form the Longrun Group. The Group's insurance companies held by the Company include Fidelidade – Companhia de Seguros, S.A. ("Fidelidade"), Via Directa – Companhia de Seguros, S.A. ("Via Directa"), Companhia Portuguesa de Resseguros, S.A. ("CPR"), Garantia – Companhia de Seguros de Cabo Verde, S.A. ("Garantia"), Fidelidade Angola – Companhia de Seguros, S.A., (previously Universal Seguros, S.A.), Multicare – Seguros de Saúde, S.A. ("Multicare"), Fidelidade Assistência – Companhia de Seguros, S.A. ("Fidelidade Assistência") and Fidelidade Macau – Companhia de Seguros, S.A. ("Fidelidade Macau") and La Positiva Seguros Y Reaseguros S.A.A. (Peru).

In order to perform its activity, Fidelidade has a nationwide branch network, agents' centres and client branches. Overseas, it has subsidiaries in Angola, Cape Verde and Macao and branches in Spain, France, Luxembourg, Macao and Mozambique.

This report presents consolidated financial information resulting from the consolidation of Longrun and its subsidiaries. It has been prepared from the financial statements of each of the companies in the Group, at 31 December 2019.

Longrun's financial statements at 31 December 2019 were approved by the Board of Directors on 31 March 2020. On the date of issue of the financial statements, these were pending approval by the General Meeting.

## 2. ACCOUNTING POLICIES

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### 2.1. Basis of presentation and consolidation principles

#### 2.1.1. Basis of presentation

The financial statements at 31 December 2019 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 3/2018-R, of 29 March, of the Insurance and Pension Funds Supervisory Authority (ASF), and the remaining regulatory standards issued by the ASF.

The standards set out in the PCES correspond in general terms to the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into the Portuguese legal order by Decree-Law No. 35/2005, of 17 February, with the amendments introduced by Law No. 53-A/2006, of 29 December, and Decree-Law No. 237/2008, of 15 December, except with regard to the application of IFRS 4 - "Insurance Contracts", in respect of which only the classification principles relating to insurance type contracts were adopted.

In 2019 the Group adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2019. These standards are listed in Note 2.21. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

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

The accounting policies used by the Group in the preparation of its financial statements relating to 31 December 2019 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely investments relating to life contracts where the investment risk is borne by the policyholder, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available-for-sale investments and real estate, both for own use and for income generation. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities, are recognised at amortised cost or historical cost.

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

### 2.1.2. Consolidation principles

The consolidated financial statements presented reflect the assets, liabilities, income and costs of the Group, and the income attributable to the Group relating to financial interests in associates.

The accounting policies were applied consistently by all the companies in the Group, for the periods covered by these consolidated financial statements.

On 1 January 2010, the Group began to apply IFRS 3 (revised) for the accounting recognition of business combinations. The changes to the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidation of the accounts of the subsidiaries which are part of the Group was made using the full consolidation method. Significant transactions and balances between the companies subject to the consolidation were eliminated. In addition, when applicable, consolidation adjustments are made in order to ensure consistency in the application of the Group's accounting principles.

The amount which corresponds to third party shares in subsidiaries is presented in the heading "Non-controlling Interests" within equity.

The consolidated profit is the result of aggregating the net income of Longrun Portugal, SGPS, S.A. and its subsidiaries, following harmonisation of the respective accounting policies, in proportion to the respective ownership interest, following consolidation adjustments, including the elimination of dividends received, of reinsurance operations and of capital gains and losses generated by transactions between companies included within the consolidation perimeter.

The consolidated financial statements include the accounts of Longrun Portugal, SGPS, S.A. and those of the entities controlled directly and indirectly by the Group (Note 3).

## 2.2. Investments in subsidiaries

Investments in subsidiaries include holdings in companies over whose day-to-day management the the Group exercises effective control. Control is presumed to exist when the Group holds the ownership of the majority of voting rights. Control may also exist when the Group holds, directly or indirectly, the power to govern the financial and operational policies of an entity so as to obtain benefits from its activities, even though the percentage of the percentage holding of its equity is less than 50%.

The subsidiary companies are fully consolidated from the time when the Group assumes control over their activities and consolidation ceases when the Group no longer has such control.

When the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interest in the share capital of that subsidiary, the accumulated losses are attributed to the minorities in the proportions held, which may imply recognition of negative non-controlling interests.

In a step acquisition which results in the acquisition of control, the revaluation of any previously acquired interest is recognised in the income statement when goodwill is calculated. When there is a partial sale, the result of which is the loss of control over a subsidiary, any remaining share is revalued at market price on the date of the sale and the gain or loss resulting from this revaluation is recognised in the income statement.

### 2.3. Business combinations and goodwill

Acquisitions of subsidiaries are recognised according to the purchase method. The acquisition cost corresponds to the aggregate fair value of the assets delivered and liabilities incurred or assumed in exchange for obtaining control over the acquired entity, together with costs incurred that are directly attributable to the operation. On the acquisition date, which corresponds to when the Group obtained control of the subsidiary, the assets, liabilities and identifiable contingent liabilities which meet the requirements for recognition set out in IFRS 3 – “Business combinations” are recognised at their respective fair values.

Goodwill corresponds to the positive difference, on the acquisition date, between the acquisition cost of a subsidiary and the effective percentage acquired by the Group, at fair value, of its identifiable assets, liabilities and contingent liabilities. Goodwill is recognised as an asset and is not amortised, and it is subject to impairment tests.

If it is confirmed that the portion corresponding to the percentage of the participation acquired by the Group in the identifiable assets, liabilities and contingent liabilities of a subsidiary exceeds the acquisition cost, the excess is recognised as income in the profit and loss account for the year.

The Group conducts impairment tests on the goodwill recognised on the balance sheet at least once a year, in line with the requirements of IAS 36 – “Impairment of assets”. For this purpose, goodwill is allocated to cash flow generating units and its recoverable value is assessed on the basis of future cash flow projections, updated on the basis of discount rates which the Group deems appropriate. Impairment losses associated with goodwill are recognised in the income statement for the year and may not be reversed.

Until 1 January 2004, as permitted by the previous accounting policies, goodwill was fully deducted from the equity in the year of the acquisition of the subsidiaries. As permitted by IFRS 1, the Group did not change that policy and goodwill from transactions prior to 1 January 2004 continues to be deducted from the reserves.

### 2.4. Investment in associates and joint ventures

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

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

These investments are recognised by the equity method from the time when the significant influence begins and this ceases to apply when it ends. In line with this method, the shares are initially valued at their acquisition cost, which is subsequently adjusted based on the Group’s effective percentage in equity variations (including income) of the associates.

The equity of the associates used for the equity method is adjusted to reflect the application of the Group’s accounting principles where the differences are material.

Goodwill, which corresponds to the positive difference between the acquisition cost of an associate and the effective percentage acquired by the Group, at fair value, of its assets, liabilities and contingent liabilities, continues to be reflected in the value of the investment, to which annual impairment tests are applied.

Unrealised income on transactions with associates is eliminated in proportion to the Group's effective percentage share of the entities in question.

When the amount of accumulated losses incurred by an associate or a joint venture and attributable to the Group is equal to or exceeds the book value of the investment and of any other medium and long-term interests in that associate or joint venture, the equity method is interrupted, unless the Group is under a legal or constructive obligation to assume those losses or has made payments on behalf of the associate or joint venture.

## 2.5. Conversion of foreign currency balances and transactions

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

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

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

The individual accounts of each entity in the Group included in the consolidation are prepared according to the currency used in the economic area in which that entity operates – the so-called "functional currency". In the consolidated accounts, the income statement and financial position of the entity are converted into Euros, the Group's functional currency, as follows:

- Assets and liabilities of each balance sheet presented are converted at the closing exchange rate;
- Income and expenses for each income statement are converted at the average exchange rate for the period;
- All the resulting exchange differences are recognised in "Exchange differences revaluation reserve";
- The Equity of foreign subsidiaries is translated at the historical exchange rate of the time of its recognition in accordance with IAS 21.

## 2.6. Financial instruments

### a) Financial assets

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

### **i) Financial assets at fair value through profit or loss**

This category includes:

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

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

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

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

### **ii) Held-to-maturity investments**

Securities with fixed or determinable payments and with a defined maturity date, which the Group intends and is capable of holding until maturity, are classified within this category.

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

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

### **iii) Loans and accounts receivable**

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

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

#### iv) Available-for-sale investments

Available-for-sale investments include:

- Non-derivative financial instruments which the Group intends to hold indefinitely;
- Financial instruments that are designated as available-for-sale upon initial recognition;
- Financial instruments that do not meet the criteria of the other categories.

The following financial instruments so designated on initial recognition or which do not fit within the categories mentioned above:

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

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

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

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

#### Fair value

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

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

The fair value of financial assets is determined based on the closing price at the balance sheet date, for instruments traded in active markets.

Regarding debt instruments not traded in active markets (including unquoted securities or securities of limited liquidity), valuation methods and techniques are used, which include:

- Bid prices published by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;
- Bid prices obtained from financial institutions which operate as market-makers;

- Internal valuation models, which take into account the market data which would be used to define a price for the financial instrument, reflecting the market interest rates and volatility, and the liquidity and credit risk associated with the instrument.

Other unquoted equity instruments the fair value of which cannot be reliably measured (for example, due to an absence of recent transactions) continue to be recognised at cost, less any impairment losses.

#### **v) Derecognition**

These assets are derecognised upon expiration of the contractual rights of the Group to receive their cash flows or when the Group has transferred substantially all the risks and the benefits associated with their ownership.

#### **vi) Transfers between categories of financial assets**

The Group follows the rules of IAS 39 and IFRS 7 for reclassifying financial instruments which allow an entity to transfer financial assets at fair value through profit or loss or held for trading to portfolios of available-for-sale investments, loans and accounts receivables or held-to-maturity investments, provided that those financial assets meet the criteria of each category, as follows: (i) if, on the date of reclassification, a financial instrument has the characteristics of a debt instrument for which there is no active market; or (ii) when there is a rare and highly unlikely event which is repeated within a short period, that is, when that event may be considered as a rare circumstance.

Transfers of available-for-sale investments to the loans and accounts receivable and held-to-maturity investments categories are also permitted, in certain circumstances.

The Group has not adopted this possibility to date.

#### **b) Financial liabilities**

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

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

##### **i) Financial liabilities at fair value through profit or loss**

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

##### **ii) Other financial liabilities**

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

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

### c) Derivatives and hedge accounting

The Group performs operations with derivative products as part of its activity, with the aim of reducing its exposure to fluctuations in exchange and interest rates.

Derivative financial instruments are recognised at their fair value at the contract date. They are also recognised in off-balance sheet accounts at their notional value.

Subsequently, derivatives are measured at their fair value. Fair value is calculated:

- On the basis of quotes obtained in active markets (for example, regarding futures trading in organised markets);
- On the basis of models which incorporate valuation techniques accepted in the market, including discounted cash flows and option valuation models.

#### Embedded derivatives

Derivatives embedded in other financial instruments are separated from the host contract and treated as autonomous derivatives within the scope of IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, as defined in IAS 39;
- The entire combined financial instrument is not recognised at fair value with the respective changes recognised in the income statement; and
- Their separation is probable and can be reliably measured (evaluating their cost / benefit and materiality).

The major impact of this procedure with regard to the Group's activity consists of the need to separate and value derivatives embedded in debt instruments, where the return is not in the form of interest (for example, return indexed to share prices and indexes, exchange rates, etc.). At the time of the separation, the derivative is recognised at its fair value, with the initial value of the host contract corresponding to the difference between the total value of the combined contract and the initial revaluation of the derivative. No income is recognised on the initial valuation of the operation.

#### Hedge derivatives

These are derivatives used to hedge the Group's exposure to the risks inherent to its activity, namely hedging of the fair value of foreign currency assets (currency fluctuation risk), hedging of a net investment in a foreign operating unit, and cash flow hedging. Classification as hedging derivatives and use of the hedging accounting rules, as described below, is dependent on the requirements defined in IAS 39 being met.

At the beginning of all hedging operations, the Group prepares formal documentation, which includes the following minimum items:

- Risk management objectives and strategy associated with the performance of the hedging operation, in line with the defined hedging policies;
- Description of the hedged risk(s);
- Identification and description of the hedged and hedging financial instruments;
- Method for assessing the hedge's effectiveness and the frequency of assessment.

Assessments of hedge effectiveness are periodically performed and documented by comparing the change in the fair value of the hedging instrument and of the hedged item (the part attributable to the hedged risk). In order to enable the use of hedge accounting, in line with IAS 39, this ratio must fall within a range of 80% to 125%. Prospective effectiveness assessments are also performed, in order to estimate the future effectiveness of the hedge.

Fair value hedge derivatives are recognised at fair value, and the results are assessed daily and recognised in gains and expenses for the year. If the hedge is shown to be effective through the determination of an effectiveness of between 80% and 125%, the Group also recognises in the income statement for the year the change in fair value of the hedged item attributable to the hedged risk. If the hedge relationship ceases to be effective, the cumulative change in fair value reflected in the hedged item is recognised in the income statement up until its maturity.

Hedge derivatives of net investment in a foreign operating unit and cash flow hedge derivatives are recognised at fair value, provided that the hedge is determined to be effective, and the results are registered in shareholders' equity. Any ineffective portion of the results is recognised in gains and losses for the year.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities headings, respectively.

Appreciations of hedged items are recognised in the balance sheet heading where the related instruments are recognised.

The Group began using hedge accounting in 2015.

### **Trading derivatives**

These include all derivatives not associated with effective hedging relationships, in line with IAS 39:

- Derivatives used to hedge risk in assets and liabilities recognised at fair value through profit or loss, rendering the use of hedge accounting unnecessary;
- Derivatives used to hedge risks which do not meet the criteria defined for use of hedge accounting under IAS 39, due to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges, or due to the effectiveness assessment being outside the range allowed by IAS 39;
- Derivatives used for trading purposes.

Trading derivatives are recognised at fair value, and the results of revaluation are calculated daily and recognised in gains and losses for the year, in the headings "Net income on financial assets and liabilities recognised at fair value through profit or loss", with the exception of the part related to interest accrued and paid, which is recognised in "Financial Income". Positive and negative revaluations are recognised in "Financial assets held for trading" and "Other financial liabilities", respectively.

### **d) Impairment of financial assets**

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

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

- Significant financial difficulties of the issuer or the debtor;
- Breach of contract clauses, such as late payment of capital or interest;
- Restructuring of operations as a result of financial difficulties of the debtor or of the issuer of the debt;

- Probability that the debtor will go bankrupt or encounter financial difficulties;
- Disappearance of an active market for that financial asset as a result of financial difficulties of the issuer;
- Adverse changes in industry conditions.

#### **Financial assets at amortised cost**

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

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

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

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

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

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

#### **Available-for-sale investments**

As stated in Note 2.6. a), available-for-sale investments are recognised at fair value, and changes in the fair value are reflected in shareholders' equity, in "Revaluation reserves for adjustments in fair value of financial assets".

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

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

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

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

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

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

Another indication of potential impairment is the existence of potential capital losses greater than 30%. Recognition of impairment according to this criterion is judgemental in a case-by-case basis.

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

Impairment losses on debt instruments can be reversed in the results for the year if in a subsequent period the fair value of that asset increases, and that increase is clearly related to an event occurring after the impairment recognition.

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

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

## 2.7. Non-current assets held for sale and groups of assets and liabilities for disposal

IFRS 5 – "Non-current assets held for sale and discontinued operations" applies to single assets and to groups of assets for disposal, by sale or another means, in aggregate form in a single transaction, and all liabilities directly associated with those assets which are subsequently transferred in the transaction (entitled "groups of assets and liabilities for disposal").

Non-current assets, or groups of assets and liabilities for disposal are classified as held for sale whenever their carrying amount is expected to be recovered through a sale transaction rather than through continuing use, and are transferred at their net book value at the reclassification date. For an asset (or group of assets and liabilities) to be classified in the heading the following requirements must be met:

- The probability of the sale occurring is high;
- The asset is available for immediate sale in its present condition;
- The sale should be expected to occur within one year of the asset being classified in this heading.

Assets recognised in this heading are not amortised, and are valued at the lower of their acquisition cost and fair value less costs to sell. The fair value of these assets is determined on the basis of experts' assessments.

If the amount recognised on the balance sheet is higher than the fair value less costs to sell, impairment losses are recognised in "Impairment losses (net of reversals)".

## 2.8. Investment properties

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

Investment properties are initially recognised at cost, including directly related measurement costs. They are not amortised and are recognised at fair value, determined on the basis of experts' assessments. Changes in the fair value and realised capital gains and losses are reflected in the income statement, in "Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations".

Investment properties are assessed at intervals deemed appropriate to ensure that their balance sheet value does not differ significantly from their fair value. The Group has set a maximum period of 2 years between evaluations.

## 2.9. Properties for own use

Properties for own use are recognised at their fair value, determined on the basis of experts' assessments, less depreciation and accumulated impairment losses. Costs of repair, maintenance and other expenses associated with their use are recognised as expenses for the year, except for expenses on items where capitalisation criteria are met, which are recognised separately in "Other tangible assets" and depreciated throughout their useful life.

Properties for own use are valued with the frequency considered appropriate to ensure that their balance sheet value does not differ significantly from their fair value. The Group has set a maximum period of 2 years between evaluations.

Any change in the fair value of these assets is recognised directly in shareholders' equity in "Revaluation reserves for revaluation of properties for own use". Depreciation is calculated using the straight line method, at rates corresponding to the estimated useful life of the properties for own use. Land is not depreciated.

An impairment loss is recognised in "Impairment losses (net of reversals)" in the income statement for the year whenever the net book value of property for own use is greater than its fair value, after reversal of any previously registered revaluation reserves. Impairment losses may be reversed, also with an impact on the income statement for the year, if an increase in the asset's recoverable value subsequently occurs.

## 2.10. Other tangible assets

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

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

	Years of useful life
Furniture and materials	2 - 12
Machinery and tools	4 - 10
IT equipment	4
Interior installations	8 - 10
Transport material	4
Safety equipment	4 - 10

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

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

## 2.11. Inventories

Inventories are valued at the lower of acquisition cost and net realisable value.

Inventory costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, applying the average cost method.

The net realisable value is the estimated selling price in the ordinary course of business less any estimated costs of completion and estimated costs to conclude the sale.

Whenever the net realisable value is lower than the acquisition cost, the value of the inventories is reduced, by recognising an impairment loss, recorded under the heading "Impairment losses (net of reversals)" in the income statement. These losses may be reversed whenever the factors giving rise to the impairment cease to exist.

## 2.12. Leases

As described in note 2.20.1. Adopted Standards (New or Revised), the Group adopted IFRS 16 - "Leases" on 1 January 2019, replacing IAS 17 - "Leases".

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of lease agreements.

### Lessee

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

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

After that date, the lessee shall measure the liability:

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

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

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

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

#### **Lessor**

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

### **2.13. Intangible assets**

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

Intangible assets are recognised at acquisition cost, less amortisation and accumulated impairment losses.

Amortisation is recognised systematically throughout the estimated useful life of the assets, which normally corresponds to a period of 3 to 6 years.

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

### **2.14. Income tax**

The companies in the Group with their head office in Portugal are subject to taxation under the Corporate Income Tax Code (CIT Code) and the companies with their head offices abroad are also subject to the same type of tax (CIT), pursuant to the legislation in force in those countries. Additionally, there is a Municipal Surcharge, the aggregate rate of which, in 2018 and 2019 was 22.5%, and a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 9% of any profit which exceeds this amount.

The accounts of the Group branches are included in the accounts of the head office for fiscal purposes. Besides being subject to CIT, the income of the branches is also further subject to local taxes in the countries/territories where these are established. The local taxes of the various branches are deductible from the corporate income tax of the head office pursuant to Article 91 of the Corporate Income Tax Code and to Double Taxation Agreements.

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

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

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

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

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questionable due to other situations, including issues regarding the interpretation of the tax legislation in force.

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

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the tax rules that have been enacted, or substantially enacted, at the balance sheet date.

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

## 2.15. Provisions and contingent liabilities

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

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

"Other provisions" are for legal, fiscal and other contingencies resulting from the Group's activity.

## 2.16. Employee benefits

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

### Defined benefit plan - Liabilities with pensions and healthcare

In line with the collective employment agreement (CEA) then in force for the insurance activity, the Group is committed to making cash payments, to complement the retirement pensions paid by the Social Security services, to its employees hired prior to 22 June 1995, the date on which the CEA was published. The amount of these payments varies according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

In addition, the former Império Bonança is also committed to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

Liabilities recognised on the balance sheet relating to defined benefit plans correspond to the difference between the current value of liabilities and the fair value of the pension fund assets. The total amount of liabilities is determined annually by specialised actuaries using the Projected Unit Credit Method and actuarial assumptions considered appropriate (Note 35). The discount rate used to update the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with similar maturity periods to the average periods for settlement of liabilities.

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

The cost in the year for retirement and survivors' pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in "Employee Costs". The healthcare cost for the year is recognised in "Other Provisions" (Note 27).

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

#### **Defined contribution plan**

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

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

#### **Other long-term benefits**

Under the new CEA, published on February 8, 2019, and as provided in its clauses 32nd to 34th and 65th to 68th, new long-term benefits are established, called Career Benefits. The responsibilities related to Career Benefits are calculated annually using universally accepted actuarial methods.

#### **Short-term benefits**

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

## **2.17. Insurance and investment contracts**

### **a) Classification of contracts**

Transactions associated with insurance and reinsurance contracts issued and with reinsurance contracts held by the Group are recognised in accordance with ASF regulations. Under the transition to the new PCES, the classification principles for contracts established by IFRS 4 - "Insurance contracts", were incorporated into these regulations according to which contracts without a significant insurance risk are considered to be investment contracts and recognised in line with IAS 39 requirements.

In addition, as provided by IFRS 4, investment contracts with a discretionary profit-sharing component also continue to be classified as insurance contracts, and are therefore valued in line with the ASF regulations.

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

An insurance or investment contract is considered to include a discretionary profit-sharing component when the respective contractual conditions provide for, in addition to the contract's guaranteed component, the allocation of additional benefits to the insured with the following characteristics:

- It is probable that they will constitute a significant part of the total benefits to be allocated within the scope of the contract;
- The amount or time of their allocation is contractually at the issuer's discretion; and
- They are dependent on the performance of a given group of contracts, on realised or unrealised income on certain assets held by the contract issuer, or on the profit of the entity responsible for issuing the contract.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to insurance with profit sharing and which are expected to be paid to insured persons are recognised in the profit-sharing provision.

#### **b) Recognition of income and costs**

Premiums for non-life insurance and reinsurance contracts, life insurance contracts and investment contracts with a discretionary profit-sharing component are recognised when due in "Earned premiums net of reinsurance" in the profit and loss statement.

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

Insured persons' liabilities relating to life insurance contracts and to investment contracts with a discretionary profit-sharing component are recognised via the life insurance mathematical provision, and their cost is recognised at the same time as recognition of the income associated with the premiums written.

#### **c) Provision for unearned premiums and deferred acquisition costs**

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

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

#### **d) Claims provision**

This provision recognises the estimated amount of indemnities payable on claims incurred, including claims incurred but not reported (IBNR), and administrative costs to be incurred for future settlement of claims which are currently being managed and those for IBNR claims. Except for mathematical provisions and whole life assistance for workers' compensation, the claims provision set up by the Group is not discounted.

**Claims provision for workers' compensation**

The provision for workers' compensation claims includes the mathematical provision, provision for temporary assistance expenses and provision for whole life assistance expenses.

The mathematical provision for workers' compensation relates to:

- Approved pensions – pensions payable for claims where the amounts have already been approved by the Employment Tribunal;
- Defined pensions – estimate of liabilities for pensions for claims already incurred but awaiting a final agreement or ruling;
- Presumed pensions – estimate of liabilities for pensions relating to claims already incurred but the clinical processes of which are not yet concluded at the date of the financial statements or pensions relating to claims already incurred but not yet reported.

The hypotheses and technical bases used to calculate approved and defined mathematical provisions for workers' compensation are the following:

	Mandatorily Redeemable	Non-Redeemable
Mortality table	TD 88/90	INE 2010_2012 by gender
Discount rate	5.25%	3.44%
Management costs	2.40%	3%

The mathematical provision for presumed pensions for workers' compensation claims incurred in the tax year is based on an estimate of the number of claims for permanent disability (IP's) and death and the average mathematical provision, representing the expected cost of each of those pensions. For claims incurred in previous tax years the variation of this provision corresponds to the difference between the amount paid in pensions and redemptions less the estimated technical interest and the variation of the provision for approved and defined pensions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT (Fundo de Acidentes de Trabalho – Workers' Compensation Fund). The Group pays the pensions in full and is subsequently reimbursed for the part corresponding to FAT's liability. FAT is managed by the ASF, and the fund's income consists of contributions made by the insurance companies and by workers' compensation insurance policyholders. A provision is set up for future contributions to FAT relating to liabilities for pensions already contracted at the balance sheet date.

The objective of the provision for temporary assistance expenses is to recognise the liability relating to expenses of workers' compensation claimants which are not whole life in nature. Using monthly development matrices, the number of claims incurred in the tax year is estimated, which is then multiplied by the estimated average cost of temporary assistance expenses for claims incurred in current and previous years, in order to obtain the cost in the tax year for this type of expense. For claims incurred in previous tax years the variation of the provision corresponds to the amounts paid for temporary assistance expenses recognised in the accounts.

Provision for whole life assistance expenses relates to:

- Provision for declared whole life assistance – this relates to expenses which are whole life in nature, with claimants who are beneficiaries of pensions, where the service date occurs 730 days after the pension commencement date;
- Provision for presumed whole life assistance – expenses of a whole life nature relating to claims already incurred but which have not yet resulted in any costs.

This provision is calculated according to the following technical bases:

Mortality table	INE 2010_2012 by gender
Discount rate	3.44%
Rate of inflation	2%
Management costs	2%

The provision for presumed whole life assistance is calculated using methodology similar to that described for the mathematical provision for presumed pensions.

#### Claims provision for motor insurance

The opening of a motor insurance claim automatically generates the recognition of an initial average provision for each sub-claim, which affects the unit at risk and the insurance element in question. The automatic provision also varies according to the seriousness of any bodily injury. This provision may be revised, when the claims manager confirms it is inadequate, with adjustments being made in accordance with the information gathered (specialised technical reports) during the life of the claim, i.e. a specific analysis of the provision is made.

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

#### Provision for Multi-risk Home Insurance and Multi-risk Business Insurance claims

An initial provision is generated for Multi-risk Home Insurance and Multi-risk Business Insurance when the claim is opened, according to the covers and type of property affected. The amount of these provisions is adjusted when the claims manager receives more detailed information on the indemnifiable damage, in particular from loss adjusters' reports.

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

#### Claims provision for other types of insurance

The claims provision for other types of insurance is calculated on a case-by-case basis by the claims manager and revised whenever updated information is obtained from specialised technical reports.

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

#### Analysis of sufficiency of the claims provisions

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

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

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

**e) Mathematical provision for life insurance**

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit-sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative expenses or other expenditure (e.g. guaranteed payments at maturity date or guaranteed surrender values).

**f) Profit-sharing provision**

The profit-sharing provision includes amounts payable to policyholders or contract beneficiaries, in the form of a profit-sharing scheme, whether already allocated or yet to be allocated, provided that such amounts have not yet been distributed.

**Provision for profit sharing to be allocated**

This provision includes the balances arising from the net capital gains to be allocated to the insured persons which transited from the former accounting standards applicable to insurance companies until 2007, which were registered in the then named "Fund for Future Appropriations". It also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments linked to life insurance contracts with a profit-sharing component, in the portion estimated for the policyholder or contract beneficiary, provided that the balances by portfolio are not negative.

This provision is set up in "Profit sharing to be allocated", in the profit and loss statement, or directly in the revaluation reserves for adjustments to the fair value of available-for-sale investments linked to life insurance with a profit-sharing component, depending on the classification of the assets.

Throughout the duration of the contracts of each type or set of types, the balance of the provision for profit sharing to be allocated corresponding to this is used in full.

The use of the provision for profit sharing to be allocated is by portfolio, according to the following order of priorities:

- The balances of the net capital gains to be allocated to the insured persons which transited from the former "Fund for Future Appropriations" are used in the first place to cover the losses arising each year in the technical accounts of the respective life insurance products with a profit-sharing component, which were reflected as losses for the Group, and are recognised in its profit and loss up to the limit of the losses they seek to compensate. The Group has been using this procedure since 2011;
- The amounts corresponding to the insured persons' potential sharing of the loss of the related portfolios are reflected in this provision until the corresponding positive balance is reached. Thus, amounts arising from the former "Fund for Future Appropriations" which are still available after the use referred to above in i) are used to offset potential capital losses of the respective portfolios;
- If the balance of the provision for profit sharing to be allocated is positive after the movements above, and there are losses to be recovered, calculated in previous years in the technical accounts of the respective products and which have been recognised in the Group income statement due to the fact that the income from the related portfolios was not sufficient to cover the costs resulting from the guaranteed technical rates, that positive balance is recognised in the Group income statement up until these losses are recovered. This movement can be reversed, also having an impact on the income statement, when the balance arising from the potential gains/losses ceases to be positive.

**Provision for allocated profit sharing**

This provision includes the amounts intended for policyholders or beneficiaries of insurance contracts, in the form of a profit-sharing scheme, which have not yet been distributed but which have already been allocated.

For the majority of the products, this provision is calculated on the basis of the income from the related assets, including the capital gains and losses due to impairment recorded in the period, less any negative balances from previous tax years, in cases where this deduction is provided for in the contract.

#### **g) Provision for interest rate commitments**

The provision for interest rate commitments is set up for all insurance and operations in the "Life" line of business where there is an interest rate guarantee, whenever the effective profitability rate of the applications which represent the mathematical provisions of certain insurance contracts is lower than the technical interest rate used to determine the mathematical provisions of those contracts.

#### **h) Provision for portfolio stabilising**

The provision for portfolio stabilising is set up for group insurance contracts, which are renewable annually, and which guarantee as their main cover the risk of death, with the aim of responding to any increase in the risk inherent in the increasing average age of the insured group, whenever the latter are charged according to a single rate, which, by contractual agreement, must be maintained for a given period.

#### **i) Equalisation provision**

The equalisation provision is intended to respond to exceptionally large insurance claims in insurance areas which, by their nature, are predicted to fluctuate considerably. This provision is set up for loan insurance, deposit insurance, crop insurance, earthquakes and reinsurance accepted – atomic risk, in accordance with ASF standards.

#### **j) Provision for unexpired risks**

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

#### **k) Technical provisions for reinsurance ceded**

These provisions are determined by applying the criteria described above for direct insurance, taking into account the ceding percentages, in addition to the remaining provisions of the treaties in force.

#### **l) Liabilities to subscribers of Unit-linked products**

Liabilities associated with investment contracts issued by the Group in which the risk is borne by the policyholder (Unit-linked products) are recognised at fair value, determined on the basis of the fair value of the assets included in the investment portfolio linked to each of the products, less the corresponding management costs, and are recognised in "Financial liabilities on insurance contracts and operations considered for accounting purposes as investment contracts".

Investment portfolios linked to Unit-linked products are composed of financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value, and the corresponding unrealised capital gains and losses are recognised in the profit and loss statement for the year.

For insurance and capitalisation operations on investment units with a guarantee of capital and income at the end of the contract, the provisions are set up for either the value which results from multiplying the value of the reference unit by the number of existing units, or the guaranteed capital and income at the end discounted up to the date of calculation at the guaranteed rate, whichever is higher.

### **m) Liabilities to subscribers of other investment contracts**

Liabilities to subscribers of other regulated products, classified as investment contracts under IFRS 4, and which do not include a discretionary profit-sharing component, are valued in accordance with the requirements of IAS 39 and recognised in "Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts".

### **n) Impairment of debtor balances related with insurance and reinsurance contracts**

For each date the financial statements are presented, the Group assesses the existence of evidence of impairment on assets from insurance or reinsurance contracts, namely accounts receivable from insured persons, agents, reinsurers and reinsured, and technical provisions for reinsurance ceded.

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

## **2.18. Revenue**

Revenue or income is recognised whenever it is likely that economic benefits will result for the Group and when these can be reliably assessed.

### **(i) Fees from financial instruments**

The fees related to financial instruments, such as commissions charged or paid on contracting of operations, are included in the amortised cost and recognised in the statement of gains and losses throughout the operation, by the effective interest rate method.

### **(ii) Provision of services – healthcare segment**

Revenue is recognised whenever it is probable that the Group will obtain economic benefits that can be reliably estimated, being measured by the fair value of the instalments received or receivable, net of discounts given and any taxes. The revenue associated with the transaction is recognised with reference to its stage of completion as at the reporting date.

Revenue from activities carried out in the private healthcare segment is recognised based on the services rendered during that period, valued at the prices of those services as set out in a defined price list, regardless of the actual invoice date.

In the case of activities carried out in the public healthcare segment (under the PPP), revenue is recognised in accordance with the services provided valued by the contractual prices agreed with the contracting public entity. Under the agreement, invoicing is monthly for an amount equivalent to 1/12 of 90% of the annual amount agreed for each year. There is an adjustment invoice for services actually provided, during the first six months of the following year. The difference between the amounts invoiced and the actual production is recorded under "Other payables" or "Other receivables" on an accrual basis.

Revenue from senior residences is recognised based on lifetime rights of use (ROUs). This recognition is made according to the characteristics of each type of agreement:

- In lifetime ROUs with no conveyance rights, or with the right to only one conveyance, the value of the agreement is initially recognised as deferred income. Once the member moves into the Club, the revenue is recognised for a period that takes into account the age of the member (or of the assignor, if allowed) on the entry date, and the average life expectancy taken from the GRF95 actuarial tables;
- In lifetime ROUs with unlimited conveyance rights, the agreement value is immediately recognised as income and an accrued expense for the unit's portion of the total cost of the buildings is recorded as a cost of sales. The accrued expense is later recognised as revenue in the same period as the depreciation of the corresponding property, plant and equipment.

### **(iii) Fees for other services provided**

Fees for services provided are normally recognised as earnings throughout the period of service provision or on a one-off basis if they relate to payment for the performance of single acts.

## **2.19. Cash and cash equivalents**

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

## **2.20. Critical accounting estimates and most relevant judgements in the application of the accounting policies**

When applying the accounting principles described above, the Boards of Directors of Longrun and the Group companies are required to make estimates. The estimates with the greatest impact on the Group's consolidated financial statements include those presented below.

### **Determination of impairment losses on financial assets**

Impairment losses on financial assets are determined in line with the methodology defined in Note 2.6. d). Accordingly, the determination of impairment takes into account the conclusions of the specific evaluation conducted by the Group on the basis of knowledge regarding the situation of the issuers of the financial instruments in question.

The Group considers that impairment determined on the basis of this methodology adequately reflects the risk associated with its portfolio of financial assets, taking into account the rules defined by IAS 39.

### **Valuation of financial instruments not traded in active markets**

In line with IAS 39, the Group recognises all financial instruments at fair value, with the exception of those recognised at amortised cost. Valuation models and techniques such as those described in Note 2.6. a) are used to value financial instruments not traded in liquid markets. The valuations obtained correspond to the best estimate of the fair value of these instruments at the balance sheet date. To guarantee adequate separation between functions, such financial instruments are valued by a body that is independent from the trading function.

### **Impairment of investments in subsidiaries, associates and joint ventures**

The Group conducts an annual valuation, with reference to the end of the financial year, of the recoverable value of investments in subsidiaries, associates and joint ventures. Whenever possible, the recoverable value is assessed on the basis of valuation methods based on discounted future cash flow models, considering the strategy for each entity, market conditions and the time value and business risks, for which certain assumptions or judgements are used to establish estimates of fair value. In the remaining cases, the recoverable value is assessed on the basis of the Shareholders' Equity of each company.

Alternative methods and the use of different assumptions and estimates may lead to different valuations of investments in subsidiaries, associates and joint ventures, with an impact on the Group's results.

### **Valuation of Properties for Own Use and Investment Properties**

As stated in notes 2.8 and 2.9 Properties for Own Use and Investment Properties are valued at each balance sheet date, to ensure that their balance sheet value does not differ significantly from their fair value. The Group has set a maximum period of 2 years between valuations performed by qualified experts.

As stated in note 11, properties are valued to obtain an estimate of their transaction price, which is normally the market value (fair value). If there are any rental agreements, the assessment of the estimated transaction price takes the rental value into consideration. The valuation techniques normally used are the market method, the cost method and the income method, as described in note 11.

As set out in IFRS 13, valuations of properties maximise the use of observable market data. However, since most valuations also consider unobservable data, the fair value of the Group's properties is classified as Level 3 in the fair value hierarchy defined by IFRS 13.

The Group considers that the valuations obtained based on these methods correspond to the best estimate of the fair value of these assets at the balance sheet date.

### **Provisions and contingent liabilities**

As stated in note 2.15, provisions are set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when such expenditure may be reliably assessed.

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

The decision to recognise provisions and measurement of these takes into account the Group's assessment of the risks and uncertainties associated with the processes in progress and the expectation regarding expenditure of resources, which uses as a reference the best available information at the date the financial statements are closed.

### **Employee benefits**

As stated in Note 2.16., the Group liabilities for post-employment and other long term benefits granted to its employees are determined on the basis of actuarial assessments. These assessments incorporate, in particular, financial and actuarial assumptions on mortality, disability, wage and pensions growth, assets returns and discount rates. The assumptions adopted correspond to the best estimate of the Group and its actuaries regarding the future performance of the respective variables.

### **Impairment of goodwill**

As stated in Note 2.3., at least once a year the Group performs analyses of impairment of the goodwill recognised in the balance sheet. These analyses are conducted on the basis of estimates of future cash flows to be generated for each unit, discounted at appropriate rates.

The projections produced incorporate a wide range of assumptions as to the evolution of the future activity of the units, which may or may not reflect future performance. However, these assumptions reflect the Group's best estimate on the balance sheet date.

### **Determination of liabilities on insurance and reinsurance contracts**

The Group's liabilities for insurance and reinsurance contracts are determined based on the methodologies and assumptions described in Note 2.17. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the insurance companies in the Group, calculated based on actuarial assumptions, claims history and other methods accepted in the sector.

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

The Group considers, however, that the liabilities on insurance and reinsurance contracts recognised in the consolidated financial statements adequately reflect the best estimates at the balance sheet date of the amounts to be disbursed by the Group.

## Determination of income tax

The companies in the Group determine income tax (both current and deferred) based on the rules defined by the tax framework in force. However, in some situations the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recognised result from the best understanding of the responsible bodies of Longrun Portugal, SGPS, S.A. and of the companies in the Group with regard to the correct presentation of their operations, which may, however, be questioned by the Tax Authorities.

## 2.21. Adoption of standards (new and revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union

### 2.21.1. Adopted Standards (New or Revised)

During the course of 2019 the Group adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2019. The relevant changes for the Group were as follows:

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

IFRS 16 – "Leases" came into force on 1 January 2019, replacing IAS 17 – "Leases", which was in force until 31 December 2018.

The new standard introduces significant changes in accounting of lease contracts from the perspective of the lessee, which must recognise on its balance sheet a right-of-use asset and a liability for the obligations inherent to those contracts. Lessees are required to recognise separately interest on the lease liability and depreciation of the right-of-use asset.

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

**2.21.2. Standards, Interpretations, Amendments and Revisions with Mandatory Application in Future Accounting Periods**

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

Standards / Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 9 - Financial Instruments	24-07-2014	2016/2067	01-01-2022
IFRS 9 - Prepayment Features with Negative Compensation (Amendment)	12-10-2017	2018/498	01-01-2022
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	2019/239	01-01-2022
IAS 1 - Definition of Material (Amendment)	31-10-2018	2019/2075	01-01-2020
IAS 8 - Definition of Material (Amendment)	31-10-2018	2019/2075	01-01-2020
IFRS 9 - Interest Rate Benchmark Reform (Amendment)	26-09-2019	2020/34	01-01-2020
IAS 39 - Interest Rate Benchmark Reform (Amendment)	26-09-2019	2020/34	01-01-2020
IFRS 7 - Interest Rate Benchmark Reform (Amendment)	26-09-2019	2020/34	01-01-2020

In order to ensure consistency in the insurance sector between the application of IFRS 9 – Financial instruments and the new Insurance Contracts standard (IFRS 17), the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allows insurance companies to defer the application of IFRS 9 to periods after 1 January 2022, thereby aligning the effective date of IFRS 9 and IFRS 17.

The Group's liabilities related with the insurance activity account for over 90 per cent of all of its liabilities, and the Group's activity is therefore deemed to be predominantly connected with insurance as defined in the terms of the amendment to IFRS 4. In this context and taking into consideration the information received from ASF, Fidelidade meets the requirements imposed by the said amendment and can choose to defer the application of IFRS 9 to periods after 1 January 2022.

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

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

Standards / Interpretations	Date of issue	Applicable to accounting periods beginning on or after
IFRS 17 - Insurance Contracts	18-05-2017	01-01-2022
IFRS 3 - Business Combinations (Amendment)	22-10-2018	01-01-2020
IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment)	23-01-2020	01-01-2022

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

### 3. GROUP COMPANIES AND TRANSACTIONS DURING THE PERIOD

The Group's structure in terms of its subsidiaries, by sectors of activity, and the respective financial data taken from their statutory individual accounts at 31 December 2019 and 2018, except when expressly indicated otherwise, can be summarised as follows:

(amounts in euros)

Operating sector/entity	2019					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade - Companhia de Seguros, S.A.	85.00%	16,802,567,666	14,197,429,909	2,605,137,757	144,406,401	3,939,854,642
Multicare - Seguros de Saúde, S.A.	80.00%	188,940,707	96,033,408	92,907,299	10,016,512	318,939,637
Fidelidade Assistência - Companhia de Seguros, S.A.	80.00%	60,797,585	16,562,817	44,234,768	4,140,847	55,054,931
Via Directa - Companhia de Seguros, S.A.	100.00%	79,637,408	52,654,171	26,983,237	810,106	50,448,564
Companhia Portuguesa de Resseguros, S.A.	100.00%	18,004,069	4,736,990	13,267,079	70,151	1,169,324
Fidelidade Angola - Companhia de Seguros, S.A. (b)	70.03%	91,754,503	72,032,812	19,721,691	1,160,585	286,485,651
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	30,373,400	18,108,084	12,265,316	1,543,323	11,608,321
Fidelidade Macau - Companhia de Seguros, S.A. (d)	100.00%	59,802,055	30,946,691	28,855,364	4,618,727	11,533,050
La Positiva Seguros Y Resseguros S.A.A. (l)	51.00%	496,498,497	306,037,692	190,460,805	(249,594)	1,015,807,377
Fid Chile Seguros Generales S.A.(m)	99.00%	7,508,899	69,059	7,439,840	(24,006)	35,243
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	1,330,945,850	16,070,368	1,314,875,482	7,013,772	37,455,529
Fidelidade - Property International, S.A.	100.00%	223,135,212	6,604,901	216,530,311	(4,346,774)	725,439
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	99.09%	173,829,701	16,430,304	157,399,397	12,084,965	14,120,715
Fundo de Investimento Imobiliário Fechado IMOFID (e)	100.00%	178,411,669	1,321,991	177,089,678	1,748,993	4,134,865
FPI (AU) 1 PTY LIMITED (f)	100.00%	580,250	1,199	579,051	(25,247)	971
FPI (UK) 1 LIMITED (g)	100.00%	42,782,566	52,359	42,730,207	(851,466)	121,297
FPE (IT) Società per Azioni	95.76%	384,131,969	823,756	383,308,213	15,937,466	21,446,843
FPE (Lux) Holding S.à r.l.	100.00%	147,603,815	7,257,149	140,346,666	(10,473,096)	9,727,947
Thomas More Square (Lux) Holdings S.à r.l. (g)	99.30%	138,436,540	124,916	138,311,624	176,578	204,822
Thomas More Square (Lux) S.à r.l. (g)	100.00%	416,145,718	241,199,716	174,946,002	14,791,367	28,558,272
Godo Kaisha Moana (h)	97.00%	129,134,910	10,618	129,124,292	(5,067,115)	3
Godo Kaisha Praia (h)	100.00%	538,741,369	332,285,359	206,456,010	17,645,421	37,549,395
Fundo Broggi	100.00%	393,940,781	3,277,801	390,662,980	21,446,113	24,378,883
Broggi Retail S.R.L.	100.00%	202,996	13,608	189,388	(25,662)	4

(continuation)

(amounts in euros)

Operating sector/entity	2019					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Fidelidade - Sociedade Gestora de Organismos</b>						
de Investimento Imobiliário, S.A.	100.00%	811,118	307,542	503,576	233,131	1,276,543
FPE (BE) Holding S.A.	100.00%	158,307,620	5,620,552	152,687,068	7,687,068	11,598,790
<b>Healthcare</b>						
Luz Saúde, S.A. (n)	50.85%	830,404,806	565,715,342	264,689,464	16,583,972	590,099,298
<b>Other sectors</b>						
<b>Cetra - Centro Técnico de Reparação</b>						
Automóvel, S.A.	100.00%	7,872,503	2,626,709	5,245,794	75,463	7,663,102
<b>E.A.P.S. - Empresa de Análise,</b>						
Prevenção e Segurança, S.A.	100.00%	1,188,919	859,733	329,186	(170,906)	3,070,917
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,275,910	2,750,734	525,176	169,278	22,324,553
Fidelidade - Serviços de Assistência, S.A.	100.00%	7,016,051	6,032,393	983,658	132,373	1,308,196
Cares - Assistência e Reparações, S.A.	100.00%	1,413,202	1,282,826	130,376	(934,101)	8,399,917
FCM Beteiligungs GmbH	100.00%	3,796,138	277,571	3,518,567	181,708	397,405
FID III (HK) LIMITED (i)	100.00%	767	22,632	(21,865)	(3,922)	-
<b>Fidelidade - Consultoria e Gestão</b>						
de Risco, Lda. (j)	100.00%	29,827	28,471	1,356	604	108,767
Fidelidade - Assistência e Serviços, Lda. (j)	100.00%	16,668	14,975	1,693	772	68,438
FID Loans 1 (Ireland) Limited	100.00%	352,272,960	8,783,593	343,489,367	7,814,492	14,714,396
Universal - Assistência e Serviços, Lda. (b)	80.00%	242,925	239,465	3,460	4,190	509,956
FID LatAm SGPS, S.A.	100.00%	319,683	7,453	312,230	(6,942)	5,847
GEP Cabo Verde Gestão de Peritagens, Lda. (c)	100.00%	51,498	10,247	41,251	(4,094)	54,139
FID Perú, S.A. (l)	100.00%	140,721,170	235,544	140,485,626	836,681	2,227,563
FID Chile, SpA. (m)	100.00%	11,929,747	6,748	11,922,999	38,989	7
FID Chile & MT JV SpA (m)	99.00%	11,285,226	892,483	10,392,743	(1,677,876)	35,240
FID I&D, S.A.	100.00%	50,000	-	50,000	-	-

(a) The shareholders' equity includes net income for the year

(b) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 536.2617 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 414.89188 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 9.0097 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 9.03465 MOP for the profit and loss headings.

(e) Amounts recorded in available-for-sale investments.

(f) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 1.5995 AUD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.61088 AUD for the profit and loss headings.

(g) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 0.8508 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.87777 GBP for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 121.94 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 122.00576 JPY for the profit and loss headings.

(i) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 8.7473 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.7715 HKD for the profit and loss headings.

(j) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 68.7000 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 69.43667 MZN for the profit and loss headings.

(l) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 3.71960 PEN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 3.73571 PEN for the profit and loss headings.

(m) Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 844.2350 CLP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 792.58092 CLP for the profit and loss headings.

(n) Statutory consolidated accounts of Luz Saúde Group.

(amounts in euros)

Operating sector/entity	2018					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade - Companhia de Seguros, S.A.	85.00%	16,275,614,962	14,043,010,031	2,232,604,931	278,236,439	2,820,187,838
Multicare - Seguros de Saúde, S.A.	80.00%	172,026,836	90,473,934	81,552,902	9,000,867	290,925,529
Fidelidade Assistência - Companhia de Seguros, S.A.	80.00%	55,014,319	15,166,961	39,847,358	6,183,482	53,569,992
Via Directa - Companhia de Seguros, S.A.	100.00%	73,856,266	49,275,375	24,580,891	1,066,797	47,791,709
Companhia Portuguesa de Resseguros, S.A.	100.00%	29,484,321	16,581,726	12,902,595	1,111,217	1,338,940
Fidelidade Angola - Companhia de Seguros, S.A. (b)	70.00%	107,129,922	86,528,728	20,601,194	1,375,653	181,321,768
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	27,050,226	16,069,089	10,981,137	1,322,766	10,639,328
Fidelidade Macau - Companhia de Seguros, S.A. (d)	100.00%	66,762,850	43,133,814	23,629,036	2,313,653	9,958,057
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	849,584,306	23,501,287	826,083,019	57,932,543	80,926,676
Fidelidade - Property International, S.A.	100.00%	226,578,642	5,701,558	220,877,084	(104,650,065)	23,195,529
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	99.09%	178,377,912	33,063,479	145,314,433	10,851,951	12,901,416
Fundo de Investimento Imobiliário Fechado IMOFID (e)	100.00%	55,587,126	246,430	55,340,696	351,447	861,080
FPI (AU) 1 PTY LIMITED (f)	100.00%	610,274	14,182	596,092	(317,624)	384,704
FPI (UK) 1 LIMITED (g)	100.00%	41,522,682	45,871	41,476,811	(81,499,636)	8,081,652
FPE (IT) Società per Azioni	95.76%	366,965,783	1,195,036	365,770,747	2,724,365	4,179,172
FPE (Lux) Holding S.à r.l.	100.00%	153,295,273	2,475,511	150,819,762	1,442,257	7,630,730
Thomas More Square (Lux) Holdings S.à r.l. (g)	99.30%	131,501,150	124,299	131,376,851	(25,982)	6,024
Thomas More Square (Lux) S.à r.l. (g)	100.00%	372,674,052	220,599,062	152,074,990	11,126,980	24,861,276
Godo Kaisha Moana (h)	97.00%	130,034,988	10,090	130,024,898	13,803,020	13,838,428
Godo Kaisha Praia (h)	100.00%	522,791,038	339,855,774	182,935,264	29,078,480	39,356,305
Fundo Broggi	100.00%	372,067,771	2,850,904	369,216,867	4,169,871	7,093,610
Broggi Retail S.R.L.	100.00%	234,065	19,016	215,049	(23,713)	936

(continuation)

(amounts in euros)

Operating sector/entity	2018					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Fidelidade - Sociedade Gestora de Organismos de Investimento Imobiliário, S.A.	100.00%	1,217,982	510,104	707,878	( 792,122 )	146,521
<b>Healthcare</b>						
Luz Saúde, S.A. (n)	50.36%	754,263,063	505,756,239	248,506,824	14,209,885	545,076,376
<b>Other sectors</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,297,884	1,127,554	5,170,330	306,853	7,940,852
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	978,794	878,702	100,092	( 88,265 )	2,797,438
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,542,006	3,046,107	495,899	150,593	24,322,514
Fidelidade - Serviços de Assistência, S.A.	100.00%	6,008,651	5,246,886	761,765	( 289,735 )	1,193,091
Cares - Assistência e Reparações, S.A.	100.00%	1,840,620	1,376,143	464,477	( 443,914 )	10,181,978
FCM Beteiligungs GmbH	100.00%	3,656,525	267,728	3,388,797	( 32,063 )	-
FID I (HK) LIMITED (i)	100.00%	-	-	-	-	-
FID III (HK) LIMITED (i)	100.00%	815	18,307	( 17,492 )	( 4,966 )	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (j)	100.00%	19,182	18,810	372	2,659	71,721
Fidelidade - Assistência e Serviços, Lda. (j)	100.00%	13,977	10,773	3,204	2,910	99,589
FID Loans 1 (Ireland) Limited	100.00%	265,270,697	13,018,072	252,252,625	2,166,001	8,841,979
FID Loans 2 (Ireland) Limited	100.00%	1	-	1	-	-
Universal - Assistência e Serviços, Lda. (b)	80.00%	470	-	470	-	-
FID LatAm SGPS, S.A.	100.00%	298,166	59,695	238,471	( 5,812 )	4,040
FF Investment Luxembourg 1 S. a r.l.	0.00%	-	-	-	-	-
GEP Cabo Verde Gestão de Peritagens, Lda. (c)	100.00%	45,345	-	45,345	-	-
FID Perú, S.A. (l)	100.00%	122,763,912	64,293	122,699,619	154,773	250,099
FID Chile, SpA. (m)	100.00%	1,258	-	1,258	-	-

(a) The shareholders' equity includes net income for the year

(b) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 353.0155 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 303.6658 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 9.2365 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 9.1678 MOP for the profit and loss headings.

(e) Amounts recorded in available-for-sale investments.

(f) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 1.62200 AUD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.5849 AUD for the profit and loss headings.

(g) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 0.89453 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.89774 GBP for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 125.8500 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 127.8800 JPY for the profit and loss headings.

(i) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 8.9675 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.9026 HKD for the profit and loss headings.

(j) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 70.2400 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 71.29333 MZN for the profit and loss headings.

(l) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 3.86670 PEN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 3.83865 PEN for the profit and loss headings.

(m) Amounts in Euros, considering the exchange rate at 31 December 2018 of 1 EUR/ 794.6300 CLP for balance sheet headings and profit and loss headings.

(n) Statutory consolidated accounts of Luz Saúde Group.

The financial data at 31 December 2019 was taken from the non audited provisional financial statements, which are subject to alterations before they are approved by the General Meeting of Shareholders. However, no material changes to the Group's financial statements are expected.

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, effective 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, with 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., with the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance. In 2015, CARES - Companhia de Seguros, S.A. changed its name and image to Fidelidade Assistência - Companhia de Seguros, S.A. and now acts under the Fidelidade Assistance brand.

**Via Directa - Companhia de Seguros, S.A. (OK Teleseguros)**, with its head office in Lisbon, at Avenida José Malhoa, n.º 13 - 4.º, was set up on 28 November 1997 with 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 with 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 with 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 with 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.

**La Positiva Seguros Y Reaseguros S.A.A.**, with its head office in Lima, Peru, at Calle Francisco Masías N° 370, San Isidro District, Province and Department of Lima, was set up on 27 September 1937 with the corporate purpose of providing the services of a general risk insurance and reinsurance company, assuming as insurer and reinsurer all the risks that, in accordance with the law, may be subject to that contract, both in Peru and abroad. It may also develop any other subsidiary or business that, in line with the General Law of the Financial System, the Insurance System and the Banks and Insurance Supervisory Organisation, a general risk insurance and reinsurance company may undertake, while complying with the requirements of the legal regulations.

**Fid Chile Seguros Generales, S.A.**, with its head office in Santiago, Chile, at Av. Vitacura 2939, piso 16, oficina 1601, Las Condes, was set up on 15 November 2019 with the corporate purpose of performing, on the basis of premiums, insurance and reinsurance operations for the risks included in the first group referred in to Article 8 of Decree with legal force no. 251 of 1931 or the subsequent legal or regulatory provisions that may replace or modify it, and any other business that the applicable law or the Financial Market Commission, by means of a general rule, declares to be related with or complementary to the business of the insurance companies of the first group.

## PROPERTY

**Fidelidade - Property Europe, S.A.**, using this name since 2014, with its head office in Lisbon, at Largo do Calhariz, n° 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 altered its name to Fidelidade-Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A., and this name was altered in 2013 to Fidelidade - Investimentos Imobiliários, S.A..

**Fidelidade - Property International, S.A.** with its head office in Lisbon, at Largo do Calhariz, n° 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** (previously 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.

**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.

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

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

**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, 1° 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.

**FPE (BE) Holding S.A.**, with its head office at 97 Rue Royale, 4th floor, 1000 Brussels, Belgium, was set up on 15 March 2019 with the corporate purpose of performing, in its own name, all business and transactions of holdings and real estate investment entities. This may include, in particular, various transactions related with shares and other securities, management of investment in securities, granting of loans to subsidiaries in certain circumstances and different types of real estate transactions.

## HEALTHCARE

**Luz Saúde, S.A.**, with its head office in Lisbon, at Rua Carlos Alberto da Mota Pinto, 17 - 9°, 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 8° Floor, was set up on 11 November 1996 with the corporate purpose of providing services to assess damage to light and heavy motor vehicles, motorbikes and bicycles, including their trailers and coupled items.

**Fidelidade - Serviços de Assistência, S.A.**, with its head office in Lisbon, at Avenida José Malhoa, n° 13 - 7° 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.**, (previously Cares Multiassistance, S.A.), with its head office in Lisbon, at Rua de Ponta Delgada, n° 44 A e B, was set up on 19 June 2002 with the corporate purpose of providing services of organisation, assessment and management of any repair or restoration work.

**FCM Beteiligungs GmbH**, with its head office in 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, n° 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, n° 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, n° 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.

**GEP Cabo Verde Gestão de Peritagens, Lda.**, with its head office at Rua Serpa Pinto, n° 9 - 4° 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 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 the aforementioned 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.

**FID Chile & MT JV SpA**, with its head office in Santiago, Chile, was set up on 14 January 2019 with the corporate purpose of forming and creating one or more companies the purpose of which is to develop the insurance business in Chile, participating in those companies, receiving income from those participations, and carrying on any other type of investment that the partners agree.

**FID I&D, S.A.**, with its head office in Lisbon, at Largo do Calhariz, n° 30, was set up on 27 December 2019 with the purpose of providing consultancy services and services for the development of new digital solutions and platforms, analytical models, new solutions based on artificial intelligence models and Machine Learning and other advanced analytics models, as well as the sale and distribution of those solutions and models.

#### **The main movements in the Group's subsidiaries during 2019 were as follows**

On 4 January 2019 the Group acquired 194,224,590 shares in the company Positiva Seguros y Reaseguros S.A.A. for EUR 94,087,966, representing a participation of 51% in the company's share capital.

On 14 January 2019 the company Fid Chile & MT JV SpA was set up with share capital of EUR 6,096,320 and with a participation of the Group of 97.86%.

Throughout the year capital increases were made to the share capital of the company Fid Chile & MT JV SpA., in the amount of EUR 6,972,270, bringing it to a total of EUR 13,068,590 and a participation of 99% at 31 December 2019.

During 2019 the Group acquired shares in Luz Saúde, S.A., increasing its participation in the share capital from 50.36% at 31 December 2018 to 50.85% at the end of 2019, for EUR 2,672,121.

Throughout the year the Group made capital increases to the share capital of the company FID Chile, SpA., in the amount of EUR 13,167,630, bringing it to a total of EUR 13,168,935 at 31 December 2019.

In February 2019 the Group acquired shares in Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A., increasing its participation in the share capital from 33.67% at 31 December 2018 to 34.78% at the end of the year, for EUR 25,000.

In February 2019 the company FID I (HK) LIMITED was fully liquidated.

On 15 March 2019 the company FPE (BE) Holding was set up with share capital of EUR 145,000,000 with the Group holding 100% of its shares.

In 2019 there were increases in the supplementary contribution of FID LatAm SGPS, S.A., of EUR 80,702.

During 2019, the Group granted supplementary contributions to Fidelidade - Property Europe, S.A., of EUR 518,000,000.

From June to December 2019 the Group increased the capital of the company FID Loans 1 (Ireland) Limited, by EUR 90,000,000, bringing it to a total of EUR 340,000,000 at the end of the year.

In June 2019 the Group increased the share capital of the company FID Perú, S.A. by EUR 11,947,749, bringing it to a total of EUR 137,491,143.

In July 2019, the Group increased the share capital of the company Fidelidade Angola - Companhia de Seguros, S.A by EUR 2,236,138, increasing its shareholding from 70% to 70.03%.

In September 2019 the company FID Loans 2 (Ireland) Limited was fully liquidated.

In December 2019, the Group granted a supplementary contribution to the company E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A., of EUR 400,000.

In December 2019 the Group granted a supplementary contribution to the company FPE (IT) Società per Azioni of EUR 1,600,000.

On 15 February 2019 the company Fid Chile Seguros Generales S.A. was set up, with share capital of EUR 7,142,971, with the Group holding 99%. The company obtained authorisation to commence its business in November 2019.

In December 2019 the Group granted a supplementary contribution to the company Cares - Assistência e Reparações, S.A. of EUR 600,000.

On 27 December 2019 the company FID I&D, S.A. was set up, with share capital of EUR 50,000, with the Group holding 100%.

## 4. CASH AND CASH EQUIVALENTS

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

(amounts in euros)

	2019	2018
<b>Cash and cash equivalents</b>		
Headquarters	3,433,714	32,219,468
Branch offices	484,915	532,133
	<b>3,918,629</b>	<b>32,751,601</b>
<b>Sight deposits</b>		
Domestic currency	630,534,809	848,777,316
Foreign currency	264,819,502	178,553,229
	<b>895,354,311</b>	<b>1,027,330,545</b>
	<b>899,272,940</b>	<b>1,060,082,146</b>

## 5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(amounts in euros)

	2019		2018	
	Effective share %	Balance sheet value	Effective share %	Balance sheet value
<b>Valued at acquisition cost</b>				
<b>Associates</b>				
HL - Sociedade Gestora do Edifício, S.A.	10.00%	611,797	10.00%	611,797
<b>Valued by the equity accounting method</b>				
<b>Associates</b>				
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (a)	34.78%	1,259,736	33.67%	1,355,056
Genomed - Diagnósticos de Medicina Molecular, S.A.	37.50%	263,447	37.50%	340,293
Serfun Portugal, SGPS, S.A.	49.00%	15,046	0.00%	-
Promotores e Inversiones Investa S.A.	13.25%	781,463	0.00%	-
Transacciones Especiales S.A.	44.48%	1,047,593	0.00%	-
		<b>3,367,285</b>		<b>1,695,349</b>
		<b>3,979,082</b>		<b>2,307,146</b>

(a) Values at March 2019 and March 2018, respectively (accounting period March 2018 to March 2019 and March 2017 to March 2018).

The financial data of the associates and joint ventures, measured using the equity method, was as follows at 31 December 2019 and 2018:

(amounts in euros)

Operating sector/entity	Effective share %	2019				
		Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Health</b>						
Genomed - Diagnósticos de Medicina Molecular, S.A. (b)	37.50%	1,767,333	1,264,984	502,349	(17,043)	1,344,208
<b>Other Sectors</b>						
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (c)	34.78%	4,833,016	1,210,773	3,622,243	909,022	6,005,239
HL - Sociedade Gestora do Edifício, S.A. (b)	10.00%	90,717,383	86,709,706	4,007,676	1,632,859	2,790,315
Serfun Portugal, SGPS, S.A.	49.00%	37,551	6,845	30,706	(19,294)	-
Promotores e Inversiones Investa S.A. (d)	13.25%	11,134,625	6,474,995	4,659,630	(323,805)	78,213
Transacciones Especiales S.A. (d)	44.48%	2,288,188	57,936	2,230,252	500,942	465,738

(a) Shareholders' equity includes net income for the year.

(b) Values at December 2019.

(c) Values at March 2019 (accounting period March 2018 to March 2019).

(amounts in euros)

Operating sector/entity	2018					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Health</b>						
Genomed - Diagnósticos de Medicina						
Molecular, S.A. (b)	37.50%	1,770,814	1,057,627	713,187	( 17,043 )	1,344,208
<b>Other Sectors</b>						
Audatex Portugal - Peritagens Informatizadas						
Derivadas de Acidentes, S.A. (c)	33.67%	5,839,258	1,814,709	4,024,549	1,311,328	6,737,996
Highgrove - Investimentos						
e Participações, SGPS, S.A.	0.00%	-	-	-	-	-
HL - Sociedade Gestora do Edifício, S.A. (b)	10.00%	89,849,259	84,498,578	5,350,681	1,632,859	2,790,315

(a) Shareholders' equity includes net income for the year.

(b) Values at November 2018.

(c) Values at March 2018 (accounting period March 2017 to March 2018).

The associates and joint ventures, grouped according to the nature of their principal business, are:

## HEALTHCARE

**Genomed - Diagnósticos de Medicina Molecular S.A.** was set up on 4 November 2004 with its head office in Lisbon, at Avenida Egas Moniz 1600-190 Lisboa, with the corporate purpose of providing support services in the diagnosis, prevention and treatment of human diseases through implementation of the most innovative methodologies, and also, promoting activities of diagnosis, research and development in the field of Molecular Medicine.

## OTHER SECTORS

**Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A.**, with its head office in Lisbon, at Rua Basílio Teles, n° 24 - 3°, was set up in 1994 with the corporate purpose of operating a computerised system for the direct and indirect calculation of damage resulting from accidents. The company may also provide complementary support services to the aforementioned system, namely to Insurance Companies, loss adjusters, repair workshops or other interested parties.

**Highgrove - Investimentos e Participações, SGPS, S.A.**, with its head office at Lugar de Meladas, n° 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 Chamartin 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.

**HL - Sociedade Gestora do Edifício, S.A.** was set up on 21 December 2009, with its head office at Linda a Velha, Rua Mário Dionísio, n° 2, with the sole corporate purpose of exercising the activities of conception, design, construction and maintenance of the infrastructures of the Loures Hospital, including the exercise of all the other activities, as a principal or accessory, pursuant to the provisions of the Management Contract signed as part of the "Tender for the signing of the Management Contract for the conception, design, construction, financing, conservation and operation of the Loures Hospital".

**Serfun Portugal, SGPS, S.A.**, with its head office in Lisbon, at Largo do Calhariz, n° 30, was set up on 1 February 2019 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities.

**Promotores e Inversiones Investa S.A.**, with its head office in Lima, Peru, has the main purpose of securities intermediation, which includes the sale and purchase of shares and fixed income and over-the-counter securities, on its own behalf and on behalf of third parties, the provision of consultancy and information services to investors and the structuring of corporate finance.

**Transacciones Especiales S.A.**, with its head office in Lima, Peru, has the corporate purpose of making all kinds of investments in securities and real estate, and also the purchase, sale, import, export and trading in general of all categories of goods.

**The main movements in the Group's associates and joint ventures during 2019 were as follows:**

On 1 February 2019 the company Serfun Portugal, SGPS, S.A. was set up with share capital of EUR 24,500 and with the Company holding a 49% share.

On 4 January 2020 the companies Promotores e Inversiones Investa S.A. and Transacciones Especiales S.A. became part of the Longrun group, through the acquisition of 51% of the company La Positiva by Fidelidade and Fid LatAm.

## 6. FINANCIAL ASSETS HELD FOR TRADING AND FINANCIAL ASSETS INITIALLY RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(amounts in euros)

	2019			2018		
	Held for trading (Note 7)	At fair value through profit or loss	Total	Held for trading (Note 7)	At fair value through profit or loss	Total
<b>Investments related</b>						
<b>to Unit-linked contracts</b>	<b>191,848</b>	<b>126,811,469</b>	<b>127,003,317</b>	<b>27,806</b>	<b>29,207,461</b>	<b>29,235,267</b>
<b>Other investments</b>						
Debt instruments						
Public Issuers						
Public Debt						
Domestic issuers	-	-	-	-	10,236	10,236
	-	-	-	-	<b>10,236</b>	<b>10,236</b>
Other entities						
Bonds and other securities						
Domestic issuers	-	53,587,807	53,587,807	-	21,822,000	21,822,000
Foreign issuers	-	420,776,113	420,776,113	-	538,806,055	538,806,055
	-	<b>474,363,920</b>	<b>474,363,920</b>	-	<b>560,628,055</b>	<b>560,628,055</b>
	-	<b>474,363,920</b>	<b>474,363,920</b>	-	<b>560,638,291</b>	<b>560,638,291</b>
Equity instruments						
Foreign issuers	-	1,721,709	1,721,709	-	-	-
	-	<b>1,721,709</b>	<b>1,721,709</b>	-	-	-
<b>Other financial instruments</b>						
Investment units						
Domestic issuers	-	1,464,876	1,464,876	-	961,012	961,012
	-	<b>1,464,876</b>	<b>1,464,876</b>	-	<b>961,012</b>	<b>961,012</b>
<b>Credit and other receivables</b>	<b>-</b>	<b>368,721,475</b>	<b>368,721,475</b>	<b>-</b>	<b>271,871,976</b>	<b>271,871,976</b>
<b>Derivative instruments with positive fair value</b>						
Interest rate swaps	20,221	-	20,221	-	-	-
Exchange rate futures	21,421,904	-	21,421,904	16,492,997	-	16,492,997
Exchange forwards	205,047	-	205,047	92,798	-	92,798
	<b>21,647,172</b>	-	<b>21,647,172</b>	<b>16,585,795</b>	-	<b>16,585,795</b>
	<b>21,839,020</b>	<b>973,083,449</b>	<b>994,922,469</b>	<b>16,613,601</b>	<b>862,678,740</b>	<b>879,292,341</b>

Investments in Unit-linked contracts are assets managed by the Group in which the risk is borne by the policyholder. Accordingly, the assets are recognised at fair value, and the liability to the insured is recognised in the "Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts" accounting heading.

At 31 December 2019 and 2018, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 474,363,920 and EUR 560,628,055 respectively. These securities are recognised at their fair value which is assessed on the basis of the prices indicated by the respective issuing bodies for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

At 31 December 2019 and 2018, the Group recognised net losses and gains with the valuation of these investments of EUR 42,767,686 and EUR 28,881,555, respectively.

At 31 December 2019 and 2018, investments allocated to Unit-linked contracts were composed as follows:

(amounts in euros)

	2019	2018
<b>Financial assets initially recognised</b>		
<b>at fair value through profit or loss</b>		
Debt instruments		
Public debt		
Domestic issuers	489,123	621,277
Foreign issuers	14,104,562	9,321,857
Other issuers		
Domestic issuers	4,346,275	99,479
Foreign issuers	63,893,940	4,277,131
Equity instruments		
Domestic issuers	35,274,473	7,585,794
Foreign issuers	9,229,722	7,506,801
Accounts receivable	190	190
Transactions to be settled	( 526,816 )	( 205,068 )
	<b>126,811,469</b>	<b>29,207,461</b>
<b>Financial assets held for trading</b>		
Derivative instruments	191,848	27,806
<b>Other assets</b>		
Current deposits	11,419,235	10,752,353
Term deposits	300,091	300,100
	<b>11,719,326</b>	<b>11,052,453</b>
<b>Total (Note 23)</b>	<b>138,722,643</b>	<b>40,287,720</b>

## 7. DERIVATIVES

The Group performs operations with derivative products as part of its activity, essentially with the aim of reducing its exposure to fluctuations in exchange and interest rates.

The Group controls the risks of its derivative activities by approval procedures for operations, definition of exposure limits per product and counterparty, and monitoring of the evolution of the respective income.

At 31 December 2019 and 2018, these operations were valued in line with the criteria in Note 2.6.c). On these dates, the notional amount and the book value had the following breakdown:

(amounts in euros)

	Notional Amount			2019				
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives		Book Value		Total
				Assets (Note 7)	Liabilities (Note 24)	Assets	Liabilities (Note 24)	
<b>Fair value hedge</b>								
Interest rate swaps	849,382,319	-	849,382,319	63,064	(71,099,500)	-	-	(71,036,436)
Exchange rate futures	1,857,250,000	492,250,000	2,349,500,000	19,112,281	(8,704,016)	3,403,359	(2,288,718)	11,522,906
Interest rate futures	162,700,000	-	162,700,000	2,309,623	-	-	-	2,309,623
Exchange rate forwards	117,466,330	5,588,040	123,054,370	354,052	(2,231,222)	-	(150,605)	(2,027,775)
<b>Cash flow hedge</b>								
Interest rate swaps	-	146,600,000	146,600,000	-	-	-	(3,771,157)	(3,771,157)
<b>Hedge of a net investment in a foreign operation</b>								
Exchange rate futures	-	31,500,000	31,500,000	-	-	50,805	(1,849,656)	(1,798,851)
Exchange rate forwards	-	525,892,728	525,892,728	-	-	222,781	(17,645,821)	(17,423,040)
	<b>2,986,798,649</b>	<b>1,201,830,768</b>	<b>4,188,629,417</b>	<b>21,839,020</b>	<b>(82,034,738)</b>	<b>3,676,945</b>	<b>(25,705,957)</b>	<b>(82,224,730)</b>

(amounts in euros)

	Notional Amount			2018				
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives		Book Value		Total
				Assets (Note 7)	Liabilities (Note 24)	Assets	Liabilities (Note 24)	
<b>Fair value hedge</b>								
Interest rate swaps	59,959,631	-	59,959,631	27,806	(4,897,075)	-	-	(4,869,269)
Exchange rate futures	3,229,750,000	740,250,000	3,970,000,000	16,487,277	(7,810,641)	4,122,951	(112,884)	12,686,703
Interest rate futures	813,200,000	-	813,200,000	5,720	(9,251,700)	-	-	(9,245,980)
Exchange rate forwards	58,818,663	-	58,818,663	92,798	(211,082)	-	-	(118,284)
<b>Cash flow hedge</b>								
Interest rate swaps	-	177,000,000	177,000,000	-	-	-	(3,417,493)	(3,417,493)
<b>Hedge of a net investment in a foreign operation</b>								
Exchange rate futures	-	42,875,000	42,875,000	-	-	261,418	(44,018)	217,400
Exchange rate forwards	-	504,787,027	504,787,027	-	-	-	(7,580,368)	(7,580,368)
	<b>4,161,728,294</b>	<b>1,464,912,027</b>	<b>5,626,640,321</b>	<b>16,613,601</b>	<b>(22,170,498)</b>	<b>4,384,369</b>	<b>(11,154,763)</b>	<b>(12,327,291)</b>

The interest rate swaps contracted by the Group and classified as derivatives held for trading are essentially intended to hedge its liabilities on life insurance investment contracts which, except for Unit-linked contracts, are valued at amortised cost (Note 24).

The interest rate swaps contracted by the Group and classified as hedge derivatives are to hedge the exposure to interest rates of contracted loans. The hedged risk is the variable reference rate to which the Group's financing agreements are associated.

To mitigate the risk of exchange fluctuations of financial instruments, EUR/USD and EUR/GBP futures listed on the Chicago Mercantile Exchange (CME) were contracted, in order to ensure the exchange rate alignment of the currency of the assets with the currency of the liabilities. In the case of EUR/JPY, EUR/GBP, EUR/USD and EUR/AUD risks, the instruments contracted are over-the-counter forwards.

The distribution of the Group's derivative financial instrument operations at 31 December 2019 and 2018, by period to maturity, was as follows:

(amounts in euros)

	2019					Total
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 5 years	More than 5 years	
<b>Fair value hedge</b>						
Interest rate swaps	-	-	-	561,730,622	287,651,697	849,382,319
Exchange rate futures	2,349,500,000	-	-	-	-	2,349,500,000
Interest rate futures	162,700,000	-	-	-	-	162,700,000
Exchange rate forwards	123,054,370	-	-	-	-	123,054,370
<b>Cash flow hedge</b>						
Interest rate swaps	-	-	-	18,000,000	128,600,000	146,600,000
<b>Hedge of a net investment in a foreign operation</b>						
Exchange rate futures	31,500,000	-	-	-	-	31,500,000
Exchange rate forwards	338,076,848	187,815,880	-	-	-	525,892,728
	<b>3,004,831,218</b>	<b>187,815,880</b>	-	<b>579,730,622</b>	<b>416,251,697</b>	<b>4,188,629,417</b>

(amounts in euros)

	2018					Total
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 5 years	More than 5 years	
<b>Fair value hedge</b>						
Interest rate swaps	-	-	-	49,437,008	10,522,623	59,959,631
Exchange rate futures	3,220,000,000	750,000,000	-	-	-	3,970,000,000
Interest rate futures	813,200,000	-	-	-	-	813,200,000
Exchange rate forwards	58,818,664	-	-	-	-	58,818,664
<b>Cash flow hedge</b>						
Interest rate swaps	-	-	-	27,000,000	150,000,000	177,000,000
<b>Hedge of a net investment in a foreign operation</b>						
Exchange rate futures	42,875,000	-	-	-	-	42,875,000
Exchange rate forwards	77,146,867	393,290,210	34,349,950	-	-	504,787,027
	<b>4,212,040,531</b>	<b>1,143,290,210</b>	<b>34,349,950</b>	<b>76,437,008</b>	<b>160,522,623</b>	<b>5,626,640,322</b>

The distribution of the Group's derivative financial operations at 31 December 2019 and 2018, by counterparty type, was as follows:

(amounts in euros)

	2019		2018	
	Notional Amount	Book Value	Notional Amount	Book Value
<b>Swaps</b>				
Interest rate swaps				
Financial institutions				
Caixa Geral Depósitos Group	849,382,319	( 71,036,436 )	59,959,631	( 4,869,269 )
Other institutions	146,600,000	( 3,771,157 )	177,000,000	( 3,417,493 )
<b>Futures</b>				
Exchange rate futures				
On a stock exchange				
Chicago	2,381,000,000	9,724,055	4,012,875,000	12,904,103
Interest rate futures	162,700,000	2,309,623	813,200,000	( 9,245,980 )
<b>Exchange rate forwards</b>				
Financial institutions	648,947,098	( 19,450,815 )	563,605,690	( 7,698,652 )
	<b>4,188,629,417</b>	<b>( 82,224,730 )</b>	<b>5,626,640,321</b>	<b>( 12,327,291 )</b>

In 2018 and 2017 the following gains and losses related to fair value hedge accounting were generated:

(amounts in euros)

	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
Derivatives	43,750,951	( 80,013,953 )	( 36,263,002 )	23,106,727	( 103,972,663 )	( 80,865,936 )
Hedged assets	30,247,239	( 9,150,946 )	21,096,293	58,221,547	( 2,083,813 )	56,137,734
	<b>73,998,190</b>	<b>( 89,164,899 )</b>	<b>( 15,166,709 )</b>	<b>81,328,274</b>	<b>( 106,056,476 )</b>	<b>( 24,728,202 )</b>

In 2019 and 2018, the following movements were generated in the Revaluation Reserve, relating to hedge accounting:

(amounts in euros)

	2019		2018	
	Cash flow hedge	Hedge of a net investment in a foreign operation	Cash flow hedge	Hedge of a net investment in a foreign operation
Interest rate swaps	( 1,752,411 )	-	( 1,541,534 )	-
Exchange rate futures	-	57,447,240	-	60,281,696
Exchange rate forwards	-	( 18,322,122 )	-	8,788,840
	<b>( 1,752,411 )</b>	<b>39,125,118</b>	<b>( 1,541,534 )</b>	<b>69,070,536</b>

## 8. AVAILABLE-FOR-SALE INVESTMENTS

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

(amounts in euros)

	2019					
	Amount before impairment	Accumulated impairment (Note 43)	Net amount	Exchange differences	Fair value reserve	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	1,733,981,143	-	1,733,981,143	-	80,420,542	1,814,401,685
Foreign issuers	1,937,866,195	-	1,937,866,195	873,212	70,927,215	2,009,666,622
Other public issuers						
Domestic issuers	37,486,831	-	37,486,831	-	474,341	37,961,172
Foreign issuers	34,756,293	-	34,756,293	-	521,243	35,277,536
International financial organisations	67,462	-	67,462	-	40,969	108,431
Other issuers						
Domestic issuers	118,376,261	(49,979,822)	68,396,439	-	1,633,947	70,030,386
Foreign issuers	4,918,492,113	(5,545)	4,918,486,568	78,677,705	128,132,156	5,125,296,429
Group companies	383,176,804	-	383,176,804	-	1,172,392	384,349,196
	<b>9,164,203,102</b>	<b>(49,985,367)</b>	<b>9,114,217,735</b>	<b>79,550,917</b>	<b>283,322,805</b>	<b>9,477,091,457</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	106,776,596	(13,648,723)	93,127,873	-	10,051,230	103,179,103
Foreign issuers	889,395,714	(290,345,254)	599,050,460	34,823,713	75,787,332	709,661,505
	<b>996,172,310</b>	<b>(303,993,977)</b>	<b>692,178,333</b>	<b>34,823,713</b>	<b>85,838,562</b>	<b>812,840,608</b>
<b>Other instruments</b>						
Participation bonds						
Residents	3,005,134	-	3,005,134	-	-	3,005,134
Investment units						
Residents	104,023,327	(24,338,600)	79,684,727	-	26,685,943	106,370,670
Non-residents	784,001,295	(250,456)	783,750,839	1,464,654	6,713,751	791,929,244
	<b>891,029,756</b>	<b>(24,589,056)</b>	<b>866,440,700</b>	<b>1,464,654</b>	<b>33,399,694</b>	<b>901,305,048</b>
	<b>11,051,405,168</b>	<b>(378,568,400)</b>	<b>10,672,836,768</b>	<b>115,839,284</b>	<b>402,561,061</b>	<b>11,191,237,113</b>

(amounts in euros)

	2018					
	Amount before impairment	Accumulated impairment (Note 43)	Net amount	Exchange differences	Fair value reserve	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	2,467,871,950	-	2,467,871,950	( 583,762 )	158,054,570	2,625,342,758
Foreign issuers	2,300,819,659	-	2,300,819,659	-	( 8,985,750 )	2,291,833,909
Other public issuers						
Foreign issuers	3,423,528	-	3,423,528	-	121,233	3,544,761
International financial organisations	126,857	-	126,857	-	57,466	184,323
Other issuers						
Domestic issuers	102,466,926	( 49,979,822 )	52,487,104	-	181,571	52,668,675
Foreign issuers	3,774,670,178	( 4,798,972 )	3,769,871,206	( 10,223,831 )	( 120,884,455 )	3,638,762,920
Group companies	321,967,381	-	321,967,381	-	( 1,557,154 )	320,410,227
	<b>8,971,346,479</b>	<b>( 54,778,794 )</b>	<b>8,916,567,685</b>	<b>( 10,807,593 )</b>	<b>26,987,481</b>	<b>8,932,747,573</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	108,269,175	( 12,742,701 )	95,526,474	-	( 1,270,803 )	94,255,671
Foreign issuers	1,429,028,036	( 406,963,311 )	1,022,064,725	29,406,489	( 97,734,251 )	953,736,963
	<b>1,537,297,211</b>	<b>( 419,706,012 )</b>	<b>1,117,591,199</b>	<b>29,406,489</b>	<b>( 99,005,054 )</b>	<b>1,047,992,634</b>
<b>Other instruments</b>						
Participation bonds						
Residents	5,203	-	5,203	-	-	5,203
Investment units						
Residents	124,841,212	( 31,670,547 )	93,170,665	-	35,625,305	128,795,970
Non-residents	36,497,661	( 816,577 )	35,681,084	-	3,274,300	38,955,384
Others	( 185,950 )	-	( 185,950 )	-	-	( 185,950 )
	<b>161,158,126</b>	<b>( 32,487,124 )</b>	<b>128,671,002</b>	<b>-</b>	<b>38,899,605</b>	<b>167,570,607</b>
	<b>10,669,801,816</b>	<b>( 506,971,930 )</b>	<b>10,162,829,886</b>	<b>18,598,896</b>	<b>( 33,117,968 )</b>	<b>10,148,310,814</b>

## 9. LOANS AND ACCOUNTS RECEIVABLE

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

(amounts in euros)

	2019			2018		
	Gross amount	Impairment Loss (Note 43)	Net amount	Gross amount	Impairment Loss (Note 43)	Net amount
Deposits in ceding companies	146,916	-	146,916	542,606	-	542,606
Other deposits						
Term deposits	1,324,678,274	-	1,324,678,274	1,972,461,828	-	1,972,461,828
Margin accounts	37,445,485	-	37,445,485	77,924,284	-	77,924,284
	1,362,123,759	-	1,362,123,759	2,050,386,112	-	2,050,386,112
Loans made						
Mortgage loans	3,210	-	3,210	21,671,183	-	21,671,183
Loans over policies	1,168,353	(10,597)	1,157,756	1,164,138	(10,597)	1,153,541
Debt securities	22,090,155	(469,070)	21,621,085	20,717,092	(323,222)	20,393,870
Others	366,689	(366,689)	-	361,961	(361,961)	-
	<b>23,628,407</b>	<b>(846,356)</b>	<b>22,782,051</b>	<b>43,914,374</b>	<b>(695,780)</b>	<b>43,218,594</b>
Others	14,234	-	14,234	11,584	-	11,584
	<b>1,385,913,316</b>	<b>(846,356)</b>	<b>1,385,066,960</b>	<b>2,094,854,676</b>	<b>(695,780)</b>	<b>2,094,158,896</b>

## 10. HELD-TO-MATURITY INVESTMENTS

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

(amounts in euros)

	2019					
	Nominal Amount	Amortised Cost	Interest receivable	Balance Sheet Value	Market Value (1)	Unrecognised potential gains
<b>Debt instruments</b>						
Public debt						
Domestic issuers	302,950,000	351,611,336	7,095,642	358,706,978	360,210,701	1,503,723
Foreign issuers						
Italy	662,600,000	677,356,190	3,583,817	680,940,007	694,457,280	13,517,273
Spain	31,000,000	34,378,691	142,083	34,520,774	35,213,520	692,746
	<b>996,550,000</b>	<b>1,063,346,217</b>	<b>10,821,542</b>	<b>1,074,167,759</b>	<b>1,089,881,501</b>	<b>15,713,742</b>

(1) Corresponds to the market value calculated in line with the methodology described in Note 2.6.

## 11. PROPERTIES

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

(amounts in euros)

	Own Use			Investment Properties	Total
	Right of Properties	Right-of-Use	Total		
Balances at 31 December 2017					
Gross amount	540,459,856	-	540,459,856	1,417,015,084	1,957,474,940
Accumulated depreciation and impairment	( 107,867,438 )	-	( 107,867,438 )	-	( 107,867,438 )
	<b>432,592,418</b>	<b>-</b>	<b>432,592,418</b>	<b>1,417,015,084</b>	<b>1,849,607,502</b>
Entry/ (Exits) to the consolidation perimeter	18,384,837	-	18,384,837	-	18,384,837
Additions					
Acquisitions made in the year	63,091,081	-	63,091,081	84,292,960	147,384,042
Subsequent expenditure	204,324	-	204,324	23,648,977	23,853,301
Revaluations					
As a credit to the income statement (Note 42)	-	-	-	36,924,225	36,924,225
As a credit to shareholders' equity	40,850,728	-	40,850,728	-	40,850,728
Additions/reversals of impairment in the year (Note 43)	1,140,709	-	1,140,709	-	1,140,709
Depreciation for the period	( 16,114,093 )	-	( 16,114,093 )	-	( 16,114,093 )
Exchange differences	( 8,291,103 )	-	( 8,291,103 )	18,275,715	9,984,613
Transfers	967,064	-	967,064	( 967,064 )	-
Disposals and write-offs (net)	-	-	-	( 39,185,239 )	( 39,185,239 )
Other movements	( 9,993,876 )	-	( 9,993,876 )	21,157	( 9,972,719 )
Balances at 31 December 2018					
Gross amount	675,836,432	-	675,836,432	1,552,431,915	2,228,268,347
Accumulated depreciation and impairment	( 152,903,227 )	-	( 152,903,227 )	-	( 152,903,227 )
	<b>522,933,205</b>	<b>-</b>	<b>522,933,205</b>	<b>1,552,431,915</b>	<b>2,075,365,120</b>
IFRS 16 Adoption	-	40,796,269	40,796,269	-	40,796,269
Entry/ (Exits) to the consolidation perimeter	35,490,314	877,585	36,367,899	175,137,886	211,505,785
Additions					
Acquisitions made in the year	41,095,879	21,654,660	62,750,539	215,537,853	278,288,392
Subsequent expenditure	481,877	-	481,877	272,604,043	273,085,920
Revaluations					
As a credit to the income statement (Note 42)	-	-	-	60,515,688	60,515,688
As a credit to shareholders' equity	2,509,009	-	2,509,009	-	2,509,009
Additions/reversals of impairment in the year (Note 43)	31,642	-	31,642	-	31,642
Depreciation for the period	( 26,415,037 )	( 10,425,185 )	( 36,840,222 )	-	( 36,840,222 )
Exchange differences	( 6,904,181 )	( 1,275 )	( 6,905,456 )	34,645,523	27,740,067

(continuation)

(amounts in euros)

	Own Use			Investment Properties	Total
	Right of Properties	Right-of-Use	Total		
Transfers from non-current assets held for sale	-	-	-	4,270,662	4,270,662
Transfers to non-current assets held for sale	-	-	-	(4,171,357)	(4,171,357)
Transfers	29,434,483	20,375,535	49,810,018	(49,537,451)	272,566
Disposals and write-offs (net)	(42,953,612)	-	(42,953,612)	(46,838,691)	(89,792,303)
Other movements	(4,728,573)	692,514	(4,036,059)	(3,049,795)	(7,085,854)
Balances at 31 December 2019					
Gross amount	712,176,094	87,919,672	800,095,765	2,211,546,277	3,011,642,042
Accumulated depreciation and impairment	(161,201,088)	(13,949,568)	(175,150,657)	-	(175,150,657)
	<b>550,975,006</b>	<b>73,970,104</b>	<b>624,945,108</b>	<b>2,211,546,277</b>	<b>2,836,491,385</b>

Entries in the consolidation perimeter refer, in 2019, to La Positiva Group and in 2018, to the acquisition of the companies Capital Criativo Health Care Investments II, SA

In 2019 disposals of Own Use include 42,776,656, related to the disposal of "Calhariz" properties.

In 2018 additions for acquisitions include EUR 28,260,006 related to the acquisition of the land "Feira Popular" in Lisbon. The total investment forecast is EUR 273,900,040.

As stated in Note 2.9. above, properties for own use are valued at fair value, in line with the option set out in IAS 16.

If the Group had opted to value land for own use using the cost model, its balance sheet value would be EUR 437,128,328.

Investment properties are also valued at fair value, in line with the treatment provided for in IAS 40, and mentioned in Note 2.6..

Properties are valued as in line with the treatment mentioned in Notes 2.6 and 2.7, by experts who are qualified for the purpose. The Group considers that the properties which it holds are put to the highest and best use possible, and the valuations performed to ascertain the respective fair value are therefore prepared taking into consideration their current use, as set out in IFRS 13 - "Fair Value Measurement".

In the case of properties for own use, the respective gains and losses are accounted for in the equity heading "Revaluation reserves - Revaluation of properties for own use", provided that:

- The accumulated value of the revaluation reserves after the adjustment is positive; or
- The revaluation is positive and exceeds the value of any negative revaluations which may have been recognised in past periods as a charge to profit or loss.

Gains and losses resulting from revaluation of investment properties are recognised in profit and loss.

## Valuation methods

Properties are valued to obtain an estimate of their transaction price, which is normally the market value (fair value), i.e., the price at which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, where the property is put up for sale on the market, the conditions of sale permit a regular and ordered sale, and the period for negotiating the sale is normal, taking into account the nature of the property. If there are any rental agreements, the assessment of the estimated transaction price takes the rental value into consideration.

The valuation techniques which are normally used are:

a) Market method: consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market;

b) Cost method: consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of conservation and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the property in its current state, subtracting from that value, after conclusion of works, all the associated costs and margins which have not yet been made;

c) Income method: consists of calculating the value of the property based on the ratio between the annual effective rent and an appropriate capitalisation rate.

As set out in IFRS 13, valuations of properties maximise the use of observable market data. However, since most valuations also consider unobservable data, the fair value of the Group's properties is classified as Level 3 in the fair value hierarchy defined by IFRS 13.

## Properties for own use

Buildings for own use are depreciated throughout the respective useful life defined in each valuation.

At 31 December 2019 and 2018, the fair value reserves associated with properties for own use were EUR 79,176,879 and EUR 90,246,089, respectively (Note 29).

At 31 December 2019 and 2018, the breakdown of the properties for own use according to their respective valuation date, was as follows:

(amounts in euros)

	2019	2018
2019	153,604,111	
2018	397,370,895	451,141,320
2017		71,791,885
	<b>550,975,006</b>	<b>522,933,205</b>

## 12. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

At 31 December 2019 and 2018, the allocation of investments and other assets, using a prudential perspective for insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts, may be summarised as follows:

(amounts in euros)

	2019					Total
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	
Cash and cash equivalents	43,401,196	9,595,862	170,553,929	38,083,826	637,638,127	899,272,940
Investments in associates and joint ventures	-	-	-	-	3,979,082	3,979,082
Financial assets held for trading	2,737,313	426,261	6,627,225	2,667,579	9,380,642	21,839,020
Financial assets initially recognised						
at fair value through profit or loss	151,194,345	8,339,644	290,139,080	92,266,576	431,143,804	973,083,449
Hedge Derivatives	24,989	-	1,895,714	1,482,656	273,586	3,676,945
Available-for-sale investments	1,789,061,816	1,013,710,108	6,911,481,885	1,387,117,928	89,865,376	11,191,237,113
Loans and accounts receivable	465,852,671	7,138,353	588,876,906	82,372,588	240,826,442	1,385,066,960
Held-to-maturity investments	-	-	1,074,167,759	-	-	1,074,167,759
Properties	347,442	5,678,211	-	119,197,305	2,711,268,428	2,836,491,386
Other tangible assets	-	-	-	-	95,477,464	95,477,464
	<b>2,452,619,772</b>	<b>1,044,888,439</b>	<b>9,043,742,498</b>	<b>1,723,188,458</b>	<b>4,219,852,951</b>	<b>18,484,292,118</b>

(amounts in euros)

	2018					Total
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	
Cash and cash equivalents	73,807,050	19,312,290	442,092,146	19,429,018	505,441,642	1,060,082,146
Investments in associates and joint ventures	-	-	61,918	-	2,245,228	2,307,146
Financial assets held for trading	1,821,998	61,925	9,912,800	1,813,234	3,003,644	16,613,601
Financial assets initially recognised						
at fair value through profit or loss	104,373,966	4,598,084	219,485,034	63,679,928	470,541,728	862,678,740
Hedge Derivatives	11,695	12,997	2,242,836	1,855,423	261,418	4,384,369
Available-for-sale investments	1,650,930,508	180,505,362	6,904,812,187	1,329,234,972	82,827,785	10,148,310,814
Loans and accounts receivable	164,901,736	7,296,610	1,349,456,132	440,513,711	131,990,707	2,094,158,896
Properties	345,954	9,264,643	-	169,068,876	1,896,685,647	2,075,365,120
Other tangible assets	-	-	-	-	64,321,969	64,321,969
	<b>1,996,192,907</b>	<b>221,051,911</b>	<b>8,928,063,053</b>	<b>2,025,595,162</b>	<b>3,157,319,768</b>	<b>16,328,222,801</b>

## 13. OTHER TANGIBLE ASSETS

In 2019 and 2018, the other tangible assets headings saw the following movements:

(amounts in euros)

	2019						
	Opening balances		Balance of IFRS 16 adoption		Additions	Entries in consolidation perimeter (Gross amount)	Transfers and adjustments
	Gross amount	Accumulated depreciation and impairment	Gross amount	Accumulated depreciation and impairment			
<b>Equipment</b>							
Administrative	25,694,460	(24,039,361)	(138,029)	13,108	2,072,101	1,810,738	6,204
Machinery and tools	10,983,961	(7,780,065)	-	-	337,011	-	5,435
IT equipment	22,183,751	(18,709,864)	-	-	3,973,136	1,497,339	10,695
Interior installations	26,220,652	(21,173,435)	-	-	2,666,218	3,461,317	250,621
Transport material	2,230,814	(1,397,817)	(53,432)	49,445	753,515	63,480	467,028
Hospital equipment	174,337,319	(135,566,519)	(40,933,131)	14,548,738	4,113,137	-	7,799,613
Other equipment	39,672,821	(32,681,572)	-	-	468,406	2,256,351	(7,916,843)
Security equipment	2,115,523	(1,894,335)	-	-	34,560	-	(2)
Other equipment	37,557,298	(30,787,237)	-	-	433,846	2,256,351	(7,916,841)
Artistic assets	2,080,450	-	-	-	1,632	17,882	-
Other tangible assets	6,087,889	(4,780,378)	(141,369)	3,539	(608,832)	-	(116,960)
Tangible assets in progress	878,705	-	-	-	9,221,695	-	(316,746)
Advances on tangible assets	5,000	-	-	-	480,765	-	(4,472)
	<b>310,375,822</b>	<b>(246,129,011)</b>	<b>(41,265,961)</b>	<b>14,614,830</b>	<b>23,478,784</b>	<b>9,107,107</b>	<b>184,574</b>
<b>Leasing</b>							
<b>Equipment</b>							
Administrative	-	-	149,367	(13,108)	-	-	-
Machinery and tools	-	-	5,639	-	-	-	-
IT equipment	215,930	(215,930)	3,621,179	-	10,649	893,480	-
Transport material	277,967	(202,810)	6,072,908	(49,445)	1,626,363	26,835	-
Hospital equipment	-	-	43,154,927	(14,548,738)	11,067,167	-	-
Other tangible assets	-	-	-	-	-	-	-
Other assets	-	-	147,324	(3,539)	-	-	-
	<b>493,897</b>	<b>(418,740)</b>	<b>53,151,344</b>	<b>(14,614,830)</b>	<b>12,704,180</b>	<b>920,315</b>	<b>-</b>
	<b>310,869,719</b>	<b>(246,547,750)</b>	<b>11,885,384</b>	<b>(1)</b>	<b>36,182,964</b>	<b>10,027,422</b>	<b>184,574</b>

(continuation)

(amounts in euros)

	2019				Closing balances		Net amount
	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Other movements	Gross amount	Accumulated depreciation and impairment	
<b>Equipment</b>							
Administrative	(1,783,772)	(99,587)	(154,801)	(268,347)	28,823,622	(25,710,909)	3,112,713
Machinery and tools	(869,882)	(53,520)	-	-	11,187,406	(8,564,466)	2,622,940
IT equipment	(3,439,747)	36,294	(5,933)	635,581	26,982,498	(20,801,246)	6,181,252
Interior installations	(1,507,744)	90,674	(25,054)	(595,059)	31,894,449	(22,506,259)	9,388,190
Transport material	(677,412)	(54,503)	(67,764)	301,428	3,033,347	(1,418,565)	1,614,782
Hospital equipment	(6,055,886)	-	(71,917)	(11,375,781)	144,099,762	(137,304,189)	6,795,573
Other equipment	(1,122,117)	39,217	(40,873)	12,174,110	33,400,170	(20,550,670)	12,849,500
Security equipment	(75,214)	169	-	-	2,150,282	(1,969,581)	180,701
Other equipment	(1,046,903)	39,048	(40,873)	12,174,110	31,249,888	(18,581,089)	12,668,799
Artistic assets	-	(8,556)	-	-	2,091,408	-	2,091,408
Other tangible assets	(202,244)	-	-	1,192,053	5,220,729	(3,787,031)	1,433,698
Tangible assets in progress	-	-	-	-	9,783,654	-	9,783,654
Advances on tangible assets	-	-	-	-	481,293	-	481,293
	<b>(15,658,804)</b>	<b>(49,981)</b>	<b>(366,342)</b>	<b>2,063,985</b>	<b>296,998,338</b>	<b>(240,643,335)</b>	<b>56,355,003</b>
<b>Leasing</b>							
<b>Equipment</b>							
Administrative	(34,792)	-	-	-	149,367	(47,900)	101,467
Machinery and tools	(3,222)	-	-	-	5,639	(3,222)	2,417
IT equipment	(1,670,629)	(1,659)	-	-	4,741,238	(1,888,218)	2,853,020
Transport material	(2,804,288)	(116)	(37,477)	12,191	7,827,227	(2,905,099)	4,922,128
Hospital equipment	(7,421,918)	-	(907,325)	(223,326)	53,314,769	(22,193,982)	31,120,787
Other tangible assets	-	-	-	-	-	-	-
Other assets	(19,928)	-	-	(1,215)	145,983	(23,341)	122,642
	<b>(11,954,777)</b>	<b>(1,775)</b>	<b>(944,803)</b>	<b>(212,350)</b>	<b>66,184,223</b>	<b>(27,061,762)</b>	<b>39,122,461</b>
	<b>(27,613,581)</b>	<b>(51,756)</b>	<b>(1,311,145)</b>	<b>1,851,635</b>	<b>363,182,561</b>	<b>(267,705,097)</b>	<b>95,477,464</b>

(amounts in euros)

	2018				
	Opening balances		Entries in consolidation perimeter	Additions	Transfers and adjustments
	Gross amount	Accumulated depreciation and impairment			
Equipment					
Administrative	26,392,620	(24,931,321)	44,066	1,338,168	2,241
Machinery and tools	8,572,424	(7,252,820)	-	2,717,417	1
IT equipment	19,354,117	(16,938,999)	-	2,338,004	1,136,922
Interior installations	24,790,146	(20,475,986)	-	846,668	976,851
Transport material	2,375,262	(1,553,765)	20,036	429,239	(2,007)
Hospital equipment	158,335,048	(124,442,781)	-	14,631,449	1,472,627
Other equipment	40,725,056	(34,962,101)	1,011,898	4,244,763	(2,137,919)
Artistic assets	2,032,819	-	-	46,902	13,000
Leased equipment	539,241	(402,527)	-	-	(1)
Other tangible assets	5,776,588	(4,784,927)	25,271	306,008	273,186
Tangible assets in progress	-	-	-	1,017,987	(113,806)
Advances on tangible assets	53,581	-	-	5,000	(53,581)
	<b>288,946,902</b>	<b>(235,745,227)</b>	<b>1,101,271</b>	<b>27,921,604</b>	<b>1,567,514</b>

(continuation)

(amounts in euros)

	2018					
	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
				Gross amount	Accumulated depreciation and impairment	Net amount
Equipment						
Administrative	(967,761)	(218,738)	(4,176)	25,694,460	(24,039,361)	1,655,099
Machinery and tools	(684,169)	(147,202)	(1,755)	10,983,961	(7,780,065)	3,203,896
IT equipment	(2,331,215)	(98,548)	13,606	22,183,751	(18,709,864)	3,473,887
Interior installations	(1,016,415)	(74,047)	-	26,220,652	(21,173,435)	5,047,217
Transport material	(329,921)	(105,597)	(250)	2,230,814	(1,397,817)	832,997
Hospital equipment	(11,225,543)	-	-	174,337,319	(135,566,519)	38,770,800
Other equipment	(1,859,309)	(31,138)	-	39,672,821	(32,681,572)	6,991,249
Artistic assets	-	(12,270)	-	2,080,450	-	2,080,450
Leased equipment	(55,700)	-	(5,856)	493,897	(418,740)	75,157
Other tangible assets	(288,615)	-	-	6,087,889	(4,780,378)	1,307,511
Tangible assets in progress	-	-	(25,476)	878,705	-	878,705
Advances on tangible assets	-	-	-	5,000	-	5,000
	<b>(18,758,648)</b>	<b>(687,540)</b>	<b>(23,907)</b>	<b>310,869,719</b>	<b>(246,547,750)</b>	<b>64,321,969</b>

Entries in the consolidation perimeter refer, in 2019, to the acquisition of La Positiva Group, and, in 2018, to the acquisition of Capital Criativo Health Care Investments II, SA.

At 31 December 2019 and 2018, the heading "Tangible assets" includes fully amortised assets still in use of EUR 213,212,412 and EUR 205,499,423 respectively.

## 14. INVENTORIES

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At 31 December 2019 and 2018, the breakdown of this heading was as follows:

(amounts in euros)

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	2019	2018
Hospital Goods	13,178,237	12,375,818
Real estate	-	7,812
Goods	142,335	136,376
Products and works in progress	161,875	199,134
Salvage	13,498	15,060
Other inventories	165,726	185,744
	<b>13,661,671</b>	<b>12,919,944</b>
Impairment of goods (Note 43)	-	-
	<b>13,661,671</b>	<b>12,919,944</b>

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## 15. GOODWILL

The Group's recognition of goodwill at 31 December 2019 and 2018 was as follows:

(amounts in euros)

	2019			2018		
	Gross Amount	Impairment Loss (Note 43)	Net Amount	Gross Amount	Impairment Loss (Note 43)	Net Amount
<b>Goodwill recognised in Goodwill</b>						
Fidelidade - Companhia de Seguros, S.A.	65,531,707	-	65,531,707	65,531,707	-	65,531,707
Fidelidade Assistência - Companhia de Seguros, S.A.	1,663,226	-	1,663,226	1,663,226	-	1,663,226
Multicare - Seguros de Saúde, S.A.	2,281,095	-	2,281,095	2,281,095	-	2,281,095
Luz Saúde, S.A.	359,254,032	-	359,254,032	359,254,032	-	359,254,032
Hospital da Luz Guimarães, S.A.	16,025,075	-	16,025,075	16,025,075	-	16,025,075
Godo Kaisha Moana	710,601	-	710,601	710,601	-	710,601
S.C.H. - Soc. Clínica Hospitalar S.A.	3,126,025	-	3,126,025	3,126,025	-	3,126,025
C.C.H. - Capital Criativo Care Investments S.A.	8,720,683	-	8,720,683	8,720,683	-	8,720,683
Capital Criativo Health Care Investments II, SA	26,683,569	-	26,683,569	26,220,367	-	26,220,367
Audatex	( 5,002 )	-	( 5,002 )	-	-	-
La Positiva Seguros y Reaseguros S.A.	44,112,191	-	44,112,191	-	-	-
	<b>528,103,202</b>	<b>-</b>	<b>528,103,202</b>	<b>483,532,811</b>	<b>-</b>	<b>483,532,811</b>
<b>Goodwill recognised in Investments</b>						
Highgrove - Investimentos e Participações, SGPS, S.A.	-	-	-	957,001	( 957,001 )	-
	-	-	-	<b>957,001</b>	<b>( 957,001 )</b>	-
	<b>528,103,202</b>	<b>-</b>	<b>528,103,202</b>	<b>484,489,812</b>	<b>( 957,001 )</b>	<b>483,532,811</b>

The following movements occurred in this heading in 2019 and 2018:

(amounts in euros)

<b>Goodwill (net) at 31 December 2017</b>	<b>457,327,763</b>
GK Kita Aoyoma Support 2	( 15,319 )
Acquisition of 90% of Capital Criativo Health Care Investments II, SA	26,220,367
<b>Goodwill (net) at 31 December 2018</b>	<b>483,532,811</b>
Acquisition of 90% of Capital Criativo Health Care Investments II, SA - Adjustment	463,202
Acquisition of Audatex stock	( 5,002 )
Acquisition of 91.5% of La Positiva Seguros y Reaseguros S.A.	44,112,191
<b>Goodwill (net) at 31 December 2019</b>	<b>528,103,202</b>

The determination of goodwill for the main companies acquired is as follows:

(amounts in euros)

<b>Goodwill recognised in Goodwill</b>	
Acquisition of 80% of Fidelidade - Companhia de Seguros, S.A.	980,832,887
Shareholders' equity of corporate acquisition (80.00%)	911,913,667
	<b>68,919,220</b>
Acquisition of 4.986% of Fidelidade - Companhia de Seguros, S.A.	( 3,387,513 )
	<b>65,531,707</b>
Acquisition of 98.21% of Luz Saúde, S.A.	457,827,530
Shareholders' equity of corporate acquisition (98.21%) in September 2014	98,683,752
	<b>359,143,778</b>
Acquisition of 96.996% of Godo Kaisha Moana	102,843,643
Shareholders' equity of corporate acquisition (96.996%) in 2016	102,133,042
	<b>710,601</b>
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	25,237,564
Shareholders' equity of corporate acquisition (100%) in 2016	9,212,489
	<b>16,025,075</b>
Acquisition of 81.35% of S.C.H. - Sociedade Clínica Hospitalar S.A.	3,091,338
Shareholders' equity of corporate acquisition (81.35%) in March 2017	( 34,687 )
	<b>3,126,025</b>

(continuation)

(amounts in euros)

Acquisition of 100% of C.C.H. - Capital Criativo Care Investments S.A.	7,163,382
Shareholders' equity of corporate acquisition (100%) in August 2017	( 1,557,301 )
	<b>8,720,683</b>
Acquisition of 90% of Capital Criativo Health Care Investments II, SA	19,990,000
Shareholders' equity of corporate acquisition (100%) in April 2018	( 6,693,569 )
	<b>26,683,569</b>
Acquisition of 91.50% of La Positiva Seguros y Reaseguros S.A.	193,775,700
Fair value of assets and liabilities of corporate acquisition (91.50%) in April 2019	156,264,004
Exchange difference	6,600,495
	<b>44,112,191</b>

Goodwill acquired in a business combination represents a payment made by an acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

The Group conducts impairment tests on the goodwill recognised on the balance sheet at least once a year, in line with the requirements of IAS 36 – "Impairment of assets". For this purpose, goodwill is allocated to cash flow generating units and its recoverable value is assessed on the basis of future cash flow projections, updated on the basis of discount rates which the Group deems appropriate. Impairment losses associated with goodwill are recognised in the income statement for the year and may not be reversed.

The recoverable amount is determined as the asset's value in use or its fair value less selling costs, whichever is higher.

The impairment tests incorporate current available information, including macro-economic conditions, the situation of financial markets and others. All tests concluded that the recoverable amount of the asset exceeds the respective carrying amount, and therefore, there is no recognition of impairment losses.

Following the acquisition of the new companies during 2019, the Group assessed the fair value of the assets acquired and liabilities assumed in line with IFRS 3 - "Business Combinations". No significant differences were identified between the accounting values of the assets and liabilities and their fair values. The breakdown of the net assets and goodwill established as part of the transactions taking place in 2019 is as follows:

(amounts in euros)

	2019 La Positiva Seguros y Reaseguros S.A.
<b>Fair value of Assets and Liabilities</b>	
Assets acquired	1,670,220,485
Liabilities acquired	1,449,778,109
<b>Total Net Assets</b>	<b>220,442,376</b>
% Assets held	156,264,004
<b>Acquisition price</b>	<b>193,775,700</b>
<b>Inicial Goodwill</b>	<b>37,511,696</b>
Exchange difference	6,600,495
<b>Goodwill</b>	<b>44,112,191</b>

## 16. OTHER INTANGIBLE ASSETS

In 2019 and 2018, the other intangible assets headings saw the following movements:

(amounts in euros)

	2019										
	Opening balances			Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing											
systems (software)	73,439,316	(67,811,699)	11,222,255	5,396,745	(5,749,995)	(8,422,574)	(112,531)	-	97,739,697	(89,778,179)	7,961,517
Other intangible assets	335,606	(280,812)	82,301,595	-	18,218	(36,006)	2,786,649	-	85,233,301	(108,052)	85,125,249
Brand	-	-	82,268,662	-	-	-	2,786,662	-	85,055,325	-	85,055,325
Other assets	335,606	(280,812)	32,932	-	18,218	(36,006)	(14)	-	177,977	(108,052)	69,925
Intangible assets											
in progress	17,433,689	-	-	11,521,970	5,016,307	-	(4,914)	-	33,967,053	-	33,967,053
	<b>91,208,611</b>	<b>(68,092,511)</b>	<b>93,523,850</b>	<b>16,918,715</b>	<b>(715,469)</b>	<b>(8,458,580)</b>	<b>2,669,203</b>	<b>-</b>	<b>216,940,051</b>	<b>(89,886,232)</b>	<b>127,053,819</b>

(amounts in euros)

	2018										
	Opening balances			Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing											
systems (software)	71,375,965	(63,635,975)	2,639	2,028,703	866,659	(4,904,076)	(101,378)	(4,920)	73,439,316	(67,811,699)	5,627,617
Other intangible assets	335,606	(302,174)	-	-	36,371	(27,133)	-	12,124	335,606	(280,812)	54,794
Intangible assets											
in progress	12,627,248	-	-	6,727,621	(1,897,553)	-	-	(23,627)	17,433,689	-	17,433,689
	<b>84,338,819</b>	<b>(63,938,149)</b>	<b>2,639</b>	<b>8,756,324</b>	<b>(994,523)</b>	<b>(4,931,209)</b>	<b>(101,378)</b>	<b>(16,423)</b>	<b>91,208,611</b>	<b>(68,092,511)</b>	<b>23,116,100</b>

At 31 December 2019 and 2018, the values recognised in "Intangible assets in progress" refer to costs incurred with the development of new IT applications (software).

In 2019 and 2018, the Group recognised directly on the statement of gains and expenses the expenditure with external costs related with research, development and maintenance of automatic data processing systems, of EUR 30,500,883 and EUR 25,975,014, respectively.

## 17. TECHNICAL PROVISIONS FOR REINSURANCE CEDED

At 31 December 2019 and 2018, technical provisions for reinsurance ceded were composed as follows:

(amounts in euros)

	2019			2018		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	2,100,931	90,620,148	92,721,079	818,263	29,320,428	30,138,691
Mathematical provision	16,559,063	-	16,559,063	13,081,699	-	13,081,699
Claims provision						
Reported claims	25,166,714	170,547,621	195,714,335	6,823,732	154,262,018	161,085,750
Claims incurred but not reported (IBNR)	20,221,481	20,639,014	40,860,495	2,659,117	16,642,800	19,301,917
	<b>45,388,195</b>	<b>191,186,635</b>	<b>236,574,830</b>	<b>9,482,849</b>	<b>170,904,818</b>	<b>180,387,667</b>
Provision for profit sharing	-	228,363	228,363	-	-	-
	<b>64,048,189</b>	<b>282,035,146</b>	<b>346,083,335</b>	<b>23,382,811</b>	<b>200,225,246</b>	<b>223,608,057</b>

Information on the provision for unearned premiums on reinsurance ceded, at 31 December 2019 and 2018, is set out in the following table:

(amounts in euros)

	2019			2018		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life Insurance</b>	<b>2,104,165</b>	<b>(3,234)</b>	<b>2,100,931</b>	<b>818,263</b>	<b>-</b>	<b>818,263</b>
<b>Non-life insurance</b>						
Personal accidents and passengers	3,292,954	(1,217,892)	2,075,062	2,576,923	(1,199,799)	1,377,124
Health	1,570,837	9,004	1,579,841	494,568	12,840	507,408
Fire and other damage	58,125,249	(5,755,706)	52,369,543	26,193,586	(4,187,633)	22,005,953
Motor	4,172,780	(83,146)	4,089,634	570,941	(71,936)	499,005
Marine, aviation and transport	3,831,485	(78,112)	3,753,373	299,646	(26,449)	273,197
Third party liability	18,168,034	(982,968)	17,185,066	2,314,549	(161,976)	2,152,573
Credit and suretyship	7,036,769	121,413	7,158,182	60,514	(2,859)	57,655
Legal protection	541	(117)	424	3,596	(117)	3,479
Assistance	45,001	(2,077)	42,924	45,756	(2,077)	43,679
Other	3,956,328	(1,590,229)	2,366,099	4,072,622	(1,672,267)	2,400,355
	<b>100,199,978</b>	<b>(9,579,830)</b>	<b>90,620,148</b>	<b>36,632,701</b>	<b>(7,312,273)</b>	<b>29,320,428</b>
	<b>102,304,143</b>	<b>(9,583,064)</b>	<b>92,721,079</b>	<b>37,450,964</b>	<b>(7,312,273)</b>	<b>30,138,691</b>

The following tables provide information on the movement in the provision for unearned premiums on reinsurance ceded during 2019 and 2018:

(amounts in euros)

	2019				
	Opening balance	Entry in consolidation perimeter	Liabilities originated in the year	Exchange differences	Closing balance
<b>Provision for unearned premiums</b>					
<b>Life Insurance</b>	<b>818,263</b>	<b>1,921,492</b>	<b>( 768,669 )</b>	<b>133,079</b>	<b>2,104,165</b>
<b>Non-life insurance</b>					
Personal accidents and passengers	2,576,923	726,745	( 40,877 )	30,163	3,292,954
Health	494,568	1,628,342	( 561,012 )	8,939	1,570,837
Fire and other damage	26,193,586	19,173,001	15,476,384	( 2,717,722 )	58,125,249
Motor	570,941	13,346,228	( 9,892,854 )	148,465	4,172,780
Marine, aviation and transport	299,646	3,429,798	259,224	( 157,183 )	3,831,485
Third party liability	2,314,549	6,006,367	9,476,926	370,192	18,168,034
Credit and suretyship	60,514	6,754,847	267,678	( 46,270 )	7,036,769
Legal protection	3,596	-	( 2,625 )	( 430 )	541
Assistance	45,756	-	711	( 1,466 )	45,001
Others	4,072,622	209,578	( 259,003 )	( 66,869 )	3,956,328
	<b>36,632,701</b>	<b>51,274,906</b>	<b>14,724,552</b>	<b>( 2,432,181 )</b>	<b>100,199,978</b>
	<b>37,450,964</b>	<b>53,196,398</b>	<b>13,955,883</b>	<b>( 2,299,102 )</b>	<b>102,304,143</b>
<b>Deferred acquisition costs</b>					
<b>Life Insurance</b>	<b>-</b>	<b>-</b>	<b>( 3,234 )</b>	<b>-</b>	<b>( 3,234 )</b>
<b>Non-life insurance</b>					
Personal accidents and passengers	( 1,199,799 )	-	( 16,570 )	( 1,523 )	( 1,217,892 )
Health	12,840	-	713	( 4,549 )	9,004
Fire and other damage	( 4,187,633 )	( 875,829 )	( 885,914 )	193,670	( 5,755,706 )
Motor	( 71,936 )	( 45,033 )	( 10,655 )	44,478	( 83,146 )
Marine, aviation and transport	( 26,449 )	( 198,693 )	( 6,842 )	153,872	( 78,112 )
Third party liability	( 161,976 )	( 340,264 )	( 463,598 )	( 17,130 )	( 982,968 )
Credit and suretyship	( 2,859 )	103,601	( 62 )	20,733	121,413
Legal protection	( 117 )	-	-	-	( 117 )
Assistance	( 2,077 )	-	-	-	( 2,077 )
Others	( 1,672,267 )	( 21,093 )	82,038	21,093	( 1,590,229 )
	<b>( 7,312,273 )</b>	<b>( 1,377,311 )</b>	<b>( 1,300,890 )</b>	<b>410,644</b>	<b>( 9,579,830 )</b>
	<b>( 7,312,273 )</b>	<b>( 1,377,311 )</b>	<b>( 1,304,124 )</b>	<b>410,644</b>	<b>( 9,583,064 )</b>
	<b>30,138,691</b>	<b>51,819,087</b>	<b>12,651,759</b>	<b>( 1,888,458 )</b>	<b>92,721,079</b>

(amounts in euros)

	2018			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Provision for unearned premiums</b>				
<b>Life Insurance</b>	<b>129,360</b>	<b>688,903</b>	-	<b>818,263</b>
<b>Non-life insurance</b>				
Personal accidents and passengers	3,131,916	( 574,480 )	19,487	2,576,923
Health	1,469,790	( 441,583 )	( 533,639 )	494,568
Fire and other damage	28,282,964	( 312,194 )	( 1,777,184 )	26,193,586
Motor	389,253	145,561	36,127	570,941
Marine, aviation and transport	169,096	184,866	( 54,316 )	299,646
Third party liability	2,533,044	( 231,883 )	13,388	2,314,549
Credit and suretyship	57,811	2,724	( 21 )	60,514
Legal protection	3,667	1,611	( 1,682 )	3,596
Assistance	37,771	14,139	( 6,154 )	45,756
Others	5,249,565	( 1,176,942 )	( 1 )	4,072,622
	<b>41,324,877</b>	<b>( 2,388,181 )</b>	<b>( 2,303,995 )</b>	<b>36,632,701</b>
	<b>41,454,237</b>	<b>( 1,699,278 )</b>	<b>( 2,303,995 )</b>	<b>37,450,964</b>
<b>Deferred acquisition costs</b>				
<b>Non-life insurance</b>				
Personal accidents and passengers	( 1,460,726 )	264,229	( 3,302 )	( 1,199,799 )
Health	13,320	6,815	( 7,295 )	12,840
Fire and other damage	( 4,083,093 )	( 159,891 )	55,351	( 4,187,633 )
Motor	( 62,835 )	( 7,204 )	( 1,897 )	( 71,936 )
Marine, aviation and transport	( 23,599 )	( 1,771 )	( 1,079 )	( 26,449 )
Third party liability	( 178,122 )	17,008	( 862 )	( 161,976 )
Credit and suretyship	( 3,024 )	164	1	( 2,859 )
Legal protection	( 117 )	-	-	( 117 )
Assistance	( 2,077 )	-	-	( 2,077 )
Others	( 2,015,917 )	343,651	( 1 )	( 1,672,267 )
	<b>( 7,816,190 )</b>	<b>463,001</b>	<b>40,916</b>	<b>( 7,312,273 )</b>
	<b>33,638,047</b>	<b>( 1,236,277 )</b>	<b>( 2,263,079 )</b>	<b>30,138,691</b>

Information on the claims provision for reinsurance ceded, at 31 December 2019 and 2018, is set out below:

(amounts in euros)

	2019			2018		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life Insurance</b>	<b>25,166,714</b>	<b>20,221,481</b>	<b>45,388,195</b>	<b>6,823,732</b>	<b>2,659,117</b>	<b>9,482,849</b>
<b>Non-life insurance</b>						
Workers' compensation	3,329,291	1,597,602	4,926,893	2,291,148	1,281,139	3,572,287
Personal accidents and passengers	18,474,043	1,128,892	19,602,935	17,775,340	1,609,464	19,384,804
Health	662,986	1,154,890	1,817,876	454,035	207,777	661,812
Fire and other damage	99,473,211	8,355,581	107,828,792	99,622,538	7,144,079	106,766,617
Motor	14,076,964	3,423,118	17,500,082	4,120,597	1,472,315	5,592,912
Marine, aviation and transport	8,648,436	360,838	9,009,274	6,952,321	635,116	7,587,437
Third party liability	20,607,172	4,110,540	24,717,712	14,174,404	3,808,439	17,982,843
Credit and suretyship	466,021	(225)	465,796	1,396	10,510	11,906
Assistance	500	8,024	8,524	-	-	-
Others	4,808,997	499,754	5,308,751	8,870,239	473,961	9,344,200
	<b>170,547,621</b>	<b>20,639,014</b>	<b>191,186,635</b>	<b>154,262,018</b>	<b>16,642,800</b>	<b>170,904,818</b>
	<b>195,714,335</b>	<b>40,860,495</b>	<b>236,574,830</b>	<b>161,085,750</b>	<b>19,301,917</b>	<b>180,387,667</b>

The following tables provide information on the movement in the claims provisions for reinsurance ceded during 2019 and 2018:

(amounts in euros)

	2019					
	Opening balance	Entry in consolidation perimeter	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>9,482,849</b>	<b>32,595,284</b>	<b>69,625,650</b>	<b>( 66,315,588 )</b>	<b>-</b>	<b>45,388,195</b>
<b>Non-life insurance</b>						
Workers' compensation	3,572,287	300,912	1,326,352	( 593,791 )	321,133	4,926,893
Personal accidents and passengers	19,384,804	2,165,937	( 819,163 )	( 3,384,081 )	2,255,438	19,602,935
Health	661,812	2,052,474	6,724,652	( 9,635,360 )	2,014,298	1,817,876
Fire and other damage	106,766,617	23,022,282	71,110,779	( 116,849,564 )	23,778,678	107,828,792
Motor	5,592,912	7,044,132	20,703,432	( 23,233,187 )	7,392,793	17,500,082
Marine, aviation and transport	7,587,437	3,048,354	( 84,569 )	( 4,686,044 )	3,144,096	9,009,274
Third party liability	17,982,843	8,280,166	5,681,058	( 15,701,381 )	8,475,026	24,717,712
Credit and suretyship	11,906	568,703	733,328	( 1,429,749 )	581,608	465,796
Assistance	-	-	36,926	( 28,346 )	( 56 )	8,524
Others	9,344,200	221,422	( 1,808,815 )	( 7,137,462 )	4,689,406	5,308,751
	<b>170,904,818</b>	<b>46,704,382</b>	<b>103,603,980</b>	<b>( 182,678,965 )</b>	<b>52,652,420</b>	<b>191,186,635</b>
	<b>180,387,667</b>	<b>79,299,666</b>	<b>173,229,630</b>	<b>( 248,994,553 )</b>	<b>52,652,420</b>	<b>236,574,830</b>

(amounts in euros)

	2018				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>10,723,527</b>	<b>7,245,391</b>	<b>( 8,486,069 )</b>	<b>-</b>	<b>9,482,849</b>
<b>Non-life insurance</b>					
Workers' compensation	3,550,307	1,368,090	( 1,274,631 )	( 71,479 )	3,572,287
Personal accidents and passengers	16,317,885	4,557,328	( 1,494,744 )	4,335	19,384,804
Health	640,474	3,108,668	( 2,959,318 )	( 128,012 )	661,812
Fire and other damage	161,740,967	53,788,989	( 107,385,433 )	( 1,377,906 )	106,766,617
Motor	10,386,488	15,155,307	( 19,821,541 )	( 127,342 )	5,592,912
Marine, aviation and transport	8,059,758	1,092,256	( 1,567,828 )	3,251	7,587,437
Third party liability	13,983,238	7,434,958	( 3,392,018 )	( 43,335 )	17,982,843
Credit and suretyship	10,906	1,000	-	-	11,906
Assistance	( 1,095 )	2,243	( 1,575 )	427	-
Others	8,606,501	9,866,610	( 9,128,911 )	-	9,344,200
	<b>223,295,429</b>	<b>96,375,449</b>	<b>( 147,025,999 )</b>	<b>( 1,740,061 )</b>	<b>170,904,818</b>
	<b>234,018,956</b>	<b>103,620,840</b>	<b>( 155,512,068 )</b>	<b>( 1,740,061 )</b>	<b>180,387,667</b>

Liabilities originated in the year and the claims paid are not deducted from the reinsurers' portion of the processed reimbursements.

## 18. OTHER DEBTORS FOR INSURANCE AND OTHER OPERATIONS

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

(amounts in euros)

	2019	2018
<b>Accounts receivable for direct insurance operations</b>		
Premiums pending collection	191,675,671	86,421,299
Brokers	49,782,995	68,656,706
Claims reimbursements	28,521,060	25,415,718
Co-insurers	19,037,880	14,868,478
Funding Institute of Agriculture and Fisheries (IFAP)	6,453,627	456,485
Workers' compensation fund	2,259,920	2,156,558
Others	201,415	263,173
	<b>297,932,568</b>	<b>198,238,417</b>
(Adjustments to premiums pending collection - Note 43)	( 14,027,640 )	( 9,799,351 )
(IFAP adjustments - Note 43)	-	( 137,408 )
(Adjustments for doubtful debts - Note 43)	( 4,069,254 )	( 4,933,438 )
	<b>( 18,096,894 )</b>	<b>( 14,870,197 )</b>
	<b>279,835,674</b>	<b>183,368,220</b>
<b>Accounts receivable for other reinsurance operations</b>		
Reinsurers' current accounts	22,971,947	24,195,528
Reinsureds' current accounts	3,353,767	2,809,694
	<b>26,325,714</b>	<b>27,005,222</b>
(Adjustments for doubtful debts - Note 43)	( 7,583,945 )	( 5,740,637 )
	<b>18,741,769</b>	<b>21,264,585</b>
<b>Accounts receivable for other operations:</b>		
Clients - current accounts	112,053,634	101,601,164
Transactions to be settled	82,177,923	113,822,820
Other suppliers and services provided	3,077,935	1,673,616
Property rentals	2,137,712	3,983,104
Debtors - items held under custody	2,060,720	365,738
Funding Institute of Agriculture and Fisheries (IFAP)	953,240	9,473,942
Other shareholders	664,246	-
Others	31,948,275	13,690,074
	<b>235,073,685</b>	<b>244,610,458</b>
(Adjustments for doubtful debts - Note 43)	( 34,899,977 )	( 28,481,217 )
	<b>200,173,708</b>	<b>216,129,241</b>
	<b>498,751,151</b>	<b>420,762,046</b>

In the years 2019 and 2018 the value under the heading "Clients - current accounts" includes the amount of EUR 108,431,854 and EUR 99,908,413, respectively, corresponding to the hospital sector.

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

In 2018, the Group recorded EUR 113,822,820 as an amount receivable from Fosun Industrial Holdings, Limited resulting from the exercise, on 15 October 2018, of a put option on the wholly owned subsidiary FF Investment Luxembourg 1 S.à r.l. This amount was calculated in accordance with the contract conditions and is linked to a participation in the Folli Follie Group, held by FF Investment Luxembourg 1 S.à r.l.. Payment of this amount is guaranteed by Fosun International Limited and was made on 23 January 2019. In 2019, the heading includes the amount receivable of EUR 74,739,328 relating to the sale of the Largo do Calhariz property.

Balances receivable from IFAP correspond, essentially, to bonuses and compensation for excess claims regarding crop insurance campaigns from 2013 to 2019.

## 19. TAX ASSETS AND LIABILITIES

The balances for tax assets and liabilities at 31 December 2019 and 2018 were as follows:

(amounts in euros)

	2019	2018
<b>Current tax assets</b>		
Others	38,635,953	53,177,361
	<b>38,635,953</b>	<b>53,177,361</b>
<b>Current tax liabilities</b>		
Others		
Stamp duty	(9,622,135)	(8,695,687)
Motor insurance guarantee fund	(2,395,634)	(2,080,309)
Workers' compensation fund	(4,464,917)	(4,205,551)
National civil protection authority tax	(1,686,031)	(1,561,970)
Insurance and pension funds supervisory authority tax	(2,306,837)	(2,069,340)
National medical emergency institute tax	(3,126,191)	(2,864,473)
Social security	(6,521,761)	(5,572,148)
Withholdings	(7,413,327)	(8,388,813)
Others	(15,144,437)	(2,497,938)
	<b>(52,681,270)</b>	<b>(37,936,229)</b>
<b>Deferred tax assets</b>	<b>224,071,543</b>	<b>291,475,987</b>
<b>Deferred tax liabilities</b>	<b>165,658,786</b>	<b>(130,884,968)</b>
	<b>389,730,329</b>	<b>160,591,019</b>
<b>Total</b>	<b>375,685,012</b>	<b>175,832,151</b>

At 31 December 2019 and 2018, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in euros)

	2019	2018
Income tax estimate recognised as a charge to the income statement	(20,877,444)	(50,810,582)
Income tax estimate recognised as a charge to reserves	1,076,169	3,626,298
Withholding tax	(5,082,546)	(6,271,306)
Payments on account	15,351,084	91,183,125
Others	26,812,618	608,028
	<b>17,279,880</b>	<b>38,335,563</b>

At 31 December 2019 and 2018 the heading "Income tax estimate recognised as a charge to the income statement" corresponds to the amount of the estimate of CIT plus Municipal and State Surcharge and autonomous taxation.

In 2019 and 2018, the income tax registered in reserves is the result of the change in the fair value reserve of available-for-sale investments linked to life insurance products with profit sharing and of the change in actuarial deviations relating to post-employment benefits granted to employees.

In 2018, as part of the Tax Group, "Additional Payments on Account" were made to the State by Longrun Portugal, SGPS, S.A. (the controlling company). Therefore, the companies in the Group within the Tax Group have registered on their balance sheet an amount receivable from Longrun Portugal, SGPS, S.A. relating to "Additional Payments on Account" and an amount payable to/receivable from Longrun Portugal, SGPS, S.A., relating to "Income tax estimate recognised as a charge to the income statement".

Movements of deferred taxes during 2019 and 2018 were:

(amounts in euros)

	Opening balance	Entry in perimeter	2019 Change in			Closing balance
			Shareholders' equity	Income statement	Others	
<b>Assets</b>						
Valuation of available-for-sale investments	107,296,836	( 1,902,281 )	( 61,782,925 )	-	( 32,219,772 )	11,391,858
Properties						
For own use	34,971,653	( 14,279,074 )	3,901,269	2,964,497	( 19,045,063 )	8,513,282
Investment properties	338,480	-	-	( 5,679,830 )	28,442,234	23,100,884
Provisions and impairment temporarily not allowed for fiscal purposes	130,821,809	980,260	855,924	2,999,847	18,651,396	154,309,236
Employee benefits	15,294,807	9,387	( 713,873 )	( 728,882 )	( 127,871 )	13,733,568
Carry-forward tax losses	2,175,783	36,771	-	137,260	( 362,434 )	1,987,380
Others	576,619	339,186	5,976,932	5,059,068	( 916,470 )	11,035,335
	<b>291,475,987</b>	<b>( 14,815,752 )</b>	<b>( 51,762,673 )</b>	<b>4,751,960</b>	<b>( 5,577,980 )</b>	<b>224,071,543</b>
<b>Liabilities</b>						
Devaluation of available-for-sale investments	( 95,040,391 )	444,949	( 24,143,396 )	( 18,112 )	23,237,536	( 95,519,414 )
Properties						
For own use	( 23,012,019 )	( 694,082 )	( 4,874,808 )	2,311,245	( 592,059 )	( 26,861,723 )
Investment properties	94,243	-	-	( 1,732,345 )	( 21,298,240 )	( 22,936,342 )
Others	( 12,926,800 )	( 738,282 )	( 2,347,669 )	9,165,855	( 13,494,410 )	( 20,341,306 )
	<b>( 130,884,968 )</b>	<b>( 987,415 )</b>	<b>( 31,365,873 )</b>	<b>9,726,643</b>	<b>( 12,147,174 )</b>	<b>( 165,658,786 )</b>
	<b>160,591,019</b>	<b>( 15,803,167 )</b>	<b>( 83,128,546 )</b>	<b>14,478,603</b>	<b>( 17,725,154 )</b>	<b>58,412,757</b>

(amounts in euros)

	2018			Closing balance
	Opening balance	Change in		
		Shareholders' equity	Income statement	
<b>Assets</b>				
Valuation of available-for-sale investments	1,236,751	96,753,475	9,306,610	107,296,836
Properties				
For own use	8,778,673	( 387,922 )	26,580,902	34,971,653
Investment properties	35,011,694	-	( 34,673,214 )	338,480
Provisions and impairment temporarily not allowed for fiscal purposes	195,072,143	( 327,344 )	( 63,922,990 )	130,821,809
Employee benefits	15,378,736	( 839,887 )	755,958	15,294,807
Carry-forward tax losses	2,175,783	-	-	2,175,783
Others	1,465,113	16,947	( 905,441 )	576,619
	<b>259,118,893</b>	<b>95,215,269</b>	<b>( 62,858,175 )</b>	<b>291,475,987</b>
<b>Liabilities</b>				
Devaluation of available-for-sale investments	( 214,504,144 )	129,660,473	( 10,196,720 )	( 95,040,391 )
Properties				
For own use	( 19,019,379 )	( 178,969 )	( 3,813,671 )	( 23,012,019 )
Investment properties	( 20,962,658 )	-	21,056,901	94,243
Others	( 3,025,422 )	-	( 9,901,378 )	( 12,926,800 )
	<b>( 257,511,603 )</b>	<b>129,481,504</b>	<b>( 2,854,869 )</b>	<b>( 130,884,968 )</b>
	<b>1,607,290</b>	<b>224,696,773</b>	<b>( 65,713,044 )</b>	<b>160,591,019</b>

Law 64-B/2011, which approved the State Budget for 2012, was published on 30 December 2011. Article 183 of this law lays down that losses made in 2011, deriving from changes to the accounting policy for the recognition of actuarial profit resulting from recognition of liabilities with retirement pensions and other defined post-employment benefits, relating to contributions made in that period or in previous years, are not included in the limits of deductions established in Article 43 of the CIT Code, but are reported within the calculation of taxable income in the 2012 tax year and the following nine taxation periods.

Income tax recognised in profits and losses, and the tax burden, measured as the ratio between income tax and the profit in the year before tax, may be represented as follows:

(amounts in euros)

	2019	2018
Current tax		
Estimated tax for the year	17,599,393	46,357,147
State and municipal surcharge	1,495,179	2,412,102
Autonomous taxation	1,003,541	1,204,991
	<b>20,098,113</b>	<b>49,974,240</b>
Others	779,331	836,342
	<b>20,877,444</b>	<b>50,810,582</b>
Deferred tax	( 14,526,585 )	70,164,994
Total tax in income statement	6,350,859	120,975,576
Consolidated income before tax and non-controlling interests	236,714,603	414,741,188
Tax burden	2.68%	29.17%

Reconciliation between the nominal tax rate and the effective tax rate in 2019 and 2018 was as follows:

(amounts in euros)

	2019		2018	
	Rate	Tax	Rate	Tax
Income before tax	0.00%	236,714,603	0.00%	414,741,188
Income tax calculated at nominal rate	22.50%	53,256,070	28.78%	119,367,622
<b>Permanent differences to be deducted</b>				
Dividends from equity instruments	(0.44%)	( 1,052,664 )	(6.88%)	( 28,539,997 )
Real estate fair value adjustments	(3.45%)	( 8,161,071 )	(13.23%)	( 54,859,856 )
Impairment losses non-deductible	(12.54%)	( 29,675,498 )	0.00%	-
Provision not relevant for tax purposes	(0.00%)	( 1,506 )	(4.37%)	( 18,119,569 )
Negative equity variations	0.00%	-	0.06%	233,940
Reimbursement of non-deductible tax and over estimation of CIT	(0.34%)	( 793,873 )	0.00%	-
Post-employment benefits and other long term benefits to employees	0.00%	-	(0.06%)	( 237,275 )
Adjustments in respect of previous periods	0.00%	-	(0.14%)	( 565,504 )
Others	(4.42%)	( 10,451,925 )	0.00%	-

(continuation)

(amounts in euros)

	2019		2018	
	Rate	Tax	Rate	Tax
<b>Permanent differences to be added</b>				
Impairment losses non-deductible	0.00%	-	23.27%	96,503,362
Real estate fair value adjustments	0.13%	299,532	0.00%	-
Capital gains (computed in fiscal terms)	0.33%	792,953	0.00%	-
Under estimation of CIT	0.24%	560,623	0.07%	280,587
Other penalties	0.00%	2,061	0.91%	3,760,129
Post-employment benefits and other long term benefits to employees	0.00%	6,242	0.00%	-
Adjustments in respect of previous periods	0.04%	88,808	0.00%	-
Others	0.00%	-	0.65%	2,690,507
<b>Tax benefits</b>				
Net job creation	(0.11%)	( 258,121 )	(0.12%)	( 487,195 )
International double taxation	(0.92%)	( 2,187,484 )	(0.06%)	( 256,166 )
Others	(3.92%)	( 9,286,375 )	0.00%	-
<b>Autonomous taxation</b>	<b>0.41%</b>	<b>977,040</b>	<b>0.29%</b>	<b>1,204,991</b>
<b>Municipal and state surcharge</b>	<b>0.76%</b>	<b>1,801,058</b>	<b>0.00%</b>	<b>-</b>
<b>Deferred taxes assets and liabilities - Effect of tax rate change</b>	<b>4.41%</b>	<b>10,434,989</b>	<b>0.00%</b>	<b>-</b>
	<b>2.68%</b>	<b>6,350,859</b>	<b>29.17%</b>	<b>120,975,576</b>

The tax authorities have the option of inspecting the four prior years in Portugal. Different interpretations of the legislation could lead to potential adjustments to the taxable profit of past years. Given the nature of any corrections which may be made, it is not possible to quantify these at the present time. However, in the opinion of the Board of Directors of Longrun and of the companies in the Group, it is unlikely that any correction concerning the years referred to above will be significant for the attached financial statements.

## 20. ACCRUALS AND DEFERRALS (ASSETS)

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

(amounts in euros)

	2019	2018
<b>Accrued income</b>	<b>61,846,769</b>	<b>58,250,054</b>
<b>Deferred expenses</b>		
Commission on the issue of financial products	8,906,871	12,415,896
Insurance	1,222,056	2,103,533
Rents and leases	1,232,146	4,352,126
Assistance for IT equipment	1,543,487	1,095,589
Advertising	2,200,347	22,765
Portuguese Association of Insurers subscriptions	334,444	585,308
Software licences	2,041,953	2,441,042
Others	8,827,953	5,528,038
	<b>88,156,026</b>	<b>86,794,351</b>

At 31 December 2019 and 2018, the heading "Accrued income" includes:

- Estimates of the profit commissions receivable from life reinsurers, of EUR 4,509,500 and EUR 4,706,500, respectively;
- Services provided and not invoiced by Luz Saúde in the amount of EUR 45,037,774 and EUR 42,092,756, relating to 2019 and 2018, respectively.

The heading "Deferred expenses - Commissions on the issue of financial products" corresponds to the deferral of commission charges made by Caixa Geral de Depósitos, S.A. on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the lifetime of the contracts.

## 21. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2019 and 2018, the non-current held for sale assets, liabilities, and gains and losses were composed as follows:

(amounts in euros)

	2019	2018
<b>Non-current assets held for sale</b>		
Investment properties	4,171,357	4,270,662
Deferred tax assets	155,777	152,579
	<b>4,327,134</b>	<b>4,423,242</b>
<b>Liabilities of a group for sale classified as held for sale</b>		
Deferred tax liabilities	1,081,671	529,650
	<b>1,081,671</b>	<b>529,650</b>
<b>Gains and losses on non-current assets classified as held for sale</b>		
<b>Gains</b>		
Rents	-	6,446,440
Gains made	-	129,736,408
	-	<b>136,182,848</b>
<b>Losses</b>		
Realized Losses	-	(19,444,937)
Other Losses	-	(3,662,713)
	-	<b>(23,107,649)</b>
	-	<b>113,075,199</b>

## 22. TECHNICAL PROVISIONS

At 31 December 2019 and 2018, technical provisions for direct insurance and reinsurance accepted were composed as follows:

(amounts in euros)

	2019			2018		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	4,590,354	505,525,063	510,115,417	1,634,440	285,503,970	287,138,410
Mathematical provision for life insurance	3,163,842,270	-	3,163,842,270	1,907,427,795	-	1,907,427,795
Claims provision						
Reported claims	134,285,469	1,724,480,248	1,858,765,717	95,344,285	1,612,454,481	1,707,798,766
Claims incurred but not reported (IBNR)	50,919,639	120,417,324	171,336,963	23,767,719	84,997,626	108,765,345
	<b>185,205,108</b>	<b>1,844,897,572</b>	<b>2,030,102,680</b>	<b>119,112,004</b>	<b>1,697,452,107</b>	<b>1,816,564,111</b>
Provision for profit sharing	85,368,234	1,750	85,369,984	81,083,957	20,563	81,104,520
Provision for interest rate commitments	29,392,059	-	29,392,059	22,683,110	-	22,683,110
Provision for portfolio stabilisation	26,462,475	-	26,462,475	26,254,032	-	26,254,032
Equalisation provision	-	29,119,191	29,119,191	-	27,302,513	27,302,513
Provision for unexpired risks	228,864	31,562,540	31,791,404	-	36,514,181	36,514,181
	<b>3,495,089,364</b>	<b>2,411,106,116</b>	<b>5,906,195,480</b>	<b>2,158,195,338</b>	<b>2,046,793,334</b>	<b>4,204,988,672</b>

At 31 December 2019 and 2018, the provision for unearned premiums on direct insurance and reinsurance accepted was as follows:

(amounts in euros)

	2019			2018		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>4,594,787</b>	<b>( 4,433 )</b>	<b>4,590,354</b>	<b>1,634,440</b>	<b>-</b>	<b>1,634,440</b>
<b>Non-life insurance</b>						
Workers' compensation	63,345,801	( 3,431,019 )	59,914,782	16,444,781	( 2,867,377 )	13,577,404
Personal accidents and passengers	11,132,673	( 2,548,296 )	8,584,377	8,958,948	( 2,301,418 )	6,657,530
Health	42,719,265	( 7,800,441 )	34,918,824	34,860,729	( 7,916,876 )	26,943,853
Fire and other damage	157,122,686	( 24,952,654 )	132,170,032	95,334,622	( 22,352,115 )	72,982,507
Motor	238,098,529	( 35,922,255 )	202,176,274	168,772,801	( 35,088,060 )	133,684,741
Marine, aviation and transport	6,978,046	( 281,504 )	6,696,542	1,910,766	( 255,845 )	1,654,921
Third party liability	33,627,878	( 4,339,306 )	29,288,572	11,598,946	( 3,142,840 )	8,456,106
Credit and suretyship	9,358,099	( 199,606 )	9,158,493	194,527	( 10,098 )	184,429
Legal protection	2,303,335	( 970,819 )	1,332,516	2,243,289	( 963,383 )	1,279,906
Assistance	17,385,488	( 3,687,586 )	13,697,902	16,278,982	( 3,557,138 )	12,721,844
Others	10,565,707	( 2,978,958 )	7,586,749	10,793,263	( 3,432,534 )	7,360,729
	<b>592,637,507</b>	<b>( 87,112,444 )</b>	<b>505,525,063</b>	<b>367,391,654</b>	<b>( 81,887,684 )</b>	<b>285,503,970</b>
	<b>597,232,294</b>	<b>( 87,116,877 )</b>	<b>510,115,417</b>	<b>369,026,094</b>	<b>( 81,887,684 )</b>	<b>287,138,410</b>

The movements in the provision for unearned premiums and in the deferred acquisition costs on direct insurance and reinsurance accepted during 2019 and 2018 were as follows:

(amounts in euros)

	2019				
	Opening balance	Entry in consolidation perimeter	Liabilities originated in the year	Exchange differences	Closing balance
<b>Provision for unearned premiums</b>					
<b>Life insurance</b>	<b>1,634,440</b>	<b>3,739,976</b>	<b>( 830,669 )</b>	<b>51,040</b>	<b>4,594,787</b>
<b>Non-life insurance</b>					
Workers' compensation	16,444,781	35,991,150	9,177,120	1,732,750	63,345,801
Personal accidents and passengers	8,958,948	1,084,132	947,636	141,957	11,132,673
Health	34,860,729	3,818,537	6,654,492	( 2,614,493 )	42,719,265
Fire and other damage	95,334,622	45,980,378	18,068,671	( 2,260,985 )	157,122,686
Motor	168,772,801	47,724,664	17,936,714	3,664,350	238,098,529
Marine, aviation and transport	1,910,766	4,583,137	914,877	( 430,734 )	6,978,046
Third party liability	11,598,946	11,485,134	10,517,016	26,782	33,627,878
Credit and suretyship	194,527	3,431,095	5,956,145	( 223,668 )	9,358,099
Legal protection	2,243,289	-	60,125	( 79 )	2,303,335
Assistance	16,278,982	-	1,070,398	36,108	17,385,488
Others	10,793,263	4,178,019	( 503,646 )	( 3,901,929 )	10,565,707
	<b>367,391,654</b>	<b>158,276,246</b>	<b>70,799,548</b>	<b>( 3,829,941 )</b>	<b>592,637,507</b>
	<b>369,026,094</b>	<b>162,016,222</b>	<b>69,968,879</b>	<b>( 3,778,901 )</b>	<b>597,232,294</b>
<b>Deferred acquisition costs</b>					
<b>Life insurance</b>	<b>-</b>	<b>-</b>	<b>( 4,433 )</b>	<b>-</b>	<b>( 4,433 )</b>
<b>Non-life insurance</b>					
Workers' compensation	( 2,867,377 )	-	( 559,411 )	( 4,231 )	( 3,431,019 )
Personal accidents and passengers	( 2,301,418 )	-	( 182,636 )	( 64,242 )	( 2,548,296 )
Health	( 7,916,876 )	5	( 325,398 )	441,828	( 7,800,441 )
Fire and other damage	( 22,352,115 )	( 268,648 )	( 2,377,705 )	45,814	( 24,952,654 )
Motor	( 35,088,060 )	( 558 )	( 184,088 )	( 649,549 )	( 35,922,255 )
Marine, aviation and transport	( 255,845 )	( 70,394 )	4,752	39,983	( 281,504 )
Third party liability	( 3,142,840 )	( 166,301 )	( 1,038,627 )	8,462	( 4,339,306 )
Credit and suretyship	( 10,098 )	( 37,738 )	1,122	( 152,892 )	( 199,606 )
Legal protection	( 963,383 )	-	( 7,437 )	1	( 970,819 )
Assistance	( 3,557,138 )	-	( 130,496 )	48	( 3,687,586 )
Others	( 3,432,534 )	( 326,459 )	504,915	275,120	( 2,978,958 )
	<b>( 81,887,684 )</b>	<b>( 870,093 )</b>	<b>( 4,295,009 )</b>	<b>( 59,658 )</b>	<b>( 87,112,444 )</b>
	<b>( 81,887,684 )</b>	<b>( 870,093 )</b>	<b>( 4,299,442 )</b>	<b>( 59,658 )</b>	<b>( 87,116,877 )</b>
	<b>287,138,410</b>	<b>161,146,129</b>	<b>65,669,437</b>	<b>( 3,838,559 )</b>	<b>510,115,417</b>

(amounts in euros)

	2018			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Provision for unearned premiums</b>				
<b>Life insurance</b>	<b>1,542,377</b>	<b>92,063</b>	-	<b>1,634,440</b>
<b>Non-life insurance</b>				
Workers' compensation	14,930,169	1,457,127	57,485	16,444,781
Personal accidents and passengers	9,625,403	( 607,688 )	( 58,767 )	8,958,948
Health	37,021,107	3,375,635	( 5,536,013 )	34,860,729
Fire and other damage	95,429,856	2,819,164	( 2,914,398 )	95,334,622
Motor	162,822,957	7,557,903	( 1,608,059 )	168,772,801
Marine, aviation and transport	1,973,873	77,142	( 140,249 )	1,910,766
Third party liability	11,726,205	304,704	( 431,963 )	11,598,946
Credit and suretyship	187,131	11,389	( 3,993 )	194,527
Legal protection	2,118,131	128,782	( 3,624 )	2,243,289
Assistance	14,210,514	2,075,972	( 7,504 )	16,278,982
Others	12,083,446	( 1,300,285 )	10,102	10,793,263
	<b>362,128,792</b>	<b>15,899,845</b>	<b>( 10,636,983 )</b>	<b>367,391,654</b>
	<b>363,671,169</b>	<b>15,991,908</b>	<b>( 10,636,983 )</b>	<b>369,026,094</b>
<b>Deferred acquisition costs</b>				
<b>Non-life insurance</b>				
Workers' compensation	( 2,655,666 )	( 206,268 )	( 5,443 )	( 2,867,377 )
Personal accidents and passengers	( 2,126,911 )	( 176,750 )	2,243	( 2,301,418 )
Health	( 7,143,563 )	( 931,498 )	158,185	( 7,916,876 )
Fire and other damage	( 21,461,353 )	( 889,154 )	( 1,608 )	( 22,352,115 )
Motor	( 32,712,208 )	( 2,073,271 )	( 302,581 )	( 35,088,060 )
Marine, aviation and transport	( 308,757 )	48,709	4,203	( 255,845 )
Third party liability	( 2,825,983 )	( 335,235 )	18,378	( 3,142,840 )
Credit and suretyship	( 11,759 )	1,675	( 14 )	( 10,098 )
Legal protection	( 879,774 )	( 84,057 )	448	( 963,383 )
Assistance	( 2,994,574 )	( 562,553 )	( 11 )	( 3,557,138 )
Others	( 3,989,414 )	556,881	( 1 )	( 3,432,534 )
	<b>( 77,109,962 )</b>	<b>( 4,651,521 )</b>	<b>( 126,201 )</b>	<b>( 81,887,684 )</b>
	<b>286,561,207</b>	<b>11,340,387</b>	<b>( 10,763,184 )</b>	<b>287,138,410</b>

At 31 December 2019 and 2018, the claims provisions on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2019			2018		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life insurance</b>	<b>134,285,469</b>	<b>50,919,639</b>	<b>185,205,108</b>	<b>95,344,285</b>	<b>23,767,719</b>	<b>119,112,004</b>
<b>Non-life insurance</b>						
<b>Workers' compensation</b>						
Mathematical provision	667,131,296	1,132,004	668,263,300	628,048,468	1,270,152	629,318,620
Provision for whole life assistance	182,614,623	7,959,018	190,573,641	175,405,716	7,962,649	183,368,365
Provision for temporary assistance	87,646,854	26,412,268	114,059,122	53,656,688	3,154,242	56,810,930
	<b>937,392,773</b>	<b>35,503,290</b>	<b>972,896,063</b>	<b>857,110,872</b>	<b>12,387,043</b>	<b>869,497,915</b>
<b>Other</b>						
Personal accidents and passengers	29,214,526	6,180,364	35,394,890	29,791,008	3,452,729	33,243,737
Health	62,627,051	9,970,641	72,597,692	50,299,385	7,663,055	57,962,440
Fire and other damage	152,854,904	19,646,038	172,500,942	153,167,239	18,423,824	171,591,063
Motor	417,971,788	22,273,551	440,245,339	405,722,926	20,481,838	426,204,764
Marine, aviation and transport	12,150,109	3,040,646	15,190,755	9,773,206	2,037,758	11,810,964
Third party liability	90,135,689	21,667,089	111,802,778	81,890,812	19,172,508	101,063,320
Credit and suretyship	1,227,661	83,291	1,310,952	587,566	78,946	666,512
Legal protection	3,094,569	184,794	3,279,363	3,524,518	175,082	3,699,600
Assistance	9,872,213	114,550	9,986,763	8,340,045	82,154	8,422,199
Others	7,938,965	1,753,070	9,692,035	12,246,904	1,042,689	13,289,593
	787,087,475	84,914,034	872,001,509	755,343,609	72,610,583	827,954,192
	<b>1,724,480,248</b>	<b>120,417,324</b>	<b>1,844,897,572</b>	<b>1,612,454,481</b>	<b>84,997,626</b>	<b>1,697,452,107</b>
	<b>1,858,765,717</b>	<b>171,336,963</b>	<b>2,030,102,680</b>	<b>1,707,798,766</b>	<b>108,765,345</b>	<b>1,816,564,111</b>

The movement in the claims provisions on direct insurance and reinsurance accepted during 2019 and 2018 was as follows:

(amounts in euros)

	2019					
	Opening balance	Entry in consolidation perimeter	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>119,112,004</b>	<b>70,714,417</b>	<b>417,607,164</b>	<b>( 422,345,176 )</b>	<b>116,699</b>	<b>185,205,108</b>
<b>Non-life insurance</b>						
Workers' compensation	869,497,915	57,661,788	231,231,098	( 187,018,242 )	1,523,504	972,896,063
Personal accidents and passengers	33,243,737	4,091,159	13,215,004	( 15,157,406 )	2,396	35,394,890
Health	57,962,440	6,718,946	250,836,128	( 244,564,426 )	1,644,604	72,597,692
Fire and other damage	171,591,063	28,053,978	166,469,493	( 194,422,330 )	808,738	172,500,942
Motor	426,204,764	29,142,474	462,187,944	( 478,197,222 )	907,379	440,245,339
Marine, aviation and transport	11,810,964	4,588,616	8,915,769	( 10,206,645 )	82,051	15,190,755
Third party liability	101,063,320	11,556,498	31,207,449	( 32,324,132 )	299,643	111,802,778
Credit and suretyship	666,512	2,412,769	184,889	( 1,953,218 )	-	1,310,952
Legal protection	3,699,600	-	77,849	( 498,086 )	-	3,279,363
Assistance	8,422,199	-	39,493,135	( 37,928,571 )	-	9,986,763
Others	13,289,593	1,949,303	11,675,738	( 17,222,599 )	-	9,692,035
	<b>1,697,452,107</b>	<b>146,175,531</b>	<b>1,215,494,496</b>	<b>( 1,219,492,877 )</b>	<b>5,268,315</b>	<b>1,844,897,572</b>
	<b>1,816,564,111</b>	<b>216,889,948</b>	<b>1,633,101,660</b>	<b>( 1,641,838,053 )</b>	<b>5,385,014</b>	<b>2,030,102,680</b>

(amounts in euros)

	2018				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>132,483,735</b>	<b>266,418,361</b>	<b>( 279,721,459 )</b>	<b>( 68,633 )</b>	<b>119,112,004</b>
<b>Non-life insurance</b>					
Workers' compensation	834,126,539	195,347,123	( 156,710,898 )	( 3,264,849 )	869,497,915
Personal accidents and passengers	28,348,292	15,156,984	( 10,258,659 )	( 2,880 )	33,243,737
Health	55,787,048	210,695,793	( 205,061,337 )	( 3,459,064 )	57,962,440
Fire and other damage	243,185,987	121,032,280	( 180,430,729 )	( 12,196,475 )	171,591,063
Motor	448,080,626	354,622,579	( 375,135,099 )	( 1,363,342 )	426,204,764
Marine, aviation and transport	12,757,645	4,004,442	( 4,919,791 )	( 31,332 )	11,810,964
Third party liability	99,658,815	15,071,379	( 13,486,803 )	( 180,071 )	101,063,320
Credit and suretyship	704,990	337,602	( 376,080 )	-	666,512
Legal protection	4,715,561	( 409,659 )	( 606,302 )	-	3,699,600
Assistance	9,103,694	36,059,987	( 36,741,324 )	( 158 )	8,422,199
Others	12,195,570	18,634,404	( 17,540,381 )	-	13,289,593
	<b>1,748,664,767</b>	<b>970,552,914</b>	<b>( 1,001,267,403 )</b>	<b>( 20,498,171 )</b>	<b>1,697,452,107</b>
	<b>1,881,148,502</b>	<b>1,236,971,275</b>	<b>( 1,280,988,862 )</b>	<b>( 20,566,804 )</b>	<b>1,816,564,111</b>

Liabilities originated in the year and the claims paid do not include the costs allocated to claims management and are not deducted from the reimbursements processed by the Group.

At 31 December 2019 and 2018, the provisions for unexpired risks on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2019	2018
<b>Life insurance</b>	<b>228,864</b>	-
<b>Non-life insurance</b>		
Workers' compensation	997,564	1,331,772
Personal accidents and passengers	476,269	123,364
Health	4,912,646	3,755,245
Fire and other damage	4,144,483	3,513,090
Motor	16,064,597	21,835,879
Marine, aviation and transport	-	190,202
Third party liability	1,801,686	1,191,885
Credit and suretyship	-	64,500
Legal protection	225,411	67,471
Assistance	2,932,315	4,440,773
Others	7,569	-
	<b>31,562,540</b>	<b>36,514,181</b>
	<b>31,791,404</b>	<b>36,514,181</b>

The movement in the provision for unexpired risks in direct insurance and reinsurance accepted during 2019 and 2018 was as follows:

(amounts in euros)

	2019			Closing balance
	Opening balance	Entry in consolidation perimeter	Appropriations for the year	
<b>Life insurance</b>	-	-	<b>228,864</b>	<b>228,864</b>
<b>Non-life insurance</b>				
Workers' compensation	1,331,772	-	( 334,208 )	997,564
Personal accidents and passengers	123,364	-	352,905	476,269
Health	3,755,245	-	1,157,401	4,912,646
Fire and other damage	3,513,090	-	631,393	4,144,483
Motor	21,835,879	-	( 5,771,282 )	16,064,597
Marine, aviation and transport	190,202	-	( 190,202 )	-
Third party liability	1,191,885	-	609,801	1,801,686
Credit and suretyship	64,500	-	( 64,500 )	-
Legal protection	67,471	-	157,940	225,411
Assistance	4,440,773	-	( 1,508,458 )	2,932,315
Others	-	239,986	( 232,417 )	7,569
	<b>36,514,181</b>	<b>239,986</b>	<b>( 5,191,627 )</b>	<b>31,562,540</b>
	<b>36,514,181</b>	<b>239,986</b>	<b>( 4,962,763 )</b>	<b>31,791,404</b>

(amounts in euros)

	2018		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
Workers' compensation	6,113,713	( 4,781,941 )	1,331,772
Personal accidents and passengers	249,939	( 126,575 )	123,364
Health	229,934	3,525,311	3,755,245
Fire and other damage	7,784,688	( 4,271,598 )	3,513,090
Motor	29,135,581	( 7,299,702 )	21,835,879
Marine, aviation and transport	12,971	177,231	190,202
Third party liability	950,506	241,379	1,191,885
Credit and suretyship	61,889	2,611	64,500
Legal protection	384	67,087	67,471
Assistance	4,682,786	( 242,013 )	4,440,773
Others	124	( 124 )	-
	<b>49,222,515</b>	<b>( 12,708,334 )</b>	<b>36,514,181</b>

At 31 December 2019 and 2018, the mathematical provision and the provision for profit sharing for life insurance in direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2019				
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	Total
<b>Insurance contracts</b>					
Life individual risk	138,841,645	( 840,057 )	138,001,588	18,126,916	156,128,504
Life group risk	967,846,391	( 720 )	967,845,671	17,868,206	985,713,877
Life individual capitalisation	130,832,912	( 384,621 )	130,448,291	193,023	130,641,314
Life group capitalisation	1,035,402	-	1,035,402	-	1,035,402
	<b>1,238,556,350</b>	<b>( 1,225,398 )</b>	<b>1,237,330,952</b>	<b>36,188,145</b>	<b>1,273,519,097</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
Life individual capitalisation	146,422,685	( 5,950 )	146,416,735	11,646,185	158,062,920
Life group capitalisation	327,172,209	-	327,172,209	4,027,640	331,199,849
Life individual PPR	1,452,937,849	( 15,475 )	1,452,922,374	33,506,264	1,486,428,638
	<b>1,926,532,743</b>	<b>( 21,425 )</b>	<b>1,926,511,318</b>	<b>49,180,089</b>	<b>1,975,691,407</b>
	<b>3,165,089,093</b>	<b>( 1,246,823 )</b>	<b>3,163,842,270</b>	<b>85,368,234</b>	<b>3,249,210,504</b>

(amounts in euros)

	2018				
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	Total
<b>Insurance contracts</b>					
Life individual risk	80,654,625	( 454,754 )	80,199,871	17,840,152	98,040,023
Life group risk	136,612,685	-	136,612,685	17,251,872	153,864,557
Life individual capitalisation	51,336,426	( 136,574 )	51,199,852	116,715	51,316,567
Life group capitalisation	3,121,591	-	3,121,591	-	3,121,591
	<b>271,725,327</b>	<b>( 591,328 )</b>	<b>271,133,999</b>	<b>35,208,739</b>	<b>306,342,738</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
Life individual capitalisation	185,319,880	( 7,465 )	185,312,415	11,636,533	196,948,948
Life group capitalisation	320,985,471	-	320,985,471	4,438,363	325,423,834
Life individual PPR	1,130,015,406	( 19,496 )	1,129,995,910	29,800,322	1,159,796,232
	<b>1,636,320,757</b>	<b>( 26,961 )</b>	<b>1,636,293,796</b>	<b>45,875,218</b>	<b>1,682,169,014</b>
	<b>1,908,046,084</b>	<b>( 618,289 )</b>	<b>1,907,427,795</b>	<b>81,083,957</b>	<b>1,988,511,752</b>

The movement in the mathematical provision and in the provision for profit sharing for life insurance in direct insurance and reinsurance accepted during 2019 and 2018 was as follows:

(amounts in euros)

	2019							
	Opening balance	Entry in consolidation perimeter	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Portfolio recomposition	Income distributed	Closing balance
<b>Direct insurance and reinsurance accepted</b>								
<b>Mathematical provision</b>								
Insurance contracts	271,133,999	824,157,081	93,076,917	-	(639,287)	-	49,602,242	1,237,330,952
Investment contracts with a discretionary profit sharing component	1,636,293,796	-	273,454,001	-	5,536	7,462,032	9,295,953	1,926,511,318
	<b>1,907,427,795</b>	<b>824,157,081</b>	<b>366,530,918</b>	<b>-</b>	<b>(633,751)</b>	<b>7,462,032</b>	<b>58,898,195</b>	<b>3,163,842,270</b>
<b>Profit sharing provision</b>								
Insurance contracts	35,208,739	-	3,998,013	11,484	-	-	(3,030,091)	36,188,145
Investment contracts with a discretionary profit sharing component	45,875,218	-	5,525,158	7,300,965	-	-	(9,521,252)	49,180,089
	<b>81,083,957</b>	<b>-</b>	<b>9,523,171</b>	<b>7,312,449</b>	<b>-</b>	<b>-</b>	<b>(12,551,343)</b>	<b>85,368,234</b>
	<b>1,988,511,752</b>	<b>824,157,081</b>	<b>376,054,089</b>	<b>7,312,449</b>	<b>(633,751)</b>	<b>7,462,032</b>	<b>46,346,852</b>	<b>3,249,210,504</b>

(amounts in euros)

	2018							
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Portfolio recomposition	Income distributed	Closing balance	
<b>Direct insurance and reinsurance accepted</b>								
<b>Mathematical provision</b>								
Insurance contracts	234,524,916	37,921,797	-	(381,831)	-	(930,883)	271,133,999	
Investment contracts with a discretionary profit sharing component	1,528,417,490	85,653,843	-	5,944	8,681,711	13,534,808	1,636,293,796	
	<b>1,762,942,406</b>	<b>123,575,640</b>	<b>-</b>	<b>(375,887)</b>	<b>8,681,711</b>	<b>12,603,925</b>	<b>1,907,427,795</b>	
<b>Profit sharing provision</b>								
Insurance contracts	34,491,745	6,191,340	(3,058,972)	-	-	(2,415,374)	35,208,739	
Investment contracts with a discretionary profit sharing component	76,258,081	10,233,096	(27,081,152)	-	-	(13,534,807)	45,875,218	
	<b>110,749,826</b>	<b>16,424,436</b>	<b>(30,140,124)</b>	<b>-</b>	<b>-</b>	<b>(15,950,181)</b>	<b>81,083,957</b>	
	<b>1,873,692,232</b>	<b>140,000,076</b>	<b>(30,140,124)</b>	<b>(375,887)</b>	<b>8,681,711</b>	<b>(3,346,256)</b>	<b>1,988,511,752</b>	

The provisions for profit sharing to be allocated and already allocated are accounted for in line with the policy described in note 2.17. f).

## 23. FINANCIAL LIABILITIES OF THE DEPOSIT COMPONENT OF INSURANCE CONTRACTS AND ON INSURANCE CONTRACTS AND OPERATIONS CONSIDERED FOR ACCOUNTING PURPOSES AS INVESTMENT CONTRACTS

Information on movements in this account heading for 2019 and 2018 is set out below:

(amounts in euros)

	2019					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Portfolio recomposition	
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	24,925,020	100,609,413	(3,559,306)	1,358,452	(101,121)	123,232,458
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	14,641,455	188,410	(925,355)	891,603	(27,173)	14,768,940
	<b>40,287,720</b>	<b>100,797,823</b>	<b>(4,484,661)</b>	<b>2,250,055</b>	<b>(128,294)</b>	<b>138,722,643</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	6,260,810,306	444,160,579	(505,399,307)	15,050,917	(7,434,859)	6,207,187,636
Life individual fixed rate	2,970,703,013	604,005,279	(1,025,105,561)	24,952,004	101,121	2,574,655,856
Capitalisation OP. Individual fixed rate	4,668,404	-	(232,849)	-	-	4,435,555
	<b>9,236,181,723</b>	<b>1,048,165,858</b>	<b>(1,530,737,717)</b>	<b>40,002,921</b>	<b>(7,333,738)</b>	<b>8,786,279,047</b>
	<b>9,276,469,443</b>	<b>1,148,963,681</b>	<b>(1,535,222,378)</b>	<b>42,252,976</b>	<b>(7,462,032)</b>	<b>8,925,001,690</b>

(amounts in euros)

	2018					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Portfolio recomposition	
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	149,201,723	1,765,933	(125,571,892)	(470,744)	-	24,925,020
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	25,670,399	194,679	(10,351,801)	(830,777)	(41,045)	14,641,455
	<b>175,593,367</b>	<b>1,960,612</b>	<b>(135,923,693)</b>	<b>(1,301,521)</b>	<b>(41,045)</b>	<b>40,287,720</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	5,113,993,681	1,660,140,798	(538,942,736)	34,259,229	(8,640,666)	6,260,810,306
Life individual fixed rate	3,288,976,314	1,182,053,183	(1,541,087,287)	40,760,803	-	2,970,703,013
Capitalisation OP. Individual fixed rate	5,076,378	-	(426,331)	18,357	-	4,668,404
	<b>8,408,046,373</b>	<b>2,842,193,981</b>	<b>(2,080,456,354)</b>	<b>75,038,389</b>	<b>(8,640,666)</b>	<b>9,236,181,723</b>
	<b>8,583,639,740</b>	<b>2,844,154,593</b>	<b>(2,216,380,047)</b>	<b>73,736,868</b>	<b>(8,681,711)</b>	<b>9,276,469,443</b>

"Other investment contracts" corresponds, for the most part, to liabilities with contracts which guarantee the insured person a fixed yield throughout the whole of the contract, and these are recognised at amortised cost.

## 24. FINANCIAL LIABILITIES HELD FOR TRADING AND OTHER FINANCIAL LIABILITIES

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

(amounts in euros)

	2019	2018
<b>Financial liabilities held for trading</b>		
Fair value hedge (Note 7)	82,034,738	22,170,498
<b>Put option financial liability</b>	<b>85,752,618</b>	-
<b>Other financial liabilities</b>		
Hedge derivatives		
Fair value hedge (Note 7)	2,439,323	112,884
Cash flow hedge	3,771,157	3,417,493
Hedges of a net investment in a foreign operation	19,495,477	7,624,386
	<b>25,705,957</b>	<b>11,154,763</b>
Deposits received from reinsurers		
Life	28,358,895	3,460,629
Non-life	46,786,932	49,826,876
	<b>75,145,827</b>	<b>53,287,505</b>
Loans obtained		
Bank loans	385,887,823	390,589,559
Commercial paper - Luz Saúde, S.A.	270,375,849	243,358,932
	<b>656,263,672</b>	<b>633,948,491</b>
Others		
Finance leases	116,494,401	53,956,952
Others	3,229,980	7,361,450
	<b>962,592,455</b>	<b>759,709,161</b>
	<b>1,044,627,193</b>	<b>781,879,659</b>

The heading "Bank loans" at 31 December 2019 includes loans obtained by companies from the Group consolidation perimeter paying interest at an average annual rate of 1.46%.

The heading "Put option financial liability" relates to a sale option contracted between Fid Perú and the minority shareholders of La Positiva Seguros Y Reaseguros S.A.A. on the purchase date of that company.

During 2019, the movements in the finance leases was as follows:

(amounts in euros)

<b>Value at 31 December 2018</b>	<b>53,956,944</b>
<b>Value at 1 January 2019</b>	<b>52,015,429</b>
<b>Increase for the period</b>	<b>40,768,608</b>
Additions	34,485,364
Interest increment	3,072,096
Others	363,581
<b>Decrease for the period</b>	<b>30,255,362</b>
Payments made	30,255,362
Exchange realignment	8,781
<b>Value at 31 December 2019</b>	<b>116,494,400</b>

The amounts recorded during the year are recognised in accordance with the implementation of the principles defined in IFRS 16 - "Leases".

## 25. OTHER CREDITORS FOR INSURANCE AND OTHER OPERATIONS

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

(amounts in euros)

	2019	2018
<b>Accounts payable for direct insurance operations</b>		
Brokers	72,301,493	47,539,691
Policyholders	41,439,855	36,004,752
Co-insurers	9,228,302	12,906,810
	<b>122,969,650</b>	<b>96,451,253</b>
<b>Accounts payable for other reinsurance operations</b>		
Reinsurers' current accounts	104,955,130	46,288,424
Insured's current accounts	2,012,313	1,711,024
	<b>106,967,443</b>	<b>47,999,448</b>
<b>Accounts payable for other operations</b>		
Group companies	40,227	1,000
Suppliers of tangible assets	-	357,470
Operating Leases - Suppliers of Tangible Assets	-	2,238
Suppliers' current accounts	71,036,728	77,565,862
Employees	1,339,547	63,662
Consultants, advisors and intermediaries	3,297	822
Pension funds	672,702	394,808
Other internal regularisation accounts	7,571,490	1,191,739
Transactions to be settled	16,843,563	7,573,233
Advances from clients	4,625,506	3,722,163
Deposit guarantee	12,208,236	26,267,953
Miscellaneous creditors	18,888,924	15,950,571
	<b>133,230,220</b>	<b>133,091,521</b>
	<b>363,167,313</b>	<b>277,542,222</b>

The heading "Other internal regularisation accounts" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

## 26. ACCRUALS AND DEFERRALS (LIABILITIES)

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

(amounts in euros)

	2019	2018
<b>Deferred income</b>		
Rents and leases	13,362,569	9,138,167
Others	10,246,665	1,734,304
	<b>23,609,234</b>	<b>10,872,471</b>
<b>Accrued expenses</b>		
Interest payable	789,202	564,951
Holiday and holiday subsidies payable	43,005,824	38,207,957
Insurance	7,049,734	3,707,671
Variable remuneration payable to employees	9,608,526	6,411,877
Performance bonus	12,974,878	14,952,212
Seniority bonus	2,632,472	830,841
Other employee costs	549,813	313,915
Provision for finder's fees	764,908	590,242
Commissions payable	67,245,956	57,852,940
Deferred payments - marketing	5,261,744	6,755,564
Municipal tax on real estate	1,702,178	1,410,166
Audit	741,538	492,571
Advertising	1,080,265	529,024
Electricity	594,867	604,901
Invoices pending conferral	9,393,281	5,627,481
Medical fees	30,465,410	25,313,657
Health services	9,500,145	10,397,122
Outsourcing (except accounting and computing)	2,967,037	5,105,902
Others	11,706,172	7,533,665
	<b>218,033,950</b>	<b>187,202,659</b>
	<b>241,643,184</b>	<b>198,075,130</b>

## 27. OTHER PROVISIONS

Information on the above account heading movements for 2019 and 2018 is set out below:

(amounts in euros)

	2019							Closing balances
	Opening balances	Entry in consolidation perimeter	Increases	Recoveries and cancellations	Uses	Others	Actuarial gains and losses from equity	
Provisions for tax	3,078,249	-	2,884	-	-	4,514,402	-	7,595,535
Provisions for the cost								
of employee benefits (Note 36)								
Health benefits	21,053,229	-	-	(668,951)	-	-	2,400,639	22,784,917
Pension costs	2,696,282	-	-	(68,783)	-	-	796,230	3,423,729
Provision for Workers'								
compensation fund	51,536,302	-	1,200,000	-	-	-	-	52,736,302
Provision for restructuring	13,380,073	-	-	(9,793,790)	-	-	-	3,586,283
Provision for judicial contingencies	1,647,468	3,025,218	-	(748,049)	(7,503)	-	-	3,917,134
Others	18,081,035	-	24,094,378	-	(3,318,339)	-	-	38,857,074
	<b>111,472,638</b>	<b>3,025,218</b>	<b>25,297,262</b>	<b>(11,279,573)</b>	<b>(3,325,842)</b>	<b>4,514,402</b>	<b>3,196,869</b>	<b>132,900,974</b>

(amounts in euros)

	2018							Closing balances
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Actuarial gains and losses from equity		
Provisions for tax	3,340,111	-	(221,155)	(60,000)	19,293	-	3,078,249	
Provisions for the cost								
of employee benefits (Note 36)								
Health benefits	22,964,031	-	(716,306)	-	-	(1,194,496)	21,053,229	
Pension costs	2,599,565	-	(60,299)	-	-	157,016	2,696,282	
Provision for Workers' compensation fund	50,036,302	1,500,000	-	-	-	-	51,536,302	
Provision for restructuring	21,177,446	10,762,278	(18,559,651)	-	-	-	13,380,073	
Provision for judicial contingencies	1,377,617	258,695	-	-	11,156	-	1,647,468	
Others	113,181,874	-	(95,412,487)	-	311,648	-	18,081,035	
	<b>214,676,946</b>	<b>12,520,973</b>	<b>(114,969,898)</b>	<b>(60,000)</b>	<b>342,097</b>	<b>(1,037,480)</b>	<b>111,472,638</b>	

The Group set up a provision related to the employee restructuring and rejuvenation programme, which consists of hiring new qualified employees and a negotiated exit solution for a group of employees prior to retirement age.

Following the plan, 214 employees left in 2018, which led to EUR 18,559,651 being used. 231 employees were hired during the same period.

In carrying out the plan, 230 employees left in 2019, which led to EUR 9,793,790 being used. 300 employees were hired during the same period.

The other amounts recognised in the heading "Others" are to respond to ongoing legal cases and other contingencies resulting from the Company's activity.

In 2019 and 2018, the "Other Provisions" headings include the constitutions of EUR 23,514,816 and the uses of EUR 51,438,501, respectively, which are registered under the heading "Impairment Losses (net of reversals)".

The heading "Provisions for costs of employee benefits – Health benefits" represents the liabilities assumed by the Group in relation to employees' health benefits. The heading "Provisions for costs of employee benefits – Pension costs" represents the liabilities assumed by the Group resulting from the complement to the retirement pension granted to some of its employees, and which are not covered by the pension fund set up by the Group to cover liabilities with post-employment benefits in the defined benefit pensions plan (Note 36).

## 28. PAID-IN CAPITAL

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At 31 December 2019, Longrun Portugal, SGPS, S.A.'s share capital was wholly owned by Millennium Gain Limited, and was represented by 50,000 shares with the nominal unit value of EUR 1.00 and was fully paid up.

On 7 January 2015 and 30 November 2015, in accordance with decisions of the General Meeting, the single shareholder made supplementary contributions of EUR 60,950,000 and EUR 500,000,000 respectively, in line with the legal rules on repayment of supplementary contributions, and without interest.

On 1 September 2017, in accordance with decisions of the General Meeting, the single shareholder made supplementary contributions of EUR 648,902, in line with the legal rules on repayment of supplementary contributions, and without interest.

On 21 August 2019, in accordance with decisions of the General Meeting, supplementary contribution was made by the single shareholder, of EUR 675,000, in the terms of the legal rules on repayment of supplementary contributions, and interest free.

The income of 2018 and 2017 was applied as indicated below:

(amounts in euros)

	2018	2017
Application of income for the year		
Legal Reserve	37,169,147	29,345,277
Free Reserves	378,019,840	159,338,851
Retained earnings	( 173,482,881 )	5,567,115
	<b>241,706,106</b>	<b>194,251,243</b>

The income per share at 31 December 2019 and 2018 was as follows:

(amounts in euros)

	2019	2018
Net Income for the year	177,590,892	241,706,106
Number of shares (at the end of the year)	50,000	50,000
<b>Income per Share (in Euros)</b>	<b>3,551.82</b>	<b>4,834.12</b>

## 29. RESERVES, RETAINED EARNINGS AND INCOME FOR THE YEAR

At 31 December 2019 and 2018, reserves and retained earnings were composed as follows:

(amounts in euros)

	2019	2018
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains	390,493,568	54,303,840
Amount attributable to policyholders	( 52,292,205 )	( 46,076,900 )
	<b>338,201,363</b>	<b>8,226,940</b>
Other financial assets	149,157	149,157
	<b>338,350,520</b>	<b>8,376,097</b>
Revaluations of properties for own use	71,103,094	80,570,755
Adjustments in fair value of hedging instruments in cash flow hedging	( 1,489,474 )	( 1,310,237 )
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	34,878,531	60,331,005
	<b>442,842,671</b>	<b>147,967,620</b>
Exchange differences		
Gross gains	( 61,089,211 )	( 82,359,836 )
	<b>( 61,089,211 )</b>	<b>( 82,359,836 )</b>
	<b>381,753,460</b>	<b>65,607,784</b>
Deferred tax reserve		
Available-for-sale investments	( 90,368,359 )	( 4,442,035 )
Properties for own use	( 6,153,855 )	( 5,183,035 )
Adjustments in fair value of hedging instruments in cash flow hedging	312,770	275,130
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	( 7,660,729 )	( 13,606,181 )
Exchange differences	5,176,846	7,530,675
Actuarial gains and losses		
Post-employment benefits	23,956,304	23,100,772
Health benefits	2,352,306	1,719,408
Tax (paid)/deducted from potential capital gains or losses	( 14,536,951 )	( 14,692,524 )
	<b>( 86,921,668 )</b>	<b>( 5,297,790 )</b>

(continuation)

(amounts in euros)

	2019	2018
Revaluation Reserves, net of deferred taxes	294,831,792	60,309,994
Other reserves		
MEP reserves	77	-
Legal reserve	95,811,314	64,960,798
Actuarial gains and losses		
Post-employment benefits	( 54,533,454 )	( 49,694,912 )
Health benefits	( 6,992,418 )	( 4,951,965 )
Other reserves	416,897,872	97,718,896
	<b>451,183,391</b>	<b>108,032,817</b>
Retained earnings	111,405,720	214,751,551
Income for the year	177,590,892	241,706,106
	<b>1,035,011,795</b>	<b>624,800,468</b>

In accordance with the legislation in force, at least 10% of net profits for each year, in the case of insurance companies, or 5% in the case of other companies, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but may be used to increase the share capital or to offset accumulated losses.

"Revaluation reserves" reflects potential capital gains and losses on available-for-sale investments and properties for own use.

The following is an assessment of consolidated profit at 31 December 2019 and 2018:

(amounts in euros)

	2019	2018
<b>Contribution to consolidated net income</b>		
<b>Insurance</b>		
Longrun Portugal, SGPS, S.A.	( 234,946 )	( 114,071 )
Fidelidade - Companhia de Seguros, S.A.	144,406,401	278,236,439
Via Directa - Companhia de Seguros, S.A.	810,106	1,066,797
Fidelidade - Assistência - Companhia de Seguros, S.A.	4,140,847	6,183,482
Multicare - Seguros de Saúde, S.A.	10,016,512	9,000,867
Companhia Portuguesa de Resseguros, S.A.	70,151	1,111,217
Fidelidade Angola - Companhia de Seguros, S.A.	1,160,585	1,375,653
Fidelidade Macau - Companhia de Seguros, S.A.	4,618,727	2,313,653
Garantia - Companhia de Seguros de Cabo Verde, S.A.	1,543,323	1,322,766
Positiva Seguros y Reaseguros	( 249,594 )	-
La Positiva Vida Seguros Y Reaseguros S.A.	22,255,579	-
Alianza Vida Seguros y Reaseguros S.A.	4,375,025	-
Alianza Compañía de Seguros y Reaseguros E.M.A. S.A.	3,824,893	-
Alianza Garantía Seguros Y Reaseguros S.A.	( 814,167 )	-
La Positiva S.A. - Entidad Prestadora de Salud	( 318,749 )	-
FID Chile Seguros Generales, S.A.	( 24,006 )	-
<b>Property</b>		
Fidelidade - Property Europe, S.A.	6,468,645	57,932,543
Fidelidade - Property International, S.A.	( 4,346,774 )	( 104,650,065 )
Fundo de Investimento Imobiliário Fechado SaudelInvest	12,084,965	10,851,951
Fundo de Investimento Imobiliário Fechado Bonança I	1,748,993	351,447
Highgrove - Investimentos e Participações, SGPS, S.A. (Equity accounting method)	-	( 1,720 )
FPI (UK) 1 LIMITED	( 851,466 )	( 81,499,636 )
FPI (AU) 1 PTY LIMITED	( 25,247 )	( 317,624 )
FPE (Lux) Holding S.à r.l.	( 10,473,096 )	1,442,257
Thomas More Square (Lux) Holdings S.à r.l.	176,578	( 25,982 )
Thomas More Square (Lux) S.à r.l.	14,791,367	11,126,980
FPE (IT) Società per Azioni	15,937,466	2,724,365
Godo Kaisha Praia	17,645,421	29,078,481
Godo Kaisha Moana	( 38,149 )	( 35,406 )
Fundo Broggi (Maranello)	21,446,113	4,169,871
Broggi Retail S.R.L.	( 25,662 )	( 23,713 )
FPE (BE) Holding	7,687,068	-
<b>Health</b>		
Luz Saúde, S.A. (consolidated accounts excluding minority interests)	8,800,529	8,949,969

(continuation)

(amounts in euros)

	2019	2018
<b>Other sectors</b>		
GEP - Gestão de Peritagens Automóveis, S.A.	169,278	150,593
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	( 170,906 )	( 88,265 )
Cetra - Centro Técnico de Reparação Automóvel, S.A.	75,463	306,853
Fidelidade - Serviços de Assistência, S.A.	132,373	154,179
Cares Multiassistance, S.A.	( 934,101 )	( 443,914 )
Fidelidade - Consultoria e Gestão de Risco, Lda.	604	2,659
Fidelidade - Assistência e Serviços, Lda.	772	2,910
FCM Beteiligungs GmbH	181,708	( 32,063 )
FID III (HK) LIMITED	( 3,922 )	( 4,966 )
Fidelidade - Sociedade Gestora de Organismos de Investimento Imobiliário, S.A.	( 233,131 )	( 792,122 )
FID Loans 1 IRI	7,809,130	2,166,001
FID Loans 2 Ireland Limited	-	-
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (Equity accounting method)	316,158	441,524
Serfun Portugal (Equity accounting method)	( 9,454 )	-
Universal - Assistência e Serviços, Lda.	4,190	-
FID Latam, SGPS, S.A.	( 6,942 )	( 5,812 )
GEP Cabo Verde Gestão de Peritagens, Lda	( 4,094 )	-
FF Investment Luxembourg 1 S.a.r.l	-	-
FID PERÚ, S.A.	836,681	154,773
FID Chile SpA	38,989	-
FID Chile & MT JV SpA	( 1,677,876 )	-
Alianza SAFI, S.A.	214,413	-
Full Assistance S.R.L.	( 717,251 )	-
Worldwide Security Corporation S.A.	( 535,602 )	-
FID I&D, S.A.	-	-
<b>Elimination of dividends</b>	<b>( 46,313,138 )</b>	<b>( 81,387,169 )</b>
<b>Other consolidation adjustments</b>		
Non - controlling interests (Note 30)	( 52,772,852 )	( 52,059,506 )
Elimination of impairment losses (net of reversals)	( 6,889,547 )	154,992,659
Property adjustments	1,677,422	3,104,938
Hedge accounting	22,950,458	7,545,473
Correction of results from previous years	22,057	( 810,128 )
Elimination of gains and losses on intra-group transactions	141,042	-
Elimination of exchange differences on intra-group transactions	( 9,162,593 )	4,971,553
Disposal/ liquidation of subsidiaries	-	( 31,181,384 )
Others	( 24,155,875 )	( 6,053,201 )
	<b>177,590,892</b>	<b>241,706,106</b>

## 30. NON-CONTROLLING INTERESTS

The value of the shares of third parties in subsidiaries breaks down as follows per entity:

(amounts in euros)

	% Non-controlling interests	2019	2018
<b>Sub-consolidation perimeter Fidelidade</b>			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	1,421,898	1,316,666
Garantia - Companhia de Seguros de Cabo Verde, S.A.	44.11%	5,516,488	5,113,676
Fidelidade Angola - Companhia de Seguros, S.A.	29.97%	7,371,251	7,637,644
Luz Saúde, S.A.	49.15%	336,527,248	333,658,736
FPE (IT) Società per Azioni	4.24%	14,080,718	14,096,055
Godo Kaisha Praia	3.00%	5,667,102	5,064,511
Godo Kaisha Moana	3.00%	2,958,644	2,867,828
Thomas More Square (Lux) Holdings Sarl	0.70%	( 5,889 )	( 53,027 )
Thomas More Square (Lux) Sarl	0.70%	252,565	91,366
Fundo Broggi	4.24%	1,447,475	536,672
Broggi Retail S.R.L	4.24%	( 2,571 )	( 1,483 )
Universal Assistência e Serviços, Lda	43.98%	1,307	( 8 )
GEP Cabo Verde Gestão de Peritagens, Limitada	11.03%	( 451 )	-
FID CHILE & MT JV SpA	1.00%	91,790	-
La Positiva Seguros y Reaseguros S.A.	8.50%	12,870,246	-
La Positiva Vida Seguros Y Reaseguros S.A.	45.31%	79,170,970	-
Alianza Vida Seguros y Reaseguros S.A.	55.41%	8,998,588	-
Alianza Compañía de Seguros y Reaseguros E.M.A. S.A.	46.88%	16,011,547	-
Alianza SAFI, S.A.	74.70%	554,385	-
Alianza Garantía Seguros Y Reaseguros S.A.	72.99%	2,049,375	-
La Positiva S.A. - Entidad Prestadora de Salud	33.16%	684,861	-
Full Assistance S.R.L.	50.29%	( 447,168 )	-
Worldwide Security Corporation S.A.	50.99%	( 275,577 )	-
FID CHILE SEGUROS GENERALES, S.A.	1.00%	2,622	-
		<b>494,947,424</b>	<b>370,328,636</b>
<b>Perimeter Longrun</b>			
Fidelidade - Companhia de Seguros, S.A.	15.00%	367,469,850	297,084,782
Fidelidade Assistência - Companhia de Seguros, S.A.	20.00%	7,841,971	7,125,103
Multicare - Seguros de Saúde, S.A.	20.00%	18,581,460	16,310,580
Adjustments between sub perimeters		139,752	139,752
		<b>394,033,033</b>	<b>320,660,217</b>
		<b>888,980,457</b>	<b>690,988,853</b>

The part of the consolidated profit attributable to minority shareholders in 2019 and 2018 is as follows:

(amounts in euros)

	% Non-controlling interests	2019	2018
<b>Sub-consolidation perimeter Fidelidade Assistance</b>			
Cares - Assistência e Reparações	0.00%	-	8,642
<b>Sub-consolidation perimeter Fidelidade</b>			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	( 102,423 )	( 98,336 )
Garantia - Companhia de Seguros de Cabo Verde, S.A.	44.11%	( 680,690 )	( 583,412 )
Fidelidade Angola - Companhia de Seguros, S.A.	29.97%	( 1,179,375 )	( 2,125,353 )
Luz Saúde, S.A.	49.15%	( 4,331,644 )	( 4,515,940 )
FPE (IT) Società per Azioni	4.24%	15,338	18,865
Godo Kaisha Praia	3.00%	( 439,960 )	( 794,750 )
Godo Kaisha Moana	3.00%	1,146	1,064
Thomas More Square (Lux) Holdings Sarl	0.70%	101	182
Thomas More Square (Lux) Sarl	0.70%	( 103,389 )	( 77,775 )
Fundo Broggi	4.24%	( 910,803 )	( 177,886 )
Broggi Retail S.R.L.	4.24%	1,089	1,006
Universal Assistência e Serviços, Lda	43.98%	( 1,843 )	-
GEP Cabo Verde Gestão de Peritagens, Limitada	11.03%	451	-
FID CHILE & MT JV SpA	1.00%	28,304	-
La Positiva Seguros y Reaseguros S.A.	8.50%	52,278	-
La Positiva Vida Seguros Y Reaseguros S.A.	45.31%	( 9,177,370 )	-
Alianza Vida Seguros y Reaseguros S.A.	55.41%	( 2,450,207 )	-
Alianza Companhia de Seguros y Reaseguros E.M.A. S.A.	46.88%	( 1,832,328 )	-
Alianza SAFI, S.A.	74.70%	( 160,168 )	-
Alianza Garantía Seguros Y Reaseguros S.A.	72.99%	594,284	-
La Positiva S.A. – Entidad Prestadora de Salud	33.16%	( 639,433 )	-
Full Assistance S.R.L.	50.29%	461,078	-
Worldwide Security Corporation S.A.	50.99%	282,994	-
FID CHILE SEGUROS GENERALES, S.A.	1.00%	594	-
		<b>( 20,571,976 )</b>	<b>( 8,352,335 )</b>
<b>Perimeter Longrun</b>			
Fidelidade - Companhia de Seguros, S.A.	15.00%	( 29,530,018 )	( 40,747,188 )
Fidelidade Assistência – Companhia de Seguros, S.A.	20.00%	( 667,556 )	( 1,168,452 )
Multicare - Seguros de Saúde, S.A.	20.00%	( 2,003,302 )	( 1,800,173 )
		<b>( 32,200,876 )</b>	<b>( 43,715,813 )</b>
		<b>( 52,772,852 )</b>	<b>( 52,059,506 )</b>

## 31. EARNED PREMIUMS, NET OF REINSURANCE

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

(amounts in euros)

	2019			2018		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Gross premiums written</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	371,311,926	( 89,129,183 )	282,182,743	180,521,413	( 14,524,200 )	165,997,213
Insurance contracts with profit sharing	93,722,540	( 1,059,060 )	92,663,480	54,908,539	( 1,013,114 )	53,895,425
Investment contracts with a discretionary profit sharing component	439,692,696	-	439,692,696	225,096,143	-	225,096,143
	<b>904,727,162</b>	<b>( 90,188,243 )</b>	<b>814,538,919</b>	<b>460,526,095</b>	<b>( 15,537,314 )</b>	<b>444,988,781</b>
<b>Non-life insurance</b>						
Workers' compensation	279,613,700	( 2,373,060 )	277,240,640	217,746,228	( 3,101,646 )	214,644,582
Personal accidents and passengers	45,976,661	( 14,262,646 )	31,714,015	32,325,405	( 7,711,540 )	24,613,865
Health	400,537,979	( 13,923,481 )	386,614,498	324,829,287	( 5,682,350 )	319,146,937
Fire and other damage	395,108,462	( 179,069,833 )	216,038,629	264,081,107	( 103,221,014 )	160,860,093
Motor	657,562,685	( 18,872,343 )	638,690,342	481,214,991	( 3,087,768 )	478,127,223
Marine, aviation and transport	39,764,237	( 23,219,339 )	16,544,898	19,942,932	( 11,889,062 )	8,053,870
Third party liability	86,542,184	( 39,374,395 )	47,167,789	40,002,955	( 11,715,777 )	28,287,178
Credit and suretyship	34,173,266	( 25,863,875 )	8,309,391	744,102	( 424,035 )	320,067
Legal protection	5,861,770	( 3,130 )	5,858,640	5,630,031	( 2,282 )	5,627,749
Assistance	49,016,599	( 467,002 )	48,549,597	44,117,161	( 284,451 )	43,832,710
Others	35,280,617	( 12,135,350 )	23,145,267	34,162,746	( 12,054,037 )	22,108,709
	<b>2,029,438,160</b>	<b>( 329,564,454 )</b>	<b>1,699,873,706</b>	<b>1,464,796,945</b>	<b>( 159,173,962 )</b>	<b>1,305,622,983</b>
	<b>2,934,165,322</b>	<b>( 419,752,697 )</b>	<b>2,514,412,625</b>	<b>1,925,323,040</b>	<b>( 174,711,276 )</b>	<b>1,750,611,764</b>
<b>Change in provision for unearned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	770,551	( 784,119 )	( 13,568 )	( 77,299 )	703,890	626,591
Insurance contracts with profit sharing	56,453	15,450	71,903	( 26,839 )	( 14,987 )	( 41,826 )
Investment contracts with a discretionary profit sharing component	3,665	-	3,665	12,075	-	12,075
	<b>830,669</b>	<b>( 768,669 )</b>	<b>62,000</b>	<b>( 92,063 )</b>	<b>688,903</b>	<b>596,840</b>

(continuation)

(amounts in euros)

	2019			2018		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Non-life insurance</b>						
Workers' compensation	(9,177,120)	-	(9,177,120)	(1,457,127)	-	(1,457,127)
Personal accidents and passengers	(947,636)	(40,877)	(988,513)	607,688	(574,480)	33,208
Health	(6,654,492)	(561,012)	(7,215,504)	(3,375,635)	(441,583)	(3,817,218)
Fire and other damage	(18,068,671)	15,476,384	(2,592,287)	(2,819,164)	(312,194)	(3,131,358)
Motor	(17,936,714)	(9,892,854)	(27,829,568)	(7,557,903)	145,561	(7,412,342)
Marine, aviation and transport	(914,877)	259,224	(655,653)	(77,142)	184,866	107,724
Third party liability	(10,517,016)	9,476,926	(1,040,090)	(304,704)	(231,883)	(536,587)
Credit and suretyship	(5,956,145)	267,678	(5,688,467)	(11,389)	2,724	(8,665)
Legal protection	(60,125)	(2,625)	(62,750)	(128,782)	1,611	(127,171)
Assistance	(1,070,398)	711	(1,069,687)	(2,075,972)	14,139	(2,061,833)
Others	503,646	(259,003)	244,643	1,300,285	(1,176,942)	123,343
	<b>(70,799,548)</b>	<b>14,724,552</b>	<b>(56,074,996)</b>	<b>(15,899,845)</b>	<b>(2,388,181)</b>	<b>(18,288,026)</b>
	<b>(69,968,879)</b>	<b>13,955,883</b>	<b>(56,012,996)</b>	<b>(15,991,908)</b>	<b>(1,699,278)</b>	<b>(17,691,186)</b>
<b>Earned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	372,082,477	(89,913,302)	282,169,175	180,444,114	(13,820,310)	166,623,804
Insurance contracts with profit sharing	93,778,993	(1,043,610)	92,735,383	54,881,700	(1,028,101)	53,853,599
Investment contracts with a discretionary profit sharing component	439,696,361	-	439,696,361	225,108,218	-	225,108,218
	<b>905,557,831</b>	<b>(90,956,912)</b>	<b>814,600,919</b>	<b>460,434,032</b>	<b>(14,848,411)</b>	<b>445,585,621</b>
<b>Non-life insurance</b>						
Workers' compensation	270,436,580	(2,373,060)	268,063,520	216,289,101	(3,101,646)	213,187,455
Personal accidents and passengers	45,029,025	(14,303,523)	30,725,502	32,933,093	(8,286,020)	24,647,073
Health	393,883,487	(14,484,493)	379,398,994	321,453,652	(6,123,933)	315,329,719
Fire and other damage	377,039,791	(163,593,449)	213,446,342	261,261,943	(103,533,208)	157,728,735
Motor	639,625,971	(28,765,197)	610,860,774	473,657,088	(2,942,207)	470,714,881
Marine, aviation and transport	38,849,360	(22,960,115)	15,889,245	19,865,790	(11,704,196)	8,161,594
Third party liability	76,025,168	(29,897,469)	46,127,699	39,698,251	(11,947,660)	27,750,591
Credit and suretyship	28,217,121	(25,596,197)	2,620,924	732,713	(421,311)	311,402
Legal protection	5,801,645	(5,755)	5,795,890	5,501,249	(671)	5,500,578
Assistance	47,946,201	(466,291)	47,479,910	42,041,189	(270,312)	41,770,877
Others	35,784,263	(12,394,353)	23,389,910	35,463,031	(13,230,979)	22,232,052
	<b>1,958,638,612</b>	<b>(314,839,902)</b>	<b>1,643,798,710</b>	<b>1,448,897,100</b>	<b>(161,562,143)</b>	<b>1,287,334,957</b>
	<b>2,864,196,443</b>	<b>(405,796,814)</b>	<b>2,458,399,629</b>	<b>1,909,331,132</b>	<b>(176,410,554)</b>	<b>1,732,920,578</b>

In 2019 and 2018, premiums for life insurance contracts may be broken down as follows:

(amounts in euros)

	2019	2018
<b>Direct insurance gross premiums written</b>	<b>902,310,586</b>	<b>460,026,095</b>
Individual contracts	569,297,668	275,589,771
Group contracts	333,012,918	184,436,324
	<b>902,310,586</b>	<b>460,026,095</b>
Periodic	231,907,358	219,404,522
Non-periodic	670,403,228	240,621,573
	<b>902,310,586</b>	<b>460,026,095</b>
Contracts without profit sharing	368,895,350	179,973,406
Contracts with profit sharing	533,415,236	280,052,689
	<b>902,310,586</b>	<b>460,026,095</b>
<b>Reinsurance accepted gross premiums written</b>	<b>2,416,576</b>	<b>500,000</b>
<b>Gross premiums written from direct insurance and reinsurance accepted</b>	<b>904,727,162</b>	<b>460,526,095</b>
<b>Reinsurance balance</b>	<b>( 9,459,006 )</b>	<b>( 85,341 )</b>

## 32. FEES FROM INSURANCE CONTRACTS AND OPERATIONS CONSIDERED FOR ACCOUNTING PURPOSES AS INVESTMENT CONTRACTS OR SERVICE CONTRACTS

In 2019 and 2018, the commissions received relating to insurance contracts and operations considered for accounting purposes as investment contracts totalled EUR 1,215,867 and EUR 1,224,954 respectively.

### 33. CLAIMS COSTS, NET OF REINSURANCE

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

(amounts in euros)

	2019			2018		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
<b>Life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>	<b>427,718,901</b>	<b>( 5,978,847 )</b>	<b>421,740,054</b>	<b>285,539,581</b>	<b>( 12,835,105 )</b>	<b>272,704,476</b>
<b>Reinsurance ceded</b>	<b>( 48,281,757 )</b>	<b>( 10,004,737 )</b>	<b>( 58,286,494 )</b>	<b>( 8,290,702 )</b>	<b>1,211,932</b>	<b>( 7,078,770 )</b>
	<b>379,437,144</b>	<b>( 15,983,584 )</b>	<b>363,453,560</b>	<b>277,248,879</b>	<b>( 11,623,173 )</b>	<b>265,625,706</b>
<b>Non-life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>						
Workers' compensation	183,052,039	43,683,354	226,735,393	165,833,566	40,200,842	206,034,408
Personal accidents and passengers	19,091,513	( 2,121,770 )	16,969,743	13,687,752	4,872,487	18,560,239
Health	290,580,616	8,943,503	299,524,119	240,000,645	3,979,420	243,980,065
Fire and other damage	179,617,565	( 25,432,829 )	154,184,736	196,584,660	( 62,030,248 )	134,554,412
Motor	452,781,090	( 15,481,576 )	437,299,514	357,188,316	( 21,287,438 )	335,900,878
Marine, aviation and transport	9,815,237	( 1,285,880 )	8,529,357	5,131,367	( 915,431 )	4,215,936
Third party liability	25,535,341	( 752,995 )	24,782,346	13,224,790	1,554,082	14,778,872
Credit and suretyship	1,476,803	( 1,822,195 )	( 345,392 )	405,213	( 38,478 )	366,735
Legal protection	1,608,194	( 420,237 )	1,187,957	1,725,357	( 1,015,981 )	709,376
Assistance	42,918,049	1,446,840	44,364,889	40,921,953	( 803,698 )	40,118,255
Others	16,904,487	( 8,729,843 )	8,174,644	17,496,166	1,093,540	18,589,706
	<b>1,223,380,934</b>	<b>( 1,973,628 )</b>	<b>1,221,407,306</b>	<b>1,052,199,785</b>	<b>( 34,390,903 )</b>	<b>1,017,808,882</b>
<b>Reinsurance ceded</b>						
Workers' compensation	( 573,085 )	( 1,033,473 )	( 1,606,558 )	( 1,245,383 )	( 93,458 )	( 1,338,841 )
Personal accidents and passengers	( 3,384,081 )	2,037,308	( 1,346,773 )	( 1,458,288 )	( 3,062,584 )	( 4,520,872 )
Health	( 9,634,513 )	858,234	( 8,776,279 )	( 2,959,308 )	( 149,350 )	( 3,108,658 )
Fire and other damage	( 87,781,950 )	22,716,500	( 65,065,450 )	( 99,632,648 )	53,596,444	( 46,036,204 )
Motor	( 22,668,787 )	( 4,514,377 )	( 27,183,164 )	( 11,678,916 )	4,666,234	( 7,012,682 )
Marine, aviation and transport	( 4,338,780 )	1,722,259	( 2,616,521 )	( 1,481,244 )	475,572	( 1,005,672 )
Third party liability	( 9,490,929 )	1,740,158	( 7,750,771 )	( 2,538,896 )	( 4,042,941 )	( 6,581,837 )
Credit and suretyship	( 1,429,749 )	127,719	( 1,302,030 )	-	( 1,000 )	( 1,000 )
Assistance	( 28,346 )	( 8,580 )	( 36,926 )	( 1,575 )	( 668 )	( 2,243 )
Others	( 6,868,461 )	8,724,855	1,856,394	( 8,812,035 )	( 737,700 )	( 9,549,735 )
	<b>( 146,198,681 )</b>	<b>32,370,603</b>	<b>( 113,828,078 )</b>	<b>( 129,808,293 )</b>	<b>50,650,549</b>	<b>( 79,157,744 )</b>
	<b>1,077,182,253</b>	<b>30,396,975</b>	<b>1,107,579,228</b>	<b>922,391,492</b>	<b>16,259,646</b>	<b>938,651,138</b>
	<b>1,456,619,397</b>	<b>14,413,391</b>	<b>1,471,032,788</b>	<b>1,199,640,371</b>	<b>4,636,473</b>	<b>1,204,276,844</b>

"Claims paid" includes costs with claims management and refunds processed by the Group.

The following is a breakdown of claims costs and changes in other life insurance technical provisions in 2019 and 2018:

(amounts in euros)

	2019						
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	Total
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	238,665,863	(7,762,272)	230,903,591	660,505	93,076,917	3,998,013	328,639,026
Investment contracts with a discretionary profit sharing component	189,053,038	1,783,425	190,836,463	6,488,745	273,454,001	5,525,158	476,304,367
	<b>427,718,901</b>	<b>(5,978,847)</b>	<b>421,740,054</b>	<b>7,149,250</b>	<b>366,530,918</b>	<b>9,523,171</b>	<b>804,943,393</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(48,281,757)	(10,004,737)	(58,286,494)	(92,923)	(3,444,875)	-	(61,824,292)
	<b>(48,281,757)</b>	<b>(10,004,737)</b>	<b>(58,286,494)</b>	<b>(92,923)</b>	<b>(3,444,875)</b>	<b>-</b>	<b>(61,824,292)</b>
<b>Net</b>							
Insurance contracts	190,384,106	(17,767,009)	172,617,097	567,582	89,632,042	3,998,013	266,814,734
Investment contracts with a discretionary profit sharing component	189,053,038	1,783,425	190,836,463	6,488,745	273,454,001	5,525,158	476,304,367
	<b>379,437,144</b>	<b>(15,983,584)</b>	<b>363,453,560</b>	<b>7,056,327</b>	<b>363,086,043</b>	<b>9,523,171</b>	<b>743,119,101</b>

(amounts in euros)

	2018						
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	Total
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	118,039,211	(11,599,915)	106,439,296	1,848,968	37,921,797	6,191,340	152,401,401
Investment contracts with a discretionary profit sharing component	167,500,370	(1,235,190)	166,265,180	15,162,310	85,653,843	10,233,096	277,314,429
	<b>285,539,581</b>	<b>(12,835,105)</b>	<b>272,704,476</b>	<b>17,011,278</b>	<b>123,575,640</b>	<b>16,424,436</b>	<b>429,715,830</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(8,290,702)	1,211,932	(7,078,770)	-	(1,896,940)	-	(8,975,710)
	<b>(8,290,702)</b>	<b>1,211,932</b>	<b>(7,078,770)</b>	<b>-</b>	<b>(1,896,940)</b>	<b>-</b>	<b>(8,975,710)</b>
<b>Net</b>							
Insurance contracts	109,748,509	(10,387,983)	99,360,526	1,848,968	36,024,857	6,191,340	143,425,691
Investment contracts with a discretionary profit sharing component	167,500,370	(1,235,190)	166,265,180	15,162,310	85,653,843	10,233,096	277,314,429
	<b>277,248,879</b>	<b>(11,623,173)</b>	<b>265,625,706</b>	<b>17,011,278</b>	<b>121,678,700</b>	<b>16,424,436</b>	<b>420,740,120</b>

In 2019 and 2018, changes in other technical provisions include the allocation of the provision to stabilise the portfolio and the provision for unexpired risks of EUR 660,505 and of EUR 1,848,968, respectively. In 2019 and 2018, this heading also includes the allocation of EUR 6,488,745 and EUR 15,162,310 respectively, to the provision for interest rate commitments.

### 34. NET OPERATING COSTS, BY TYPE AND FUNCTION

In 2019 and 2018, the Group's operating costs, by type, were as follows:

(amounts in euros)

	2019	2018
Employee costs (Note 35)	416,491,265	345,698,632
External supplies and services		
Electricity	9,614,232	8,978,094
Fuel	3,330,190	3,054,481
Water	1,408,206	1,213,394
Printed Material	437,577	422,538
Office Supplies	2,742,234	859,526
Conservation and repair	31,963,304	17,790,822
Rents and leases	17,096,970	27,209,606
Representation expenses	2,365,910	2,217,210
Communication	11,231,887	9,727,507
Travel and accommodation	7,949,874	5,932,188
Insurance	3,510,935	2,807,803
Expenditure with self-employed workers	93,069,908	82,354,393
Advertising and publicity	22,386,644	17,721,032
Litigation and notary expenses	1,586,655	673,447
Security and surveillance	5,879,781	4,427,737
Specialist work	110,495,855	97,294,416
Contributions	1,569,024	1,460,857
Cleanliness, hygiene and comfort	3,069,943	2,298,619
Expenses with premium collections	1,923,710	2,441,646
Software licences	10,183,520	7,163,277
Subcontracts	130,582,643	119,463,270
Others	115,816,919	99,990,760
	<b>588,215,921</b>	<b>515,502,623</b>
Taxes and charges	27,055,616	19,889,227
Depreciation and amortisation in the period (Notes 11, 13 and 16)	72,927,486	46,771,179
Other provisions	(9,497,127)	(51,010,424)
Commissions	17,124,530	13,947,914
Interest paid	16,583,617	13,189,937
	<b>1,128,901,307</b>	<b>903,989,088</b>

In 2019 the cost with interest related to leasings are as follow:

(amounts in euros)

	2019	
	Financial leasing	Operational leasing
Land and Buildings	5,868	299,077
Lands	-	1,168
Buildings	5,868	297,910
Administrative equipment	-	86
Machinery and tools equipment	-	24
IT equipment	-	61,577
Transport material	2,130	30,978
Other equipment	666,363	2,005,994
	<b>674,361</b>	<b>2,397,736</b>

In 2019 the group also incurred in the following costs related with leasings:

(amounts in euros)

	2019		
	Depreciation of right-of-use assets	Expense relating to short-term leases	Expense relating to low value assets
Land and Buildings	10,363,268	-	-
Administrative equipment	3,463	-	-
Machinery and tools equipment	3,222	-	161,934
IT equipment	1,670,628	-	365,997
Interior installations	31,330	-	-
Transport material	2,804,289	239,116	-
Hospital equipment	7,421,917	-	-
Other equipment	19,928	-	410,972
	<b>22,318,046</b>	<b>239,116</b>	<b>938,902</b>

2019 and 2018, the balance of reinsurance commissions and profit sharing is as follows:

(amounts in euros)

	2019		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	15,734,029	4,032,508	19,766,537
Related to non-life insurance	36,060,962	1,670,815	37,731,777
	<b>51,794,991</b>	<b>5,703,323</b>	<b>57,498,314</b>

(amounts in euros)

	2018		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	1,331,954	4,455,406	5,787,360
Related to non-life insurance	23,809,731	1,219,360	25,029,091
	<b>25,141,685</b>	<b>5,674,766</b>	<b>30,816,451</b>

In the 2019 and 2018 profit and loss statement, these costs were as follows:

(amounts in euros)

	2019			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	11,876,802	163,500,156	-	175,376,958
Technical costs	415,842,099	1,059,880,778	-	1,475,722,877
	<b>427,718,901</b>	<b>1,223,380,934</b>	-	<b>1,651,099,835</b>
<b>Acquisition costs</b>				
Cost allocations	28,041,631	119,391,317	-	147,432,948
Brokerage commissions	90,179,230	247,895,484	-	338,074,714
Others	1,277,929	9,498,703	-	10,776,632
	<b>119,498,790</b>	<b>376,785,504</b>	-	<b>496,284,294</b>
<b>Administrative expenses</b>				
Cost allocations	44,073,034	156,432,926	-	200,505,960
Brokerage remuneration	134,573	8,354,000	-	8,488,573
Others	231	1,509,577	-	1,509,808
	<b>44,207,838</b>	<b>166,296,503</b>	-	<b>210,504,341</b>
<b>Financial expenses (Note 38)</b>				
Cost allocations	10,880,478	8,817,639	52,817,849	72,515,966
Others	872,406	182,571	243,854	1,298,831
	<b>11,752,884</b>	<b>9,000,210</b>	<b>53,061,703</b>	<b>73,814,797</b>
<b>Other cost allocations (Note 45)</b>	-	-	<b>533,069,475</b>	<b>533,069,475</b>
<b>Total operating costs allocations</b>	<b>94,871,945</b>	<b>448,142,038</b>	<b>585,887,324</b>	<b>1,128,901,307</b>

(amounts in euros)

	2018			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	7,983,803	149,980,354	-	157,964,157
Technical costs	277,555,778	902,219,431	-	1,179,775,209
	<b>285,539,581</b>	<b>1,052,199,785</b>	-	<b>1,337,739,366</b>
<b>Acquisition costs</b>				
Cost allocations	29,585,390	113,428,099	-	143,013,489
Brokerage commissions	57,028,163	168,297,305	-	225,325,468
Others	55,348	1,647,193	-	1,702,541
	<b>86,668,901</b>	<b>283,372,597</b>	-	<b>370,041,498</b>
<b>Administrative expenses</b>				
Cost allocations	20,420,351	75,516,787	-	95,937,138
Brokerage remuneration	74,704	8,968,371	-	9,043,075
Others	265	1,468,217	-	1,468,482
	<b>20,495,320</b>	<b>85,953,375</b>	-	<b>106,448,695</b>
<b>Financial expenses (Note 38)</b>				
Cost allocations	10,144,090	7,538,836	37,754,090	55,437,016
Others	540,664	172,554	122,330	835,548
	<b>10,684,754</b>	<b>7,711,390</b>	<b>37,876,420</b>	<b>56,272,564</b>
<b>Other cost allocations (Note 45)</b>	-	-	<b>451,637,288</b>	<b>451,637,288</b>
<b>Total operating costs allocations</b>	<b>68,133,634</b>	<b>346,464,076</b>	<b>489,391,378</b>	<b>903,989,088</b>

## 35. EMPLOYEE COSTS

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

(amounts in euros)

	2019	2018
Remuneration		
Statutory bodies	14,642,330	11,301,360
Employees	302,647,062	236,891,527
Remuneration expenses	59,728,776	52,248,529
Post-employment benefits	9,707,214	16,875,819
Termination of employment benefits	4,524,604	4,797,571
Mandatory insurance	3,819,026	2,922,976
Social action costs	13,617,432	15,570,547
Other employee costs	7,804,821	5,090,303
	<b>416,491,265</b>	<b>345,698,632</b>

In 2019 and 2018, the costs of post-employment benefits were as follows:

(amounts in euros)

	2019	2018
Post-employment benefits		
Defined benefit plan (Note 36)	7,023,276	14,427,578
Individual retirement plan	1,671,946	1,463,933
Employee transfer	(9,463)	(7,659)
Other costs	1,021,455	991,967
	<b>9,707,214</b>	<b>16,875,819</b>

In 2019 and 2018, the heading "Post-employment benefits - Employee transfer" corresponds to the cost of post-employment benefits for employees of the Group's Insurance Companies who were assigned to other entities in the Group.

In 2019 and 2018, the number of employees working for the Group, by category, was as follows:

	2019	2018
Senior management	91	96
Line management	690	587
Technical	4,061	3,739
Administrative	4,980	5,238
Ancillary	620	609
	<b>10,442</b>	<b>10,269</b>

In 2018 the Group recorded a reversal in the estimate for seniority bonuses of EUR 187,434. In 2019 the Group recorded an increase in the estimate for seniority bonuses of EUR 519,341. The heading "Accruals and deferred income" includes EUR 2,632,472 for seniority bonuses.

### 36. RETIREMENT PENSIONS AND OTHER LONG-TERM BENEFITS

At 31 December 2019 and 2018, the headings "Assets for post-employment benefits and other long-term benefits" and "Liabilities for post-employment benefits and other long-term benefits" were as follows:

(amounts in euros)

	2019	2018
<b>Assets</b>		
Defined benefit plan	4,302,237	7,299,079
<b>Liabilities</b>		
Defined contribution plan	( 364,474 )	( 314,949 )
	<b>3,937,763</b>	<b>6,984,130</b>

Regarding 2019, in the "Defined contribution plan" the Group recorded a cost of EUR 1,491,386, with the payment of EUR 364,474 still pending, which corresponds to December 2018 contributions paid in January 2020.

## Defined Contribution Plan

Within the scope of the new collective employment agreement applicable to companies in the insurance sector of Fidelidade Group in Portugal, published on 8 February 2019, all permanent employees and, also, those whose employment contracts are suspended due to illness or workplace accidents, covered by this Collective Labour Regulation Instrument (CLRI), are entitled to an individual retirement plan ("IRP"), a defined contribution plan which replaces the system of retirement pensions set out in the former CLRI's.

In line with the rules set out in the new CEAs, the capitalised amount of the payments into the IRP can be claimed by the employee, in accordance with the law, on the date he/she retires through the Social Security system due to disability or old age, and there is a capital guarantee on the amounts of the initial transfer and the contributions made by the Group and by the beneficiaries themselves.

In the event of the death of an employee, the capitalised amount of the payments reverts to the beneficiaries named by the employee or, where these are not named, to his/her legal heirs.

The Group's contributions to the individual retirement plan are made in line with that set out in Chapter VIII of the aforementioned CLRI and correspond to the sum resulting from the application of 3.25% to each employee's basic annual salary. In addition, in line with the provisions in Clause 57 of the aforementioned CLRI, the Group's first annual contribution to the IRP will be confirmed in the month following that in which the employment contract has been valid for one year and will occur as soon as the Pension Fund Contract is duly approved by the Insurance and Pension Funds Supervisory Authority.

At 31 December 2019 and 2018, the liabilities and assets of the Individual Retirement Plan of the Fidelidade Group companies were:

(amounts in euros)

	Fidelidade	CPR	Multicare	Via Directa	Fidelidade Assistência	Total
<b>Liabilities at 31 December 2016</b>	<b>25,118,934</b>	<b>24,657</b>	<b>390,050</b>	<b>245,090</b>	<b>207,914</b>	<b>25,986,645</b>
Expenses for the year	1,205,328	-	65,916	29,084	191,059	1,491,387
<b>Liabilities at 31 December 2017</b>	<b>26,324,262</b>	<b>24,657</b>	<b>455,966</b>	<b>274,174</b>	<b>398,973</b>	<b>27,478,032</b>
<b>Assets at 31 December 2016</b>	<b>25,035,511</b>	<b>24,657</b>	<b>386,334</b>	<b>242,824</b>	<b>205,420</b>	<b>25,894,746</b>
Contributions	1,203,672	-	64,972	29,470	40,743	1,338,857
<b>Assets at 31 December 2017</b>	<b>26,239,183</b>	<b>24,657</b>	<b>451,306</b>	<b>272,294</b>	<b>246,163</b>	<b>27,233,603</b>
<b>Difference</b>	<b>1.00</b>	<b>1.00</b>	<b>0.99</b>	<b>0.99</b>	<b>0.62</b>	<b>0.99</b>
Funding level	99.68%	100.00%	98.98%	99.31%	61.70%	99.11%

### **Defined Benefit Plan**

In line with the collective employment agreement previously in force for the insurance activity, the Group granted to its employees hired by the insurance activity prior to June 1995, cash payments, to complement the retirement pensions paid by the Social Security services. The amount of these payments varied according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity. Currently, this Plan covers pension fund beneficiaries (retired employees) and workers covered by the 2008 CEA, who took early retirement before 31 December 2018.

In addition, the former Império Bonança granted the following benefits:

- Between 1999 and 2005, it assumed, in situations of early retirement, the payment of a whole life pension which corresponded to the difference between 80% of the last remuneration and the amount paid by the Social Security.
- It assumed the commitment to extend the benefits set out in the collective employment agreement to employees hired up to June 2005 and also to grant to the beneficiaries of the pensions fund, the additional benefits guaranteed by the complementary plan which was in force at the Millenniumbcp Group, to which the company belonged until 31 January 2005. The liabilities associated with the complementary plan are financed by the related pension fund.
- For a very small group of employees (4), with "XVII internal salary levels", coming from the former-Império, there is a commitment, when they retire, to award a supplement to the Social Security pension, to 80% of their remuneration at the time they retire.

### **Determination of liabilities with defined benefit plans**

Liabilities for current payments of retirement pensions and the past services of current employees, at 31 December 2019 and 2018, were determined by Fidelidade's life insurance actuarial department.

The assumptions and technical bases used to calculate the liabilities were as follows:

	2019	2018
Actuarial method	Projected	Projected
	Unit Credit	Unit Credit
Mortality table		
Men	TV 73/77 (-2)	TV 73/77 (-2)
Women	TV 88/90 (-2)	TV 88/90 (-2)
Discount rate	1.00%	2.00%
Salary growth rate	2.40%	2.10%
Pensions growth rate	0.75%	0.75%
Pre-retirement growth rates	1.25%	1.25%
Exclusions table	n/a	n/a

The following table provides a comparison between the actuarial and financial assumptions used to determine pension costs for 2019 and 2018 and the actual amounts:

	2019		2018	
	Assumptions	Real	Assumptions	Real
Salary growth rate	2.40%	4.57%	2.10%	0.88%
Pensions growth rate	0.75%	0.23%	0.75%	0.24%

At 31 December 2019 and 2018, the Group's liabilities for past service, based on the actuarial studies performed, and the funds and provisions available, were as follows:

(amounts in euros)

	2019			2018		
	Fidelidade	Others	Total	Fidelidade	Others	Total
Liabilities for past services						
Active employees	10,252,540	39,465	10,292,005	6,420,919	29,557	6,450,476
Retired and pre-retired	159,625,021	226,629	159,851,650	168,201,342	249,105	168,450,447
	<b>169,877,561</b>	<b>266,094</b>	<b>170,143,655</b>	<b>174,622,261</b>	<b>278,662</b>	<b>174,900,923</b>
Autonomous pension fund	134,619,929	437,302	135,057,231	139,569,520	466,049	140,035,569
Mathematical provisions	39,388,661	-	39,388,661	42,164,433	-	42,164,433
	<b>174,008,590</b>	<b>437,302</b>	<b>174,445,892</b>	<b>181,733,953</b>	<b>466,049</b>	<b>182,200,002</b>
Difference	4,131,029	171,208	4,302,237	7,111,692	187,387	7,299,079
Funding level	102.43%	164.34%	102.53%	104.07%	167.25%	104.17%

Pursuant to Standard No. 5/2007-R, of 27 April, of the ASF, insurance companies must ensure at the end of each year:

a) the full funding of the current amount of the liability with current pensions, including pre-retirement and early retirement provisions payable up until the normal age of retirement and subsequently; and

b) the funding of at least 95% of the current amount of the liability for past service of employees of working age, excluding those who are pre-retired or in early retirement.

At 31 December 2019 and 2018, the Group's liabilities for past service were fully funded.

The pensions plan is non-contributory and independent of social security, and is funded by the Group's pension fund.

The Group's defined benefit pension funds have the following average duration:

Fidelidade - Companhia de Seguros, S.A.:	
Fidelidade Pension Fund	7.98 years
Mundial Confiança Pension Fund	6.68 years
Império Bonança Pension Fund	11.19 years
Companhia Portuguesa de Resseguros, S.A. Pension Fund	5.14 years
Fidelidade Property Europe, S.A. Pension Fund	17.22 years

At 31 December 2019 and 2018, the number of beneficiaries was as follows:

	2019	2018
Active employees	916	947
Retired and pre-retired	2,017	2,095
Annuity holders	426	466
	<b>3,359</b>	<b>3,508</b>

O movimento nos fundos de pensões e nas provisões matemáticas durante os exercícios de 2019 e 2018 foi o seguinte:

(amounts in euros)

	Fidelidade	Others	Total
<b>Balances at 31 December 2017</b>	<b>193,236,864</b>	<b>536,517</b>	<b>193,773,381</b>
Change in mathematical provisions	9,662,260	-	9,662,260
Pensions paid	( 2,295,035 )	-	( 2,295,035 )
(Payments)/ Receipts relating to other benefits	( 19,036,221 )	( 52,361 )	( 19,088,582 )
Net income of pension funds	( 154,117 )	-	( 154,117 )
Amount transferred to IRP	320,202	( 18,107 )	302,095
<b>Balances at 31 December 2018</b>	<b>181,733,953</b>	<b>466,049</b>	<b>182,200,002</b>
Contributions	8,920,000	-	8,920,000
Change in mathematical provisions	( 2,775,772 )	-	( 2,775,772 )
Pensions paid	( 19,298,322 )	( 52,547 )	( 19,350,869 )
(Payments)/ Receipts relating to other benefits	( 635,312 )	-	( 635,312 )
Net income of pension funds	6,064,043	23,800	6,087,843
<b>Balances at 31 December 2019</b>	<b>174,008,590</b>	<b>437,302</b>	<b>174,445,892</b>

At 31 December 2019 and 2018 the Group's Pension Funds were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2019 and 2018, the pension fund net assets were composed as follows, according to the respective valuation sources:

(amounts in euros)

	Market value			2019 Others			Portfolio value		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Cash and cash equivalents</b>	-	<b>20,432</b>	<b>20,432</b>	-	-	-	-	<b>20,432</b>	<b>20,432</b>
<b>Equity instruments</b>	<b>542,662</b>	<b>199</b>	<b>542,861</b>	-	-	-	<b>542,662</b>	<b>199</b>	<b>542,861</b>
<b>Debt instruments</b>									
Public debt	5,439,060	24,993	5,464,053	11,434,613	-	11,434,613	16,873,674	24,993	16,898,666
Other entities	38,748,558	61,866	38,810,423	40,042,674	-	40,042,674	78,791,231	61,866	78,853,097
	<b>44,187,618</b>	<b>86,858</b>	<b>44,274,476</b>	<b>51,477,287</b>	-	<b>51,477,287</b>	<b>95,664,905</b>	<b>86,858</b>	<b>95,751,763</b>
<b>Real Estate</b>	<b>14,267,910</b>	<b>9,924</b>	<b>14,277,834</b>	-	-	-	<b>14,267,910</b>	<b>9,924</b>	<b>14,277,834</b>
<b>Investment funds</b>									
American shares	-	37,393	37,393	-	-	-	-	37,393	37,393
European shares	2,734,655	16,626	2,751,281	-	-	-	2,734,655	16,626	2,751,281
Real Estate	4,291,029	41,919	4,332,948	-	-	-	4,291,029	41,919	4,332,948
<b>Debt instruments</b>									
Public debt	-	1,510	1,510	-	-	-	-	1,510	1,510
Other issuers	1,483,456	210,828	1,694,284	-	-	-	1,483,456	210,828	1,694,284
Treasury	1,928,551	-	1,928,551	-	-	-	1,928,551	-	1,928,551
Others	693,616	1,387	695,003	-	-	-	693,616	1,387	695,003
	<b>11,131,308</b>	<b>309,663</b>	<b>11,440,971</b>	-	-	-	<b>11,131,308</b>	<b>309,663</b>	<b>11,440,971</b>
<b>Others</b>	<b>13,013,145</b>	<b>10,226</b>	<b>13,023,371</b>	-	-	-	<b>13,013,145</b>	<b>10,226</b>	<b>13,023,371</b>
	<b>83,142,642</b>	<b>437,302</b>	<b>83,579,944</b>	<b>51,477,287</b>	-	<b>51,477,287</b>	<b>134,619,929</b>	<b>437,302</b>	<b>135,057,231</b>

(amounts in euros)

	2018								
	Market value			Others			Portfolio value		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Cash and cash equivalents</b>	<b>13,836,592</b>	<b>59,618</b>	<b>13,896,211</b>	-	-	-	<b>13,836,592</b>	<b>59,618</b>	<b>13,896,211</b>
<b>Equity instruments</b>	<b>758,582</b>	<b>199</b>	<b>758,781</b>	-	-	-	<b>758,582</b>	<b>199</b>	<b>758,781</b>
<b>Debt instruments</b>									
Public debt	19,128,613	24,993	19,153,606	-	-	-	19,128,613	24,993	19,153,606
Other entities	81,458,265	61,866	81,520,131	-	-	-	81,458,265	61,866	81,520,131
	<b>100,586,878</b>	<b>86,858</b>	<b>100,673,737</b>	-	-	-	<b>100,586,878</b>	<b>86,858</b>	<b>100,673,737</b>
<b>Real Estate</b>	<b>12,157,600</b>	<b>9,924</b>	<b>12,167,524</b>	-	-	-	<b>12,157,600</b>	<b>9,924</b>	<b>12,167,524</b>
<b>Investment funds</b>									
American shares	-	39,724	39,724	-	-	-	-	39,724	39,724
European shares	2,607,770	16,626	2,624,396	-	-	-	2,607,770	16,626	2,624,396
Real Estate	4,192,286	32,522	4,224,808	-	-	-	4,192,286	32,522	4,224,808
<b>Debt instruments</b>									
Public debt	244,909	63,483	308,392	-	-	-	244,909	63,483	308,392
Other issuers	1,349,656	126,155	1,475,811	-	-	-	1,349,656	126,155	1,475,811
Treasury	2,108,169	18,217	2,126,386	-	-	-	2,108,169	18,217	2,126,386
	<b>10,502,790</b>	<b>296,727</b>	<b>10,799,517</b>	-	-	-	<b>10,502,790</b>	<b>296,727</b>	<b>10,799,517</b>
<b>Others</b>	<b>1,727,076</b>	<b>12,724</b>	<b>1,739,801</b>	-	-	-	<b>1,727,076</b>	<b>12,724</b>	<b>1,739,801</b>
	<b>139,569,519</b>	<b>466,050</b>	<b>140,035,569</b>	-	-	-	<b>139,569,519</b>	<b>466,050</b>	<b>140,035,569</b>

On these dates, the pension fund portfolio contained the following assets issued or managed by entities in the CGD Group:

(amounts in euros)

	2019			2018		
	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Cash and cash equivalents</b>	-	-	-	<b>6,591,633</b>	<b>59,618</b>	<b>6,651,251</b>
<b>Debt instruments</b>	<b>302,190</b>	-	<b>302,190</b>	<b>308,737</b>	-	<b>308,737</b>
<b>Investment funds</b>						
Real Estate	2,213,971	6,441,773	8,655,744	2,246,896	20,019	2,266,915
<b>Debt instruments</b>						
Other issuers	1,023,916	157,109	1,181,025	6,796,324	126,155	6,922,479
Treasury	-	-	-	-	18,217	18,217
Others	582,742	844,887	1,427,629	-	1,262	1,262
	<b>3,820,629</b>	<b>7,443,769</b>	<b>11,264,398</b>	<b>9,813,982</b>	<b>207,562</b>	<b>10,021,544</b>
	<b>4,122,819</b>	<b>7,443,769</b>	<b>11,566,588</b>	<b>18,430,980</b>	<b>226,316</b>	<b>18,657,296</b>

The change in the difference between the Group's liabilities for past services and the respective cover, and the corresponding impact on the financial statements at 31 December 2019 and 2018, can be demonstrated as follows:

(amounts in euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Position at 31</b>									
<b>December 2017</b>	<b>181,105,027</b>	<b>323,765</b>	<b>181,428,792</b>	<b>193,236,864</b>	<b>536,517</b>	<b>193,773,381</b>	<b>12,131,837</b>	<b>212,752</b>	<b>12,344,589</b>
Current services									
expenses	135,475	1,108	136,583	-	-	-	(135,475)	(1,108)	(136,583)
Net defined									
benefit interest	2,288,295	5,834	2,294,129	2,506,668	3,753	2,510,421	218,373	(2,080)	216,293
Normal cost									
for the year	2,423,770	6,942	2,430,712	2,506,668	3,753	2,510,421	82,898	(3,188)	79,710
Increased liabilities									
for early retirements	14,359,652	(6,481)	14,353,171	-	-	-	(14,359,652)	6,481	(14,353,171)
Other changes in the									
income statement	-	-	-	(154,117)	-	(154,117)	(154,117)	-	(154,117)
<b>Changes having an</b>									
<b>impact in the income</b>									
<b>statement (Note 34)</b>	<b>16,783,422</b>	<b>461</b>	<b>16,783,883</b>	<b>2,352,551</b>	<b>3,753</b>	<b>2,356,304</b>	<b>(14,430,871)</b>	<b>3,293</b>	<b>(14,427,578)</b>
Actuarial gains and losses									
return on plan assets,									
not included in									
interest income	-	-	-	(2,186,467)	6,481	(2,179,986)	(2,186,467)	6,481	(2,179,986)
resulting from changes									
in demographic									
assumptions	(1,451,213)	(23,037)	(1,474,250)	-	(28,341)	(28,341)	1,451,213	(5,304)	1,445,909
resulting from									
changes in financial									
assumptions	(483,719)	29,835	(453,884)	-	-	-	483,719	(29,835)	453,884
<b>Changes with an impact</b>									
<b>on shareholders' equity</b>	<b>(1,934,932)</b>	<b>6,798</b>	<b>(1,928,134)</b>	<b>(2,186,467)</b>	<b>(21,860)</b>	<b>(2,208,327)</b>	<b>(251,535)</b>	<b>(28,658)</b>	<b>(280,193)</b>
Contributions to the plan									
paid by entity	-	-	-	9,662,261	-	9,662,261	9,662,261	-	9,662,261
Change in mathematical									
provisions	(2,295,035)	-	(2,295,035)	(2,295,035)	-	(2,295,035)	-	-	-
Payments made									
by the plan									
pensions paid	(19,036,221)	(52,362)	(19,088,583)	(19,036,221)	(52,362)	(19,088,583)	-	-	-
<b>Position at 31</b>									
<b>December 2018</b>	<b>174,622,261</b>	<b>278,662</b>	<b>174,900,923</b>	<b>181,733,953</b>	<b>466,049</b>	<b>182,200,002</b>	<b>7,111,692</b>	<b>187,387</b>	<b>7,299,079</b>
Current services									
expenses	106,233	899	107,132	-	-	-	(106,233)	(899)	(107,132)

(continuation)

(amounts in euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Net defined									
benefit interest	2,456,174	5,471	2,461,645	2,598,407	3,910	2,602,317	142,233	(1,562)	140,671
Normal cost									
for the year	2,562,407	6,370	2,568,777	2,598,407	3,910	2,602,317	36,000	(2,461)	33,539
Increased liabilities									
for early retirements	6,424,596	(5,949)	6,418,647	-	-	-	(6,424,596)	5,949	(6,418,647)
Other changes in the									
income statement	-	-	-	(635,312)	-	(635,312)	(635,312)	-	(635,312)
<b>Changes having an impact in the income statement (Note 34)</b>	<b>8,987,003</b>	<b>421</b>	<b>8,987,424</b>	<b>1,963,095</b>	<b>3,910</b>	<b>1,967,005</b>	<b>(7,023,908)</b>	<b>3,488</b>	<b>(7,020,420)</b>
Actuarial gains and losses									
return on plan assets, not included in									
interest income	-	-	-	3,465,632	5,949	3,471,581	3,465,632	5,949	3,471,581
resulting from changes in financial									
assumptions	11,726,879	28,900	11,755,779	-	13,941	13,941	(11,726,879)	(14,959)	(11,741,838)
resulting from differences between assumptions and									
actual amounts	(3,384,484)	10,657	(3,373,827)	-	-	-	3,384,484	(10,657)	3,373,827
<b>Changes with an impact on shareholders' equity</b>	<b>8,342,395</b>	<b>39,557</b>	<b>8,381,952</b>	<b>3,465,632</b>	<b>19,890</b>	<b>3,485,522</b>	<b>(4,876,763)</b>	<b>(19,667)</b>	<b>(4,896,430)</b>
Contributions to the plan									
paid by entity	-	-	-	8,920,000	-	8,920,000	8,920,000	-	8,920,000
Change in mathematical									
provisions	(2,775,772)	-	(2,775,772)	(2,775,772)	-	(2,775,772)	-	-	-
Payments made									
by the plan									
pensions paid	(19,298,326)	(52,547)	(19,350,873)	(19,298,318)	(52,547)	(19,350,865)	8	-	8
<b>Position at 31</b>									
<b>December 2019</b>	<b>169,877,561</b>	<b>266,094</b>	<b>170,143,655</b>	<b>174,008,590</b>	<b>437,302</b>	<b>174,445,892</b>	<b>4,131,029</b>	<b>171,208</b>	<b>4,302,237</b>

## Medical assistance

The Group contributes part of the cost of health insurance provided for its retired and pre-retired employees. In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

At 31 December 2019 and 2018, these liabilities totalled EUR 22,784,917 and EUR 21,053,229, respectively, and were covered by provisions (Note 27). The actuarial deviations determined at 31 December 2019 and 2018 relating to this benefit amounted to EUR 6,878,994 and EUR (643,669), respectively.

Liabilities for past service with medical assistance were determined on the basis of actuarial studies performed by Fidelidade's life actuarial department, using actuarial assumptions identical to those presented above for liabilities with pensions.

## Sensitivity analysis

At 31 December 2019, the sensitivity of the defined benefit liabilities assumed by Fidelidade, due to significant changes in the assumptions, excluding the liabilities covered by whole life annuities, corresponds to:

Scenarios	2019	A	B	C
<b>Financial Assumptions</b>				
Discount Rate	1.00%	0.75%	1.25%	1.00%
Salary Growth Rate	2.40%	2.40%	2.40%	2.40%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
<b>Demographic Assumptions</b>				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in euros)

Liabilities at 31 December 2019					
Scenarios		2019	A	B	C
Retirees	Old age	52,784,793	53,861,422	51,745,731	57,644,821
	Early retirement	14,355,730	14,668,849	14,053,366	15,569,650
	Disability	9,039,651	9,354,522	8,740,843	9,506,677
Pensioners	Widowhood	4,577,391	4,676,030	4,482,489	4,591,054
	Orphanhood	164,679	172,509	157,375	165,918
Pre-Retirees	Pension up to INR	28,964,401	29,170,204	28,761,415	29,064,847
	Charges up to INR	7,601,797	7,656,457	7,547,888	7,628,650
	Pension after INR				
	> Pension Plan	2,438,812	2,520,443	2,360,967	2,626,113
	> Complementary Plan	309,107	321,836	297,046	314,308
Active employees	Pension Plan	4,332,158	4,590,693	4,091,479	4,580,593
	Complementary Plan	5,920,382	6,329,408	5,541,732	6,228,934
<b>Total</b>		<b>130,488,901</b>	<b>133,322,373</b>	<b>127,780,331</b>	<b>137,921,565</b>

The information in the above table was prepared based on the method used to calculate the liabilities for accounting purposes, not including mathematical provisions, of EUR 42,164,433.

## 37. INCOME

In 2019 and 2018, the investment income headings were composed as follows:

(amounts in euros)

	2019				2018			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments allocated to technical provisions for life insurance</b>								
Properties	-	-	44,366	44,366	-	-	36,116	36,116
Financial assets held for trading	(52,829)	-	-	(52,829)	(3,526)	-	-	(3,526)
Financial assets initially recognised								
at fair value through profit or loss	2,095,007	-	-	2,095,007	1,892,365	-	-	1,892,365
Available-for-sale investments	81,845,815	5,065,821	-	86,911,636	44,982,304	2,004,861	-	46,987,165
Loans and accounts receivable	5,765,520	-	-	5,765,520	2,113,922	-	-	2,113,922
Sight deposits	9,123	-	-	9,123	1,231	-	-	1,231
	<b>89,662,636</b>	<b>5,065,821</b>	<b>44,366</b>	<b>94,772,823</b>	<b>48,986,296</b>	<b>2,004,861</b>	<b>36,116</b>	<b>51,027,273</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>								
Financial assets held for trading	(4,808,366)	-	-	(4,808,366)	(1,478,510)	-	-	(1,478,510)
Financial assets initially recognised								
at fair value through profit or loss	11,258,340	161,705	-	11,420,045	7,557,133	151,914	-	7,709,047
Available-for-sale investments	121,233,391	22,728,814	-	143,962,205	166,282,518	22,879,456	-	189,161,974
Loans and accounts receivable	2,028,687	-	-	2,028,687	1,808,020	-	-	1,808,020
Held-to-maturity investments	6,948,172	-	-	6,948,172	-	-	-	-
Sight deposits	41,472	-	-	41,472	15,723	-	-	15,723
	<b>136,701,696</b>	<b>22,890,519</b>	<b>-</b>	<b>159,592,215</b>	<b>174,184,884</b>	<b>23,031,370</b>	<b>-</b>	<b>197,216,254</b>
	<b>226,364,332</b>	<b>27,956,340</b>	<b>44,366</b>	<b>254,365,038</b>	<b>223,171,180</b>	<b>25,036,231</b>	<b>36,116</b>	<b>248,243,527</b>

(continuation)

(amounts in euros)

	2019				2018			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments allocated to technical provisions for non-life insurance</b>								
Properties	-	-	10,089,441	10,089,441	-	-	11,021,131	11,021,131
Financial assets initially recognised								
at fair value through profit or loss	3,888,535	206,031	-	4,094,566	2,001,154	-	-	2,001,154
Available-for-sale investments	29,570,605	15,980,344	-	45,550,949	34,095,036	14,027,613	-	48,122,649
Loans and accounts receivable	3,028,827	-	-	3,028,827	3,191,256	-	-	3,191,256
Sight deposits	78,126	-	-	78,126	174,723	-	-	174,723
	<b>36,566,093</b>	<b>16,186,375</b>	<b>10,089,441</b>	<b>62,841,909</b>	<b>39,462,169</b>	<b>14,027,613</b>	<b>11,021,131</b>	<b>64,510,913</b>
<b>Investments not allocated</b>								
Properties	-	-	73,872,727	73,872,727	-	-	63,092,620	63,092,620
Investments in associates and joint ventures	-	569,155	-	569,155	-	-	-	-
Financial assets held for trading	(1,558,305)	-	-	(1,558,305)	(114,866)	-	-	(114,866)
Financial assets initially recognised								
at fair value through profit or loss	12,734,751	-	-	12,734,751	10,605,201	9	-	10,605,210
Available-for-sale investments	1,372,708	1,909,045	-	3,281,753	2,362,522	721,780	-	3,084,302
Loans and accounts receivable	3,382,269	-	-	3,382,269	1,181,670	-	-	1,181,670
Sight deposits	1,551,446	-	-	1,551,446	1,755,146	-	-	1,755,146
	<b>17,482,869</b>	<b>2,478,200</b>	<b>73,872,727</b>	<b>93,833,796</b>	<b>15,789,673</b>	<b>721,789</b>	<b>63,092,620</b>	<b>79,604,082</b>
	<b>280,413,294</b>	<b>46,620,915</b>	<b>84,006,534</b>	<b>411,040,743</b>	<b>278,423,022</b>	<b>39,785,633</b>	<b>74,149,867</b>	<b>392,358,522</b>

## 38. FINANCIAL EXPENSES

In 2019 and 2018, the financial expenses headings were composed as follows:

(amounts in euros)

	2019				2018			
	Life technical account	Non-life technical account	Non-technical account	Total	Life technical account	Non-life technical account	Non-technical account	Total
<b>Investment Expenses (Note 34)</b>								
Costs allocated	10,880,478	8,817,639	52,817,849	72,515,966	10,144,090	7,538,836	37,754,090	55,437,016
Other Investment expenses	872,406	182,571	243,854	1,298,831	540,664	172,554	122,330	835,548
	<b>11,752,884</b>	<b>9,000,210</b>	<b>53,061,703</b>	<b>73,814,797</b>	<b>10,684,754</b>	<b>7,711,390</b>	<b>37,876,420</b>	<b>56,272,564</b>

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

In 2019 and 2018, these headings were composed as follows:

(amounts in euros)

	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Available-for-sale investments	24,867,174	(12,042,844)	12,824,330	37,854,064	(15,411,080)	22,442,984
Loans and accounts receivable	-	-	-	11	-	11
	<b>24,867,174</b>	<b>(12,042,844)</b>	<b>12,824,330</b>	<b>37,854,075</b>	<b>(15,411,080)</b>	<b>22,442,995</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Available-for-sale investments	180,091,750	(77,119,341)	102,972,409	343,921,748	(38,226,444)	305,695,304
Financial liabilities at amortised cost	541	(40,003,462)	(40,002,921)	145	(75,038,534)	(75,038,389)
	<b>180,092,291</b>	<b>(117,122,803)</b>	<b>62,969,488</b>	<b>343,921,893</b>	<b>(113,264,978)</b>	<b>230,656,915</b>
	<b>204,959,465</b>	<b>(129,165,647)</b>	<b>75,793,818</b>	<b>381,775,968</b>	<b>(128,676,058)</b>	<b>253,099,910</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Available-for-sale investments	37,279,673	(35,657,092)	1,622,581	40,944,248	(11,547,589)	29,396,659
Loans and accounts receivable	-	(2,245)	(2,245)	-	(30,115)	(30,115)
	<b>37,279,673</b>	<b>(35,659,337)</b>	<b>1,620,336</b>	<b>40,944,248</b>	<b>(11,577,704)</b>	<b>29,366,544</b>
<b>Investments not allocated</b>						
Investments in subsidiaries, associates and joint ventures	(3,187,453)	-	(3,187,453)	3,385	-	3,385
Available-for-sale investments	7,121,100	254,847	7,375,947	1,762,824	(22,938)	1,739,886
	<b>3,933,647</b>	<b>254,847</b>	<b>4,188,494</b>	<b>1,766,209</b>	<b>(22,938)</b>	<b>1,743,271</b>
	<b>246,172,785</b>	<b>(164,570,137)</b>	<b>81,602,648</b>	<b>424,486,425</b>	<b>(140,276,700)</b>	<b>284,209,725</b>

## 40. NET INCOME ON FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2019 and 2018, these headings were composed as follows:

(amounts in euros)

Realised gains and losses	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	70,852	( 683 )	70,169	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	399,025	( 129,209 )	269,816	1,366,410	( 598,522 )	767,888
	<b>469,877</b>	<b>( 129,892 )</b>	<b>339,985</b>	<b>1,366,410</b>	<b>( 598,522 )</b>	<b>767,888</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	405,048	( 67,242 )	337,806	65,077	( 281,315 )	( 216,238 )
Financial assets and liabilities initially recognised at fair value through profit or loss	7,259,663	( 2,287,235 )	4,972,428	9,097,957	( 11,737,655 )	( 2,639,698 )
Other	-	-	-	3,304	( 4 )	3,300
	<b>7,664,711</b>	<b>( 2,354,477 )</b>	<b>5,310,234</b>	<b>9,166,338</b>	<b>( 12,018,974 )</b>	<b>( 2,852,636 )</b>
	<b>8,134,588</b>	<b>( 2,484,369 )</b>	<b>5,650,219</b>	<b>10,532,748</b>	<b>( 12,617,496 )</b>	<b>( 2,084,748 )</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	92,108	( 926 )	91,182	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	2,562,948	( 649,518 )	1,913,430	715,344	( 1,650,885 )	( 935,541 )
Other	-	-	-	98	( 61 )	37
	<b>2,655,056</b>	<b>( 650,444 )</b>	<b>2,004,612</b>	<b>715,442</b>	<b>( 1,650,946 )</b>	<b>( 935,504 )</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	149,343	( 2,575,574 )	( 2,426,231 )	136	( 127,301 )	( 127,165 )
Financial assets and liabilities initially recognised at fair value through profit or loss	9,796,590	( 4,639,215 )	5,157,375	1,496,547	( 842,615 )	653,932
	<b>9,945,933</b>	<b>( 7,214,789 )</b>	<b>2,731,144</b>	<b>1,496,683</b>	<b>( 969,916 )</b>	<b>526,767</b>
	<b>20,735,577</b>	<b>( 10,349,602 )</b>	<b>10,385,975</b>	<b>12,744,873</b>	<b>( 15,238,358 )</b>	<b>( 2,493,485 )</b>

(amounts in euros)

Unrealised gains and losses	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	20,329,371	(35,068,883)	(14,739,512)	5,748,187	(41,148,321)	(35,400,134)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	4,037,079	(9,430)	4,027,649	287,316	(5,342,677)	(5,055,361)
Others	2,487,854	(2,599,425)	(111,571)	1,823,329	(3,206,415)	(1,383,086)
	<b>26,854,304</b>	<b>(37,677,738)</b>	<b>(10,823,434)</b>	<b>7,858,832</b>	<b>(49,697,413)</b>	<b>(41,838,581)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	1,071,403,007	(1,232,518,961)	(161,115,954)	46,669,671	(216,284,356)	(169,614,685)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	14,756,794	(265,703)	14,491,091	7,047,794	(19,589,728)	(12,541,934)
Others	48,060,840	(57,087,898)	(9,027,058)	57,922,313	(73,782,928)	(15,860,615)
	<b>1,134,220,641</b>	<b>(1,289,872,562)</b>	<b>(155,651,921)</b>	<b>111,639,778</b>	<b>(309,657,012)</b>	<b>(198,017,234)</b>
	<b>1,161,074,945</b>	<b>(1,327,550,300)</b>	<b>(166,475,355)</b>	<b>119,498,610</b>	<b>(359,354,425)</b>	<b>(239,855,815)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	31,415,536	(52,331,953)	(20,916,417)	10,103,168	(50,964,016)	(40,860,848)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	6,763,357	(59,641)	6,703,716	1,893,259	(4,847,623)	(2,954,364)
Others	23,449,496	(29,477,576)	(6,028,080)	21,579,230	(29,067,068)	(7,487,838)
	<b>61,628,389</b>	<b>(81,869,170)</b>	<b>(20,240,781)</b>	<b>33,575,657</b>	<b>(84,878,707)</b>	<b>(51,303,050)</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	36,222,851	(64,794,809)	(28,571,958)	9,438,514	(23,046,917)	(13,608,403)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	12,625,306	(132,385)	12,492,921	305,981	(12,922,645)	(12,616,664)
	<b>48,848,157</b>	<b>(64,927,194)</b>	<b>(16,079,037)</b>	<b>9,744,495</b>	<b>(35,969,562)</b>	<b>(26,225,067)</b>
	<b>1,271,551,491</b>	<b>(1,474,346,664)</b>	<b>(202,795,173)</b>	<b>162,818,762</b>	<b>(480,202,694)</b>	<b>(317,383,932)</b>

(amounts in euros)

Total	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	20,400,223	(35,069,566)	(14,669,343)	5,748,187	(41,148,321)	(35,400,134)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	4,436,104	(138,639)	4,297,465	1,653,726	(5,941,199)	(4,287,473)
Others	2,487,854	(2,599,425)	(111,571)	1,823,329	(3,206,415)	(1,383,086)
	<b>27,324,181</b>	<b>(37,807,630)</b>	<b>(10,483,449)</b>	<b>9,225,242</b>	<b>(50,295,935)</b>	<b>(41,070,693)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	1,071,808,055	(1,232,586,203)	(160,778,148)	46,734,748	(216,565,671)	(169,830,923)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	22,016,457	(2,552,938)	19,463,519	16,145,751	(31,327,383)	(15,181,632)
Others	48,060,840	(57,087,898)	(9,027,058)	57,925,617	(73,782,932)	(15,857,315)
	<b>1,141,885,352</b>	<b>(1,292,227,039)</b>	<b>(150,341,687)</b>	<b>120,806,116</b>	<b>(321,675,986)</b>	<b>(200,869,870)</b>
	<b>1,169,209,533</b>	<b>(1,330,034,669)</b>	<b>(160,825,136)</b>	<b>130,031,358</b>	<b>(371,971,921)</b>	<b>(241,940,563)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	31,507,644	(52,332,879)	(20,825,235)	10,103,168	(50,964,016)	(40,860,848)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	9,326,305	(709,159)	8,617,146	2,608,603	(6,498,508)	(3,889,905)
Others	23,449,496	(29,477,576)	(6,028,080)	21,579,328	(29,067,129)	(7,487,801)
	<b>64,283,445</b>	<b>(82,519,614)</b>	<b>(18,236,169)</b>	<b>34,291,099</b>	<b>(86,529,653)</b>	<b>(52,238,554)</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	36,372,194	(67,370,383)	(30,998,189)	9,438,650	(23,174,218)	(13,735,568)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	22,421,896	(4,771,600)	17,650,296	1,802,528	(13,765,260)	(11,962,732)
	<b>58,794,090</b>	<b>(72,141,983)</b>	<b>(13,347,893)</b>	<b>11,241,178</b>	<b>(36,939,478)</b>	<b>(25,698,300)</b>
	<b>1,292,287,068</b>	<b>(1,484,696,266)</b>	<b>(192,409,198)</b>	<b>175,563,635</b>	<b>(495,441,052)</b>	<b>(319,877,417)</b>

## 41. EXCHANGE DIFFERENCES

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

(amounts in euros)

	2019	2018
<b>Investments allocated to technical provisions for life insurance</b>		
Financial assets held for trading	( 331,631 )	( 318,290 )
Financial assets initially recognised at fair value through profit or loss	685,251	2,746,799
Available-for-sale investments	7,743,172	22,986,437
Loans and accounts receivable	3,124,366	4,557,691
Sight Deposits	419,192	( 2,490,645 )
Others	( 10,918 )	( 20,566 )
	<b>11,629,432</b>	<b>27,461,426</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>		
Financial assets held for trading	( 1,593,141 )	( 2,934,565 )
Financial assets initially recognised at fair value through profit or loss	5,761,971	11,193,660
Available-for-sale investments	82,861,534	110,075,907
Loans and accounts receivable	958,810	2,732,226
Sight Deposits	5,054,436	( 1,657,339 )
Others	( 421,999 )	( 1,758,288 )
	<b>92,621,611</b>	<b>117,651,601</b>
	<b>104,251,043</b>	<b>145,113,027</b>
<b>Investments allocated to technical provisions for non-life insurance</b>		
Financial assets held for trading	( 326,520 )	( 909,919 )
Financial assets initially recognised at fair value through profit or loss	161,437	1,151,080
Available-for-sale investments	8,055,534	27,776,224
Loans and accounts receivable	7,551,013	8,738,846
Sight Deposits	394,753	735,136
Others	( 143,022 )	( 559,076 )
	<b>15,693,195</b>	<b>36,932,291</b>
<b>Investments not allocated</b>		
Financial assets held for trading	( 561,300 )	134,401
Financial assets initially recognised at fair value through profit or loss	882,855	3,442,624
Available-for-sale investments	236,546	328,988
Loans and accounts receivable	8,129,057	9,299,146
Sight Deposits	( 3,572,114 )	( 5,106,545 )
Others	( 6 )	4
	<b>5,115,038</b>	<b>8,098,618</b>
	<b>125,059,276</b>	<b>190,143,936</b>

## 42. NET INCOME ON THE SALE OF NON-FINANCIAL ASSETS WHICH HAVE NOT BEEN RECOGNISED AS NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

(amounts in euros)

Realised gains and losses	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	31,962,672	-	31,962,672	-	-	-
Investment properties	5,624,444	-	5,624,444	429,722	-	429,722
	<b>37,587,116</b>	<b>-</b>	<b>37,587,116</b>	<b>429,722</b>	<b>-</b>	<b>429,722</b>
<b>Investments not allocated</b>						
Properties for own use	-	(316,384)	(316,384)	-	-	-
Investment properties	22,295,990	(6,311,038)	15,984,952	268,598	(16,559)	252,039
Investments in associates and joint ventures	-	(142,934)	(142,934)	-	-	-
	<b>22,295,990</b>	<b>(6,770,356)</b>	<b>15,525,634</b>	<b>268,598</b>	<b>(16,559)</b>	<b>252,039</b>
	<b>59,883,106</b>	<b>(6,770,356)</b>	<b>53,112,750</b>	<b>698,320</b>	<b>(16,559)</b>	<b>681,761</b>

(amounts in euros)

Unrealised gains and losses	2019			2018		
	Gains	Losses	Net (Note 11)	Gains	Losses	Net (Note 11)
<b>Investments allocated to technical provisions for life insurance</b>						
Investment properties	1,487	(16,512)	(15,025)	1,395,244	-	1,395,244
	<b>1,487</b>	<b>(16,512)</b>	<b>(15,025)</b>	<b>1,395,244</b>	<b>-</b>	<b>1,395,244</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Investment properties	11,079,952	(3,928,989)	7,150,963	9,683,366	(4,627,339)	5,056,027
	<b>11,079,952</b>	<b>(3,928,989)</b>	<b>7,150,963</b>	<b>9,683,366</b>	<b>(4,627,339)</b>	<b>5,056,027</b>
<b>Investments not allocated</b>						
Investment properties	66,760,721	(9,781,913)	56,978,808	31,401,048	(928,094)	30,472,954
Investments in associates and joint ventures	-	(806)	(806)	-	-	-
	<b>66,760,721</b>	<b>(9,782,719)</b>	<b>56,978,002</b>	<b>31,401,048</b>	<b>(928,094)</b>	<b>30,472,954</b>
	<b>77,842,160</b>	<b>(13,728,220)</b>	<b>64,113,940</b>	<b>42,479,658</b>	<b>(5,555,433)</b>	<b>36,924,225</b>

(amounts in euros)

Total	2019			2018		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Investment properties	1,487	(16,512)	(15,025)	1,395,244	-	1,395,244
	<b>1,487</b>	<b>(16,512)</b>	<b>(15,025)</b>	<b>1,395,244</b>	<b>-</b>	<b>1,395,244</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	31,962,672	-	31,962,672	-	-	-
Investment properties	16,704,396	(3,928,989)	12,775,407	10,113,088	(4,627,339)	5,485,749
	<b>48,667,068</b>	<b>(3,928,989)</b>	<b>44,738,079</b>	<b>10,113,088</b>	<b>(4,627,339)</b>	<b>5,485,749</b>
<b>Investments not allocated</b>						
Properties for own use	-	(316,384)	(316,384)	-	-	-
Investment properties	89,056,711	(16,092,951)	72,963,760	31,669,646	(944,653)	30,724,993
Investments in associates and joint ventures	-	(143,740)	(143,740)	-	-	-
	<b>89,056,711</b>	<b>(16,553,075)</b>	<b>72,503,636</b>	<b>31,669,646</b>	<b>(944,653)</b>	<b>30,724,993</b>
	<b>137,725,266</b>	<b>(20,498,576)</b>	<b>117,226,690</b>	<b>43,177,978</b>	<b>(5,571,992)</b>	<b>37,605,986</b>

### 43. IMPAIRMENT LOSSES (NET OF REVERSALS)

Information on impairment losses movements in 2019 and 2018 is set out below:

(amounts in euros)

	2019						Closing balances
	Opening balances	Entry / (exit) in consolidation perimeter	Increases	Recoveries and cancellations	Use	Others	
Impairment of available-for-sale investments (Note 8)							
Debt instruments	54,778,794	-	889,641	-	(5,683,068)	-	49,985,367
Equity instruments	419,706,012	-	120,079,463	-	(235,791,498)	-	303,993,977
Other instruments	32,487,124	-	1,682,946	-	(9,581,014)	-	24,589,056
Impairment of loans and accounts receivable (Note 9)	695,780	-	150,576	-	-	-	846,356
Impairment of property for own use (Note 11)	10,761,495	-	1,573,058	(1,562,601)	(151,359)	-	10,620,593
Impairment of goodwill (Note 15)	957,001	-	-	-	(957,001)	-	-
Adjustments to premiums pending collection (Note 18)	9,799,351	-	-	(2,843,374)	-	7,071,663	14,027,640
Value adjustments IFAP (Note 18)	137,408	-	-	(137,408)	-	-	-
Adjustments for doubtful debts (Note 18)	39,155,292	494,791	2,870,977	-	-	4,032,116	46,553,176
	<b>568,478,257</b>	<b>494,791</b>	<b>127,246,661</b>	<b>(4,543,383)</b>	<b>(252,163,940)</b>	<b>11,103,779</b>	<b>450,616,165</b>

(amounts in euros)

	2018					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Use	Others	
Impairment of available-for-sale investments (Note 8)						
Debt instruments	140,927,702	3,908,070	( 3,468,889 )	( 86,588,089 )	-	54,778,794
Equity instruments	314,031,954	242,088,440	-	( 136,414,382 )	-	419,706,012
Other instruments	38,123,874	3,099,229	-	( 8,735,979 )	-	32,487,124
Impairment of loans and accounts receivable (Note 9)	617,392	91,380	-	( 12,992 )	-	695,780
Impairment of property for own use (Note 11)	10,358,901	392,337	( 1,533,045 )	-	1,543,302	10,761,495
Impairment of goodwill (Note 15)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 18)	10,529,419	285,370	-	( 1,015,438 )	-	9,799,351
Value adjustments IFAP (Note 18)	99,856	37,552	-	-	-	137,408
Adjustments for doubtful debts (Note 18)	40,995,797	-	( 4,127,503 )	-	2,286,998	39,155,292
	<b>556,641,896</b>	<b>249,902,378</b>	<b>( 9,129,437 )</b>	<b>( 232,766,880 )</b>	<b>3,830,300</b>	<b>568,478,257</b>

In 2019, the account heading "Impairment losses (net of reversals)" included constitutions of "Other provisions" (Note 27), of EUR 23,514,816. In 2018, the account heading "Impairment losses (net of reversals)" included uses of "Other provisions" (Note 27), of EUR 51,438,501.

## 44. OTHER TECHNICAL INCOME/EXPENSES, NET OF REINSURANCE

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

(amounts in euros)

	2019			2018		
	Income	Expenses	Net	Income	Expenses	Net
<b>Related to life insurance</b>						
Co-insurance management commissions	50,907	(347,455)	(296,548)	13,665	(31,372)	(17,707)
Pension fund management commissions	717,044	(148,727)	568,317	580,899	-	580,899
Others	9,340	(4,389,899)	(4,380,559)	5,339	-	5,339
	<b>777,291</b>	<b>(4,886,081)</b>	<b>(4,108,790)</b>	<b>599,903</b>	<b>(31,372)</b>	<b>568,531</b>
<b>Related to non-life insurance</b>						
Co-insurance management commissions	641,242	(154,163)	487,079	584,261	(497,663)	86,598
Others	1,285,990	(29,718,753)	(28,432,763)	4,132,914	(88,894)	4,044,020
	<b>1,927,232</b>	<b>(29,872,916)</b>	<b>(27,945,684)</b>	<b>4,717,175</b>	<b>(586,557)</b>	<b>4,130,618</b>
	<b>2,704,523</b>	<b>(34,758,997)</b>	<b>(32,054,474)</b>	<b>5,317,078</b>	<b>(617,929)</b>	<b>4,699,149</b>

## 45. OTHER INCOME/EXPENSES

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

(amounts in euros)

	2019	2018
<b>Non-current income and gains</b>		
Tax rebates	2,659,736	7,082,289
Other	3,664,081	3,599,413
	<b>6,323,817</b>	<b>10,681,702</b>
<b>Financial income and gains</b>		
Interest obtained	1,343,065	361,406
Exchange rate gains	245,784,956	216,472,719
Cash discounts	875,842	977,869
Other	4,623,660	63,039
	<b>252,627,523</b>	<b>217,875,033</b>
<b>Income from other assets</b>		
Gains on other tangible assets	421,435	46,807
	<b>421,435</b>	<b>46,807</b>
<b>Gains with pension plans</b>		
Pension funds management fees (Macao Branch Life)	4,088	3,871
	<b>4,088</b>	<b>3,871</b>
<b>Other non-technical income</b>		
Adjustments to balances	304,227	2,016,203
Provisions of services	530,560,355	490,155,168
	<b>530,864,582</b>	<b>492,171,371</b>
<b>Non-current expenses and losses</b>		
Donations	(1,279,975)	(1,245,743)
Sponsorship	(567,056)	228,861
Gifts to clients	(298,832)	(115,592)
Fines and penalties	(920,160)	(12,912,856)
Miscellaneous contributions	(331,707)	(283,016)
Insufficient tax estimate	(3,299,705)	(1,375,055)
Corrections to previous years	(1,599,820)	(796,846)
Bad debts	(1,061,388)	(5,374,460)
Adjustments to balances	(184,758)	(376,549)
Other	(6,158,265)	(1,865,794)
	<b>(15,701,666)</b>	<b>(24,117,050)</b>

(continuation)

(amounts in euros)

	2019	2018
<b>Financial expenses and losses</b>		
Interest paid	( 6,138,167 )	( 380,466 )
Exchange rate losses	( 249,953,990 )	( 224,883,924 )
Banking services	( 928,723 )	( 805,260 )
Other	( 1,457,171 )	( 1,963,230 )
	<b>( 258,478,051 )</b>	<b>( 228,032,880 )</b>
<b>Losses in other assets</b>		
Losses on intangible assets	-	( 9,422 )
Losses in other tangible assets	( 141,478 )	( 431,050 )
	<b>( 141,478 )</b>	<b>( 440,472 )</b>
<b>Other non-technical expenses</b>		
Allocation of non-technical expenses (Note 33)		
Employee costs	( 154,449,748 )	( 135,550,015 )
External supplies and services	( 323,514,548 )	( 305,863,659 )
Depreciation for the year	( 44,784,487 )	( 35,926,555 )
Interest	( 8,939,195 )	( 7,550,236 )
Other	( 1,381,497 )	33,253,177
	<b>( 533,069,475 )</b>	<b>( 451,637,288 )</b>
<b>Cost of goods sold</b>	<b>( 3,670,676 )</b>	<b>( 4,047,920 )</b>
	<b>( 20,819,901 )</b>	<b>12,503,174</b>

## 46. GAINS AND LOSSES OF ASSOCIATES AND JOINT VENTURES (EQUITY METHOD)

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

(amounts in euros)

	2019	2018
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A.	316,158	441,524
Highgrove - Investimentos e Participações, SGPS, S.A.	-	266,148
Genomed - Diagnósticos de Medicina Molecular, S.A.	( 76,845 )	( 16,109 )
GK Kita Aoyoma Support 2	-	( 15,317 )
SERFUN PORTUGAL, SGPS, S.A	( 9,454 )	-
Promotores e Inversiones Investa S.A	( 140,565 )	-
	<b>89,294</b>	<b>676,246</b>

## 47. SEGMENT REPORTING

The Group presents operating segments based on management information produced internally. An operating segment is an identifiable component of the Group which is engaged in supplying a product or individual service or a set of related products and services, within a specific economic environment and which is subject to risks and benefits which can be differentiated from others, which operate in different economic environments.

For the purpose of business segment reporting, the Group has named two segments: "Health" and "Insurance". In the insurer sector it has chosen the following sub-segments:

Sub-segment:	Sub-segment areas:
<b>Life</b>	
Risk	Risk
Capitalisation with profit sharing	Capitalisation with profit sharing
Financial liabilities	Financial liabilities
<b>Non-Life</b>	
Workers' compensation	Workers' compensation
Health	Health
Property	Fire and other damage
	Credit
	Suretyship
	Miscellaneous pecuniary losses on property
Motor	Passengers
	Land vehicles
	Third party liability for land motor vehicles
	Miscellaneous pecuniary losses related to motor
	Legal protection for motor
	Motor assistance
Transported goods	Transported goods
	Marine and transport
	Aviation
Third party liability	Third party liability
Other	Personal accidents
	Legal protection - other
	Assistance - other
	Miscellaneous insurance

For reporting by geographical segment, the Group selected the following:

- Portugal
- European Union
- Africa
- Asia
- South America
- Rest of the World

The distribution of income by lines of business and geographical markets in 2019 and 2018 was as follows:

**2019**

(amounts in euros)

	Insurance segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
<b>Gains and losses</b>						
Earned premiums net of reinsurance	814,544,639	1,637,008,462	(52,891)	-	6,899,420	2,458,399,629
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,215,867	-	-	-	-	1,215,867
Claims costs, net of reinsurance	(363,474,277)	(1,156,858,534)	-	(58,138,648)	107,438,671	(1,471,032,788)
Other technical provisions, net of reinsurance	(7,056,327)	3,450,973	-	-	-	(3,605,354)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(372,609,214)	(4,096,933)	-	-	3,098,192	(373,607,955)
Operating costs and expenses, net	(143,536,367)	(499,544,821)	(25,196)	-	(1,250,600)	(644,356,984)
Financial income	286,348,634	70,048,966	113,367,455	70,465	(58,794,776)	411,040,743
Financial expenses and net income on financial assets and liabilities	7,439,306	29,857,436	40,652,396	14,096	(20,298,614)	57,664,619
Impairment losses (net of reversals)	(50,430,307)	(24,577,246)	(102,352,179)	(1,292,117)	32,433,755	(146,218,094)
Other income/expenses	(16,756,734)	19,084,096	(8,521,349)	65,129,009	(111,720,104)	(52,785,081)
Current income tax	-	(18,640,220)	40,985,646	3,017,725	(31,714,010)	(6,350,859)
Non-controlling interests	-	-	-	80,316	(52,853,168)	(52,772,852)
	<b>155,685,219</b>	<b>55,732,179</b>	<b>84,053,882</b>	<b>8,880,846</b>	<b>(126,761,234)</b>	<b>177,590,892</b>
<b>Assets</b>						
Cash and cash equivalents and sight deposits	275,150,228	147,796,753	408,894,116	67,431,843	-	899,272,940
Investments in associates and joint ventures	1,452,741,150	720,110,062	3,164,969,225	875,244	(5,334,716,600)	3,979,081
Financial assets held for trading	9,790,799	2,667,579	28,926,924	-	(19,546,282)	21,839,020
Financial assets initially recognised at fair value through profit or loss	449,673,069	92,362,973	448,275,848	1,155,275	(18,383,716)	973,083,449
Hedge derivatives	1,920,703	1,482,657	2,200,026	-	(1,926,441)	3,676,945
Available-for-sale assets	9,826,013,143	1,389,793,537	671,199,265	3,157,544	(698,926,376)	11,191,237,113
Loans and accounts receivable	1,061,861,355	174,708,200	486,231,108	-	(337,733,703)	1,385,066,960
Held-to-maturity investments	1,074,167,759	-	-	-	-	1,074,167,759
Properties	20,161,159	147,388,399	2,244,754,420	435,842,123	(11,654,715)	2,836,491,386
Other tangible and intangible assets	1,567,338	152,378,667	3,343,304	78,903,645	-	236,192,954
Goodwill	-	-	-	154,226,219	373,876,983	528,103,202
Technical provisions for reinsurance ceded	63,991,620	383,844,338	-	-	(101,752,623)	346,083,335
Asset for post-employment and other long-term benefits	-	-	4,302,237	-	-	4,302,237
Other debtors for insurance and other operations	37,094,337	369,813,425	109,486,614	98,931,757	159,869,318	775,195,450
Tax assets	83,789,909	80,114,066	128,599,804	15,082,495	(32,018,215)	275,568,059
Accruals and deferrals	9,415,549	7,225,240	11,779,728	59,830,732	(95,223)	88,156,026
Non-current assets held for sale	-	155,777	4,171,357	-	-	4,327,134
	<b>14,367,338,117</b>	<b>3,669,841,674</b>	<b>7,717,133,976</b>	<b>915,436,877</b>	<b>(6,023,007,593)</b>	<b>20,646,743,051</b>
<b>Liabilities</b>						
Provision for unearned premiums	4,590,354	536,011,373	-	-	(30,486,311)	510,115,417
Mathematical provision for life insurance	3,163,842,270	-	-	-	-	3,163,842,270
Claims provision	185,205,108	1,926,021,609	-	-	(81,124,036)	2,030,102,680
Provision for profit sharing	85,368,233	1,751	-	-	-	85,369,984
Provision for interest rate commitments	29,392,059	-	-	-	-	29,392,059
Provision for portfolio stabilisation	26,462,475	-	-	-	-	26,462,475
Equalisation provision	-	29,119,191	-	-	-	29,119,191
Provision for unexpired risks	228,864	31,562,540	-	-	-	31,791,404
Financial liabilities	9,006,501,681	245,978,612	429,120,459	418,152,289	(130,124,158)	9,969,628,883
Liabilities for post-employment and other long-term benefits	-	279,396	85,078	-	-	364,474
Other creditors for insurance and other operations	47,742,629	193,108,310	410,249,337	56,236,247	(67,724,911)	639,611,612
Tax liabilities	88,353,861	67,866,604	64,223,459	23,454,039	(12,697,344)	231,200,619
Accruals and deferrals	50,014,836	88,704,182	26,920,588	77,086,759	(1,083,181)	241,643,184
Other provisions	-	76,076,906	45,256,611	11,567,457	-	132,900,974
Liabilities from a group for disposal classified as held for sale	-	1,081,671	-	-	-	1,081,671
	<b>12,687,702,371</b>	<b>3,195,812,144</b>	<b>975,855,532</b>	<b>586,496,791</b>	<b>(323,239,941)</b>	<b>17,122,626,897</b>
<b>Total segments</b>						<b>3,346,525,262</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>3,346,525,262</b>

2019

(amounts in euros)

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	293,334,440	521,210,199	-	814,544,639
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	1,215,867	1,215,867
Claims costs, net of reinsurance	(163,914,666)	(199,559,611)	-	(363,474,277)
Other technical provisions, net of reinsurance	(567,582)	(6,488,745)	-	(7,056,327)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(16,193,739)	(356,415,475)	-	(372,609,214)
Operating costs and expenses, net	(77,871,616)	(10,388,129)	(55,276,621)	(143,536,367)
Financial income	51,353,727	44,239,342	190,755,565	286,348,634
Financial expenses and net income on financial assets and liabilities	2,708,416	7,700,902	(2,970,012)	7,439,306
Impairment losses (net of reversals)	(862,137)	(31,127)	(49,537,043)	(50,430,307)
Other income/expenses	(16,174,028)	(98,365)	(484,340)	(16,756,734)
Current income tax	-	-	-	-
Non-controlling interests	-	-	-	-
	<b>71,812,813</b>	<b>168,991</b>	<b>83,703,415</b>	<b>155,685,219</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	12,587,531	63,803,723	198,758,974	275,150,228
Investments in associates and joint ventures	59,723,559	-	1,393,017,591	1,452,741,150
Financial assets held for trading	507,354	2,656,220	6,627,225	9,790,799
Financial assets initially recognised at fair value through profit or loss	8,339,644	151,194,345	290,139,080	449,673,069
Hedge derivatives	-	24,989	1,895,714	1,920,703
Available-for-sale assets	1,106,184,751	1,707,091,633	7,012,736,758	9,826,013,143
Loans and accounts receivable	57,102,828	415,888,195	588,870,332	1,061,861,355
Held-to-maturity investments	-	-	1,074,167,759	1,074,167,759
Properties	10,842,340	3,929,819	5,389,000	20,161,159
Other tangible and intangible assets	1,451,830	(935,561)	1,051,069	1,567,338
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	63,991,620	-	-	63,991,620
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	23,169,165	10,114,122	3,811,050	37,094,337
Tax assets	8,343,124	4,698,831	70,747,954	83,789,909
Accruals and deferrals	190,593	3,339,765	5,885,191	9,415,549
Non-current assets held for sale	-	-	-	-
	<b>1,352,434,339</b>	<b>2,361,806,081</b>	<b>10,653,097,697</b>	<b>14,367,338,117</b>
<b>Liabilities</b>				
Provision for unearned premiums	4,585,609	4,745	-	4,590,354
Mathematical provision for life insurance	1,105,847,259	2,057,995,011	-	3,163,842,270
Claims provision	163,690,849	21,514,259	-	185,205,108
Provision for profit sharing	35,995,121	49,373,112	-	85,368,233
Provision for interest rate commitments	220,204	29,171,855	-	29,392,059
Provision for portfolio stabilisation	26,462,475	-	-	26,462,475
Equalisation provision	-	-	-	-
Provision for unexpired risks	228,864	-	-	228,864
Financial liabilities	3,405,948	2,315,126	9,000,780,607	9,006,501,681
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	14,713,502	11,270,136	21,758,991	47,742,629
Tax liabilities	6,970,072	2,510,735	78,873,054	88,353,861
Accruals and deferrals	8,405,612	6,098,296	35,510,928	50,014,836
Other provisions	-	-	-	-
Liabilities from a group for disposal classified as held for sale	-	-	-	-
	<b>1,370,525,516</b>	<b>2,180,253,275</b>	<b>9,136,923,580</b>	<b>12,687,702,371</b>

2019

(amounts in euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	262,799,652	371,773,789	226,423,583	628,977,669	16,027,763	46,064,633	84,941,372	1,637,008,462
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(227,213,545)	(302,185,718)	(100,958,994)	(441,190,286)	(6,027,706)	(17,321,245)	(61,961,040)	(1,156,858,534)
Other technical provisions, net of reinsurance	334,207	(1,169,174)	(2,190,228)	6,997,089	166,274	(552,895)	(134,299)	3,450,973
Mathematical provision for life insurance and profit sharing, net of reinsurance	-	(14,040)	(154,982)	(669,847)	15,481	-	(3,273,544)	(4,096,933)
Operating costs and expenses, net	(65,074,368)	(69,498,401)	(110,932,745)	(201,606,067)	(7,579,699)	(24,716,904)	(20,136,636)	(499,544,821)
Financial income	29,809,094	6,234,482	9,116,233	18,913,872	490,734	3,478,774	2,005,777	70,048,966
Financial expenses and net income on financial assets and liabilities	(2,671,985)	4,728,090	7,406,460	16,527,638	532,759	2,934,439	400,036	29,857,436
Impairment losses (net of reversals)	(3,033,526)	(1,250,950)	(4,433,558)	(11,201,659)	175,484	(2,092,814)	(2,740,223)	(24,577,246)
Other income/expenses	(776,631)	(2,282,449)	4,047,430	18,288,234	(673,879)	(1,043,966)	1,525,357	19,084,096
Current income tax	(1,530,226)	(3,049,167)	(4,449,159)	(6,956,773)	(241,070)	(557,784)	(1,856,041)	(18,640,220)
Non-controlling interests	-	-	-	-	-	-	-	-
	<b>(7,357,328)</b>	<b>3,286,462</b>	<b>23,874,040</b>	<b>28,079,869</b>	<b>2,886,140</b>	<b>6,192,237</b>	<b>(1,229,241)</b>	<b>55,732,179</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	9,441,633	21,861,107	8,575,744	28,075,533	327,955	2,655,513	76,859,268	147,796,753
Investments in associates and joint ventures	320,276,922	38,005,880	83,569,421	223,095,370	4,748,017	35,892,910	14,521,542	720,110,062
Financial assets held for trading	1,467,566	91,662	336,500	555,754	11,604	181,349	23,144	2,667,579
Financial assets initially recognised at fair value through profit or loss	19,809,661	5,976,608	16,080,665	40,267,670	687,446	5,976,738	3,564,185	92,362,973
Hedge derivatives	629,856	82,179	181,128	483,460	10,291	77,794	17,949	1,482,657
Available-for-sale assets	666,573,568	110,055,562	139,175,345	358,770,797	6,165,420	55,888,079	53,164,766	1,389,793,537
Loans and accounts receivable	38,697,114	92,498,642	10,493,911	17,553,520	4,655,357	2,792,723	8,016,933	174,708,200
Held-to-maturity investments	-	-	-	-	-	-	-	-
Properties	9,570,233	29,710,529	39,824,682	77,420,323	1,839,194	13,957,126	(24,933,688)	147,388,399
Other tangible and intangible assets	1,790,568	1,428,086	2,391,425	8,564,633	101,140	510,419	137,592,396	152,378,667
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	6,374,805	92,774,688	179,964,597	27,007,588	12,769,396	42,703,606	22,249,658	383,844,338
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	22,698,649	94,457,178	95,804,433	102,100,229	8,925,983	32,319,977	13,506,977	369,813,425
Tax assets	12,456,860	5,355,454	16,461,427	37,991,532	931,880	4,700,771	2,216,142	80,114,066
Accruals and deferrals	243,974	366,455	774,037	2,610,654	13,436	118,512	3,098,172	7,225,240
Non-current assets held for sale	3,198	14,707	32,405	86,493	1,841	13,918	3,215	155,777
	<b>1,110,034,606</b>	<b>492,678,737</b>	<b>593,665,720</b>	<b>924,583,557</b>	<b>41,188,960</b>	<b>197,789,435</b>	<b>309,900,660</b>	<b>3,669,841,674</b>

(continuation)

(amounts in euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Liabilities</b>								
Provision for unearned premiums	59,983,216	63,059,900	147,595,780	220,193,367	6,712,359	29,435,490	9,031,261	536,011,373
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	973,174,399	140,902,474	187,629,240	447,165,030	15,276,937	112,595,360	49,278,169	1,926,021,609
Provision for profit sharing	-	-	1,750	-	-	-	1	1,751
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	28,966,342	91,167	-	61,682	-	29,119,191
Provision for unexpired risks	997,564	4,912,646	4,152,052	19,473,870	-	1,801,686	224,722	31,562,540
Financial liabilities	1,338,082	83,885,445	22,081,958	15,525,103	549,851	1,592,374	121,005,799	245,978,612
Liabilities for post-employment and other long-term benefits	-	4,661	-	1,881	-	-	272,854	279,396
Other creditors for insurance and other operations	19,879,733	55,078,027	55,653,179	29,039,180	2,687,985	11,149,359	19,620,848	193,108,310
Tax liabilities	21,392,101	4,685,684	12,873,542	24,415,819	538,000	2,096,818	1,864,640	67,866,604
Accruals and deferrals	9,851,126	14,236,791	15,033,392	30,342,750	505,890	3,075,447	15,658,786	88,704,182
Other provisions	75,698,415	114,858	-	118,447	-	-	145,186	76,076,906
Liabilities from a group for disposal classified as held for sale	552,021	51,054	112,486	300,244	6,391	48,313	11,162	1,081,671
	<b>1,162,866,657</b>	<b>366,931,540</b>	<b>474,099,721</b>	<b>786,666,858</b>	<b>26,277,413</b>	<b>161,856,529</b>	<b>217,113,428</b>	<b>3,195,812,144</b>

2018

(amounts in euros)

	Insurance segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
<b>Gains and losses</b>						
Earned premiums net of reinsurance	445,522,926	1,281,649,431	72,264	-	5,675,957	1,732,920,578
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,224,954	-	-	-	-	1,224,954
Claims costs, net of reinsurance	(265,673,817)	(992,860,590)	-	(48,678,357)	102,935,920	(1,204,276,844)
Other technical provisions, net of reinsurance	(17,011,278)	11,047,219	-	-	-	(5,964,059)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(138,103,136)	(3,500,532)	-	-	3,299,046	(138,304,622)
Operating costs and expenses, net	(101,316,911)	(334,108,219)	(1)	-	(5,221,204)	(440,646,335)
Financial income	309,288,375	71,305,394	102,644,023	(8,618)	(90,870,652)	392,358,522
Financial expenses and net income on financial assets and liabilities	164,265,786	16,679,437	(24,730,815)	9,909	(20,414,651)	135,809,666
Impairment losses (net of reversals)	(166,342,193)	(41,854,616)	(132,312,600)	(1,670,584)	152,845,553	(189,334,440)
Other income/expenses	403,892	40,571,597	11,383,132	60,976,706	(95,456,758)	17,878,569
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	116,573,579	-	(3,498,380)	113,075,199
Current income tax	(42,493,543)	(33,637,776)	(46,043,760)	(1,679,087)	2,878,590	(120,975,576)
Non-controlling interests	-	-	-	(58,656)	(52,000,850)	(52,059,506)
	<b>189,765,055</b>	<b>15,291,345</b>	<b>27,585,822</b>	<b>8,891,313</b>	<b>172,571</b>	<b>241,706,106</b>
<b>Assets</b>						
Cash and cash equivalents and sight deposits	577,861,540	56,127,969	366,369,072	59,723,565	-	1,060,082,146
Investments in associates and joint ventures	1,217,666,334	310,584,879	2,808,411,574	952,090	(4,335,307,731)	2,307,146
Financial assets held for trading	11,796,723	1,813,234	10,889,448	-	(7,885,804)	16,613,601
Financial assets initially recognised at fair value through profit or loss	328,457,084	63,745,588	471,675,674	769,676	(1,969,282)	862,678,740
Hedge derivatives	2,267,528	1,855,423	261,418	-	-	4,384,369
Available-for-sale assets	8,816,278,840	1,404,296,276	492,048,980	59,863	(564,373,145)	10,148,310,814
Loans and accounts receivable	1,521,654,479	525,746,320	355,173,089	-	(308,414,992)	2,094,158,896
Properties	9,613,634	172,052,029	1,489,961,021	403,862,563	(124,127)	2,075,365,120
Other tangible and intangible assets	6,812,596	29,153,364	690,611	63,701,442	-	100,358,014
Goodwill	-	-	-	148,573,534	334,959,277	483,532,811
Technical provisions for reinsurance ceded	23,382,812	321,535,083	-	-	(121,309,838)	223,608,057
Asset for post-employment and other long-term benefits	-	-	7,299,079	-	-	7,299,079
Other debtors for insurance and other operations	49,939,200	190,522,406	228,041,463	91,516,567	113,488,295	673,507,931
Tax assets	175,425,916	95,277,695	73,474,824	13,370,585	1,860,815	359,409,835
Accruals and deferrals	13,253,520	4,763,269	9,613,870	57,732,717	1,430,975	86,794,351
Non-current assets held for sale	-	152,579	4,270,663	-	-	4,423,242
	<b>12,754,410,206</b>	<b>3,177,626,114</b>	<b>6,318,180,786</b>	<b>840,262,602</b>	<b>(4,887,645,557)</b>	<b>18,202,834,152</b>
<b>Liabilities</b>						
Provision for unearned premiums	1,634,440	315,654,076	(62,162)	-	(30,087,944)	287,138,410
Mathematical provision for life insurance	1,907,427,795	-	-	-	-	1,907,427,795
Claims provision	119,112,004	1,801,689,998	-	-	(104,237,891)	1,816,564,111
Provision for profit sharing	81,083,956	20,564	-	-	-	81,104,520
Provision for interest rate commitments	22,683,110	-	-	-	-	22,683,110
Provision for portfolio stabilisation	26,254,032	-	-	-	-	26,254,032
Equalisation provision	-	27,302,513	-	-	-	27,302,513
Provision for unexpired risks	-	36,514,181	-	-	-	36,514,181
Financial liabilities	9,288,350,690	130,715,509	369,965,039	357,390,355	(88,072,491)	10,058,349,102
Liabilities for post-employment and other long-term benefits	-	231,526	83,423	-	-	314,949
Other creditors for insurance and other operations	26,761,598	165,730,341	374,949,377	61,131,167	(98,284,380)	530,288,103
Tax liabilities	75,021,731	58,332,492	34,026,451	25,104,436	(8,907,426)	183,577,684
Accruals and deferrals	47,392,152	65,543,117	15,943,253	69,531,225	(334,617)	198,075,130
Other provisions	-	74,045,930	25,672,691	11,754,017	-	111,472,638
Liabilities from a group for disposal classified as held for sale	-	529,650	-	-	-	529,650
	<b>11,595,721,508</b>	<b>2,676,309,897</b>	<b>820,578,072</b>	<b>524,911,200</b>	<b>(329,924,749)</b>	<b>15,287,595,928</b>
<b>Total segments</b>						<b>2,673,532,117</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>2,673,532,117</b>

2018

(amounts in euros)

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	185,400,256	260,122,670	-	445,522,926
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	1,224,954	1,224,954
Claims costs, net of reinsurance	(91,672,200)	(174,001,617)	-	(265,673,817)
Other technical provisions, net of reinsurance	(1,848,968)	(15,162,310)	-	(17,011,278)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(11,937,557)	(126,165,579)	-	(138,103,136)
Operating costs and expenses, net	(27,187,862)	(11,100,931)	(63,028,118)	(101,316,911)
Financial income	14,238,983	42,037,253	253,012,139	309,288,375
Financial expenses and net income on financial assets and liabilities	10,386,723	(1,396,855)	155,275,918	164,265,786
Impairment losses (net of reversals)	(7,426,503)	(2,819,483)	(156,096,207)	(166,342,193)
Other income/expenses	560,988	(16,810)	(140,286)	403,892
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-
Current income tax	(10,988,267)	(219,344)	(31,285,932)	(42,493,543)
Non-controlling interests	-	-	-	-
	<b>59,525,593</b>	<b>(28,723,006)</b>	<b>158,962,468</b>	<b>189,765,055</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	26,984,245	78,888,505	471,988,790	577,861,540
Investments in associates and joint ventures	40,745,483	-	1,176,920,851	1,217,666,334
Financial assets held for trading	107,435	1,776,488	9,912,800	11,796,723
Financial assets initially recognised at fair value through profit or loss	4,598,084	104,373,966	219,485,034	328,457,084
Hedge derivatives	12,997	11,695	2,242,836	2,267,528
Available-for-sale assets	281,409,313	1,550,026,557	6,984,842,970	8,816,278,840
Loans and accounts receivable	44,961,327	127,237,020	1,349,456,132	1,521,654,479
Properties	9,267,680	345,954	-	9,613,634
Other tangible and intangible assets	3,308,810	717,399	2,786,387	6,812,596
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	23,382,812	-	-	23,382,812
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	12,233,975	9,673,143	28,032,082	49,939,200
Tax assets	9,759,198	2,287,658	163,379,060	175,425,916
Accruals and deferrals	328,846	1,162,352	11,762,322	13,253,520
Non-current assets held for sale	-	-	-	-
	<b>457,100,205</b>	<b>1,876,500,737</b>	<b>10,420,809,264</b>	<b>12,754,410,206</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,626,030	8,410	-	1,634,440
Mathematical provision for life insurance	216,812,557	1,690,615,238	-	1,907,427,795
Claims provision	99,447,975	19,664,029	-	119,112,004
Provision for profit sharing	35,092,023	45,991,933	-	81,083,956
Provision for interest rate commitments	-	22,683,110	-	22,683,110
Provision for portfolio stabilisation	26,254,032	-	-	26,254,032
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	3,821,647	1,300,907	9,283,228,136	9,288,350,690
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	8,257,985	2,530,703	15,972,910	26,761,598
Tax liabilities	5,373,621	3,337,050	66,311,060	75,021,731
Accruals and deferrals	6,124,605	5,409,039	35,858,508	47,392,152
Other provisions	-	-	-	-
Liabilities from a group for disposal classified as held for sale	-	-	-	-
	<b>402,810,475</b>	<b>1,791,540,419</b>	<b>9,401,370,614</b>	<b>11,595,721,508</b>

2018

(amounts in euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	208,091,959	308,749,414	169,957,871	484,387,545	8,313,074	27,751,811	74,397,757	1,281,649,431
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(206,740,043)	(253,211,816)	(103,430,853)	(362,191,015)	(3,240,868)	(8,279,829)	(55,766,166)	(992,860,590)
Other technical provisions, net of reinsurance	4,781,941	(3,562,470)	2,558,049	7,665,007	(177,117)	(241,571)	23,380	11,047,219
Mathematical provision for life insurance and profit sharing, net of reinsurance	-	-	(197,937)	-	-	-	(3,302,595)	(3,500,532)
Operating costs and expenses, net	(41,865,161)	(59,130,944)	(67,728,582)	(138,994,324)	(2,569,138)	(12,895,605)	(10,924,465)	(334,108,219)
Financial income	24,502,196	6,196,345	12,504,987	21,499,557	609,445	3,983,475	2,009,389	71,305,394
Financial expenses and net income on financial assets and liabilities	(1,844,252)	3,137,095	4,865,511	7,391,331	308,397	1,026,559	1,794,796	16,679,437
Impairment losses (net of reversals)	(16,859,782)	(2,632,857)	(6,432,444)	(12,790,527)	(407,494)	(2,772,859)	41,347	(41,854,616)
Other income/expenses	281,189	325,463	11,915,731	26,717,498	(8,665)	2,482	1,337,899	40,571,597
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	-	-	-
Current income tax	(317,930)	(3,628,689)	(8,397,993)	(15,058,924)	(407,546)	(2,441,490)	(3,385,204)	(33,637,776)
Non-controlling interests	-	-	-	-	-	-	-	-
	<b>(29,969,883)</b>	<b>(3,758,459)</b>	<b>15,614,340</b>	<b>18,626,148</b>	<b>2,420,088</b>	<b>6,132,973</b>	<b>6,226,138</b>	<b>15,291,345</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	8,699,727	20,526,200	6,416,055	11,477,895	179,468	988,192	7,840,432	56,127,969
Investments in associates and joint ventures	277,023,792	2,581,119	5,991,110	15,921,889	351,851	2,462,039	6,253,079	310,584,879
Financial assets held for trading	485,937	103,889	385,443	669,126	14,730	126,699	27,410	1,813,234
Financial assets initially recognised at fair value through profit or loss	-	5,738,166	13,725,525	36,408,061	806,084	5,640,487	1,427,265	63,745,588
Hedge derivatives	443,466	126,559	304,332	807,005	17,873	125,065	31,123	1,855,423
Available-for-sale assets	537,093,402	116,214,215	187,422,532	425,308,902	7,968,826	61,799,565	68,488,834	1,404,296,276
Loans and accounts receivable	95,023,085	115,781,725	75,585,865	191,736,265	4,256,233	29,216,115	14,147,032	525,746,320
Properties	7,589,007	28,462,865	35,383,899	81,129,700	2,682,025	14,227,265	2,577,268	172,052,029
Other tangible and intangible assets	3,405,595	2,757,342	6,905,242	13,058,567	204,505	1,542,623	1,279,490	29,153,364
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	4,571,174	87,474,084	170,459,151	9,465,911	7,868,306	20,817,652	20,878,805	321,535,083
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	20,273,904	62,417,321	52,873,309	34,230,722	2,835,293	8,911,298	8,980,559	190,522,406
Tax assets	17,992,011	6,169,001	17,941,669	42,960,298	989,513	6,655,019	2,570,184	95,277,695
Accruals and deferrals	355,456	358,483	1,000,229	2,433,366	18,060	137,150	460,525	4,763,269
Non-current assets held for sale	-	13,677	32,886	87,205	1,931	13,514	3,366	152,579
	<b>972,956,556</b>	<b>448,724,646</b>	<b>574,427,247</b>	<b>865,694,912</b>	<b>28,194,698</b>	<b>152,662,683</b>	<b>134,965,372</b>	<b>3,177,626,114</b>

(continuation)

(amounts in euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Liabilities</b>								
Provision for unearned premiums	13,632,859	54,485,510	79,680,107	150,579,489	1,696,010	8,599,241	6,980,860	315,654,076
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	872,424,074	126,653,146	212,018,069	431,537,642	11,820,806	101,610,568	45,625,693	1,801,689,998
Provision for profit sharing	-	-	16,905	-	-	-	3,659	20,564
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	27,169,158	71,673	-	61,682	-	27,302,513
Provision for unexpired risks	1,331,772	3,755,245	3,485,649	26,468,106	190,202	1,191,885	91,322	36,514,181
Financial liabilities	1,589,987	79,457,143	27,054,787	3,253,278	560,892	1,975,488	16,823,934	130,715,509
Liabilities for post-employment and other long-term benefits	-	3,716	-	2,266	-	-	225,544	231,526
Other creditors for insurance and other operations	19,254,173	56,211,583	43,290,936	23,397,378	2,632,412	7,860,312	13,083,547	165,730,341
Tax liabilities	15,120,773	3,747,766	11,912,570	23,021,457	502,607	1,989,510	2,037,809	58,332,492
Accruals and deferrals	8,366,925	11,143,105	13,205,443	26,531,664	499,644	2,351,189	3,445,147	65,543,117
Other provisions	73,785,011	332	-	91,515	-	-	169,072	74,045,930
Liabilities from a group for disposal classified as held for sale	-	47,478	114,158	302,714	6,704	46,913	11,683	529,650
	<b>1,005,505,574</b>	<b>335,505,024</b>	<b>417,947,782</b>	<b>685,257,182</b>	<b>17,909,277</b>	<b>125,686,788</b>	<b>88,498,270</b>	<b>2,676,309,897</b>

## Mercados geográficos

2019

(amounts in euros)

	Geographical segment						Consolidation adjustments	Total
	Portugal	Rest of European Union	Africa	Asia	South America	Rest of World		
<b>Gains and losses</b>								
Earned premiums net of reinsurance	1,900,722,764	55,927,571	44,279,150	93,545,854	357,024,870	-	6,899,420	2,458,399,629
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,163,741	52,126	-	-	-	-	-	1,215,867
Claims costs, net of reinsurance	(1,316,759,666)	(44,885,151)	(30,482,108)	(8,000,340)	(178,344,194)	-	107,438,671	(1,471,032,788)
Other technical provisions, net of reinsurance	(5,607,928)	206,262	388,953	30,386	1,376,974	-	-	(3,605,353)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(279,680,709)	(2,249,701)	(1,183,018)	(82,867,217)	(10,725,502)	-	3,098,192	(373,607,955)
Operating costs and expenses, net	(420,492,724)	(21,651,467)	(17,550,661)	(4,394,307)	(179,017,225)	-	(1,250,600)	(644,356,984)
Financial income	317,600,825	52,191,965	2,993,719	27,949,626	69,098,413	971	(58,794,776)	411,040,743
Financial expenses and net income on financial assets and liabilities	33,537,100	39,672,333	11,586,765	(10,302,706)	3,492,623	(22,882)	(20,298,614)	57,664,619
Impairment losses (net of reversals)	(131,377,354)	(42,647,048)	(636,679)	(158,900)	(3,831,868)	-	32,433,755	(146,218,094)
Other income/expenses	88,267,345	(374,429)	(3,696,901)	2,127,520	(27,385,176)	(3,336)	(111,720,104)	(52,785,081)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	-	-	-
Current income tax	10,637,991	23,882,681	(1,814,095)	(3,659,642)	(3,683,784)	-	(31,714,010)	(6,350,859)
Non-controlling interests	80,316	-	-	-	-	-	(52,853,168)	(52,772,852)
	<b>198,091,701</b>	<b>60,125,142</b>	<b>3,885,125</b>	<b>14,270,274</b>	<b>28,005,131</b>	<b>(25,247)</b>	<b>(126,761,234)</b>	<b>177,590,892</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	613,377,928	102,187,645	14,312,516	57,370,689	111,445,120	579,042	-	899,272,940
Investments in associates and joint ventures	4,725,809,384	277,588,257	11,584	98,268,834	237,017,623	-	(5,334,716,600)	3,979,082
Financial assets held for trading	40,291,253	1,094,049	-	-	-	-	(19,546,282)	21,839,020
Financial assets initially recognised at fair value through profit or loss	556,699,143	390,835,227	-	27,704,134	16,228,661	-	(18,383,716)	973,083,449
Hedge derivatives	5,325,203	-	-	-	278,183	-	(1,926,441)	3,676,945
Available-for-sale assets	9,973,165,828	832,445,703	5,688,112	-	1,078,863,846	-	(698,926,376)	11,191,237,113
Loans and accounts receivable	1,315,277,623	58,965,688	34,918,835	151,775,313	161,863,204	-	(337,733,703)	1,385,066,960
Held-to-maturity investments	1,074,167,759	-	-	-	-	-	-	1,074,167,759
Properties	1,187,675,394	919,689,582	35,542,718	478,463,089	226,775,318	-	(11,654,715)	2,836,491,386
Other tangible and intangible assets	48,775,049	(4,437,409)	3,030,677	265,628	188,559,010	-	-	236,192,955
Goodwill	154,226,219	-	-	-	-	-	373,876,983	528,103,202
Technical provisions for reinsurance ceded	217,305,035	47,399,597	10,535,958	13,565,549	159,029,819	-	(101,752,623)	346,083,335
Asset for post-employment and other long-term benefits	4,302,237	-	-	-	-	-	-	4,302,237
Other debtors for insurance and other operations	392,952,184	41,053,353	32,602,387	10,664,629	120,687,137	-	159,869,318	757,829,008
Tax assets	259,638,237	34,105,455	-	662,463	10,113,251	1,208	(32,018,215)	272,502,399
Accruals and deferrals	82,323,034	1,547,767	517,136	659,360	3,203,952	-	(95,223)	88,156,026
Non-current assets held for sale	4,327,134	-	-	-	-	-	-	4,327,134
	<b>20,655,638,644</b>	<b>2,702,474,914</b>	<b>137,159,923</b>	<b>839,399,688</b>	<b>2,314,065,124</b>	<b>580,250</b>	<b>(6,023,007,593)</b>	<b>20,626,310,950</b>

(continuation)

(amounts in euros)

	Geographical segment						Consolidation adjustments	Total
	Portugal	Rest of European Union	Africa	Asia	South America	Rest of World		
<b>Liabilities</b>								
Provision for unearned premiums	306,256,850	9,771,694	16,538,211	8,687,555	199,347,418	-	(30,486,311)	510,115,417
Mathematical provision for life insurance	1,790,210,355	345,680,893	3,868,498	137,085,447	886,997,077	-	-	3,163,842,270
Claims provision	1,785,607,426	55,387,223	23,983,215	15,473,565	230,775,287	-	(81,124,036)	2,030,102,680
Provision for profit sharing	82,181,628	3,112,901	-	75,455	-	-	-	85,369,984
Provision for interest rate commitments	29,102,543	69,312	-	-	220,204	-	-	29,392,059
Provision for portfolio stabilisation	26,462,475	-	-	-	-	-	-	26,462,475
Equalisation provision	29,071,541	39,332	-	8,318	-	-	-	29,119,191
Provision for unexpired risks	11,849,898	316,580	263,251	315,811	19,045,864	-	-	31,791,404
Financial liabilities	9,549,360,512	132,644,921	2,884,216	311,094,941	103,768,451	-	(130,124,158)	9,969,628,883
Liabilities for post-employment and other long-term benefits	364,474	-	-	-	-	-	-	364,474
Other creditors for insurance and other operations	259,464,447	282,127,307	41,748,326	18,734,465	87,895,536	-	(67,724,911)	622,245,170
Tax liabilities	181,937,516	9,907,379	4,321,446	18,017,526	26,648,437	-	(12,697,344)	228,134,960
Accruals and deferrals	207,050,686	11,953,036	3,162,695	9,082,229	11,476,520	1,199	(1,083,181)	241,643,184
Other provisions	122,998,450	3,584,900	995,049	-	5,322,575	-	-	132,900,974
Liabilities from a group for disposal classified as held for sale	1,081,671	-	-	-	-	-	-	1,081,671
	<b>14,383,000,472</b>	<b>854,595,478</b>	<b>97,764,907</b>	<b>518,575,312</b>	<b>1,571,497,369</b>	<b>1,199</b>	<b>(323,239,941)</b>	<b>17,102,194,796</b>
<b>Total Segments</b>								<b>3,346,525,262</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>								<b>3,346,525,262</b>

2018

(amounts in euros)

	Geographical segment						Consolidation adjustments	Total
	Portugal	Rest of European Union	Africa	Asia	South America	Rest of World		
<b>Gains and losses</b>								
Earned premiums net of reinsurance	1,581,297,119	51,553,531	49,607,337	44,786,634	-	-	5,675,957	1,732,920,578
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,171,783	53,171	-	-	-	-	-	1,224,954
Claims costs, net of reinsurance	(1,237,917,617)	(33,532,659)	(25,999,221)	(9,763,267)	-	-	102,935,920	(1,204,276,844)
Other technical provisions, net of reinsurance	(6,283,280)	515,441	(121,675)	(74,545)	-	-	-	(5,964,059)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(100,055,053)	(7,583,044)	(1,331,763)	(32,633,808)	-	-	3,299,046	(138,304,622)
Operating costs and expenses, net	(392,052,629)	(20,361,044)	(19,559,679)	(3,451,779)	-	-	(5,221,204)	(440,646,335)
Financial income	406,211,362	43,724,246	3,402,597	29,707,116	-	183,853	(90,870,652)	392,358,522
Financial expenses and net income on financial assets and liabilities	144,218,695	(5,711,239)	14,932,352	3,505,656	(28,666)	(692,481)	(20,414,651)	135,809,666
Impairment losses (net of reversals)	(278,273,790)	(73,701,525)	(1,422,302)	(32,376)	-	-	152,845,553	(200,584,440)
Other income/expenses	129,644,473	(4,015,202)	(12,505,125)	550,437	248,201	(587,458)	(95,456,758)	17,878,568
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	116,573,579	-	-	-	-	-	(3,498,380)	113,075,199
Current income tax	(98,312,172)	(8,904,991)	(2,337,116)	(2,985,124)	(64,763)	-	2,878,590	(109,725,576)
Non-controlling interests	(58,656)	-	-	-	-	-	(52,000,850)	(52,059,506)
	<b>266,163,814</b>	<b>(57,963,315)</b>	<b>4,665,405</b>	<b>29,608,944</b>	<b>154,772</b>	<b>(1,096,086)</b>	<b>172,571</b>	<b>241,706,106</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	871,181,251	70,432,440	8,294,949	78,613,482	30,951,169	608,855	-	1,060,082,146
Investments in associates and joint ventures	3,971,529,881	270,856,755	11,713	95,216,528	-	-	(4,335,307,731)	2,307,146
Financial assets held for trading	24,069,333	430,072	-	-	-	-	(7,885,804)	16,613,601
Financial assets initially recognised at fair value through profit or loss	580,732,638	267,763,568	-	16,151,816	-	-	(1,969,282)	862,678,740
Hedge derivatives	4,380,230	4,139	-	-	-	-	-	4,384,369
Available-for-sale assets	9,811,923,496	895,797,119	4,963,344	-	-	-	(564,373,145)	10,148,310,814
Loans and accounts receivable	2,166,194,248	36,284,423	30,386,070	77,899,594	91,809,553	-	(308,414,992)	2,094,158,896
Properties	879,925,566	706,589,589	42,705,062	446,269,030	-	-	(124,127)	2,075,365,120
Other tangible and intangible assets	96,152,946	522,959	3,364,062	318,046	-	-	-	100,358,013
Goodwill	148,573,534	-	-	-	-	-	334,959,277	483,532,811
Technical provisions for reinsurance ceded	240,016,167	65,717,970	10,997,957	28,185,801	-	-	(121,309,838)	223,608,057
Asset for post-employment and other long-term benefits	7,299,079	-	-	-	-	-	-	7,299,079
Other debtors for insurance and other operations	474,612,082	38,053,943	42,147,138	3,757,757	-	-	113,488,295	672,059,215
Tax assets	361,440,696	150,541	-	-	3,190	1,419	1,860,815	363,456,661
Accruals and deferrals	82,913,571	1,663,408	378,885	407,512	-	-	1,430,975	86,794,351
Non-current assets held for sale	4,352,580	-	70,662	-	-	-	-	4,423,242
	<b>19,725,297,298</b>	<b>2,354,266,926</b>	<b>143,319,842</b>	<b>746,819,566</b>	<b>122,763,912</b>	<b>610,274</b>	<b>(4,887,645,557)</b>	<b>18,205,432,261</b>

(continuation)

(amounts in euros)

	Geographical segment						Consolidation adjustments	Total
	Portugal	Rest of European Union	Africa	Asia	South America	Rest of World		
<b>Liabilities</b>								
Provision for unearned premiums	287,907,106	8,741,383	14,655,585	5,922,280	-	-	( 30,087,944 )	287,138,410
Mathematical provision for life insurance	1,503,873,432	345,196,390	3,515,387	54,842,586	-	-	-	1,907,427,795
Claims provision	1,792,354,301	71,876,331	22,740,825	33,830,545	-	-	( 104,237,891 )	1,816,564,111
Provision for profit sharing	77,597,702	3,455,664	2,096	49,058	-	-	-	81,104,520
Provision for interest rate commitments	22,613,798	69,312	-	-	-	-	-	22,683,110
Provision for portfolio stabilisation	26,254,032	-	-	-	-	-	-	26,254,032
Equalisation provision	27,258,672	35,727	-	8,114	-	-	-	27,302,513
Provision for unexpired risks	34,997,135	526,447	652,203	338,396	-	-	-	36,514,181
Financial liabilities	9,715,246,609	118,990,256	2,542,405	309,642,323	-	-	( 88,072,491 )	10,058,349,102
Liabilities for post-employment and other long-term benefits	314,949	-	-	-	-	-	-	314,949
Other creditors for insurance and other operations	293,629,410	248,784,933	53,996,011	30,711,037	-	2,376	( 98,284,380 )	528,839,387
Tax liabilities	158,495,355	5,522,137	5,982,491	15,217,660	64,293	-	( 8,907,426 )	176,374,510
Accruals and deferrals	187,198,694	5,770,976	3,336,406	2,091,865	-	11,806	( 334,617 )	198,075,130
Other provisions	121,466,004	448,299	808,335	-	-	-	-	122,772,638
Liabilities from a group for disposal classified as held for sale	529,650	-	-	-	-	-	-	529,650
	<b>14,249,736,849</b>	<b>809,417,855</b>	<b>108,231,744</b>	<b>452,653,864</b>	<b>64,293</b>	<b>14,182</b>	<b>( 329,924,749 )</b>	<b>15,290,194,038</b>
<b>Total Segments</b>								<b>2,673,532,117</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>								<b>2,673,532,117</b>

The headings "Other debtors for insurance and other operations" and "Tax assets" are broken down differently between Assets and Liabilities, when compared to the Financial Statements due to the fact that the process of allocation by segments leads to a different breakdown of balances.

## 48. RELATED PARTIES

The Longrun Group's related parties are deemed to be the subsidiaries and associates of the Fosun Group, and Caixa Geral de Depósitos, S.A., and respective management bodies.

At 31 December 2019 and 2018 the Group's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2019

(amounts in euros)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Millennium Gain Ltd (1)	Peak Reinsurance Company (5)	Xingtao Assets Limited (5)	FOSUN MANAGEMENT (PORTUGAL), LDA (5)
<b>Assets</b>						
Cash and cash equivalents	379,583,574	-	-	-	-	-
Financial assets held for trading	63,064	-	-	-	-	-
Financial assets initially recognised						
at fair value through profit or loss	25,469,831	-	-	-	-	-
Available-for-sale investments	82,064,001	-	-	-	269,979,750	-
Loans and accounts receivable	19,259,979	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	2,577,276	-	-
Accounts receivable for direct insurance operations	454,907	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	2,582,922	-	-
Accounts receivable for other operations	16,972,766	-	-	-	42,512	576
<b>Liabilities</b>						
Claims provision	-	-	-	55,972	-	-
Financial liabilities held for trading	3,226,034	-	-	-	-	-
Other financial liabilities	14,928,530	-	-	4,187,238	-	-
Accounts payable for direct insurance operations	4,128,143	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	342,472	-	-
Accounts payable for other operations	899,513	5,269,099	1,000	-	-	-
Accruals and deferrals	27,322,660	-	-	-	-	-
<b>Gains and Losses</b>						
Gross premiums written	117,641	-	-	-	-	-
Reinsurance ceded premiums	-	-	-	(10,248,770)	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	106,346	-	-
Claims costs, net of reinsurance	(41,915)	-	-	3,057,513	-	-
Operating costs and expenses, net	(52,989,726)	-	-	1,554,174	-	-
Financial income	6,940,703	-	-	-	8,923,971	-
Financial expenses	(4,117,616)	-	-	(1,414)	-	-
Net income on financial assets and liabilities not recognised						
at fair value through profit or loss	977,141	500,548	-	-	-	-
Net income on financial assets and liabilities recognised						
at fair value through profit or loss	1,797,590	-	-	-	-	-
Exchange differences	10,843,809	-	-	-	-	-
Other income/expenses	(68,989)	-	-	-	-	189

(amounts in euros)

	Hauk & Aufhäuser Privatbankiers AG (5)	Everest Healthcare Properties, LLC (5)	Banco Comercial Português, S.A. (5)	Fosun Asset Management Limited (5)	H&A Global Investment Management GmbH (5)	Total
<b>Assets</b>						
Cash and cash equivalents	17,778,410	-	28,085,685	-	-	425,447,669
Financial assets held for trading	-	-	-	-	-	63,064
Financial assets initially recognised at fair value through profit or loss	-	16,889,117	28,118,167	-	-	70,477,115
Available-for-sale investments	-	-	32,305,444	-	-	384,349,195
Loans and accounts receivable	-	-	1,912,172	-	-	21,172,151
Technical provisions on reinsurance ceded	-	-	-	-	-	2,577,276
Accounts receivable for direct insurance operations	-	-	-	-	-	454,907
Accounts receivable for other reinsurance operations	-	-	-	-	-	2,582,922
Accounts receivable for other operations	-	-	-	-	-	17,015,854
<b>Liabilities</b>						
Claims provision	-	-	-	-	-	55,972
Financial liabilities held for trading	-	-	-	-	-	3,226,034
Other financial liabilities	-	-	-	-	-	19,115,768
Accounts payable for direct insurance operations	-	-	-	-	-	4,128,143
Accounts payable for other reinsurance operations	-	-	-	-	-	342,472
Accounts payable for other operations	-	-	-	-	-	6,169,612
Accruals and deferrals	64,000	-	-	70,500	46,125	27,503,285
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	-	-	117,641
Reinsurance ceded premiums	-	-	-	-	-	(10,248,770)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	106,346
Claims costs, net of reinsurance	-	-	-	-	-	3,015,598
Operating costs and expenses, net	-	-	-	(2,541)	-	(51,438,093)
Financial income	26,718	-	2,611,037	-	-	18,502,429
Financial expenses	(325,919)	-	(11,639)	(360,105)	(140,465)	(4,957,158)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	-	-	1,477,689
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	968,697	2,732,750	-	-	5,499,037
Exchange differences	(45,596)	300,333	22,858	-	-	11,121,404
Other income/expenses	-	-	-	-	-	(68,800)

2018

(amounts in euros)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Millennium Gain Ltd (1)	Peak Reinsurance Company (5)	Xingtiao Assets Limited (5)	FOSUN MANAGEMENT (PORTUGAL), LDA (5)
<b>Assets</b>						
Cash and cash equivalents	294,089,356	-	-	-	-	-
Financial assets held for trading	27,806	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	21,822,191	-	-	-	-	-
Available-for-sale investments	50,295,477	12,248,844	-	-	270,114,750	-
Loans and accounts receivable	307,807,457	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	1,843,668	-	-
Accounts receivable for direct insurance operations	857,764	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	355,544	-	-
Accounts receivable for other operations	16,959,908	-	-	-	42,512	474
Accruals and deferrals	15,272	-	-	-	-	-
<b>Liabilities</b>						
Claims provision	-	-	-	55,972	-	-
Financial liabilities held for trading	4,469,613	-	-	-	-	-
Other financial liabilities	31,600,000	-	-	2,084,856	-	-
Accounts payable for direct insurance operations	4,485,183	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	5,083,684	-	-
Accounts payable for other operations	996,969	5,269,099	1,000	-	-	-
Accruals and deferrals	26,860,340	-	-	-	-	-
<b>Gains and Losses</b>						
Gross premiums written	95,066	-	-	-	-	-
Reinsurance ceded premiums	-	-	-	(8,394,689)	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	6,800	-	-
Claims costs, net of reinsurance	(62,038)	-	-	4,992,689	-	-
Operating costs and expenses, net	(59,919,723)	-	-	1,643,935	-	-
Financial income	3,664,946	-	-	-	8,904,047	-
Financial expenses	(4,171,049)	-	-	(2,979)	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	11	-	-	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	14,918	-	-	-	-	-
Exchange differences	3,361,373	-	-	-	-	-
Impairment losses (net of reversals)	-	(4,578,676)	-	-	-	-
Other income/expenses	(135,487)	-	-	(2,952)	-	261
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	35,371	-	-	-	-	-

(amounts in euros)

	Hauk & Aufhäuser Privatbankiers AG (5)	Everest Healthcare Properties, LLC (5)	FOSUN INDUSTRIAL HOLDINGS (5)	Banco Comercial Português, S.A. (5)	Others	Total
<b>Assets</b>						
Cash and cash equivalents	13,562,870	-	-	90,829,838	-	398,482,064
Financial assets held for trading	-	-	-	-	-	27,806
Financial assets initially recognised at fair value through profit or loss	-	15,620,087	-	-	-	37,442,278
Available-for-sale investments	-	-	-	2,992,554	(51,697)	335,599,928
Loans and accounts receivable	-	-	-	20,880,327	-	328,687,784
Technical provisions on reinsurance ceded	-	-	-	-	-	1,843,668
Accounts receivable for direct insurance operations	-	-	-	-	-	857,764
Accounts receivable for other reinsurance operations	-	-	-	-	-	355,544
Accounts receivable for other operations	-	-	113,822,820	-	35,281	130,860,995
Accruals and deferrals	-	-	-	-	-	15,272
<b>Liabilities</b>						
Claims provision	-	-	-	-	-	55,972
Financial liabilities held for trading	-	-	-	-	-	4,469,613
Other financial liabilities	-	-	-	-	-	33,684,856
Accounts payable for direct insurance operations	-	-	-	-	-	4,485,183
Accounts payable for other reinsurance operations	-	-	-	-	-	5,083,684
Accounts payable for other operations	-	-	-	-	5,888	6,272,956
Accruals and deferrals	-	-	-	-	-	26,860,340
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	-	-	95,066
Reinsurance ceded premiums	-	-	-	-	-	(8,394,689)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	6,800
Claims costs, net of reinsurance	-	-	-	-	(296,564)	4,634,087
Operating costs and expenses, net	-	-	-	-	(523,709)	(58,799,497)
Financial income	15,774	-	4,249,612	-	571,174	17,405,553
Financial expenses	-	-	-	-	-	(4,174,028)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	52,402,976	-	-	52,402,987
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-	14,918
Exchange differences	227,124	(60,256)	-	-	-	3,528,241
Impairment losses (net of reversals)	-	-	-	-	-	(4,578,676)
Other income/expenses	(142,847)	-	-	-	-	(281,025)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	35,371

The related parties are divided into the following categories:

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint Ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.

**Payment of remuneration to statutory bodies**

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

The remuneration and benefits paid to the members of the Corporate Bodies during 2019 were as follows:

(amounts in euros)

Board of Directors	Fixed Remuneration	Variable Remuneration*	Meal allowance	Health insurance	Life insurance
<b>Chairman</b>					
Lingjiang XU	-	-	-	-	-
<b>Members</b>					
Wai Lam William MAK	-	-	-	-	-

(amounts in euros)

Supervisory Boards	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Chairman</b>					
Pedro Antunes de Almeida	14,000	-	-	-	-
<b>Members</b>					
João Filipe Gonçalves Pinto	12,600	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	12,600	-	-	-	-

The non-executive members of the Board of Directors do not receive remuneration.

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, and the companies in their network, related to 2019, are EUR 1,714,613, EUR 1,504,733 of which are related to the Statutory Audit and EUR 209,880 to compliance and assurance services.

Other assurance services basically include:

- Certification of the annual solvency and financial condition report pursuant to Article 3(1) a) of ASF Regulatory Standard No. 2/2017-R, of 24 March (Fidelidade - Companhia de Seguros, S.A., Via Directa - Companhia de Seguros, S.A. and Companhia Portuguesa de Resseguros, S.A.);
- Production of the report on the Risk Management and Internal Control System at Garantia Companhia de Seguros de Cabo Verde, S.A..

## 49. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

### STATEMENTS OF FINANCIAL POSITION

At 31 December 2019 and 2018, the financial instruments had the following balance sheet value:

(amounts in euros)

	2019		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	899,272,940	899,272,940
Investments in associates and joint ventures	1,829,056	2,150,026	3,979,082
Financial assets held for trading	21,839,020	-	21,839,020
Financial assets initially recognised at fair value through profit or loss	973,083,449	-	973,083,449
Hedge derivatives	3,676,945	-	3,676,945
Available-for-sale investments	11,175,408,799	15,828,314	11,191,237,113
Loans and accounts receivable	-	1,385,066,960	1,385,066,960
Held-to-maturity investments	-	1,074,167,759	1,074,167,759
Other debtors	-	289,573,857	289,573,857
	<b>12,175,837,269</b>	<b>3,666,059,856</b>	<b>15,841,897,125</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,926,511,323	1,926,511,323
Financial liabilities held for trading	82,034,738	-	82,034,738
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	138,722,643	8,786,279,047	8,925,001,690
Hedge derivatives	25,705,957	-	25,705,957
Deposits received from reinsurers	-	75,145,827	75,145,827
Other financial liabilities	-	861,740,671	861,740,671
Other creditors	-	229,937,093	229,937,093
	<b>246,463,338</b>	<b>11,879,613,961</b>	<b>12,126,077,299</b>

(amounts in euros)

	2018		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	1,060,082,146	1,060,082,146
Investments in associates and joint ventures	-	2,307,146	2,307,146
Financial assets held for trading	16,613,601	-	16,613,601
Financial assets initially recognised at fair value through profit or loss	862,678,740	-	862,678,740
Hedge derivatives	4,384,369	-	4,384,369
Available-for-sale investments	10,146,503,960	1,806,854	10,148,310,814
Loans and accounts receivable	-	2,094,158,896	2,094,158,896
Held-to-maturity investments	-	-	-
Other debtors	-	201,893,997	201,893,997
	<b>11,030,180,670</b>	<b>3,360,249,039</b>	<b>14,390,429,709</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,636,293,796	1,636,293,796
Financial liabilities held for trading	22,170,498	-	22,170,498
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	40,287,720	9,236,181,723	9,276,469,443
Hedge derivatives	11,154,763	-	11,154,763
Deposits received from reinsurers	-	53,287,505	53,287,505
Other financial liabilities	-	695,266,893	695,266,893
Other creditors	-	144,450,701	144,450,701
	<b>73,612,981</b>	<b>11,765,480,618</b>	<b>11,839,093,599</b>

The amount in the heading "Mathematical provision for life insurance" corresponds to the value of the mathematical provisions of capitalisation products in the life insurance business with profit sharing.

The amount considered in the headings "Other debtors" and "Other creditors" essentially corresponds to the balances receivable and payable from and to insured persons, reinsurers, reinsured persons, brokers, agents and other external entities.

**GAINS AND LOSSES**

In the years ended on 31 December 2019 and 2018, the net gains and losses on financial instruments had the following breakdown:

(amounts in euros)

	2019			2018		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Earned premiums net of reinsurance	439,696,361	-	439,696,361	225,108,218	-	225,108,218
Claims costs, net of reinsurance	(190,836,463)	-	(190,836,463)	(166,265,180)	-	(166,265,180)
Mathematical provision for life insurance, net of reinsurance	(273,454,001)	-	(273,454,001)	(85,653,843)	-	(85,653,843)
Income from financial instruments						
Assets held for trading	(6,419,501)	-	(6,419,501)	(1,596,903)	-	(1,596,903)
Financial assets at fair value through profit or loss	30,344,368	-	30,344,368	22,207,777	-	22,207,777
Available-for-sale investments	279,706,543	-	279,706,543	287,356,092	-	287,356,092
Loans and accounts receivable	14,205,303	-	14,205,303	8,294,867	-	8,294,867
Held-to-maturity investments	6,948,172	-	6,948,172	-	-	-
Sight deposits	1,680,167	-	1,680,167	1,946,822	-	1,946,822
Other financial assets	569,155	-	569,155	-	-	-
Net gains from financial assets and liabilities not recognised at fair value through profit or loss						
Available-for-sale investments	124,795,267	425,106,569	549,901,836	359,274,833	(782,999,276)	(423,724,443)
Loans and accounts receivable	(2,245)	-	(2,245)	(30,104)	-	(30,104)
Financial liabilities at amortised cost	(40,002,921)	-	(40,002,921)	(75,038,389)	-	(75,038,389)
Other	(3,187,453)	-	(3,187,453)	3,385	-	3,385

(continuation)

(amounts in euros)

	2019			2018		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Net gains from financial assets and liabilities recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	(227,270,914)	-	(227,270,914)	(259,827,473)	-	(259,827,473)
Financial assets and liabilities initially recognised at fair value through profit or loss	50,028,426	-	50,028,426	(35,321,742)	-	(35,321,742)
Other	(15,166,709)	-	(15,166,709)	(24,728,202)	-	(24,728,202)
Exchange differences	125,059,276	-	125,059,276	190,143,936	-	190,143,936
Impairment losses (net of reversals)						
Available-for-sale investments	(122,652,049)	-	(122,652,049)	(245,626,850)	-	(245,626,850)
Loans and accounts receivable at amortised cost	(150,576)	-	(150,576)	(91,380)	-	(91,380)
Interest from deposits received from reinsurers	(489,326)	-	(489,326)	(266,896)	-	(266,896)
	<b>193,400,880</b>	<b>425,106,569</b>	<b>618,507,449</b>	<b>199,888,968</b>	<b>(782,999,276)</b>	<b>(583,110,308)</b>

In the years ended on 31 December 2019 and 2018, the income and expenses with interest, calculated according to the effective interest rate method, relating to financial assets and liabilities not recognised at fair value through profit or loss, had the following breakdown:

(amounts in euros)

	2019	2018
<b>Assets</b>		
Available-for-sale investments	234,022,520	247,722,382
Loans and accounts receivable	14,205,303	8,294,867
Held-to-maturity investments	6,948,172	-
Sight deposits	1,680,167	1,946,822
	<b>256,856,162</b>	<b>257,964,071</b>
<b>Liabilities</b>		
Mathematical provision for life insurance	( 29,839,362 )	( 30,521,827 )
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	( 40,002,921 )	( 75,038,389 )
Deposits received from reinsurers	( 489,326 )	( 266,896 )
	<b>( 70,331,609 )</b>	<b>( 105,827,112 )</b>

## OTHER DISCLOSURES

## Fair Value of Financial Instruments

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

(amounts in euros)

	2019			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	899,272,940	899,272,940
Investments in associates and joint ventures	-	-	1,829,056	2,150,026	3,979,082
Financial assets held for trading	21,421,904	417,116	-	-	21,839,020
Financial assets initially recognised					
at fair value through profit or loss	309,488,872	594,226,011	69,368,566	-	973,083,449
Hedge derivatives	3,454,164	222,781	-	-	3,676,945
Available-for-sale investments	9,977,693,481	660,947,308	536,768,010	15,828,314	11,191,237,113
Loans and accounts receivable	-	-	-	1,385,066,960	1,385,066,960
Held-to-maturity investments	-	-	-	1,074,167,759	1,074,167,759
Other debtors	-	-	-	289,573,857	289,573,857
	<b>10,312,058,421</b>	<b>1,255,813,216</b>	<b>607,965,632</b>	<b>3,666,059,856</b>	<b>15,841,897,125</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,926,511,323	1,926,511,323
Financial liabilities of the deposit component					
of insurance contracts and on insurance					
contracts and operations considered for accounting					
purposes as investment contracts	-	138,722,643	-	8,786,279,047	8,925,001,690
Financial liabilities held for trading	8,704,017	73,330,721	-	-	82,034,738
Hedge derivatives	4,138,374	21,567,583	-	-	25,705,957
Deposits received from reinsurers	-	-	-	75,145,827	75,145,827
Other financial liabilities	-	-	-	861,740,671	861,740,671
Other creditors	-	-	-	229,937,093	229,937,093
	<b>12,842,391</b>	<b>233,620,947</b>	<b>-</b>	<b>11,879,613,961</b>	<b>12,126,077,299</b>
	<b>10,299,216,030</b>	<b>1,022,192,269</b>	<b>607,965,632</b>	<b>( 8,213,554,106 )</b>	<b>3,715,819,825</b>

(amounts in euros)

	2018			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	1,060,082,146	1,060,082,146
Investments in associates and joint ventures	-	-	-	2,307,146	2,307,146
Financial assets held for trading	16,492,996	120,605	-	-	16,613,601
Financial assets initially recognised					
at fair value through profit or loss	155,464,045	675,791,761	31,422,934	-	862,678,740
Hedge derivatives	4,384,369	-	-	-	4,384,369
Available-for-sale investments	9,180,003,186	527,051,691	439,449,083	1,806,854	10,148,310,814
Loans and accounts receivable	-	-	-	2,094,158,896	2,094,158,896
Other debtors	-	-	-	201,893,997	201,893,997
	<b>9,356,344,596</b>	<b>1,202,964,057</b>	<b>470,872,017</b>	<b>3,360,249,039</b>	<b>14,390,429,709</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,636,293,796	1,636,293,796
Financial liabilities of the deposit component					
of insurance contracts and on insurance					
contracts and operations considered for accounting					
purposes as investment contracts	-	40,287,720	-	9,236,181,723	9,276,469,443
Financial liabilities held for trading	17,062,342	5,108,156	-	-	22,170,498
Hedge derivatives	156,900	10,997,863	-	-	11,154,763
Deposits received from reinsurers	-	-	-	53,287,505	53,287,505
Other financial liabilities	-	-	-	695,266,893	695,266,893
Other creditors	-	-	-	144,450,701	144,450,701
	<b>17,219,242</b>	<b>56,393,739</b>	<b>-</b>	<b>11,765,480,618</b>	<b>11,839,093,599</b>
	<b>9,339,125,354</b>	<b>1,146,570,318</b>	<b>470,872,017</b>	<b>( 8,405,231,579 )</b>	<b>2,551,336,110</b>

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 - "Fair Value Measurement", of the financial instruments held by the Group at 31 December 2019 and 2018 which are valued at fair value, in line with the following assumptions:

- **Level 1** – Financial instruments valued on the basis of quoted prices in active markets to which the Group has access. Included in this category are securities valued on the basis of executable prices (with immediate liquidity) published by external sources.
- **Level 2** – Financial instruments which are valued based on data which is observable, either directly or indirectly, in active markets. Included in this category are securities valued on the basis of bids supplied by external counterparties and internal valuation techniques which only use observable market data.
- **Level 3** – All the financial instruments measured at fair value which do not fit within Levels 1 and 2.

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

(amounts in euros)

	Available-for-sale investments	Financial assets initially recognised at fair value through profit or loss	Investments in associates and joint ventures
<b>Balances at 31 December 2017</b>	<b>635,253,488</b>	<b>99,395</b>	
Acquisitions	40,561,546	31,334,629	
Revaluations			
as a charge to the income statement	( 20,259,098 )	63,128	
as a charge to shareholders' equity	( 13,003,559 )	-	
Increase / reversal of impairment in the year	( 3,099,221 )	-	
Disposals	( 200,004,073 )	( 74,218 )	
<b>Balances at 31 December 2018</b>	<b>439,449,083</b>	<b>31,422,934</b>	
Acquisitions	124,633,126	51,744,294	2,395,430
Revaluations			
as a charge to the income statement	( 171,560 )	595,154	( 566,374 )
as a charge to shareholders' equity	( 6,649,747 )	-	-
Increase / reversal of impairment in the year	( 1,682,946 )	-	-
Disposals	( 18,809,947 )	( 14,393,816 )	-
<b>Balances at 31 December 2019</b>	<b>536,768,010</b>	<b>69,368,566</b>	<b>1,829,056</b>

At 31 December 2019 and 2018, the balance sheet value and the fair value of the financial assets valued at amortised cost or at historical cost were as follows:

(amounts in euros)

	2019		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	899,272,940	899,272,940	-
Available-for-sale investments	15,828,314	15,828,314	-
Loans and accounts receivable	1,385,066,960	1,385,066,960	-
Held-to-maturity investments	1,074,167,759	1,089,881,501	( 15,713,742 )
Other debtors	289,573,857	289,573,857	-
	<b>3,663,909,830</b>	<b>3,679,623,572</b>	<b>( 15,713,742 )</b>

(amounts in euros)

	2018		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	1,060,082,146	1,060,082,146	-
Available-for-sale investments	1,806,854	1,806,854	-
Loans and accounts receivable	2,094,158,896	2,094,158,896	-
Other debtors	201,893,997	201,893,997	-
	<b>3,357,941,893</b>	<b>3,357,941,893</b>	<b>-</b>

The main assumptions used to calculate the fair value of these assets were:

- The fair value of the financial applications recognised in “Cash and cash equivalents” is the same as their balance sheet value, as essentially they correspond to short-term deposits;
- The heading “Loans and accounts receivable” includes:
  - i) Term deposits – fair value is the same as their balance sheet value, as essentially they correspond to short-term deposits;
  - ii) Mortgage loans – fair value has not been calculated, given the intangible nature of the value and the fact that these are loans given to employees, with real guarantees.

#### Policies on managing financial risks inherent to the Group’s activity

The Group’s objectives, rules and procedures on market risk management are governed by means of its Investments Policy.

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

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

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

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

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

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

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

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

### 1. Definition of the portfolio objective

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

### 2. Rules for investment in assets

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

On the other hand, the assets are well diversified to avoid excessive concentration of risk in the portfolio as a whole.

Lastly, the assets are invested to guarantee a regular cash return, thereby enabling the Group to adequately manage its liquidity.

### 3. Classes of assets

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

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

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

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

#### 4. Exposure limits

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

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

#### 5. Risk management and control process

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

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

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

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

#### Credit risk

At 31 December 2019 and 2018, the Group's exposure to credit risk was as follows:

(amounts in euros)

	2019			2018		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	895,354,310	-	895,354,310	1,027,330,545	-	1,027,330,545
Financial assets initially recognised						
at fair value through profit or loss	557,197,818	-	557,197,818	574,958,035	-	574,958,035
Available-for-sale investments	9,527,076,824	( 49,985,367 )	9,477,091,457	8,987,526,370	( 54,778,794 )	8,932,747,576
Loans and accounts receivable	1,385,913,316	( 846,356 )	1,385,066,960	2,094,854,676	( 695,780 )	2,094,158,896
Held-to-maturity investments	1,074,167,759	-	1,074,167,759	-	-	-
Other debtors	315,343,320	( 25,769,463 )	289,573,857	222,367,424	( 20,473,427 )	201,893,997
<b>Maximum exposure to credit risk</b>	<b>13,755,053,347</b>	<b>( 76,601,186 )</b>	<b>13,678,452,161</b>	<b>12,907,037,050</b>	<b>( 75,948,001 )</b>	<b>12,831,089,049</b>

In 2019 and 2018, the net book value of the available-for-sale investments presented in the table includes shares with credit risk, of EUR 3,002,884 and EUR 5,203, respectively, which are recognised under the heading "Other Instruments" (Note 8).

### Credit quality

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

(amounts in euros)

Class of asset	2019			
	Country of origin			Total
	Portugal	Rest of European Union	Others	
Deposits in credit institutions				
AAA	-	308,392	11,030,505	11,338,897
AA- to AA+	12,139,799	111,556	17,469,092	29,720,447
A- to A+	288,017	662,650,655	231,587,715	894,526,387
BBB- to BBB+	270,618,729	315,091,941	23,933,864	609,644,534
BB- to BB+	426,471,084	-	17,297,793	443,768,877
B- to B+	-	-	12,320,390	12,320,390
CCC- até CCC+	388,912	-	-	388,912
Not rated	9,183,791	49,922,837	196,662,996	255,769,624
	<b>719,090,332</b>	<b>1,028,085,381</b>	<b>510,302,355</b>	<b>2,257,478,068</b>
Deposits in ceding companies				
Not rated	-	-	146,916	146,916
	-	-	<b>146,916</b>	<b>146,916</b>
<b>Total</b>	<b>719,090,332</b>	<b>1,028,085,381</b>	<b>510,449,271</b>	<b>2,257,624,984</b>

(amounts in euros)

Class of asset	2018			
	Country of origin			Total
	Portugal	Rest of European Union	North America	
Deposits in credit institutions				
AA- até AA+	-	-	-	608,855
A- to A+	124,903,474	881,169,122	1,789,324	1,185,339,309
BBB- to BBB+	355,306,244	589,392,212	-	1,036,759,883
BB- to BB+	693,297,753	10,434,805	-	709,459,585
B- to B+	-	-	-	20,131,210
Not rated	10,209,157	45,724,266	-	125,417,815
	<b>1,183,716,628</b>	<b>1,526,720,405</b>	<b>1,789,324</b>	<b>3,077,716,657</b>
Deposits in ceding companies				
Not rated	-	-	-	542,606
	-	-	-	<b>542,606</b>
<b>Total</b>	<b>1,183,716,628</b>	<b>1,526,720,405</b>	<b>1,789,324</b>	<b>3,078,259,263</b>

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 1,362,123,759 and EUR 2,050,386,111, in 2019 and 2018, respectively.

At 31 December 2019 and 2018, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

(amounts in euros)

Class of asset	2019				Total
	Portugal	Rest of European Union	Country of origin North America	Others	
<b>Financial assets initially recognised</b>					
<b>at fair value through profit or loss</b>					
Corporate					
A- to A+	-	5,721,217	51,292,156	1,975,753	58,989,126
BBB- to BBB+	1,440,738	42,871,839	83,481,259	89,169,419	216,963,255
BB- to BB+	1,717,972	2,781,221	1,488,339	447,369	6,434,901
Not rated	1,187,565	36	53,619,570	53,554,475	108,361,646
	<b>4,346,275</b>	<b>51,374,313</b>	<b>189,881,324</b>	<b>145,147,016</b>	<b>390,748,928</b>
Governments and other local authorities					
AAA	-	1,999,616	-	-	1,999,616
AA- to AA+	-	3,138,806	-	-	3,138,806
A- to A+	-	43,495	-	-	43,495
BBB- to BBB+	489,123	8,922,645	-	-	9,411,768
	<b>489,123</b>	<b>14,104,562</b>	<b>-</b>	<b>-</b>	<b>14,593,685</b>
Financial Institutions					
AA- to AA+	-	100,616	-	718,384	819,000
A- to A+	-	1,062,301	1,231,883	4,184,474	6,478,658
BBB- to BBB+	-	8,510,514	38,499,228	1,026,264	48,036,006
BB- to BB+	-	1,068,441	-	-	1,068,441
B- to B+	25,469,640	-	-	-	25,469,640
CCC- to CCC+	28,118,167	-	-	-	28,118,167
	<b>53,587,807</b>	<b>10,741,872</b>	<b>39,731,111</b>	<b>5,929,122</b>	<b>109,989,912</b>
Other issuers					
AAA	-	-	-	2,003,628	2,003,628
AA- to AA+	-	-	-	6,526,407	6,526,407
A- to A+	-	-	-	354,059	354,059
	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,884,094</b>	<b>8,884,094</b>
<b>Total Financial assets initially recognised</b>					
<b>at fair value through profit or loss</b>	<b>58,423,205</b>	<b>76,220,747</b>	<b>229,612,435</b>	<b>159,960,232</b>	<b>524,216,619</b>

(amounts in euros)

Class of asset	2019		
	Country of origin		
	Portugal	Rest of European Union	Total
<b>Held-to-maturity investments</b>			
Governments and other local authorities			
A- até A+	358,706,978	715,460,781	1,074,167,759
	<b>358,706,978</b>	<b>715,460,781</b>	<b>1,074,167,759</b>
<b>Total Held-to-maturity investments</b>	<b>358,706,978</b>	<b>715,460,781</b>	<b>1,074,167,759</b>

(amounts in euros)

Class of asset	2019				
	Country of origin				
	Portugal	Rest of European Union	North America	Others	Total
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AAA	-	-	-	82,029,281	82,029,281
AA- to AA+	-	2,401,378	-	204,496,473	206,897,851
A- to A+	-	320,842,981	130,379,839	594,645,044	1,045,867,864
BBB- to BBB+	-	421,488,623	360,749,170	378,126,450	1,160,364,243
BB- to BB+	21,023,283	94,992,024	111,234,139	100,681,254	327,930,700
B- to B+	-	8,692,287	25,184,601	35,156,083	69,032,971
CCC- to CCC+	-	3,255,312	-	15,502,093	18,757,405
Not rated	31,805,145	-	-	293,274,452	325,079,597
	<b>52,828,428</b>	<b>851,672,605</b>	<b>627,547,749</b>	<b>1,703,911,130</b>	<b>3,235,959,912</b>
Governments and other local authorities					
AAA	-	560,806	-	-	560,806
AA- to AA+	-	3,897,347	-	11,189,060	15,086,407
A- to A+	-	13,792,013	-	213,336,134	227,128,147
BBB- to BBB+	1,831,635,868	1,746,610,817	9,316,695	55,292,805	3,642,856,185
BB- to BB+	20,726,992	-	-	-	20,726,992
CCC- to CCC+	-	-	-	1,511,086	1,511,086
Not rated	-	-	-	626,455	626,455
	<b>1,852,362,860</b>	<b>1,764,860,983</b>	<b>9,316,695</b>	<b>281,955,540</b>	<b>3,908,496,078</b>

(continuation)

(amounts in euros)

Class of asset	2019				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
Financial institutions					
AAA	-	1,609,791	-	10,366,843	11,976,634
AA- to AA+	17,201,958	7,911,992	7,996,874	208,784,525	241,895,349
A- to A+	8,775,232	702,732,611	57,952,898	413,429,012	1,182,889,753
BBB- to BBB+	1,534,718	428,893,023	141,793,413	105,830,677	678,051,831
BB- to BB+	75,010,278	44,793,435	4,256,279	14,149,219	138,209,211
B- to B+	29,049,217	-	-	2,636,387	31,685,604
Not rated	-	-	-	47,820,410	47,820,410
	<b>131,571,403</b>	<b>1,185,940,852</b>	<b>211,999,464</b>	<b>803,017,073</b>	<b>2,332,528,792</b>
Other issuers					
Not rated	-	-	-	108,430	108,430
	-	-	-	<b>108,430</b>	<b>108,430</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>2,036,762,691</b>	<b>3,802,474,440</b>	<b>848,863,908</b>	<b>2,788,992,173</b>	<b>9,477,093,212</b>

(amounts in euros)

Class of asset	2018				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Financial assets initially recognised</b>					
<b>at fair value through profit or loss</b>					
Corporate					
AA- to AA+	-	25,880	-	-	25,880
A- to A+	-	301,051	49,413,738	-	49,714,789
BBB- to BBB+	99,479	20,725,432	76,127,735	2,502,626	99,455,272
BB- to BB+	-	-	71,462,651	702,319	72,164,970
Not rated	-	12,048,173	48,904,658	217,035,911	277,988,742
	<b>99,479</b>	<b>33,100,536</b>	<b>245,908,782</b>	<b>220,240,856</b>	<b>499,349,653</b>
Governments and other local authorities					
AAA	-	3,333,955	-	-	3,333,955
AA- to AA+	-	2,871,544	-	-	2,871,544
BBB- to BBB+	631,513	3,116,363	-	-	3,747,876
	<b>631,513</b>	<b>9,321,862</b>	<b>-</b>	<b>-</b>	<b>9,953,375</b>
Financial Institutions					
AA- to AA+	-	100,213	-	695,010	795,223
A- to A+	-	934,517	1,199,641	2,516,494	4,650,652
BBB- to BBB+	-	1,925,131	35,886,380	575,621	38,387,132
B- to B+	21,822,000	-	-	-	21,822,000
	<b>21,822,000</b>	<b>2,959,861</b>	<b>37,086,021</b>	<b>3,787,125</b>	<b>65,655,007</b>
<b>Total Financial assets initially recognised</b>					
<b>at fair value through profit or loss</b>	<b>22,552,992</b>	<b>45,382,259</b>	<b>282,994,803</b>	<b>224,027,981</b>	<b>574,958,035</b>

(amounts in euros)

Class of asset	2018				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AAA	-	-	52,437	-	52,437
AA- to AA+	-	-	21,445,150	40,723,232	62,168,382
A- to A+	-	39,823,679	180,705,631	542,575,605	763,104,915
BBB- to BBB+	-	252,952,915	529,247,622	177,190,433	959,390,970
BB- to BB+	11,593,427	227,868,468	145,228,587	82,722,206	467,412,688
B- to B+	-	22,131,251	59,311,548	52,118,910	133,561,709
CCC- to CCC+	-	-	16,122,358	-	16,122,358
C	-	-	-	7,778,384	7,778,384
Not rated	37,073,604	-	-	299,199,620	336,273,224
	<b>48,667,031</b>	<b>542,776,313</b>	<b>952,113,333</b>	<b>1,202,308,390</b>	<b>2,745,865,067</b>
Governments and other local authorities					
AAA	-	1,268,290	26,839,377	-	28,107,667
AA- to AA+	-	4,649,195	-	-	4,649,195
A- to A+	-	14,246,844	-	-	14,246,844
BBB- to BBB+	2,625,342,757	2,246,434,414	-	-	4,871,777,171
BB- to BB+	1,009,090	-	-	-	1,009,090
D	-	-	-	1,497,739	1,497,739
Not rated	-	-	-	442,811	442,811
	<b>2,626,351,847</b>	<b>2,266,598,743</b>	<b>26,839,377</b>	<b>1,940,550</b>	<b>4,921,730,517</b>
Financial institutions					
AAA	-	-	-	1,125,851	1,125,851
AA- to AA+	-	9,922,894	-	9,795,502	19,718,396
A- to A+	-	77,587,598	104,689,081	425,607,419	607,884,098
BBB- to BBB+	10,281,318	45,889,365	309,657,748	59,870,782	425,699,213
BB- to BB+	43,006,712	37,508,678	-	-	80,515,390
B- to B+	-	-	-	15,093,280	15,093,280
Not rated	-	-	50,643,650	64,287,788	114,931,438
	<b>53,288,030</b>	<b>170,908,535</b>	<b>464,990,479</b>	<b>575,780,622</b>	<b>1,264,967,666</b>
Other issuers					
AAA	-	-	-	184,326	184,326
	-	-	-	<b>184,326</b>	<b>184,326</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>2,728,306,908</b>	<b>2,980,283,591</b>	<b>1,443,943,189</b>	<b>1,780,213,888</b>	<b>8,932,747,576</b>

The Group periodically undertakes a collective analysis of the debt recovery risk of premiums pending collection recognised in the balance sheet, in order to identify and quantify impairment losses to be recognised as "Adjustments for premiums pending collection" (Note 43). At 31 December 2019 and 2018, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in euros)

	2019						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	3,777,173	-	-	-	-	( 22,600 )	3,754,573
Life risk products	12,513,015	-	-	-	-	( 604,082 )	11,908,933
<b>Non-life insurance</b>							
Motor	45,823,489	-	-	-	-	( 4,177,029 )	41,646,460
Workers' compensation	8,084,197	593,983	37,457	71,713	31,864	( 1,277,088 )	7,542,127
Domestic animals	-	346	54	72	970	-	1,442
Health	26,366,653	76,531	-	-	-	( 1,189,580 )	25,253,604
Fire and other damage	47,124,269	-	-	-	-	( 2,670,796 )	44,453,473
Transports	7,500,200	-	-	-	-	( 436,402 )	7,063,798
Third party liability	20,693,826	-	-	-	-	( 1,028,225 )	19,665,601
Other (includes personal accidents)	18,913,952	-	-	12,940	35,825	( 2,621,837 )	16,340,880
	<b>190,796,773</b>	<b>670,860</b>	<b>37,511</b>	<b>84,726</b>	<b>68,659</b>	<b>( 14,027,640 )</b>	<b>177,630,889</b>

(amounts in euros)

	2018						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	7,060,652	1,621,011	5,703	9,497	38,826	( 33,920 )	8,701,769
Life risk products	1,836,183	355,563	1,010,254	307,204	433,030	( 192,934 )	3,749,300
<b>Non-life insurance</b>							
Motor	8,910,007	1,252,986	951,401	232,413	409,248	( 1,790,455 )	9,965,600
Workers' compensation	3,895,092	2,782,204	2,679,050	1,484,950	271,033	( 3,140,698 )	7,971,631
Domestic animals	121	-	-	-	-	-	121
Health	8,829,584	7,811,238	683,185	228,414	69,145	( 973,585 )	16,647,980
Fire and other damage	9,431,932	2,487,399	679,466	3,676,005	489,141	( 1,252,972 )	15,510,970
Transports	1,345,071	86,927	71,981	62,688	279,713	( 350,102 )	1,496,278
Third party liability	2,261,886	396,756	203,152	597,102	28,916	( 529,555 )	2,958,257
Other (includes personal accidents)	1,891,834	2,442,712	1,376,500	5,057,921	386,206	( 1,535,131 )	9,620,042
	<b>45,462,361</b>	<b>19,236,795</b>	<b>7,660,692</b>	<b>11,656,194</b>	<b>2,405,257</b>	<b>( 9,799,352 )</b>	<b>76,621,947</b>

**Liquidity risk**

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

(amounts in euros)

	2019									
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 5 years	More than 10 years	Indefinite	Total
<b>Assets</b>										
Cash and cash equivalents	899,272,940	-	-	-	-	-	-	-	-	899,272,940
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	3,979,082	3,979,082
Financial assets held for trading	-	-	-	-	-	-	-	-	21,839,020	21,839,020
Financial assets initially recognised at fair value through profit or loss	7,789,037	2,148,485	54,007,743	55,296,715	201,634,965	33,090,264	132,725,062	61,704,815	47,651,703	596,048,788
Hedge derivatives	-	-	-	-	-	-	-	-	3,676,945	3,676,945
Available-for-sale investments	24,105,126	67,611,022	628,294,691	573,707,866	3,166,805,205	2,840,552,577	2,590,468,625	185,989,937	3,773,761,803	13,851,296,851
Loans and accounts receivable	504,212,906	277,913,246	178,662,527	237,531,424	158,166,980	55,221	321,172	167,894	-	1,357,031,369
Other debtors	289,574,718	-	-	-	-	-	-	-	-	289,574,718
	<b>1,724,954,726</b>	<b>347,672,753</b>	<b>860,964,960</b>	<b>866,536,005</b>	<b>3,526,607,150</b>	<b>2,873,698,062</b>	<b>2,723,514,859</b>	<b>247,862,646</b>	<b>3,850,908,552</b>	<b>17,022,719,713</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	28,429,571	23,065,946	37,521,300	109,845,149	421,002,541	433,432,601	391,463,308	303,463,408	23,576,624	1,771,800,449
Financial liabilities held for trading	-	12,038,554	5,414,373	24,838,389	64,833,522	101,118,624	41,254,381	-	-	249,497,844
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	119,594,054	286,223,987	314,278,458	767,258,039	3,015,946,503	2,600,142,052	1,170,513,691	688,495,436	5,968,496	8,968,420,716
Hedge derivatives	-	-	-	-	-	-	-	-	25,705,957	25,705,957
Deposits received from reinsurers	78,277	156,554	234,831	75,615,488	-	-	-	-	-	76,085,150
Other financial liabilities	1,315,021	11,033,862	53,037,195	61,130,003	350,540,704	35,332,676	187,202,572	11,366,820	62,214,725	773,173,577
Other creditors	229,937,093	-	-	-	-	-	-	-	-	229,937,093
	<b>379,354,016</b>	<b>332,518,902</b>	<b>410,486,157</b>	<b>1,038,687,069</b>	<b>3,852,323,270</b>	<b>3,170,025,953</b>	<b>1,790,433,952</b>	<b>1,003,325,664</b>	<b>117,465,802</b>	<b>12,094,620,785</b>

(amounts in euros)

	2018									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 5 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	1,060,082,146	-	-	-	-	-	-	-	-	1,060,082,146
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	2,307,146	2,307,146
Financial assets held for trading	-	-	-	-	-	-	-	-	16,613,601	16,613,601
Financial assets initially recognised at fair value through profit or loss	2,307,163	23,810,635	20,626,299	69,530,079	172,031,816	181,542,784	145,498,037	14,515,146	17,106,361	646,968,319
Hedge derivatives	-	-	-	-	-	-	-	-	4,384,369	4,384,369
Available-for-sale investments	79,329,321	289,254,319	889,836,288	173,853,510	2,943,386,600	2,687,126,845	2,624,823,548	71,013,372	3,071,752,290	12,830,376,091
Loans and accounts receivable	724,169,911	375,825,773	432,474,318	288,093,053	18,826,991	1,094,470	313,892	164,087	-	1,840,962,494
Other debtors	201,893,997	-	-	-	-	-	-	-	-	201,893,997
	<b>2,067,782,537</b>	<b>688,890,727</b>	<b>1,342,936,904</b>	<b>531,476,642</b>	<b>3,134,245,407</b>	<b>2,869,764,098</b>	<b>2,770,635,476</b>	<b>85,692,605</b>	<b>3,112,163,767</b>	<b>16,603,588,163</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	15,762,355	18,428,826	28,232,104	119,825,480	345,210,562	362,968,471	296,902,658	299,434,703	23,755,135	1,510,520,293
Financial liabilities held for trading	20,020	12,810,282	5,239,882	1,352,429	9,880,817	883,767	1,404,017	344,292	-	31,935,506
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	138,296,836	321,140,432	369,419,912	789,102,825	2,704,536,641	2,822,572,342	1,679,854,939	862,254,222	5,905,828	9,693,083,976
Hedge derivatives	-	-	-	-	-	-	-	-	11,154,763	11,154,763
Deposits received from reinsurers	61,853	123,706	185,560	59,750,224	-	-	-	-	-	60,121,344
Other financial liabilities	2,332,503	515,106	7,616,595	11,845,626	378,205,798	119,967,552	172,214,375	12,202,554	-	704,900,109
Other creditors	144,450,701	-	-	-	-	-	-	-	-	144,450,701
	<b>300,924,268</b>	<b>353,018,352</b>	<b>410,694,053</b>	<b>981,876,586</b>	<b>3,437,833,818</b>	<b>3,306,392,132</b>	<b>2,150,375,988</b>	<b>1,174,235,772</b>	<b>40,815,725</b>	<b>12,156,166,693</b>

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

- Cash and cash equivalents were classified as payable on demand and included in the "up to 1 month" category;
- The amount of "Loans and accounts receivable" classified as being of "Indefinite" maturity relates to operations with Group companies, without a defined repayment period or defined rate of interest, in addition to deposits of precious materials;
- The amounts included in "Other debtors" and "Other creditors" are payable on demand, and classified with maturity of "Up to 1 month";
- Equity instruments were classified as being of "Indefinite" maturity;
- In debt instruments the contractual maturity was considered to be the earlier of the following dates: call, put or maturity;
- The amounts recognised in "Deposits received from reinsurers" correspond to provisions retained from reinsurers, as part of the reinsurance treaty in force, and are renewable for annual periods. The cash-flow estimates were calculated on the basis of the next due date;
- "Hedge Derivatives" were classified as "Indefinite", since they are foreign exchange futures and forwards contracts;
- To calculate the projected cash flows of "Financial liabilities held for trading" the contracts' maturity dates were considered;
- The following assumptions were considered when calculating the estimated cash flows of the mathematical provision for life insurance and financial liabilities of the deposit component of insurance contracts and investment contracts:
  - Mortality was determined according to the Group's history of the last five years;
  - The estimate of future outflows for redemption of capitalisation contracts was based on a generalised linear model with four factors: type of product, the initial contract duration and the difference between the market interest rate, the source company and the technical rate;
  - Expected yields were determined based on the rates of the interest rate curve, the duration of the liability and plus / minus unrealised gains;
  - The expected costs were estimated based on the values recorded in year.

**Market risk**

At 31 December 2019 and 2018, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

(amounts in euros)

	2019			Total
	Exposure to Fixed rate	Variable rate	Not subject to interest rate risk	
<b>Assets</b>				
Cash and cash equivalents	-	895,354,310	3,918,630	899,272,940
Investments in associates and joint ventures	-	-	3,979,082	3,979,082
Financial assets held for trading	(69,263)	132,327	21,775,956	21,839,020
Financial assets initially recognised at fair value through profit or loss	500,147,075	403,260,242	69,676,132	973,083,449
Hedge derivatives	-	-	3,676,945	3,676,945
Available-for-sale investments	9,022,463,780	454,627,676	1,714,145,657	11,191,237,113
Loans and accounts receivable	-	1,385,052,726	14,234	1,385,066,960
Held-to-maturity investments	1,074,167,759	-	-	1,074,167,759
Other debtors	-	-	289,573,857	289,573,857
	<b>10,596,709,351</b>	<b>3,138,427,281</b>	<b>2,106,760,492</b>	<b>15,841,897,124</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,926,511,323	-	1,926,511,323
Financial liabilities held for trading	80,884,019	(9,784,520)	10,935,239	82,034,738
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,786,279,047	138,722,643	-	8,925,001,690
Hedge derivatives	3,771,156	-	21,934,801	25,705,957
Deposits received from reinsurers	-	75,145,827	-	75,145,827
Other financial liabilities	-	861,740,671	-	861,740,671
Other creditors	-	-	229,937,093	229,937,093
	<b>8,870,934,222</b>	<b>2,992,335,944</b>	<b>262,807,133</b>	<b>12,126,077,299</b>

(amounts in euros)

	2018			Total
	Exposure to		Not subject to interest rate risk	
	Fixed rate	Variable rate		
<b>Assets</b>				
Cash and cash equivalents	-	1,027,330,545	32,751,601	1,060,082,146
Investments in associates and joint ventures	-	-	2,307,146	2,307,146
Financial assets held for trading	(61,016)	88,822	16,585,795	16,613,601
Financial assets initially recognised				
at fair value through profit or loss	550,571,697	280,638,229	31,468,814	862,678,740
Hedge derivatives	-	-	4,384,369	4,384,369
Available-for-sale investments	8,360,504,157	572,243,417	1,215,563,240	10,148,310,814
Loans and accounts receivable	-	2,094,147,312	11,584	2,094,158,896
Other debtors	-	-	201,893,997	201,893,997
	<b>8,911,014,838</b>	<b>3,974,448,325</b>	<b>1,504,966,546</b>	<b>14,390,429,709</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,636,293,796	-	1,636,293,796
Financial liabilities held for trading	26,426,806	(21,529,733)	17,273,425	22,170,498
Financial liabilities of the deposit component of insurance contracts				
and on insurance contracts and operations considered				
for accounting purposes as investment contracts	9,236,181,723	40,287,720	-	9,276,469,443
Hedge derivatives	3,417,494	-	7,737,269	11,154,763
Deposits received from reinsurers	-	53,287,505	-	53,287,505
Other financial liabilities	-	695,266,893	-	695,266,893
Other creditors	-	-	144,450,701	144,450,701
	<b>9,266,026,023</b>	<b>2,403,606,181</b>	<b>169,461,395</b>	<b>11,839,093,599</b>

At 31 December 2019 and 2018, the sensitivity of the fair value of the Group's financial instruments with exposure to interest rate risk to positive and negative changes of 50, 100 and 200 basis points (bps), respectively, was:

(amounts in euros)

	2019					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised						
at fair value through profit or loss	( 18,696,315 )	( 9,615,990 )	( 4,878,043 )	5,024,856	10,203,734	21,055,403
Available-for-sale investments	( 675,177,899 )	( 355,401,068 )	( 183,163,817 )	197,319,187	413,613,397	936,114,665
Loans and accounts receivable	( 11,269,246 )	( 5,697,117 )	( 2,864,454 )	2,896,805	5,826,534	11,787,123
	<b>( 705,143,460 )</b>	<b>( 370,714,175 )</b>	<b>( 190,906,315 )</b>	<b>205,240,847</b>	<b>429,643,665</b>	<b>968,957,190</b>
<b>Liabilities</b>						
Financial liabilities held for trading	4,117,584	2,108,203	1,066,844	( 1,093,145 )	( 2,213,441 )	( 4,539,046 )
	<b>4,117,584</b>	<b>2,108,203</b>	<b>1,066,844</b>	<b>( 1,093,145 )</b>	<b>( 2,213,441 )</b>	<b>( 4,539,046 )</b>

(amounts in euros)

	2018					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised						
at fair value through profit or loss	( 31,395,307 )	( 16,683,686 )	( 8,464,838 )	8,721,544	17,711,154	35,285,358
Available-for-sale investments	( 556,666,882 )	( 286,246,837 )	( 145,170,855 )	149,428,593	303,286,382	624,952,423
Loans and accounts receivable	( 12,689,657 )	( 6,341,242 )	( 3,193,319 )	3,240,015	6,528,077	13,436,921
	<b>( 600,751,846 )</b>	<b>( 309,271,765 )</b>	<b>( 156,829,013 )</b>	<b>161,390,152</b>	<b>327,525,613</b>	<b>673,674,702</b>
<b>Liabilities</b>						
Financial liabilities held for trading	801,413	81,327	40,964	( 41,577 )	( 83,781 )	( 780,775 )
	<b>801,413</b>	<b>81,327</b>	<b>40,964</b>	<b>( 41,577 )</b>	<b>( 83,781 )</b>	<b>( 780,775 )</b>

The sensitivity of the fair value of the financial assets and technical liabilities was calculated by considering the future cash flows discounted at the respective YTM, with positive and negative changes of 50, 100 and 200 bps, in the respective yields.

At 31 December 2019 and 2018, the breakdown of financial instruments by currency was as follows:

(amounts in euros)

	2019				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
<b>Assets</b>					
Cash and cash equivalents	634,001,591	109,930,802	1,669,940	153,670,607	899,272,940
Investments in associates and joint ventures	2,150,026	-	-	1,829,056	3,979,082
Financial assets held for trading	2,638,106	19,146,941	-	53,973	21,839,020
Financial assets initially recognised					
at fair value through profit or loss	626,134,174	326,426,591	-	20,522,684	973,083,449
Hedge derivatives	222,781	3,403,359	-	50,805	3,676,945
Available-for-sale investments	7,136,903,523	1,867,738,502	410,344,223	1,776,250,865	11,191,237,113
Loans and accounts receivable	1,002,394,664	172,342,080	26,875,446	183,454,770	1,385,066,960
Held-to-maturity investments	1,074,167,759	-	-	-	1,074,167,759
Other debtors	142,967,773	110,835,946	20,907	57,704,487	311,529,113
	<b>10,621,580,397</b>	<b>2,609,824,221</b>	<b>438,910,516</b>	<b>2,193,537,247</b>	<b>15,863,852,381</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,610,147,158	-	-	316,364,165	1,926,511,323
Financial liabilities held for trading	(919,151,228)	28,644,120	-	972,541,846	82,034,738
Financial liabilities of the deposit component of insurance					
contracts and on insurance contracts and operations					
considered for accounting purposes as investment contracts	8,866,884,570	4,763,102	-	53,354,018	8,925,001,690
Hedge derivatives	21,564,877	2,025,385	-	2,115,695	25,705,957
Deposits received from reinsurers	44,177,012	3,837,802	-	27,131,013	75,145,827
Other financial liabilities	461,715,560	-	-	400,025,111	861,740,671
Other creditors	135,383,107	18,483,579	2,544,279	95,480,523	251,891,488
	<b>10,220,721,056</b>	<b>57,753,988</b>	<b>2,544,279</b>	<b>1,867,012,372</b>	<b>12,148,031,694</b>

(amounts in euros)

	2018				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
<b>Assets</b>					
Cash and cash equivalents	850,526,394	64,761,452	953,608	143,840,692	1,060,082,146
Investments in associates and joint ventures	2,307,146	-	-	-	2,307,146
Financial assets held for trading	(135,094)	16,271,014	-	477,681	16,613,601
Financial assets initially recognised					
at fair value through profit or loss	376,722,700	474,102,226	9,464,792	2,389,022	862,678,740
Hedge derivatives	261,418	4,015,724	-	107,227	4,384,369
Available-for-sale investments	6,634,134,743	2,896,307,429	439,905,979	177,962,663	10,148,310,814
Loans and accounts receivable	1,823,472,294	80,813,444	35,838,671	154,034,487	2,094,158,896
Other debtors	162,412,892	24,954,318	21,856	17,808,679	205,197,745
	<b>9,849,702,493</b>	<b>3,561,225,607</b>	<b>486,184,906</b>	<b>496,620,451</b>	<b>14,393,733,457</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,327,751,730	-	-	308,542,066	1,636,293,796
Financial liabilities held for trading	(5,712,960)	35,386,931	-	(7,503,473)	22,170,498
Financial liabilities of the deposit component of insurance					
contracts and on insurance contracts and operations					
considered for accounting purposes as investment contracts	9,276,469,443	-	-	-	9,276,469,443
Hedge derivatives	3,461,510	86,614	-	7,606,639	11,154,763
Deposits received from reinsurers	51,128,436	564,586	-	1,594,483	53,287,505
Other financial liabilities	385,624,570	-	-	309,642,323	695,266,893
Other creditors	105,085,051	10,117,195	2,457,722	30,094,481	147,754,449
	<b>11,143,807,780</b>	<b>46,155,326</b>	<b>2,457,722</b>	<b>649,976,519</b>	<b>11,842,397,347</b>

The headings "Other debtors" and "Other creditors" are broken down differently between Assets and Liabilities, when compared with the Financial Statements due to the fact that the allocation by currency leads to a different breakdown of balances.

## 50. DISCLOSURES RELATING TO INSURANCE CONTRACT RISKS

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

### 50.1. Risk underwriting

Risk acceptance and management is structured at two levels, following a model for delegating competence.

Each level has specific methodologies and procedures, in line with its competence, enabling interconnection and harmonisation between the two.

The second level, for commercial networks, includes delegated competence for risk acceptance, duly established by written standards and procedures, essentially based on the following criteria:

- Products with standard clauses;
- Risks or activities with a stable claims history;
- Homogeneous and easily identifiable risk universe;
- Small amounts of capital allowing dilution of higher risk;
- Risks with known and controllable accumulation, regarding cover and/or geographical spread;
- Premiums in line with a product tariff, adjustable by a delegated discount of reduced scope.

The following instruments are available: tariffs, simulators, underwriting manuals, algorithms that identify risks that require careful technical analysis and rules on delegation of competence, product manuals, general conditions and pre-contractual information, insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The first level is for the Business Divisions – bodies in the structure that are responsible for managing the business areas, from product design to claims management, and including underwriting and portfolio management – which have additional instruments for risk analysis.

The Business Divisions have a multidisciplinary technical staff who are highly specialised in the different insurance lines of business, and are assisted by actuarial specialists. When the characteristics of the risk so justify, they use risk analyses performed by specialist companies.

Risk acceptance is based on strict technical standards, which seek to identify risks with high potential losses (in terms of severity and frequency), apply adjusted contract conditions and define premiums appropriate to the specific risk, in order to obtain sustained growth in the portfolio and a stable technical result. All risks which do not fit within the Reinsurance Treaties are analysed by the Technical Divisions, and Facultative Reinsurance may be used when the conditions for accepting the risk are deemed to have been met.

When the risks analysed do not fit within the Reinsurance Charging Manuals or the conditions for acceptance defined by the Group, they are sent to the Reinsurers' Underwriting Departments for proposals for acceptance of the conditions of these risks to be presented.

The Business Divisions also have access to reports and analyses of a technical and actuarial nature which allow them to gain knowledge on the technical evolution of the insurance business and on the evolution of risk behaviour in relation to the cover and main characteristics of the insurable objects.

The Risk Acceptance Policy identifies situations with a particularly high risk and/or a high level of uncertainty. These situations are not delegated to the Technical Divisions, and competence to accept them is reserved for the Underwriting Policy Acceptance and Supervision Committee, which meets whenever it is necessary to assess risks with these characteristics.

## 50.2. Technical management

The technical management of the Lines of Business includes product design, definition of clauses and prices, definition and control of the underwriting policy, calculation of maximum risks and also monitoring of the technical results, namely supervision of the evolution of processed income, the number of insurance contracts, portfolio distribution by risk segments and guarantees, average premiums, risk characteristics, claims and the technical margin.

In order to monitor the above, periodic reports are produced containing management indicators and information is regularly prepared for the Reinsurance Division, with information on portfolio profiles, with the aim of aiding negotiation of the Reinsurance Treaties.

## 50.3. Risk control management instruments

### Internal risks of the organisation

In order to control and minimise the organisation's internal risk, acceptance rules and procedures and product manuals have been published. These are freely available and employees are well aware of their content, and the process for application them is duly monitored by the competent areas.

### Portfolio profile studies

Regular studies are produced on the risk profile of the portfolios, by class of capital/liabilities assumed, type of activity, type of objects insured and covers.

Studies are also regularly made of the claims rate behaviour of products according to the most important characteristics for defining the risk.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate (by scales of sums insured, types of objects insured, types of activities, covers), with the aim of gauging the existing delegations and correcting any distortions, and also, correlating the main price determination factors and deciding on changes in products being commercialised or the creation of new ones.

### Periodic analyses of portfolio evolution

The portfolio being managed is subject to periodic analysis of the behaviour of the policy movements, both in terms of numbers of policies and in terms of new and cancelled policies, variations in premiums/average rates and changes in the distribution of contracts across the various business segments.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims. This analysis is produced not only in terms of groups of business, but mainly in terms of products being managed.

In specific cases in the motor insurance line of business, extensive and detailed diagnoses are made regarding the portfolio's evolution, with the aim of identifying operational problems in the business, together with their causes, both from a commercial and technical perspective. Proposals are developed as a result of these diagnoses.

## Portfolio selection and reorganisation

The aim of this function is to improve the profitability of the portfolio being managed, both by reorganising loss-making risks (high frequency and/or level of claims), and by introducing changes to the conditions of the contract (cover, deductibles, premiums), and also by providing advice to the Client (recommending the implementation of prevention and safety measures which improve the quality of the risk).

This function also includes the assessment of irregularities which are detected in contracts or in claims, which may lead to the implementation of measures which, depending on the seriousness of the irregularity, may lead to cancellation of the insured person's contract or portfolio.

## Insurance risk concentrations

By producing regular studies on the risk profile of the portfolios, by class of capital/liabilities assumed, by activities and objects insured, and by cover, indicators are obtained which enable an estimate to be made of the impact of potential changes to the cover, and an analysis of the impact of any changes to the reinsurance treaties and to the Group's retention policy. In some cases, specific studies are conducted to assess these impacts.

These studies are also focused on specific cover, the geographical area, the type of responsibilities assumed or on the type of object insured, enabling the determination and quantification of maximum risk by classes, and also evaluating the impact of catastrophic claims circumstances on the portfolio.

## Behaviour of the non-life portfolio - Direct insurance

### Direct insurance

(amounts in euros)

	2019			2018		
	Gross Premiums Earned	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio	Gross Premiums Earned	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio
Accidents	266,932,438	1.08	1.07	238,911,485	1.13	1.12
Health	329,907,498	0.93	0.92	296,416,272	0.96	0.95
Fire and Other Damage	251,519,913	0.74	0.73	238,153,125	0.83	0.82
Motor	449,103,430	0.98	0.97	415,736,264	0.98	0.96
Marine	4,439,221	0.44	0.43	3,800,291	0.61	0.60
Aviation	8,492,634	0.14	0.13	6,991,016	0.12	0.11
Transported Goods	6,637,501	0.39	0.37	6,765,255	0.56	0.55
Third Party Liabilities	43,612,782	0.84	0.83	36,068,260	0.74	0.73
Other Lines of Business						
(Credit and SuretyShip + Others)	79,029,240	0.44	0.43	75,885,798	0.62	0.61

Nota: Ratios for the years of occurrence 2019 and 2018 for the company Fidelidade.

In the last 12 months some variations in the post-investment claims/expenses ratio were seen. Only Aviation, Third Party Liabilities and Motor saw a decrease in the ratio of 16.9%, 13.6% and 0.2% respectively.

The ratio tended to decrease in Accidents, Health, Fire and Other Damage, Marine, Transported Goods and Other Lines of Business.

An analysis of the above table reveals that in the last 12 months only in the Accidents lines of business premiums were not sufficient to meet the liabilities.

Fidelidade Portugal's pre-tax technical results for non-life were positive in December 2019, reaching over EUR 55.6 million.

### **Premiums sufficiency and creation of a provision for unexpired risks**

#### **Direct insurance**

Fidelidade's direct non-life insurance premiums for Accidents were insufficient to meet the liabilities associated with claims, operating costs and investments. A reduction of 7.0% in the costs would be needed to eliminate the premiums shortfall in this lines of business.

The premiums earned from direct insurance were sufficient to meet the liabilities assumed in all other lines of business.

In the non-life lines of business, in the last 12 months, the operating result from direct insurance was sufficient in overall terms to meet the liabilities associated with their operation.

#### **Net of reinsurance**

Since the Provision for Unexpired Risks is calculated separately for each geography we indicate for each the need to establish or not this provision in 2019.

In Portugal, with the exception of Aviation, Marine and Transported Goods lines of business, the insurance company's premiums net of reinsurance were insufficient, to meet the costs associated with the operation of most of the lines of business.

In Spain, Provision for Unexpired Risks was only necessary for Fire and Other Damages and Other Lines of Business.

In France, Provision for Unexpired Risks was necessary for Accidents and Health, Fire and other Damages and Other Lines of Business.

In Mozambique, only for the Aviation, Marine and Transported Goods lines of business the insurance company's premiums net of reinsurance were sufficient, in 2019, to meet the costs associated with the operation.

Consequently, a provision for unexpired risks was set up, in line with the rules in force, which is lower than the provision set up in 2018 for all branches except France.

#### **Provision for unearned premiums**

The provision is calculated in line with the rules in force, and tests are carried out in order to determine the adequacy of the level of provisions.

#### **Equalisation provision**

The calculation for the equalisation provision is defined in the rules of the ASF which are applied both in terms of the algorithms and regarding the lines of business to be considered. The insurance company follows the criteria listed there.

**Claims provision**

The claims provision is calculated as described in the accounting policies.

Throughout the year actuaries monitor the levels of the provisions set up, and statistical methods are used which are appropriate to the nature of the risks, namely estimating using stochastic methods of future cash flows associated with the assumed liabilities.

**Risk concentration and mitigation**

At Fidelidade, the Accidents, Health, Fire and Other Damage and Motor lines of business represent approximately 90.1% of the Gross Premiums Earned and 96.7% of the claims.

In order to control the risks assumed, the insurance company has underwriting and acceptance rules to select and control the level of exposure to which the Company is subject.

In non-life, risk mitigation is mostly by means of specific reinsurance programmes for each type of risk, and high demands are placed on the quality of the reinsurers involved.

The following table presents the rating of the main reinsurers, updated at the end of December 2019:

Rating	% Reinsurers	
	2019	2018
A -	10.3%	18.5%
A	31.0%	25.9%
A +	27.6%	22.2%
AA -	-	26.0%
AA	20.7%	-
AA+	3.5%	3.7%
Not Rated	6.9%	3.7%

There is a specific "Excess of Loss" treaty to guarantee catastrophic risks, with a retention of EUR 75,000,000 and a capacity of EUR 420,000,000.

At Fidelidade 60.35% of the sums insured retained for cover for Seismic Phenomena are located in Zone I, the most serious in terms of seismic risk. The sums insured considered in this analysis are estimates.

**Comparison between estimated and actual claims**

Fidelidade's claims provision at 31 December 2019 totalled EUR 1,631 million. During 2019, EUR 384,559,731 were paid for claims which occurred in 2018 and previous years.

In December 2019, natural consumption would lead to a provision of EUR 1,247,408,237. However, there was a negative readjustment of over EUR 7.7 million, and the provision at the end of December 2019 was EUR 1,239,658,916.

There were negative readjustments for all lines of business except Accidents, Health, Marine and Other Lines of Business. The most significant, in absolute terms, was in Motor, which was greater than EUR 36 million.

**Development of Claims Provisions regarding claims occurred in previous years and their readjustments (corrections)**

(amounts in euros)

Headings	Claims Provisions at 31 December 2018 (1)	Claims Paid in the year * (2)	Claims Provisions at 31 December 2019 * (3)	Readjustments (3)+(2)-(1)
Accidents and Health	955,157,674	167,294,959	823,884,895	36,022,180
Fire and Other Damage	158,276,266	76,610,148	75,074,111	(6,592,007)
Motor	393,501,966	119,578,528	237,357,024	(36,566,414)
Marine	2,442,823	963,112	1,875,592	395,881
Aviation	5,779,001	229,854	5,610,550	61,403
Transported Goods	3,348,611	1,495,529	1,323,720	(529,362)
Third Party Liabilities	99,564,781	11,169,693	88,192,778	(202,310)
Credit and SuretyShip	408,757	(367,346)	402,337	(373,766)
Legal Protection	22,921	-	1,253	(21,668)
Assistance	175,432	3,535	29,755	(142,142)
Other Lines of Business	13,289,736	7,581,719	5,906,901	198,884
<b>Total</b>	<b>1,631,967,968</b>	<b>384,559,731</b>	<b>1,239,658,916</b>	<b>(7,749,321)</b>

\* Claims occurred in the year N-1 and previous years

**Insurance Risks**

The Insurer underwrites contracts in all the non-life lines of business, the most significant risks of which are:

- Changes in the longevity of pensioners in the Workers' Compensation line of business and in income rates associated with assets allocated to the respective mathematical provisions;
- Climate change and natural disasters;
- Inflation risk, in the lines of business in which claims take longer to be fully settled;
- In health insurance, the most significant risks are the result of changes in lifestyle and scientific and technological developments.

Exposure to risks is mitigated by the diversification obtained due to the size of the insurer's portfolio of policies and the extent of the risks underwritten in all non-life lines of business. Variability of the risks is improved by the selection of risks to be underwritten and the implementation of underwriting strategies and policies which are defined so as to ensure that the risks are diversified in terms of the type of risk and the level of guarantees taken out.

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out. Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The insurer carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

In relation to whole life provisions in the Workers' Compensation line of business, the mortality table applied is regularly assessed, in order to reflect the real longevity of the beneficiaries of these covers.

The Insurer also limits its exposure to risk by both imposing maximum amounts of indemnifiable damage in most contracts and using reinsurance programmes which limit its exposure in particular to catastrophic events.

The assessment of exposure to seismic risk is studied by the insurer's reinsurers, and their conclusions are considered when the reinsurance treaties are acquired and renewed.

### Risk Assessment Assumptions

#### Non-life lines of business, except annuities

The main assumption for estimating the insurer's liabilities is that future development of claims and indemnities will follow a similar pattern to known past experience for those variables. These assumptions include probabilities relating to the average cost of claims, claims management costs, inflation and the number of claims per year.

Qualitative judgements are also used to assess the adequacy of the past trends and whether they can be applied in the future or not, for example:

- Changes in market conditions, such as clients' attitudes regarding reporting claims;
- Economic conditions;
- Internal factors, such as the composition of the portfolios of policies, policy guarantees, and procedures, and greater or lesser speed in managing claims;
- External factors, namely changes to legislation or rules and court decisions and relevant regulations or legislation that may affect the cost estimate.

#### Annuities and whole life assistance in the Workers' Compensation line of business

For whole life liabilities in the Workers' Compensation line of business, assumptions are adopted regarding the longevity of the beneficiaries of these provisions, discount rates and the costs of their management.

The table below shows the impact on the insurer's liabilities of changes which are reasonably possible in the assumptions indicated. All the others remain constant.

Assumption	Factor	Increase in Liability
Longevity	+ 20%	5.39%
Expense	+ 10%	0.63%
Revision	4%	2.14%
Interest Rate	-1%	11.96%

## Sensitivity Analysis

The sensitivity analysis were performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Non-Life net liabilities, profit before tax and equity. The reinsurance impacts on the sensitivity analysis corresponds to the proportional effect of the current reinsurance protection.

The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

The sensitivity analysis were performed for the Portuguese insurance business:

(amounts in euros)

Key Assumptions	Change in assumptions	2019			2018		
		Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Number of claims	+10%	71,253,328	( 71,253,328 )	( 48,808,529 )	81,874,223	( 81,874,223 )	( 56,083,843 )
Average claims cost	+10%	65,295,129	( 65,295,129 )	( 44,727,163 )	70,705,681	( 70,705,681 )	( 48,433,391 )
Average claims reserve	+10%	80,525,457	( 80,525,457 )	( 55,727,163 )	75,815,781	( 75,815,781 )	( 51,933,810 )
Longevity	+10%	1,334,309	( 1,334,309 )	( 914,002 )	18,012,174	( 18,012,174 )	( 12,338,339 )
Longevity	-10%	( 768,605 )	768,605	526,494	( 17,938,952 )	17,938,952	12,288,182
Discount rate	+1%	( 6,112,574 )	6,112,574	4,187,113	( 81,522,189 )	81,522,189	55,842,699
Discount rate	-1%	7,242,594	( 7,242,594 )	( 4,961,177 )	115,398,233	( 115,398,233 )	( 79,047,789 )

## 50.4. Reinsurance Policies

The decisive factors for limiting or transferring the risk insured are the nature of the business and the amounts of the risks to be insured, and a distinction is made mainly between those which are considered mass lines of business (Motor, Workers' Compensation, Personal Accidents and Multi-risks Home Insurance) and those which are dealt with more on a case-by-case basis, such as the remaining lines of business of Property, Engineering and Machinery, Marine risks, Transported Goods, Third Party Liability and Other risks.

Compliance with the Underwriting Rules is intrinsically associated with the contracts available and in force in Reinsurance, and these are decisive for the acceptance or refusal of certain risks and its pricing.

Risks involving significant amounts insured or serious situations are subject to prior analysis and their acceptance is strictly interdependent with and supported by Reinsurance.

The Group has based its Reinsurance Policy on the existence of Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other types of reinsurance which prove necessary to obtain adequate Reinsurance protection for the risks accepted.

In Fire and Other Damage, Engineering and Aviation, the Group works with Proportional Treaties.

The Reinsurance cover in the main property lines of business, and the respective retention, takes into consideration the portfolio structure's ratio of sums insured and the respective volume of premiums for each line of business and also considers the statistical monitoring of the profitability of that portfolio, the Retention/Premiums ratio at the end of one year or one cycle and the Group's financial capacity, in terms of whether it is sufficient to absorb frequent claims.

Accumulations resulting from "Cover for Seismic Phenomena and Natural Risks", which are catastrophic in Retentions, are reinsured by Excess of Loss, and the Retention is determined by the Group's financial capacity.

When determining the Retention by event, the low frequency of catastrophes in Portugal is taken into account, and the retention reflects what is technically foreseeable from the point of view of the impact of a catastrophe on the Group's capital and its absorption over a defined period, working with a conservative scenario with a period of return of 500 years, which is unusual in markets exposed to catastrophes.

Accumulations resulting from natural disasters that do not relate to seismic phenomena are protected by an Excess of Loss Treaty, and the Retention and Capacity are defined on the basis of the history of events that have occurred in the last 15 years and the Group's financial capacity.

Motor, Workers' Compensation, Personal Accidents, Marine Hull, Transported Goods and Third Party Liability are covered by Excess of Loss treaties, which proves more appropriate to the nature of the risks and the portfolio and the Group's financial capacity. To establish the priority, the statistical behaviour of the claims rate and quotes for different levels of this are taken into consideration.

The criteria for selecting reinsurers take into account their reliability and financial solvency and their capacity to provide services. The selection process requires their constant observation and monitoring.

The information obtained in the International Market from Rating Agencies is a fundamental reference regarding the sound financial health of the Reinsurers.

The rating by the S&P Rating Agency or equivalent (A.M. Best, Fitch or Moody's) is therefore a factor in the selection of Reinsurers. The minimum rating required for a reinsurer to be part of our Panel of Reinsurers is "A-".

## 50.5. Life Insurance

In the Life Insurance Line of Business there are three major groups of insurance contracts, covered by IFRS 4, in relation to which the nature of risks covered is characterised as follows:

### Risk products

With regard to these products, the greatest risk factor is mortality, and there are a large number of contracts which also have an associated disability risk, with a significant part of these being transferred to reinsurers.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

**Annuity products**

The greatest risk factor for these products is longevity.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

**Capitalisation products**

The greatest risk factor for these products is interest rate risk.

Only the contracts with profit sharing are covered by IFRS 4, so the income awarded to the insured persons has a fixed component and a variable component which depends on the profitability of a given portfolio of assets partially dependent on the Group's discretion.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Percentage of Income} - \text{Technical Income} - \text{Management Costs} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and the profit sharing coefficient, the percentage of income and the management costs, given that the plans for awarding it only define minimum amounts for these figures.

Expected cash inflows and outflows for the next three years are presented for each of these groups of products (PS – Profit sharing).

(amounts in euros)

Year	Risk		Annuities		Capitalization with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2020	148,900,037	103,817,719	-	15,190,002	20,920,185	206,399,923
2021	125,858,300	86,890,086	-	14,289,549	19,039,024	205,327,635
2022	116,449,461	79,812,004	-	13,486,412	17,195,851	235,690,984

The following tables provide information on the changes of these cash inflows and outflows, considering a 5% increase in expected redemptions.

(amounts in euros)

Year	Risk		Annuities		Capitalization with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2019	145,391,184	101,680,032	-	15,190,002	20,392,404	278,427,426
2020	116,102,845	81,232,980	-	14,289,549	17,617,096	255,608,716
2021	101,606,079	71,321,497	-	13,486,412	15,107,468	261,287,347

## Sensitivity Analysis

The sensitivity analysis were performed for reasonably possible movements in key assumptions, showing the impact on net liabilities, profit before tax and equity.

The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

The sensitivity analysis were performed for the Portuguese insurance business:

(amounts in euros)

Key Assumptions	Change in assumptions	2019			2018		
		Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity	Increase/ (decrease) on net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality	+10%	( 5,063,648 )	5,063,648	3,468,648	( 6,080,206 )	6,080,206	4,164,941
Mortality	-10%	6,739,151	( 6,739,151 )	( 4,616,318 )	6,870,896	( 6,870,896 )	( 4,706,564 )
Expected income rate	+0.5%	( 17,905,219 )	17,905,219	12,265,075	( 15,267,720 )	15,267,720	10,458,388
Expected income rate	-0.5%	24,639,766	( 24,639,766 )	( 16,878,240 )	23,047,425	( 23,047,425 )	( 15,787,486 )
Incorred but not reported claims	+10%	2,005,716	( 2,005,716 )	( 1,373,915 )	2,355,824	( 2,355,824 )	( 1,613,739 )

## 51. CAPITAL MANAGEMENT

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

The Solvency II rules are divided into three pillars.

### **Pillar I (quantitative requirements)**

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

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

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

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

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

### **Pillar II (qualitative requirements and supervision)**

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

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

### **Pillar III (prudential reporting and public disclosures)**

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

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

- Complying with the legal requirements by which the Group is bound;

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

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

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

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

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

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

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

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

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

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

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

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

## 52. PUBLIC SERVICE CONCESSIONS

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### Main risks identified are operational and financial

Luz Saúde manages Hospital Beatriz Ângelo through its subsidiary Sociedade Gestora do Hospital de Loures, SA ("SGHL") under a Public-Private Partnership agreement with the Portuguese State ("PPP Agreement"). HL – Sociedade Gestora do Edifício, S.A., in which the Company has a 10% shareholding, is also a party to the PPP agreement and is responsible for the (now completed) construction and the management of Hospital Beatriz Ângelo's building and facilities.

Under the PPP Agreement, SGHL has undertaken to provide healthcare services within the National Health Service, through Hospital Beatriz Ângelo, for a 10-year period as of the Hospital's opening date (19 January 2012). The term of the PPP agreement may be renewed for successive periods by mutual agreement and each period cannot exceed 10 years. Notwithstanding, the total duration of the PPP Agreement, including the initial period and any additional periods, cannot exceed 30 years, as of the PPP agreement's effective date (31 December 2009). However, and according to the ARS-LVT letter of 17 January 2020, the decision not to renew the aforementioned contract was communicated.

With respect to the Hospital's management, the PPP Agreement governs the relationship between the State and SGHL, sets prices and payment methods, establishes quality standards, notice and information duties, compliance levels (clinical and non-clinical), hospital operating rules (e.g. human resources) and other duties and undertakings for each party, as well as consequences for default on the contractual obligations.

In addition, the PPP Agreement establishes that annual volumes of patient treatment at Hospital Beatriz Ângelo (defined with reference to doctor consultations, emergency room visits and inpatient and outpatient surgical and non-surgical services) shall be agreed by annual negotiation between the Public Awarding Entity (in this case Administração Regional de Saúde de Lisboa e Vale do Tejo, I.P.) and the hospital's management, based on historical data for public healthcare demands by the population in the Hospital's catchment area. However, it should be noted that the aforementioned production level is determined based on historical data regarding the demand for public healthcare by the population living in the Hospital's catchment area.

On the other hand, the prices charged by the hospital to the National Health Service have been contractually defined and are adjusted annually according to the growth of the inflation rate.

The PPP Agreement further provides that, at the beginning of each month, the State must pay 90% of 1/12 of the agreed annual production value (regardless of the actual production value reached). The adjustment amount (which may include the remaining 10%, plus any additional production above the agreed amount, given that there are areas where the set production limit can be surpassed, such as emergency room visits and hospitalisation) must be calculated by the end of the first quarter of the following year, and payment must be made during that same period.

## 53. MANAGED PENSION FUNDS

At 31 December 2019 and 2018, the Macao branch, of Fidelidade - Companhia de Seguros, S.A., was managing the following pension funds. In these periods, the pension fund portfolio contained the following assets:

	2019							
	BNU Pensions Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund	SmartSafe Pension Fund
<b>Amounts in Patacas</b>								
Cash and deposits	2,722,671	3,996,973	7,264,467	(7,765)	11,161	49,092	9,051	2,146,235
Debt instruments	11,991,265	55,426,480	-	1,815,105	1,196,271	1,580,505	545,068	-
Equity instruments	2,367,250	26,339,326	-	624,115	1,818,583	2,361,246	1,015,126	-
Others	(12,254)	(42,881)	(11,173)	(9,554)	(11,935)	(15,040)	(6,188)	(4,289)
	<b>17,068,932</b>	<b>85,719,897</b>	<b>7,253,294</b>	<b>2,421,901</b>	<b>3,014,080</b>	<b>3,975,803</b>	<b>1,563,058</b>	<b>2,141,946</b>
<b>Amounts in Euros</b>								
Cash and deposits	302,193	443,630	806,294	(862)	1,239	5,449	1,005	238,214
Debt instruments	1,330,928	6,151,867	-	201,461	132,776	175,423	60,498	-
Equity instruments	262,745	2,923,441	-	69,271	201,847	262,078	112,670	-
Others	(1,360)	(4,759)	(1,240)	(1,060)	(1,325)	(1,669)	(687)	(476)
	<b>1,894,506</b>	<b>9,514,179</b>	<b>805,054</b>	<b>268,810</b>	<b>334,537</b>	<b>441,281</b>	<b>173,486</b>	<b>237,738</b>

Amounts in Euros, considering the exchange rate at 31 December 2019 of 1 EUR/ 9.00970 MOP.

	2018							
	BNU Pensions Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund	SmartSafe Pension Fund
<b>Amounts in Patacas</b>								
Cash and deposits	27,089,273	33,776,952	56,546,406	217,832	256,595	250,721	172,651	5,773,769
Debt instruments	117,512,922	498,097,940	-	7,859,347	5,054,746	7,792,139	3,594,498	-
Equity instruments	19,366,321	205,042,881	-	2,310,756	6,771,898	10,966,830	6,384,569	-
Others	33	-	(99,051)	(45,294)	(54,685)	(87,819)	(48,241)	(9,474)
	<b>163,968,548</b>	<b>736,917,773</b>	<b>56,447,355</b>	<b>10,342,641</b>	<b>12,028,554</b>	<b>18,921,871</b>	<b>10,103,478</b>	<b>5,764,295</b>
<b>Amounts in Euros</b>								
Cash and deposits	2,932,850	3,656,899	6,122,060	23,584	27,781	27,145	18,692	625,104
Debt instruments	12,722,668	53,927,130	-	850,901	547,258	843,625	389,162	-
Equity instruments	2,096,716	22,199,197	-	250,177	733,167	1,187,336	691,233	-
Others	4	-	(10,724)	(4,904)	(5,921)	(9,508)	(5,223)	(1,026)
	<b>17,752,238</b>	<b>79,783,226</b>	<b>6,111,336</b>	<b>1,119,758</b>	<b>1,302,285</b>	<b>2,048,598</b>	<b>1,093,864</b>	<b>624,078</b>

Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.23650 MOP.

## 54. SUBSEQUENT EVENTS

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Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), which appeared in China in January 2020, the prevention and control of COVID-19 has been taking place predominantly in China and on a global scale considering the risk of contagion of the disease. The Group will fully implement the requirements and guidelines of the World Health Organization and all indications of the government and regulatory authorities and will increase its support for the prevention and control of epidemics. COVID-19 has economic impacts at the national and global level and there already have been significant losses in the global markets that may affect the quality or the income from the Group's credit and investment assets and the extent of the impact depends on the state of epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

This is a non-adjustable subsequent event, which at report date, the assessment is currently in progress. Regarding the Company activity, the management believes that the impacts arising from this situation are uncertain and therefore it is not possible to estimate the financial impacts, in particular with regard to the fair value of financial assets and non-financial assets, the amount of technical provisions (net of reinsurance) and capital requirements. Nevertheless, the most recent analyses indicate that the Company maintains Eligible Own Funds comfortably above the Solvency Capital Requirement. The Company will continue to monitor the evolution of COVID-19, actively evaluating and acting on its impacts on the Group's financial position and income.

# **REPORT AND OPINIONS ON THE CONSOLIDATED ACCOUNTS**

(Translation of a report originally issued in Portuguese)

## Statutory Auditor's Report

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of Longrun Portugal, SGPS, S.A. (the Entity), which comprise the Consolidated Statement of Financial Position as at December 31, 2019 (which establishes a total of 20,357,438,189 euros and total equity and non-controlling interests of 3,524,116,154 euros, including a net profit for the year of 177,590,892 euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Longrun Portugal, SGPS, S.A. as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões").

#### Basis for opinion

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

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

#### Emphasis of matter relating to Covid-19

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole, increasing uncertainty around the operational and financial performance of organisations. In note 54 of the notes to the Financial Statements are disclosed the developments resulting from the pandemic identified by the Board of Directors for Longrun Portugal, SGPS, S.A. based on the information available at the time. The Board of Directors recognises that the impacts resulting from this situation are uncertain, and therefore it is not possible to estimate the financial impacts, in particularly concerning to the fair value of financial assets and non-financial assets, the amount of technical provisions (net of reinsurance) and capital requirements. Our opinion has not been modified in relation to this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Measurement of technical provisions for life insurance and of financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As described in notes 22 and 23 of consolidated financial statements, as at December 31, 2019, the technical provisions for life insurance and the financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts amounted to 3,495 and 8,925 million euros ("m"), respectively, representing approximately 74% of the total liabilities.</p> <p>These matters were considered to be as a key audit matter based on materiality to the financial statements and the fact that it is an area with a significant degree of judgement about uncertain future results, namely the timing and total value of liabilities to policyholders, as well as estimating the future income of the assets portfolio underlying these obligations. As described in note 2.17, the liabilities for insurance contracts are determined based on actuarial assumptions, historical data and other methods accepted in the sector, and the actual amounts to be disbursed in the future may be significantly different from the estimates made.</p>	<p>Our approach to the risk of material misstatements in the measurement of technical provisions for life insurance and financial liabilities included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the Group's internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the measurement of technical provisions for life insurance and financial liabilities;</li> <li>▶ Analytical review procedures, recalculation and analysis of the methodologies for the projection of future cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates;</li> <li>▶ With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the Entity's actuaries for the measurement of liabilities arising from life insurance and investment contracts, including an analysis of their consistency with those used in the previous year and using as reference the specific terms of the products, regulatory requirements and practices in the insurance sector; and</li> <li>▶ Review the completeness and consistency of the disclosures in the consolidated financial statements of the technical provisions for life insurance and financial liabilities with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.</li> </ul>

2. Measurement of Claims Provisions (non-life)

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As described in note 22 to the consolidated financial statements as at December 31, 2019, the claims provisions arising from non-life insurance contracts amounted to 1,845 m (11% of total liabilities). These provisions are determined using actuarial assumptions and methodologies and are based on the history of the Group's loss ratio by business and they present the estimated value of damages to pay for claims already incurred, including claims incurred but not reported</p>	<p>Our approach to the risk of material misstatements in the measurement of claims provisions (non-life) included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the internal control procedures of the Entity and its subsidiaries and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the measurement of claims provisions (non-life);</li> </ul>

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>(IBNR), and administrative costs related to future settlement.</p> <p>These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based on judgments, in particular the discount rate, mortality tables and estimation of expenses to be incurred (see details in subparagraph (d)) 2.17 note).</p> <p>In view of the materiality of these liabilities to the consolidated financial statements and that the process for their measurement incorporates estimation based on assumptions and actuarial techniques applied to information currently available, and that the actual amounts payable in the future may be different from recorded amounts, we considered the claims provisions (non-life) to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>▶ Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand the annual changes and of the main factors contributing to the most significant variations;</li> <li>▶ With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Entity and its subsidiaries (when applicable) for the measurement of the claims liabilities (non-life), including analysis of consistency with those used in the previous years and with the default payment history by segment, having as reference the specifics of the Entity's products and its subsidiaries regulatory requirements and practices in the insurance sector;</li> <li>▶ Recalculation of claims provisions by our actuarial specialists for the segments representing the most significant share of the liabilities of the Entity (Auto and Workers' compensation), on the basis of actuarial methods recognised in the insurance sector, to assess their adequacy. Additionally, for Workers' compensation segment, we examined the financial and demographic assumptions used in the estimation of the long-term obligations; and</li> <li>▶ Review the completeness and consistency of disclosures in the consolidated financial statements for claims provisions (non-life) with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.</li> </ul>

### 3. Valuation of financial instruments at fair value

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As detailed in note 49, the consolidated assets and liabilities include financial instruments valued at fair value amounting to 12,176 m and 246 m, respectively, which represent about 60% of the total consolidated assets and 1.5% of the total consolidated liabilities.</p> <p>The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total value of instruments with reduced liquidity, recognised in the consolidated assets and liabilities of the Entity, amounting to about</p>	<p>Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the internal control procedures of the Entity and its subsidiaries and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the valuation of financial instruments at fair value;</li> <li>▶ Analytical review of the consolidated financial statements line items relating to financial instruments and recalculation of fair value financial instruments by comparing the rates used by the Entity and its subsidiaries (when relevant) with those observed in external sources of information;</li> <li>▶ Analysis of the methodologies and assumptions used by the Entity and its subsidiaries in determining fair value, using as</li> </ul>

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>1,864 m (9% of the asset) and 237 m (1% of the liabilities), respectively, which were classified under the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 49).</p> <p>The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.</p>	<p>reference the details of its investment policy, regulatory requirements and sector practices; and</p> <ul style="list-style-type: none"> <li>▶ Review the completeness and consistency of disclosures of financial instruments at fair value in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.</li> </ul>

#### 4. Recognition and measurement of Goodwill

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated financial statements of the Entity as at December 31, 2019 include in the statement of financial position as more fully disclosed in note 15, Goodwill arising from investments in subsidiaries of 528 m , representing approximately 3% of the consolidated assets.</p> <p>In accordance with the accounting principles and as disclosed in note 2.3, Goodwill corresponds to the positive difference, on the acquisition date, between the acquisition cost of a subsidiary and the effective percentage acquired by the Group, at fair value, of its identifiable assets, liabilities and contingent liabilities, and should be tested annually for eventual impairment. This impairment assessment is a process that requires judgment and is based on assumptions regarding economic and financial market conditions of the subsidiaries (such as discount rates, inflation, growth rates/profit margins and prospective financial information).</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the valuation of Goodwill included a specific response by performing the following procedures:</p> <ul style="list-style-type: none"> <li>▶ Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of Goodwill;</li> <li>▶ Analysis of contracts, accords and other information that supports the ownership, the cost of business combination and the fair value of assets, liabilities and contingent liabilities.</li> <li>▶ Review of the assumptions used in the valuation models approved by the management, in particular the future cash flow projections, the discount rate, the rate of inflation, the growth rate in perpetuity and the sensitivity analysis, supported by internal corporate finance experts;</li> <li>▶ Review of the consistency of the assumptions used in the construction of the business plan with previous years, comparison with historical data and with external sources. We tested the calculations of the models used; and</li> <li>▶ Review of the completeness and consistency of disclosures of Goodwill in the consolidated financial statements with the respective accounting data and the requirements of International Financial Reporting Standards.</li> </ul>

#### 5. Recognition and measurement of impairment losses on available-for-sale investments

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated income statement of the Entity as at December 31, 2019, includes impairment losses from financial instruments held, classified as "available-for-sale investments", of 123 m (details disclosed in note 43), representing approximately 1% of the consolidated assets.</p> <p>In accordance with the accounting principles and the defined investment policy, which is described in note 2.6 (d), the Entity and its subsidiaries recognise impairment losses on available-for-sale investments based on evidence of impairment such as, among others, financial difficulties of the issuer or a significant or prolonged decline in the fair value of financial assets below cost price.</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the recognition and measurement of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time, based on information currently available, and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the recognition and measurement of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of financial instruments and recognition of impairment losses for the Entity and its subsidiaries (when relevant);</li> <li>▶ Analytical review tests on the consolidated financial statements line items related to financial assets and recalculation of impairment losses on a sample basis;</li> <li>▶ Analysis of the policies/methodology for the recognition of impairment losses of the Entity and its subsidiaries, based on the adopted accounting principles and market practices; and</li> <li>▶ Review the completeness and consistency of disclosures in the consolidated financial statements on recognition of impairment losses on financial assets with the respective accounting data and requirements of International Financial Reporting Standards.</li> </ul>

#### 6. Valuation of real estate investments

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated financial statements of the Entity as at December 31, 2019 include real estate assets as disclosed in notes 11 and 21 to the financial statements, recorded at fair value, classified as investment and own use properties (net of depreciations), amounting a net of 2,216 m and 625 m, respectively, which represent a total of about 14% of the consolidated assets.</p> <p>The real estate appraisals were based on the methods disclosed in note 11 to the consolidated financial statements and assumptions for which the effects of the economic and the ability of the market to absorb the available supply is crucial.</p>	<p>Our approach to the risk of material misstatements included a specific strategy consisting of a combination of evaluation of controls and substantive procedures, namely:</p> <ul style="list-style-type: none"> <li>▶ Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of real estate investments;</li> <li>▶ Analytical review tests on real estate items included in the consolidated financial statements;</li> <li>▶ Analysis of the valuation reports prepared by experts, testing the appropriateness of the valuation methods used and reasonableness of the assumptions made;</li> </ul>

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consideration of this matter as a key audit matter was based on their materiality to the consolidated financial statements and the inherent risk on the assumptions used in appraisals performed by external experts.</p>	<ul style="list-style-type: none"> <li>▶ Comparative analysis of value and assumptions of the appraisals made in the year with those of previous years and price comparison with available market information; and</li> <li>▶ Verification of the completeness and consistency of disclosures of real estate in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.</li> </ul>

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

Management is responsible for:

- ▶ the preparation of consolidated financial statements which present a true and fair view of the Group's financial position, financial performance and cash flows in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by Autoridade de Supervisão de Seguros e Fundos de Pensões;
- ▶ the preparation of the Management Report, in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the consolidated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement.

### On non-financial statements set out in article 508-G of the Commercial Companies Code

Pursuant to article 451, nr. 6 of the Commercial Companies Code, we inform that the Group included in its Management Report the non-financial statements set out in article 508-G of the Commercial Companies Code.

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

Pursuant to article 10<sup>o</sup> of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of the Entity in the shareholders' general meeting held on 31 May 2017 for statutory audit for the period between 2017 and 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated financial statements. In planning and executing our audit in accordance with the ISA we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group;

- ▶ We declare that we have not provided any prohibited services as described in article 77 nr. 8 of the Statute of the Institute of Statutory Auditors and we have remained independent of the Group in conducting the audit.

Lisbon, April 29, 2020

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

(signed)

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

LONGRUN PORTUGAL, SGPS, S.A

Report and Opinion of the Supervisory Board

2019

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

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

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

With regard to the consolidated financial statements, we have examined the Report of the Board of Directors and the other consolidated accounting documents for the year, in addition to the Statutory Auditor's Report, with which we are in agreement.

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

OPINION

That the Report of the Board of Directors and other consolidated accounting documents for the year, as submitted by the Board of Directors, should be approved;

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

Lisbon, 4 May 2020

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABILITY  
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD  
OF LONGRUN PORTUGAL, SGPS, S.A.  
FOR 2019

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

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

Lisbon, 4 May 2020.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

**REPORT OF  
THE BOARD  
OF DIRECTORS  
SEPARATE  
ACCOUNTS**

**1.**

# **CORPORATE BODIES**

## LONGRUN PORTUGAL, SGPS, S.A.

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### Board of Directors

**Chairman**

Lingjiang XU

**Member**

Wai Lam William MAK

### Supervisory Board

**Chairman**

Pedro Antunes de Almeida

**Members**

Vasco Jorge Valdez Ferreira Matias

João Filipe Gonçalves Pinto

**Alternate**

Isabel Gomes de Novais Paiva

### Statutory Auditors

Ernst & Young Audit & Associados - SROC, S.A.,

represented by

Ricardo Nuno Lopes Pinto, ROC

**2.**

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

## A. ABOUT LONGRUN PORTUGAL

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Longrun Portugal, SGPS, S.A. ("Longrun" or "Company") is a holding company in the insurance sector, the activity of which is management of its interests in the insurance companies Fidelidade - Companhia de Seguros, SA, Multicare - Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A. (84.9962%, 80% and 80%, respectively).

Through these companies, Longrun indirectly owns strategic interests in several insurance companies (both national and international), in companies that provide insurance-related services and in health services companies.

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.

## B. FINANCIAL ANALYSIS

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Longrun, SGPS, S.A.'s Net Assets amounted to EUR 1,634 million, corresponding mainly to the value of the aforementioned shareholdings.

Longrun obtained a negative individual statutory income of EUR 235 thousand.

**3.**

**BUSINESS**

**ENVIRONMENT**

## A. MACROECONOMIC ENVIRONMENT

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

In fact, this trend has largely been the result of the favourable external climate in financial markets and increased exports, as well as high levels of confidence of economic agents and positive improvements in the labour market.

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

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

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

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

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

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

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

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

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

## B. PORTUGUESE INSURANCE SECTOR ENVIRONMENT

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Since Longrun's holdings are insurance companies, reference should be made to the outlook for this business sector.

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

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

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

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

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

In contrast with the evolution recorded in the Life segment, the Non-Life segment maintained the growth trend seen in recent years, registering an increase in premiums of 8.0% compared to the previous year, with direct insurance recording EUR 5.2 billion.

The Workers' Compensation line of business continued to evolve positively in 2019, displaying double-digit growth (+11.8%), reflecting the effect of growth in economic activity, with a positive impact on the wage bill and a decrease in the unemployment rate.

Total premiums in the Motor and Health lines of business also continued to grow, consolidating the trend seen in previous years. The Health line of business, boosted by greater awareness among the population of its importance, recorded growth of 8.7% (compared to 7.4% in 2018), while total premiums in the Motor line of business, following buoyancy in vehicle ownership, grew 7% (compared to 6.7% in 2018).

In 2020, the Non-Life segment can be expected to continue its growth trend, in line with the evolution forecast for the Portuguese economy. This business segment should benefit from an increase in the lines of business more linked to business activity (Workers' Compensation, Property and Third Party Liability), as well as contributions from some of the more buoyant lines of business, in particular Health.

**4.**

**PROPOSAL FOR  
THE APPLICATION  
OF INCOME**

## A. APPLICATION OF INDIVIDUAL INCOME

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The individual net income for 2019 was € -234,946.00.

In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following application:

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Retained earnings	€ -234,946.00
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**5.**

# **FINAL REMARKS**

In concluding this report, the Board of Directors would like to express its thanks to all those who have contributed to the development and continued robustness of the company, and in particular:

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special supervision of the sector and timely intervention;
- The Portuguese Insurance Association, for its efforts in representing insurers in common fields of interest;
- The Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for their interest, availability and constant commitment to accompanying and checking the activity;
- The insurance distribution networks and the reinsurers, for the motivation, team spirit, openness and commitment they demonstrate in developing our business;
- The employees of all insurance companies included in the Longrun Group, who, with their professionalism, dedication and skill, made it possible to achieve the results seen and to continually enhance the value of the companies;
- The clients for their preference and for the constant stimulus to improve service quality.

Lisbon, 31 March 2020

#### **THE BOARD OF DIRECTORS**

Lingjiang Xu - Presidente  
Wai Lam William Mak - Vogal

# **SEPARATE FINANCIAL STATEMENTS**

## SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

Tax no: 510 999 018

(amounts in euros)

ASSETS	Notes	2019		2018
		Gross amount	Impairment, depreciation / amortisation and adjustments	
Cash and cash equivalents	3	782,781	-	480,234
Investments in subsidiaries	4	1,598,994,874	-	1,598,784,859
Other debtors for insurance and other operations		1,136,420	-	6,405,919
Accounts receivable for other operations	5	1,136,420	-	6,405,919
Tax assets		32,594,717	-	54,696,777
Recoverable tax assets	6	32,549,165	-	54,651,225
Deferred tax assets	6	45,552	-	45,552
<b>TOTAL ASSETS</b>		<b>1,633,508,792</b>	<b>-</b>	<b>1,660,367,789</b>

## SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

Tax no: 510 999 018

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2019	2018
<b>LIABILITIES</b>			
Other creditors for insurance and other operations		33,863,848	61,256,230
Accounts payable for other operations	7	33,863,848	61,256,230
Tax liabilities		2,618	1,666
Tax payable liabilities	6	2,618	1,666
Accruals and deferrals	8	215,921	123,542
<b>TOTAL LIABILITIES</b>		<b>34,082,387</b>	<b>61,381,438</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in Capital	9	50,000	50,000
Other Capital Instruments		1,600,073,902	1,599,398,902
Other reserves	10	3,040	3,040
Retained earnings	10	( 465,591 )	( 351,520 )
Net income for the year	10	( 234,946 )	( 114,071 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,599,426,405</b>	<b>1,598,986,351</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,633,508,792</b>	<b>1,660,367,789</b>

Lisbon, 31 March 2020

Chief Accounting Officer  
Ana Paula Bailão Rodrigues

Certified Public Accountant  
Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Wai Lam William MAK  
Vice Chairman

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

Tax no: 510 999 018

(amounts in euros)

INCOME STATEMENT	Notes	2019		2018
		Non-technical	Total	
Financial expenses		(300,851)	(300,851)	(142,915)
Other	11	(300,851)	(300,851)	(142,915)
Other income/expenses	13	2,599	2,599	(1,361)
<b>NET INCOME BEFORE TAX</b>		<b>(298,252)</b>	<b>(298,252)</b>	<b>(144,276)</b>
Current income tax - current taxes	6	63,306	63,306	73,302
Current income tax - deferred taxes	6	-	-	(43,097)
<b>NET INCOME FOR THE YEAR</b>		<b>(234,946)</b>	<b>(234,946)</b>	<b>(114,071)</b>

Lisbon, 31 March 2020

Chief Accounting Officer  
 Ana Paula Bailão Rodrigues

Certified Public Accountant  
 Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Wai Lam William MAK  
 Vice Chairman

## SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE 2019 AND 2018 FINANCIAL YEARS

Tax no: 510 999 018

(amounts in euros)

	Paid-in capital and other capital instruments	Legal reserve	Other reserves	Retained earnings	Net income for the year	Total
<b>Balance at 31 December 2017</b>	<b>1,599,448,902</b>	<b>305</b>	<b>2,735</b>	<b>( 192,342 )</b>	<b>( 159,178 )</b>	<b>1,599,100,422</b>
Appropriation of net income	-	-	-	( 159,178 )	159,178	-
Net income for the year	-	-	-	-	( 114,071 )	( 114,071 )
<b>Balance at 31 December 2018</b>	<b>1,599,448,902</b>	<b>305</b>	<b>2,735</b>	<b>( 351,520 )</b>	<b>( 114,071 )</b>	<b>1,598,986,351</b>
Appropriation of net income	-	-	-	( 114,071 )	114,071	-
Supplementary contributions	675,000	-	-	-	-	675,000
Net income for the year	-	-	-	-	( 234,946 )	( 234,946 )
<b>Balance at 31 December 2019</b>	<b>1,600,123,902</b>	<b>305</b>	<b>2,735</b>	<b>( 465,591 )</b>	<b>( 234,946 )</b>	<b>1,599,426,405</b>

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

Tax no: 510 999 018

(amounts in euros)

	2019	2018
<b>NET INCOME FOR THE YEAR</b>	<b>( 234,946 )</b>	<b>( 114,071 )</b>
Items that may be reclassified subsequently to gains and losses		
Change in potential gains on financial investments		
Gross amount		
Appreciation	-	-
Impairment	-	-
Disposal	-	-
Deferred tax	-	-
Items that maybe not be reclassified subsequently to gains and losses		
Actuarial deviations		
Gross amount	-	-
Deferred tax	-	-
<b>INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>-</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR</b>	<b>( 234,946 )</b>	<b>( 114,071 )</b>

## DEMONSTRAÇÕES DOS FLUXOS DE CAIXA SEPARADA PARA OS EXERCÍCIOS FINDOS EM 31 DE DEZEMBRO DE 2019 E 2018

Tax no: 510 999 018

(amounts in euros)

	2019	2018
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating cash flows prior to changes in assets and liabilities		
Payments to suppliers	( 161,627 )	( 158,154 )
Payments to statutory bodies	( 46,846 )	( 46,900 )
Other	( 2,201 )	( 1,395 )
	<b>( 210,674 )</b>	<b>( 206,449 )</b>
(Increases)/ decreases in operating assets		
Other assets	22,103,012	( 86,069,591 )
	<b>22,103,012</b>	<b>( 86,069,591 )</b>
(Increases)/ decreases in operating liabilities		
Creditors - other operations	( 22,118,082 )	86,253,404
	<b>( 22,118,082 )</b>	<b>86,253,404</b>
Net cash from operating activities before tax	( 225,744 )	( 22,636 )
Payments of income tax	63,306	73,302
<b>Net cash from operating activities</b>	<b>( 162,438 )</b>	<b>50,666</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Business combinations		
Acquisition of subsidiaries, associates and joint ventures	( 210,015 )	-
<b>Net cash from investing activities</b>	<b>( 210,015 )</b>	<b>-</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Supplementary contributions	675,000	-
<b>Net cash from financing activities</b>	<b>675,000</b>	<b>-</b>
Increase (decrease) net of cash and equivalents	302,547	50,666
Cash and equivalents at start of the year	480,234	429,568
Cash and equivalents at end of the year	782,781	480,234

# **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

## 1. INTRODUCTORY NOTE

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

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

Longrun's financial statements at 31 December 2019 were approved by the Board of Directors on 31 March 2020.

## 2. ACCOUNTING POLICIES

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### 2.1. Basis of presentation

The financial statements at 31 December 2019 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 3/2018-R, of 29 March, of the Insurance and Pension Funds Supervisory Authority (from now on ASF), and the remaining regulatory standards issued by ASF.

The standards set out in the PCES correspond in general terms to the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into the Portuguese legal order by Decree-Law No. 35/2005, of 17 February, with the amendments introduced by Law No. 53-A/2006, of 29 December and Decree-Law No. 237/2008, of 15 December, except with regard to the application of IFRS 4 – "Insurance Contracts", in respect of which only the classification principles relating to insurance type contracts were adopted.

In 2019 the Company adopted the IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2019. These standards are listed in Note 2.7. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

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

The accounting policies used by the Company in the preparation of its financial statements relating to 31 December 2019 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle.

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

## 2.2. Investments in subsidiaries

Investments in subsidiaries include holdings in companies over whose day-to-day management the Company exercises effective control. Control is presumed to exist when the Company holds the ownership of the majority of voting rights. Control may also exist when the Company holds, directly or indirectly, the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, even though the percentage holding of its equity is less than 50%.

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

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

## 2.3. Income tax

The Company is subject to taxation under of the Corporate Income tax Code (CIT Code) and to Municipal Surcharge, the aggregate rate of which, in 2018 and 2019, was 22.5%. Additionally, there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 9% of any profit which exceeds this amount.

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

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

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

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

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questionable due to other situations, including issues regarding the interpretation of the tax legislation in force.

The main situation giving rise to temporary differences at Company level corresponds to tax losses.

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the tax rules that have been enacted, or substantially enacted, at the balance sheet date.

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

## 2.4. Provisions and contingent liabilities

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

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

## 2.5. Cash and cash equivalents

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

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

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

### Determination of impairment losses on financial assets

Impairment losses on financial assets are determined in line with the methodology defined in Note 2.2. Accordingly, the determination of impairment takes into account the conclusions of the specific evaluation conducted by Fidelidade on the basis of knowledge regarding the situation of the issuers of the financial instruments in question.

The Company considers that impairment determined on the basis of this methodology adequately reflects the risk associated with its portfolio of financial assets, taking into account the rules defined by IAS 39.

### Determination of income tax

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

## 2.7. Adoption of standards (new or revised) issued by the “International Accounting Standards Board” (IASB) and interpretations issued by the “International Financial Reporting Interpretation Committee” (IFRIC), as endorsed by the European Union

### 2.7.1. Adopted Standards (New or Revised)

During the course of 2019 the Company adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2019. The relevant changes for the Company were as follows:

Standards / Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRIC 23 - Uncertainty over Income Tax Treatments	07-06-2017	2018/1595	01-01-2019
IFRS 3 - Business Combinations. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	2019/412	01-01-2019
IFRS 11 - Joint Arrangements . Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	2019/412	01-01-2019
IAS 12 - Income Tax consequences on dividends of equity instruments. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	2019/412	01-01-2019

### 2.7.2. Standards, Interpretations, Amendments and Revisions with Mandatory Application in Future Accounting Periods

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

Standards / Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	2019/239	01-01-2022
IAS 1 - Definition of Material (Amendment)	31-10-2018	2019/2075	01-01-2020
IAS 8 - Definition of Material (Amendment)	31-10-2018	2019/2075	01-01-2020
IFRS 17 - Interest Rate Benchmark Reform (Amendment)	26-09-2019	2020/34	01-01-2020

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

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

Standards / Interpretations	Date of issue	Applicable to accounting periods beginning on or after
IFRS 3 - Business Combinations (Amendment)	22-10-2018	01-01-2020
IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendment)	23-01-2020	01-01-2022

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

### 3. CASH AND CASH EQUIVALENTS

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

(amounts in euros)

	2019	2018
<b>Sight deposits</b>		
Domestic currency	782,781	480,234
	<b>782,781</b>	<b>480,234</b>

## 4. INVESTMENTS IN SUBSIDIARIES

The balances of investments in subsidiaries in 2019 and 2018 were as follows:

(amounts in euros)

	2019		2018	
	Effective Share %	Balance Sheet Value	Effective Share %	Balance Sheet Value
<b>Valued at acquisition cost</b>				
<b>Subsidiaries</b>				
Fidelidade – Companhia de Seguros, S.A.	85.00%	1,542,174,115	85.00%	1,541,964,100
Multicare – Seguros de Saúde, S.A.	80.00%	39,420,236	80.00%	39,420,236
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	17,400,523	80.00%	17,400,523
		<b>1,598,994,874</b>		<b>1,598,784,859</b>

The financial data for the subsidiaries in 2019 and 2018 were as follows:

(amounts in euros)

Operating sector/entity	Effective share %	2019				
		Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade – Companhia de Seguros, S.A.	85.00%	16,802,567,666	14,197,429,909	2,605,137,757	144,406,401	3,939,854,642
Multicare – Seguros de Saúde, S.A.	80.00%	188,940,707	96,033,408	92,907,299	10,016,512	318,939,637
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	60,797,585	16,562,817	44,234,768	4,140,847	55,054,931

(a) The shareholders' equity includes net income for the year.

(amounts in euros)

Operating sector/entity	Effective share %	2018				
		Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade – Companhia de Seguros, S.A.	85.00%	16,275,614,962	14,043,010,031	2,232,604,931	278,236,439	2,820,187,838
Multicare – Seguros de Saúde, S.A.	80.00%	172,026,836	90,473,934	81,552,902	9,000,867	290,925,529
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	55,014,319	15,166,961	39,847,358	6,183,482	53,569,992

(a) The shareholders' equity includes net income for the year.

The subsidiaries are the following:

**Fidelidade - Companhia de Seguros, S.A.** is a public limited liability company resulting from the merger by incorporation of Império Bonança - Companhia de Seguros, S.A. ("Império Bonança") in Companhia de Seguros Fidelidade-Mundial, S.A. ("Fidelidade Mundial"), in accordance with the public deed dated 31 May 2012, effective 1 January 2012. 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, with the corporate purpose of exercising the insurance and reinsurance activity, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related with 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 March 1995, with the name Companhia de Seguros Tágus, S.A., with the corporate purpose of exercising the insurance and reinsurance activity, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related with 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.

**The following changes occurred during 2019:**

In June 2019, CGD processed a banking commission of EUR 210,015, related to last year's capital increase, resulting from the pricing of this service. It was negotiated with CGD the application of 50% of the rate in force.

## 5. OTHER DEBTORS FOR INSURANCE AND OTHER OPERATIONS

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

(amounts in euros)

	2019	2018
<b>Accounts receivable for other operations</b>		
Group companies	1,136,420	6,404,850
Others	-	1,069
	<b>1,136,420</b>	<b>6,405,919</b>

## 6. TAX ASSETS AND LIABILITIES

The balances for tax assets and liabilities at 31 December 2019 and 2018 were as follows:

(amounts in euros)

	2019	2018
<b>Current tax assets</b>		
Income tax recoverable	3,879,437	-
Payments on account	28,669,728	54,651,225
	<b>32,549,165</b>	<b>54,651,225</b>
<b>Current tax liabilities</b>		
Others		
Social security	(1,781)	(829)
Withholdings	(837)	(837)
	<b>(2,618)</b>	<b>(1,666)</b>
<b>Deferred tax assets</b>	<b>45,552</b>	<b>45,552</b>
	<b>45,552</b>	<b>45,552</b>
<b>Total</b>	<b>32,592,099</b>	<b>54,695,111</b>

At 31 December 2019 and 2018, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in euros)

	2019	2018
Income tax estimate recognised as a charge to the income statement	63,306	73,302
Payments on account	28,669,728	54,651,225
	<b>28,733,034</b>	<b>54,724,527</b>

Reconciliation between the nominal tax rate and the effective tax rate in 2019 and 2018 was as follows:

(amounts in euros)

	2019		2018	
	Rate	Tax	Rate	Tax
Income before tax	21.00%	( 298,252 )	21.00%	( 144,276 )
Income tax calculated at nominal rate	21.00%	( 62,633 )	21.00%	( 30,298 )
<b>Permanent differences to be added</b>				
Adjustments in respect of previous periods	0.28%	( 825 )	(0.04%)	54
Others	(0.05%)	152	(0.03%)	39
Effective tax rate	21.23%	( 63,306 )	20.94%	( 30,205 )

In 2019 the Company presented tax losses of EUR 301,456. However, no deferred tax asset was registered, since as part of the SRTCG this tax loss is consumed in 2019 by the taxable profits generated by the remaining entities in the tax Group.

The tax authorities have the option of inspecting the four prior years in Portugal (six years for years in which losses have been reported). Different interpretations of the legislation could lead to potential adjustments to the taxable profit of past years.

Given the nature of any corrections which may be made, it is not possible to quantify these at the present time. However, in the opinion of the Board of Directors of the Company, it is unlikely that any correction concerning the years referred to above will be significant for the attached financial statements.

Pursuant to the legislation in force, tax losses calculated from 1 January 2012 to 31 December 2013 may be reported for a period of 5 years, while tax losses generated in years begun after 1 January 2014 to 31 December 2016 may be reported for a period of 12 years. Tax losses calculated in tax periods beginning on or after 1 January 2017 may be reported for a period of 5 years.

The Company has reportable tax losses of EUR 216,914 relating to 2015, which may be deducted up to 2027. This tax loss cannot be consumed within the tax Group, since it was generated before the Group was set up. Thus, the tax loss can only be consumed in Longrun as an individual Company.

## 7. OTHER CREDITORS FOR OTHER OPERATIONS

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

(amounts in euros)

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	2019	2018
<b>Accounts payable for other operations</b>		
Group companies		
Aggregate tax	33,862,848	61,025,217
Others	1,000	221,173
Suppliers' current accounts	-	9,840
	<b>33,863,848</b>	<b>61,256,230</b>

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## 8. ACCRUALS AND DEFERRALS

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

(amounts in euros)

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	2019	2018
<b>Accrued expenses</b>		
Audit	98,713	24,881
Other specialist work	117,208	98,661
	<b>215,921</b>	<b>123,542</b>

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## 9. PAID-IN CAPITAL

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At 31 December 2019, the share capital of Longrun Portugal, SGPS, S.A., of EUR 50,000, is fully owned by Millennium Gain Limited.

On 7 January 2015 and 30 November 2015, in accordance with decisions of the General Meeting, supplementary contributions were made by the single shareholder, of EUR 60,950,000 and EUR 500,000,000, respectively, in the terms of the legal rules on repayment of supplementary contributions, and interest free.

On 1 September 2017, in accordance with decisions of the General Meeting, supplementary contribution was made by the single shareholder, of EUR 648,902, in the terms of the legal rules on repayment of supplementary contributions, and interest free.

On 21 August 2019, in accordance with decisions of the General Meeting, supplementary contribution was made by the single shareholder, of EUR 675,000, in the terms of the legal rules on repayment of supplementary contributions, and interest free.

## 10. RESERVES, RETAINED EARNINGS AND INCOME FOR YEAR

At 31 December 2019 and 2018, reserves and retained earnings were as follows:

(amounts in euros)

	2019	2018
Other reserves		
Legal reserve	305	305
Other reserves	2,735	2,735
	<b>3,040</b>	<b>3,040</b>
Retained earnings	( 465,591 )	( 351,520 )
Net income for the year	( 234,946 )	( 114,071 )
	<b>( 697,497 )</b>	<b>( 462,551 )</b>

The amount of legal reserve and other reserves result from appropriation of income of 2014.

Under current legislation, a percentage of not less than 5% of the Net Income must be transferred to the legal reserve, until it reaches the amount of 20% share capital. The legal reserve may not be distributed, but only used to increase share capital or offset accumulated losses.

## 11. FINANCIAL EXPENSES

In 2019 and 2018, the Company operating costs, by type, are as follows:

(amounts in euros)

	2019	2018
Employee costs (Note 12)	46,846	46,975
External supplies and services		
Litigation and notary expenses	622	250
Auditors	55,803	55,803
Other specialist work	192,620	39,692
Others	159	195
	<b>249,204</b>	<b>95,940</b>
Taxes and charges	4,801	-
	<b>300,851</b>	<b>142,915</b>

In 2019 and 2018 profit and loss statements, these costs were as follows:

(amounts in euros)

	2019	2018
<b>Non technical account</b>		
Financial expenses	300,851	142,915
<b>Total operating costs allocations</b>	<b>300,851</b>	<b>142,915</b>

## 12. EMPLOYEE COSTS

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

(amounts in euros)

	2019	2018
Remuneration		
Statutory bodies	39,200	39,200
Remuneration expenses	7,646	7,958
Mandatory insurance	-	( 183 )
	<b>46,846</b>	<b>46,975</b>

### 13. OTHER INCOME / EXPENSES

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

(amounts in euros)

	2019	2018
<b>Financial income and gains</b>		
Other	-	65
	-	<b>65</b>
<b>Non-current expenses and losses</b>		
Fines and penalties	(714)	(188)
Other expenses		
Corrections to previous years	3,931	(258)
	<b>3,217</b>	<b>(446)</b>
<b>Financial expenses and losses</b>		
Interest paid	(13)	(379)
Banking services	(605)	(601)
	<b>(618)</b>	<b>(980)</b>
	<b>2,599</b>	<b>(1,361)</b>

## 14. RELATED PARTIES

The Company's related parties are deemed to be the subsidiaries and associates of the Fosun Group, and Caixa Geral de Depósitos, S.A., and respective management bodies.

At 31 December 2019 and 2018 the Company's financial statements include the following balances and transactions with related parties, excluding the management bodies:

### 2019

(amounts in euros)

	Fidelidade - Companhia de Seguros, S.A. (2)	Multicare - Seguros de Saúde, S.A. (2)	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Via Directa - Companhia de Seguros, S.A. (2)	E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. (2)	Fidelidade - Property International, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)	GEP- Gestão de Peritagens Automóveis, S.A. (2)
<b>Assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	755,576	-
Investments in subsidiaries, associates and joint ventures	1,542,174,116	39,420,236	17,400,523	-	-	-	-	-
Accounts receivable for other operations	-	308,216	-	-	-	763,045	-	57,079
<b>Liabilities</b>								
Provision for unearned premiums	-	-	-	-	-	-	-	-
Accounts payable for other operations	29,233,935	-	13,886	672,386	16,484	-	-	-
<b>Gains and Losses</b>								
Other income/expenses	-	-	-	-	-	-	(543)	-

(amounts in euros)

	Fidelidade Property Europe, S.A. (2)	Cetra - Centro Técnico de Reparação Automóvel, S.A. (2)	Fidelidade - Serviços de Assistência, S.A. (2)	Companhia Portuguesa de Resseguros, S.A. (2)	Fidelidade - Sociedade Gestora de Org. de Investimento Imobiliário, S.A. (2)	FIDLatAm SGPS, SA (2)	Millennium Gain Ltd (1)	Total
<b>Assets</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	755,576
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	1,598,994,874
Accounts receivable for other operations	-	-	-	-	8,080	-	-	1,136,420
<b>Liabilities</b>								
Provision for unearned premiums	-	-	-	-	-	-	-	-
Accounts payable for other operations	3,816,600	36,339	1,405	69,966	-	1,845	1,000	33,863,848
<b>Gains and Losses</b>								
Other income/expenses	-	-	-	-	-	-	-	(543)

2018

(amounts in euros)

	Fidelidade - Companhia de Seguros, S.A. (2)	Multicare - Seguros de Saúde, S.A. (2)	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Via Directa - Companhia de Seguros, S.A. (2)	E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. (2)	Fidelidade - Property International, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	-	452,796
Investments in subsidiaries	1,541,964,100	39,420,236	17,400,523	-	-	-	-
Accounts receivable for other operations	-	26,085	4,092	-	16,579	-	-
<b>Liabilities</b>							
Accounts payable for other operations	35,955,971	-	-	177,808	-	25,121,450	-
<b>Income</b>							
Financial expenses	(9,840)	-	-	-	-	-	-
Other income/expenses	-	-	-	-	-	-	(435)

(amounts in euros)

	GEP - Gestão de Peritagens Automóveis, S.A. (2)	Fidelidade Property Europe, S.A. (2)	Cetra - Centro Técnico de Reparação Automóvel, S.A. (2)	Fidelidade - Serviços de Assistência, S.A. (2)	Companhia Portuguesa de Resseguros, S.A. (2)	Millennium Gain Ltd (1)	Total
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	-	452,796
Investments in subsidiaries	-	-	-	-	-	-	1,598,784,859
Accounts receivable for other operations	62,256	6,211,545	22,568	1,265	60,460	-	6,404,849
<b>Liabilities</b>							
Accounts payable for other operations	-	-	-	-	-	1,000	61,256,229
<b>Income</b>							
Financial expenses	-	-	-	-	-	-	(9,840)
Other income/expenses	-	-	-	-	-	-	(435)

The related parties are divided into the following categories

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint Ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.

### Payment of remuneration to statutory bodies

The Remuneration Commission is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholders.

The remuneration and benefits paid to the members of the Corporate Bodies during 2019 were as follows:

(amounts in euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Chairman</b>					
Pedro Nunes de Almeida	14,000	-	-	-	-
<b>Members</b>					
João Filipe Gonçalves Pinto	12,600	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	12,600	-	-	-	-

(\*) Relativa ao exercício de 2017

The non-executive members of the Board of Directors do not receive remuneration.

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, related to 2019, amount to EUR 124,900, EUR 111,320 of which are related to the Statutory Audit and EUR 13,580 to compliance and assurance services.

## 15. SUBSEQUENT EVENTS

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), which appeared in China in January 2020, the prevention and control of COVID-19 has been taking place predominantly in China and on a global scale considering the risk of contagion of the disease. The Group will fully implement the requirements and guidelines of the World Health Organization and all indications of the government and regulatory authorities and will increase its support for the prevention and control of epidemics. COVID-19 has economic impacts at the national and global level and there already have been significant losses in the global markets that may affect the quality or the income from the Group's credit and investment assets and the extent of the impact depends on the state of epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

This is a non-adjustable subsequent event, which at report date, the assessment is currently in progress. Regarding the Company activity, the management believes that the impacts arising from this situation are uncertain and therefore is not possible to estimate the financial impacts, in particular with regard to the recoverable value of Financial Participation. The Company will continue to monitor the evolution of COVID-19, assessing and taking active steps regarding its impacts on the Group's financial position and income.

**REPORT AND  
OPINIONS ON  
THE SEPARATE  
ACCOUNTS**

(Translation of a report originally issued in Portuguese)

## Statutory Auditor's Report

### REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of Longrun Portugal, SGPS, S.A. (the "Entity"), which comprise the Separate Statement of Financial Position as at December 31, 2019 (which establishes a total of 1,633,508,792 euros and total equity of 1,599,426,405 euros, including a negative net profit for the year of 234,946 euros), the Separate Income Statement, the Separate Statement of Comprehensive Income, the Separate Statement of Changes in Equity and the Separate Statement of Cash Flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view, in all material respects, of the separate financial position of Longrun Portugal, SGPS, S.A. as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões").

#### Basis for opinion

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

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

#### Emphasis of matter relating to Covid-19

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole, increasing uncertainty around the operational and financial performance of organisations. In note 15 of the notes to the Financial Statements are disclosed the developments resulting from the pandemic identified by the Board of Directors for Longrun Portugal, SGPS, S.A. based on the information available at the time. The Board of Directors recognises that the impacts resulting from this situation are uncertain, and therefore it is not possible to estimate the financial impacts, in particularly concerning to the recoverable value of Financial Participation. Our opinion has not been modified in relation to this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The financial statements of the Entity as at 31 December 2019 include in the separate statement of financial position as more fully disclosed in note 4, investments in subsidiaries and associates of 1,599 million euros, representing approximately 98% of the assets.</p> <p>These assets are subject to impairment tests at least annually. This impairment assessment is a process that requires judgment and is based on assumptions regarding economic and financial market conditions of issuers (such as growth rate/profit margins, prospective financial information and inflation).</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the investments in subsidiaries included a specific response by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of these investments;</li> <li>• Review of internal analyses for identification of impairment triggers on financial shareholdings;</li> <li>• Examination of the assumptions used in the valuation models approved by the management, in particular the cash flow projections, the rate of inflation, the growth rate/profit margins and the prospective financial information;</li> <li>• Review of the consistency of the assumptions used in the construction of the business plan with previous years, comparison with historical data and with external sources. We tested the calculations of the models used;</li> </ul> <p>Review the completeness and consistency of disclosures of investments in subsidiaries in the financial statements with the respective accounting data and the requirements of International Financial Reporting Standards.</p>

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

Management is responsible for:

- ▶ the preparation of the financial statements which present a true and fair view of financial position, financial performance and cash flows of the Entity in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by Autoridade de Supervisão de Seguros e Fundos de Pensões;
- ▶ the preparation of the Management Report, in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

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

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

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

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

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### On the Management Report

Pursuant to article 451, n<sup>o</sup> 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

## On additional items set out in article 10º of Regulation (EU) nr. 537/2014

Pursuant to article 10º of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

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

Lisbon, April 29, 2020

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

(signed)

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

LONGRUN PORTUGAL, SGPS, S.A

Report and Opinion of the Supervisory Board

2019

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

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

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

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

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

OPINION

That the Report of the Board of Directors and other separate accounting documents for the year, as submitted by the Board of Directors, should be approved;

That the proposal for the application of income set out in the Report of the Board of Directors should be approved.

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

Lisbon, 4 May 2020.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABILITY  
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD  
OF LONGRUN PORTUGAL, SGPS, S.A.  
FOR 2019

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

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

Lisbon, 4 May 2020.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

# **CORPORATE GOVERNANCE REPORT**

## INTRODUCTION

LONGRUN PORTUGAL, SGPS, S.A., (hereinafter "Company") produces its Corporate Governance Report in a clear and transparent manner, applying the rules in force and observing best practice and recommendations, to communicate its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2019 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies and in Article 32(1) a) iv) of Regulatory Standard No. 8/2016 - R, of 16 August.

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

### A. SHAREHOLDER STRUCTURE

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#### I. Capital Structure

##### 1. Capital Structure

The Company's share capital, of EUR 50,000.00, is represented by 50,000 nominative shares, with a nominal value of 1 euro each, which are fully subscribed and paid up. All the shares have identical rights and are mutually fungible.

##### 2. Restrictions on the transfer of shares

The shares representing the Company's share capital are freely transferable.

##### 3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which the own shares would correspond

At 31 December 2019, the Company did not hold any own shares.

##### 4. Regime which is subject to the renewal or withdrawal of counter measures, in particular those which provide for limitation of the number of votes which may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders

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

##### 5. Shareholders agreements which the company is aware of and which may lead to restrictions regarding the transfer of securities or voting rights

There are no shareholders' agreements which may lead to restrictions regarding the transfer of securities or voting rights of the Company.

## II. Shareholdings Held

### 6. Identification of the natural or legal persons who are holders of qualifying shares, with an indication of the percentage of capital and votes ATTRIBUTED and the source and causes of attribution

The qualifying shares in the Company's share capital at 31 December 2019, with an indication of the percentage of capital and votes and of votes attributed and the source and causes of attribution, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights	Source and Causes of Attribution
Millenium Gain Limited	50,000	100%	100%	Constitution

### 7. Indication of the number of shares and bonds held by the members of the management and supervisory bodies

At 31 December 2019, the members of the management and supervisory bodies did not hold any shares or bonds in the Company.

## B. GOVERNING BODIES AND COMMISSIONS

### I. General Meeting

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

### 8. Identification and position of the members of the presiding board of the general meeting and respective mandate

No Presiding Board of the General Meeting was elected for the mandate in progress.

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

### 9. Potential restrictions on the right to vote, such as limitations to the exercise of the vote subject to ownership of a number or percentage of shares, time limits imposed for the exercise of the vote or systems whereby the financial rights attaching to securities are separated from the holding of securities

Pursuant to Article 8 of the Company's Articles of Association, the General Meeting is composed of shareholders in person or shareholders represented in the terms of the law, and each share corresponds to one vote.

### 10. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in a relationship with him as set out in article 20(1) of the Securities Code

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

**11. Identification of the shareholders' resolutions which, by imposition of the articles of association, may only be taken by a qualified majority, besides those provided for in law, and indication of those majorities**

The General Meeting may pass resolutions in a first convening, provided that shareholders holding at least three quarters of the total shares representing the share capital are present or represented, and in a second convening regardless of the number of shareholders present or represented and the amount of capital to which their shares correspond.

**II. Management****Board of Directors****a) Composition****12. Identification of the corporate governance model adopted**

The Company adopts a unitary corporate governance model with a Board of Directors, and a Supervisory Body which is composed of a Supervisory Board and Statutory Auditor.

**13. Articles of association rules on the appointment and replacement of members of the board of directors**

The members of the Board of Directors are elected by the General Meeting.

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

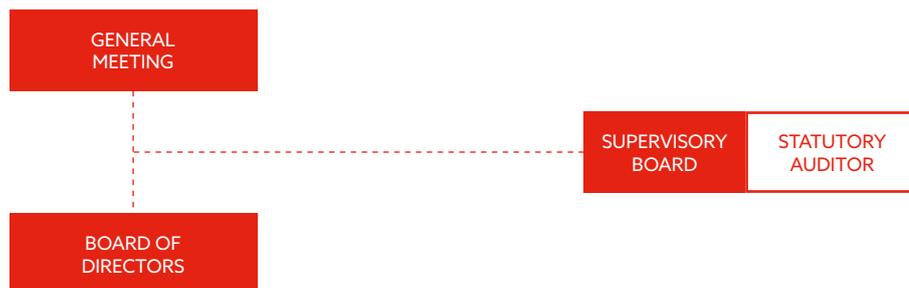
**14. Composition of the board of directors, with an indication of the articles of association's minimum and maximum number of members, duration of the mandate, number of effective members, date when first appointed and duration of the mandate of each member**

Pursuant to the Company's Articles of Association, the Board of Directors is composed of between two and five members, with the Chairman of the Board of Directors appointed by the General Meeting. The Board Members' mandate is for three calendar years, and they may be re-elected once or more times. The calendar year in which they were appointed counts as a full year.

At 31 December 2019, the Board of Directors was composed of:

Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Lingjiang XU	Chairman	29-11-2018	2017-2019	Executive
Wai Lam William MAK	Member	17-04-2017	2017/2019	Executive

The following table represents the Longrun's Corporate Governance structure during 2019:



### Board of Directors

The Board of Directors, as a governing body of the Company, has the broadest of powers to manage and represent the Company, pursuant to Article 13(1) of the Articles of Association.

The Board of Directors may only pass resolutions if a majority of its members is present or represented.

## III. Supervision

### Supervisory Board and Statutory Auditor

#### a) Composition

#### 15. Identification of the supervisory body (Supervisory Board, Audit Committee or General and Supervisory Board) according to the model adopted

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

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

#### 16. Composition of the supervisory board, with an indication of the position of each member, date of appointment and duration of the mandate according to the articles of association

The Supervisory Board is composed of 3 permanent members and one replacement, with mandates of three years, which are renewable, and was composed as follows at 31 December 2019:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Pedro Antunes de Almeida	Chairman	31-05-2017	2017/2019
Vasco Jorge Valdez Ferreira Matias	Member	31-05-2017	2017/2019
João Filipe Gonçalves Pinto	Member	31-05-2017	2017/2019
Isabel Gomes de Novais Paiva	Reserve	31-05-2017	2017/2019

The members of the Supervisory Board comply with the independence requirements set out in Article 414(5) of the Code of Commercial Companies, as they are not associated with any specific interest group in the Company and there are no circumstances which might affect their impartiality when analysing or taking decisions.

## IV. Statutory Auditor

### 17. Identification of the Statutory Auditor and the partner of the Statutory Auditor representing it

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

### 18. Indication of the number of years the Statutory Auditor consecutively carries out duties with the company and/or group

The Statutory Auditor was appointed on 26 September 2014 to perform functions until the end of the three-year period 2014/2016, and reappointed to exercise functions until the end of the three-year period 2017/2019.

### 19. Description of other services provided by the statutory auditor to the company

Besides the work required of the statutory auditor by law, Ernst & Young Audit & Associados – SROC, S.A. does not provide other types of services on a recurring basis to the Company or the companies controlled by it.

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

## C. INTERNAL ORGANISATION

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### I. Articles of Association

#### 20. Rules applicable to amendments to the Company's Articles of Association

Amendments to the Company's Articles of Association are governed by the provisions of the law in force.

### II. Reporting of irregularities

#### 21. Means and policy for reporting irregularities occurring in the company

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

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

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

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

### III. Internal control and risk management

#### 22. Bodies responsible for the internal audit and for the implementation of internal control systems

As Longrun is a company which manages shareholdings in the insurance sector, it does not exercise the activity of insurance or reinsurance, and its activity is limited to managing the shareholdings 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..

As Fidelidade – Companhia de Seguros, S.A. is the company which most represents the group, the governance requirements applied to the insurance Group are defined in that company.

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

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

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

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

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

The Company has policies, processes and procedures relating to the governance system which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business. Accordingly, key functions across the Group are defined in the areas of risk management, internal audit, actuarial and compliance, as part of the risk management and internal control systems, which are ensured by the Risk Management Division, the Audit Division and the Compliance Division.

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

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

Regarding the public reporting requirements, in 2019 the Company prepared and disseminated, on its Internet site, the "2018 Solvency and Financial Condition Report", which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2018. This information, together with the annual quantitative reports submitted to the ASF, is certified by the statutory auditor and the responsible actuary.

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

Accordingly, the measures adopted during the preparatory phase for applying the new Solvency II rules, and the activities, which are still ongoing, aimed at its consolidation, place the Company at a comfortable level of compliance with these new rules.

### **23. Existence of other functional areas with risk control competences**

Alongside the areas with key functions across the Insurance Group within the scope of the internal control and risk management systems, several corporate functions have been implemented and enhanced, beyond legal area, within the subsidiaries, including information systems, planning and control, accounting and investment.

This governance model, and the fact that the operational risk and internal control management processes implemented enable a risk management culture to be spread across all the subsidiaries, allows the relevant body in the Group to correctly run the risk management and internal control systems, at both company and group level, with appropriate reporting structures and information disclosure procedures.

### **24. Identification and description of the main types of risk (economic, financial and legal) to which the company is exposed in the performance of its activity**

This information is provided in the 2019 Management Report, in particular in the Notes to the Financial Statements.

### **25. Description of the process of identification, assessment, monitoring, control and management of risks**

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

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

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

## **IV. Internet Site and Provision of Information on the Company**

### **26. Address(es)**

The Company does not have an Internet site.

### **27. Place where information on the company, governing bodies and documents relating to the company accounts can be found**

Information about the Company and the governing bodies and documents relating to the accounts are available at the Company's Head Office.

### **28. Place where the articles of association and the rules governing the functioning of the governing bodies can be found**

The Articles of Association and the rules governing the functioning of the governing bodies are available at the Company's Head Office.

**29. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed**

Notices convening General Meetings and all the preparatory and subsequent information related to these are available at the Company's Head Office.

**30. Place where the historical archive on the resolutions passed at the company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is disclosed**

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

## D. REMUNERATION

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### I. Competence to determine

**31. Indication as to the competence to determine the remuneration of the governing bodies, the members of the executive committee or chief executive and the directors of the company**

The fixing of the remuneration of the members of the governing bodies is the responsibility of the General Meeting, given that the Company has not set up a Remunerations Committee.

### II. Remunerations structure

**32. Description of the remuneration policy for the management and supervisory bodies as set out in Article 2 of law no. 28/2009, of 19 June**

The members of the Board of Directors do not receive any remuneration for the performance of their functions.

The remuneration of the members of the Company's management and supervisory bodies, when applicable, is fixed with reference to the legal rules applicable to managers, and the guiding principles of the policy for fixing remuneration for members of the governing bodies of the companies within the Group.

### III. Disclosure of Remunerations

**33. Indication of the annual amount of remuneration paid by the company as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and, in relation to the latter, reference to the different components that have given rise to it**

The members of the Board of Directors do not receive remuneration for the performance of their functions.

**34. Compensation paid or owed to former executive directors concerning contract termination during the year**

No indemnity or compensation was paid due to termination of director's functions during the year.

**35. Indication of the annual amount of remuneration paid by the company as a whole and individually to members of the Company's supervisory bodies, for the purposes of law no. 28/2009, of 19 June**

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

Members of the Supervisory Board	(€)	Observations
Pedro Antunes de Almeida	14,000	
Vasco Jorge Valdez Ferreira Matias	12,600	
João Filipe Gonçalves Pinto	12,600	
Isabel Gomes de Novais Paiva	0	Reserve
<b>TOTAL</b>		

**36. Indication of the remuneration in the year in question of the president of the presiding board of the general meeting**

As indicated above, there is no Presiding Board of the General Meeting.

**IV. Agreements with remuneration implications****37. Reference to the existence and description, with an indication of the sums involved, of agreements between the company and members of the management body, which provide for compensation in the event of resignation or unfair dismissal or termination of the employment following a change in the control of the company (article 245-A, (1) I)**

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

**V. Share allocation or stock option plans****38. Identification of the plan and respective recipients**

There are no plans with these characteristics.

**39. Stock options for employees and company staff**

There are no stock options for employees.

## E. RELATED PARTY TRANSACTIONS

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### I. Control mechanisms and procedures

#### 40. Mechanisms implemented by the company for the purpose of controlling transactions with related parties

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

#### 41. Indication of the transactions which were subject to control in the year in question

All transactions with related parties were subject to control.

#### 42. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of prior assessment of the business to be conducted between the company and holders of qualifying shares or entities which are in any kind of relationship with them, pursuant to article 20 of the securities code

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

### II. Information on the transactions

#### 43. Indication of the location of accounting information including information on transactions with related parties

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

