LONGRUN PORTUGAL, SGPS, S.A.

ANNUAL
REPORT
2017

REPORT OF THE BOARD OF DIRECTORS CONSOLIDATED ACCOUNTS

CORPORATE BODIES

LONGRUN PORTUGAL, SGPS, S.A.

Board of Directors

Chairman	Lan Kang
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
Ana Rosa Ribeiro Salcedas Montes Pinto, ROC.

LONGRUN PORTUGAL

a. Key Indicators

€3,791 million
Total Premiums Written
(includes amounts relating to investment contracts)
Life: €2,417 million
Non-Life: €1,373 million

30.7%
Market Share (PT)
Life: 32.9%
Non-Life: 27.2%

11.1%
Weight of International Non-Life operation

€17.4 billion
Net Assets

3,686
Employees

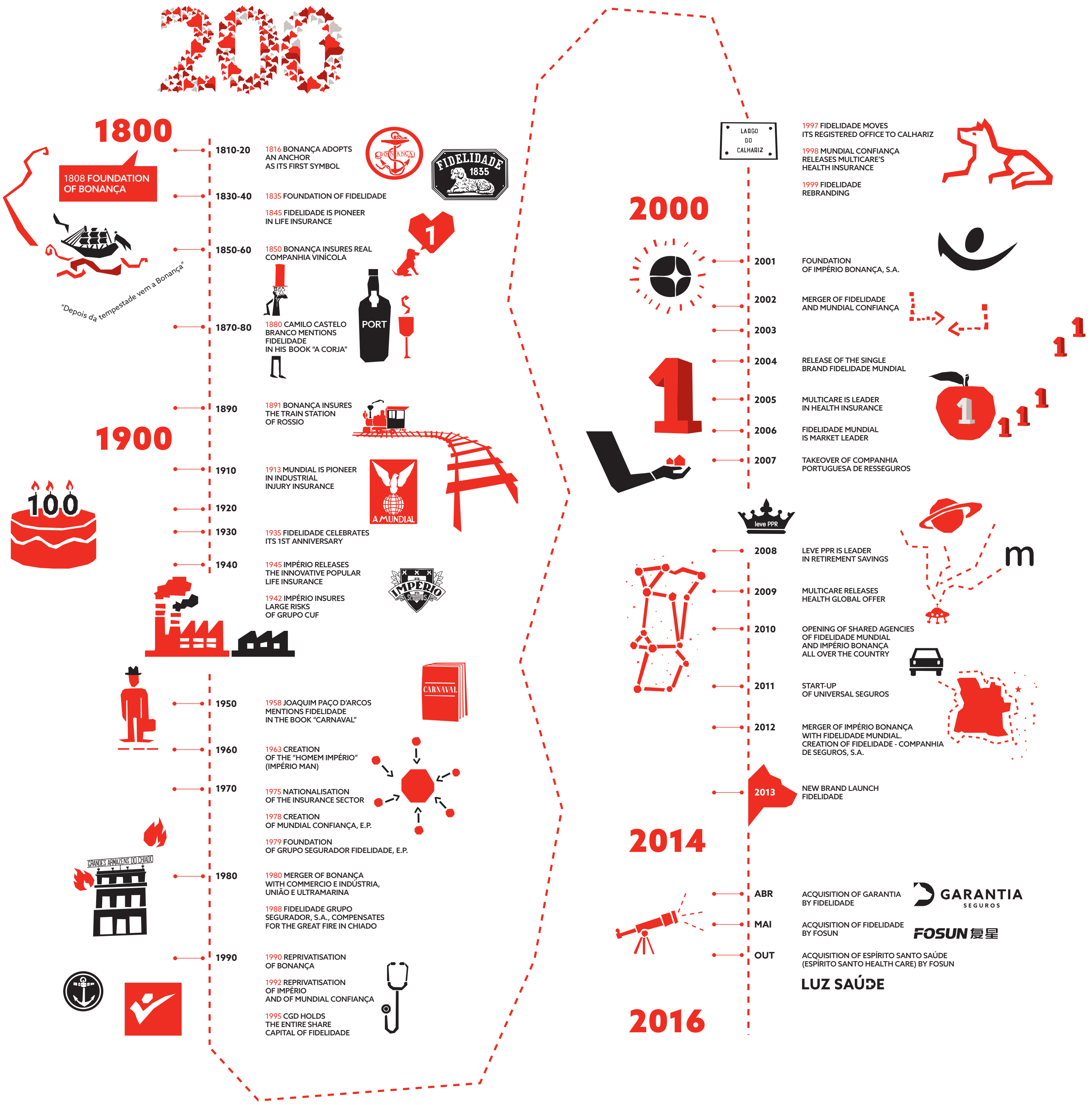
99.0%
Non-Life Combined Ratio

€194.3 million
Net Profits
(after minority interests)

€2,490 million
Shareholders' Equity

8.8%
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 (FM) and Império Bonança (IB), held by two of the largest Portuguese financial groups (CGD and BCP, respectively).

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 the final merger of FM and IB in 2012 and the launch of the single brand, Fidelidade, in mid-2013.

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

BEFORE 2000	2001-2004	2005-2012	2012-2013	2014-TODAY
Fidelidade's roots date back to 1808, with the creation of Bonança Up until 2000, there were several insurers of similar size	Consolidation period in the Portuguese market Establishment of two market leaders: Fidelidade-Mundial (FM) and Império-Bonança (IB)	The sole Fidelidade Mundial shareholder also acquires Império Bonança	2012: Merger between FM and IB, becoming Market Leader 2013: Launching of the single brand Fidelidade with 200 years of history	Fosun acquires, through Longrun, an 85% share in Fidelidade Bank distribution contract with CGD for 25 years

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.

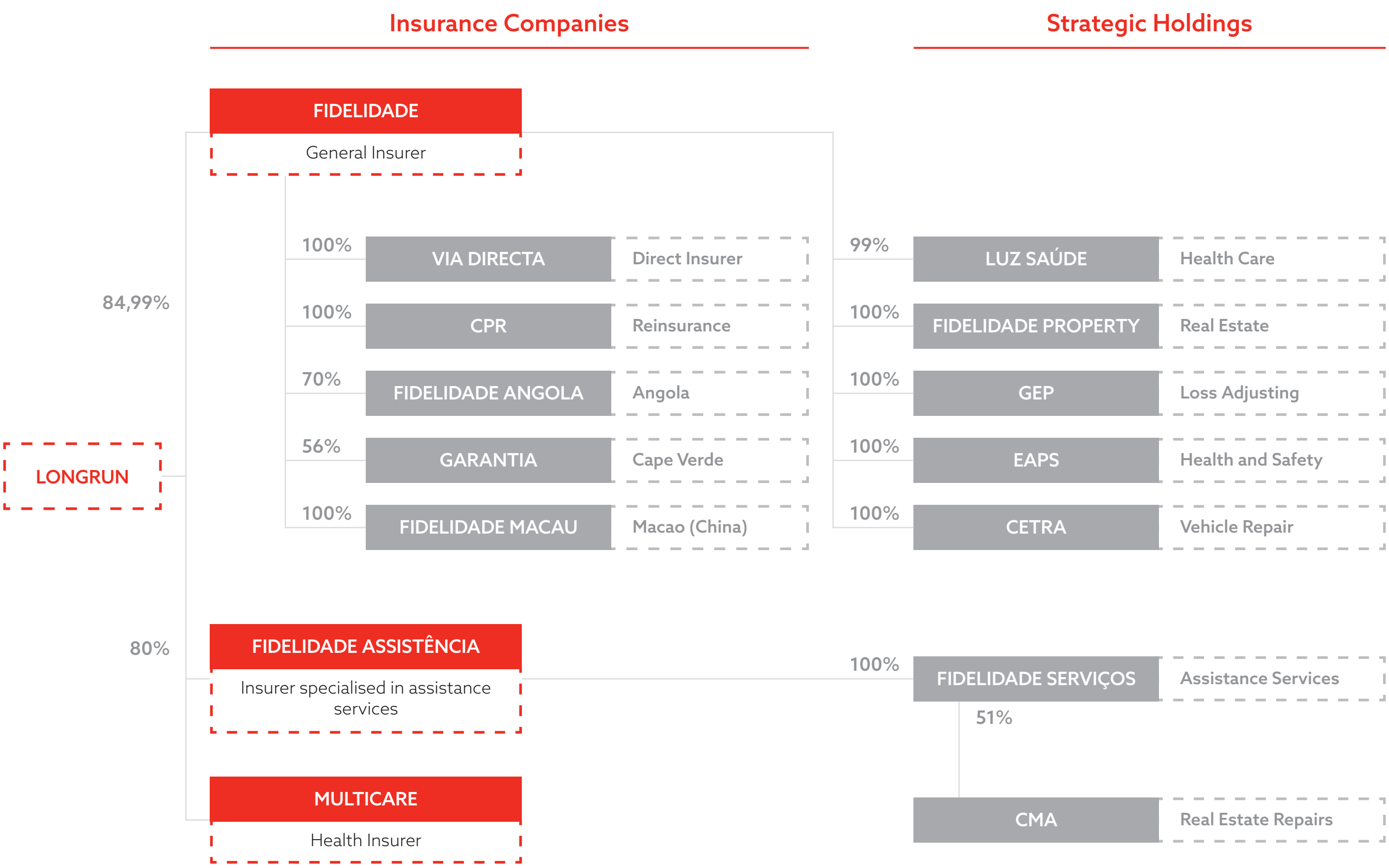
c. About Longrun Portugal

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 and Fidelidade Macao (Non-Life segment).

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

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



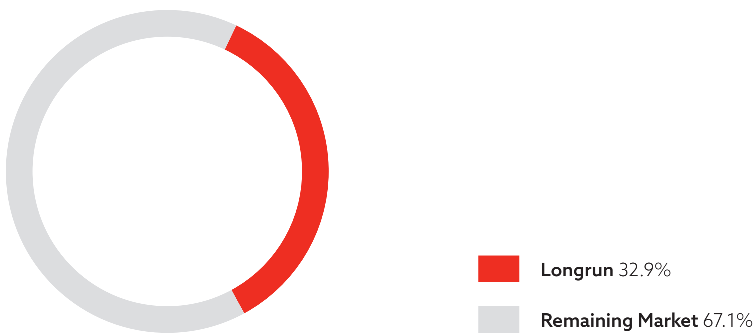
ii. Positioning

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, including increasing growth of remote channels.

In 2017, Longrun's insurance business held its leadership across both the Life and Non-Life segments, recording an overall market share of 30.7%, which corresponded, however, to a decrease of -1.5 pp over the previous year.

In the Life Segment, Longrun's insurance business strengthened its market share in the Annuities products. As a result of continued emphasis on retirement products, Longrun's insurance business holds a 50% market share, reflecting clients' great confidence in the Group's robustness.

Life Segment – Market Share

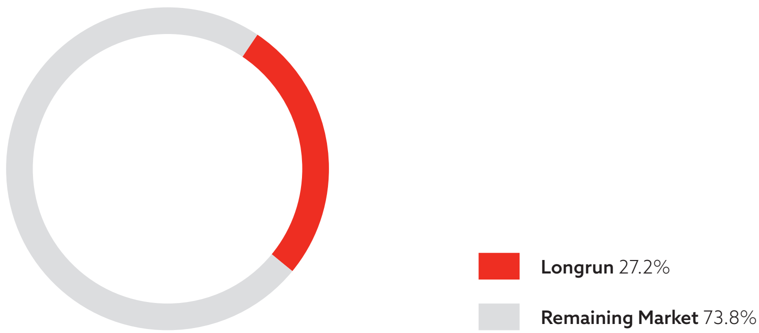


Longrun

Life Risk **17.4%**
Annuities **28.6%**
Life Capitalisation **26.7%**
Pension Plans **50.0%**

In the Non-Life Segment, Fidelidade Group grew more than most of its competitors, increasing its market share by 0.2pp to 27.2%. The 1.4pp increase in the health products' market share (to 35.7%) was particularly significant.

Non-Life Segment – Market Share



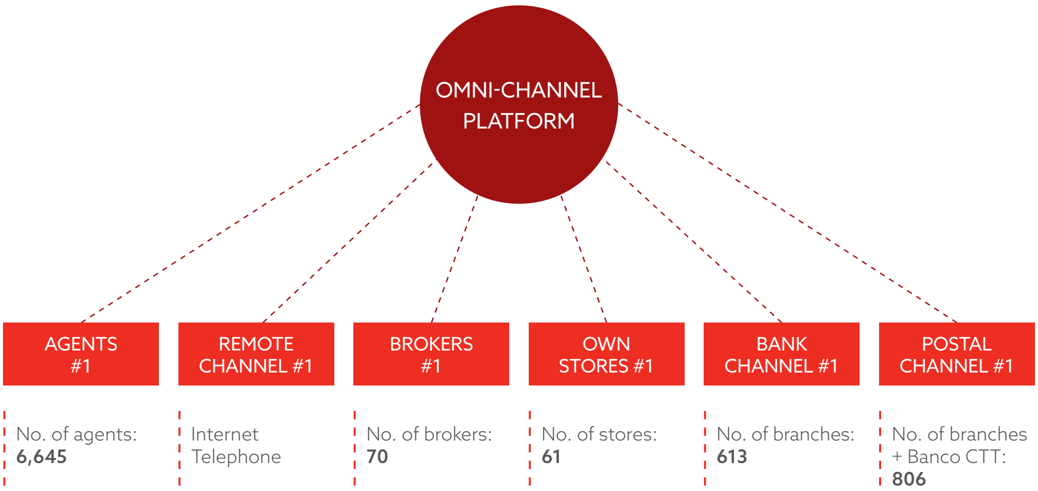
Longrun

Motor **27.8%**
Workers' Compensation **24.4%**
Personal Accidents **13.7%**
Health **35.7%**
Home **23.3%**
Commercial and Industrial Property **30.8%**
Fire and Other Damage **38.2%**
Third Party Liability **27.0%**
Transport **33.4%**

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 bank branches; the CTT (postal service); 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.



In fact, through its insurance area, Longrun has always sought to affirm its presence in all channels where the consumer is or could be, and to add value to those channels through a broad range of products and an appropriate service level for each of them.

Capitalising on its strong presence in the different distribution channels, it 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.

iv. Longrun's offer and 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 insurance solutions. These include the new Proteção Vital Família products, with a series of personal covers that can be adapted to suit the Client's needs, and Seguro Casa, which includes a unique range of covers in the Portuguese market in Home Insurance products.

Also of note is the launch of the Fidelidade Drive telematics application, which enables users to better understand the risks linked to their driving style, and the launch of new pilot products with a heavy technological component, in both the Life and Non-Life segments.

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

FIDELIDADE SEGUROS DESDE 1808	• Life and Non-Life products • Benchmark brand focused on all channels
multicare	• Health Insurance • Broad offer of health insurance
OK! teleseguros	• Online sales of insurance • Focus on Non-Life products (ex. Motor, Property) sold through the remote channel

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 Fidelidade has followed, in choosing to be an insurance company made up of people thinking about people.

BANCA E SEGUROS EXAME 2017
Best Large Non-Life Insurer, in the Banking and Insurance category

BANCA E SEGUROS EXAME 2017
Best Large Life Insurer, in the Banking and Insurance category

MARCA MAIS REPUTADA 2017
Insurer with the best reputation in the Insurance category (Fidelidade)

MARCA MAIS REPUTADA 2017
Insurer with the best reputation in the Health Insurance category (Multicare)

ESCOLHA DO CONSUMIDOR 2017
Best satisfaction level and intention to purchase by consumers

MARCA DE CONFIANÇA 2017
Portuguese Trusted Brand in the insurance 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 three continents (Europe, Africa and Asia), with several business units, including local branches and subsidiaries.

Initially, the process of internationalisation targeted, in particular, markets with which Portugal has 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.

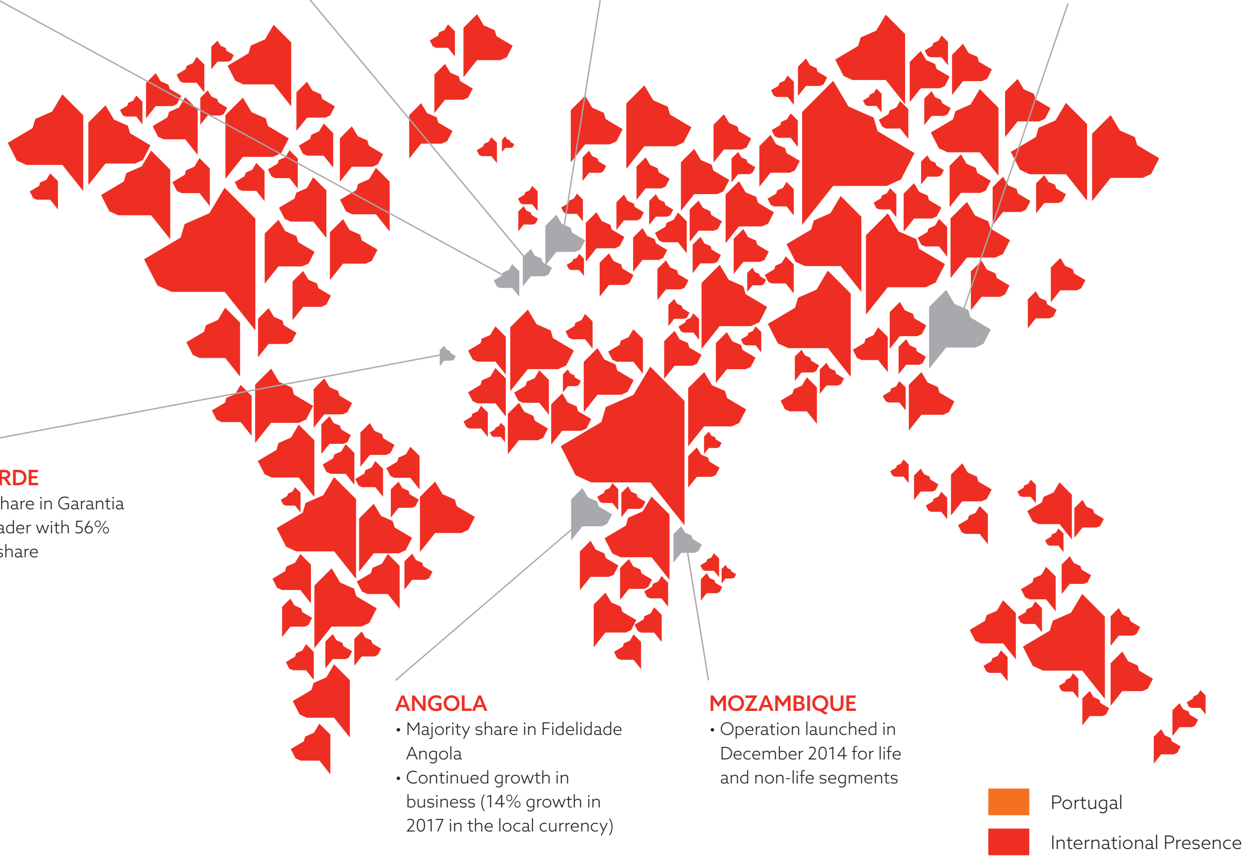
Currently, with new growth horizons and a renewed focus on value creation, Longrun regards international expansion as a priority and an opportunity to grow and diversify its business, with emphasis on new locations and on accompanying its clients in new markets.

PORTUGAL
- Head office and main centre of operations
- Market leader with global share of 30.7%

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 (CHINA)
- Fidelidade's presence in Asia
- 5th largest company in Life and 7th largest company in Non-Life



CAPE VERDE
- Majority share in Garantia market leader with 56% of global share

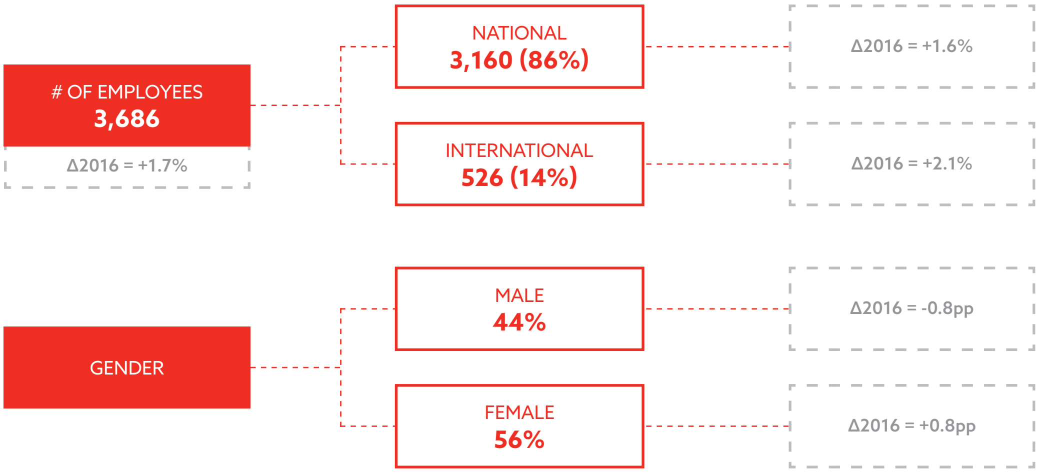
ANGOLA
- Majority share in Fidelidade Angola
- Continued growth in business (14% growth in 2017 in the local currency)

MOZAMBIQUE
- Operation launched in December 2014 for life and non-life segments

vii. Longrun's Insurance Business Team

At the end of 2017, Longrun had 3,686 employees working it its insurance business, 86% based in Portugal and the remaining 14% in international operations.

In comparison with 2016, the number of employees rose by 1.7%, reflecting the evolution of the various companies in the Group in Portugal (+1.6%), due to the increase in business activity and the need to develop new skills. Following the same trend, the International operations rose 2.1%, in line with the Group's increasing internationalisation.



In 2017, the main goal was to rejuvenate and adapt the organisation in order to keep pace with new market challenges. This focus, aimed at developing new skills, led to a reduction in the average age from 45.2 in 2016 to 44.0 in 2017 (when considering all the employees in Portugal).

The length of service of employees in Longrun's insurance business continues to reflect the trend towards rejuvenation mentioned above. In 2017 around 34.7% of the employees had been in the Group for less than 10 years, compared to 34.2% in 2016.

Reflecting the ongoing transformation of the business, 2017 was a year to continue the adjustments to the organisation begun in 2014, thanks to the significant involvement of all our People.

Besides the efforts in terms of organisational change and redimensioning of structures, there was also a focus on modernising human resources management policies and practices.

These various initiatives will 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

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

- Clear market leader, with a client base of over 2.2 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 (CGD), 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 for the market.

In this context, from a particularly strong position in Portugal, Longrun is seeking to both strengthen its leadership of the Portuguese market and expand internationally to become 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, and developing a reputation for its operational skills and multi-channel management.

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	STRATEGIC AREAS
• Leadership in the Portuguese market, with a client base of 2.2 million	**1. Consolidation of its Position in the Portuguese Market**
• Unique brand in the market due to its value and recognition with clients	**2. International Business Expansion**
• Benchmark technical skills, broad product range	**3. Optimisation of Investment Management**
• Quality in claims management, recognised for its efficiency	**4. Digital Transformation and Analytics**

Throughout 2017, 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 teams within the Group.

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 key business areas to maintain and strengthen their position in the Portuguese market, with a series of ongoing 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 and more agile, capable of supporting business growth.

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

Expansion of the international business

Throughout the process of internationalisation of Longrun's insurance business, the Group has targeted markets where Portugal has greater economic, cultural and language ties. For the most part, the insurance companies followed their natural distribution partner – CGD – concentrating their 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, more recently, Mozambique.

Currently, international expansion is a strategic priority, as a means of diversifying activity and guaranteeing new paths for growth. The goal of Longrun's insurance business is to enter new markets where it can use its skills base to offer competitive advantages.

Accordingly, opportunities have been actively analysed 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.

Optimisation of investment management

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

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 restructuring 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 new European Solvency II regulations, in force since January 2016.

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.

In this context, and in preparation for the future, various initiatives have been developed in several areas:

- Development of MyFidelidade and new apps, which allow clients to use the internet to take out new products, follow their insurance portfolio, report claims, etc.;

- New products linked to the use of new technologies, particularly in the Motor and Home Insurance lines of business;

- Digital transformation of business processes and client relations.

OUR PERFORMANCE

a. Events Summary 2017

JANUARY	**Health** – launch of Multicare's new service Orientação Médica Online
FEBRUARY	**Pensar Maior** – an event held at MEO Arena with Fidelidade's stakeholders **App "MyFidelidade"** – launch of a mobile application that allows clients to manage their motor, health and home insurance on a single site
MARCH	**"A Nova Fidelidade de Sempre" Campaign** – new campaign based on repositioning the brand, by adapting to the digital world **"Fidelidade Casa"** – launch of a disruptive product presenting greater simplicity and offering new plans and additional covers
APRIL	**Fidelidade Challenge 2017** – initiative for university students to enable innovation through direct contact between society and the Fidelidade Group
MAY	**Digital Lab** – creation, in partnership with Deloitte Digital, of a digital laboratory, aiming to enable the creation and generation of new ideas
JUNE	**Cartão OK! Saúde Digitalization** – launching of the new app funtionality that allows to create a digital health card that replaces the physical one **"Proteção Vital da Família"** – launch of an innovative life insurance product which accompanies the family throughout its lifecycle, guaranteeing protection for the different needs that may arise during the various stages of that cycle
JULY	**Protechting 2.0** – Completion of the final stage of the new edition of this start-ups accelerator with the support of Fidelidade and in cooperation with Beta-i
SEPTEMBER	**Fidelidade Angola** – launch event of Fidelidade Angola, in Luanda, which marks the change in the company's image in this market **Fidelidade Comunidade Award** – As part of its social responsibility programme, this initiative seeks to support projects in the areas of Employability and Support for the Disabled, Healthy Lifestyles and Active Ageing
OCTOBER	**"Fidelidade GO"** – launch of a Personal Accidents product, designed to meet the needs of students studying abroad, in particular as part of the Erasmus programme
NOVEMBER	**Fidelidade Auto Campaign in Angola** – introduction of the Roadside Assistance cover in Fidelidade Motor Insurance, in particular assistance in the event of an accident, with free tow truck and transportation of vehicle occupants, available 24 hours a day across the whole country **Multicare Medicina Online Campaign** – Launch of Multicare's new corporate image, which has been updated and brought more in line with the Fidelidade Group, and the launch of the new Medicina Online service, which enables clients to obtain medical advice at a distance 24 hours a day by telephone and video consults
DECEMBER	**Bancassurance Agreement with CGD** – conclusion of negotiations to reformulate the current agreement, strengthening the partnership conditions and expanding it to new geographies

b. Longrun's Performance

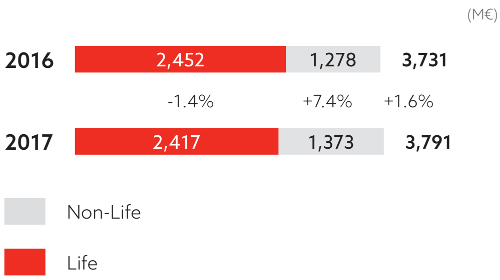
i. Key activity indicators

In 2017, in a year marked by the trends previously referred to, Longrun's insurance companies had a very consistent performance, recording total premiums written of EUR 3,791 million.

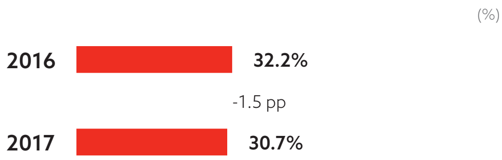
In Portugal, Longrun's insurance business registered EUR 3,553 million, which represented an increase of 1.4% compared to 2016, enabling it to hold its leadership position, with a total market share of 30.7% (a decrease of 1.5 pp due to the performance of the Life segment).

The international business recorded growth in premiums of 4.2%, reflecting efforts made to strengthen existing operations.

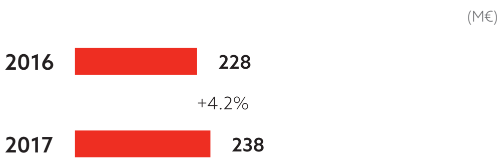
Total Premiums Written Life and Non-Life



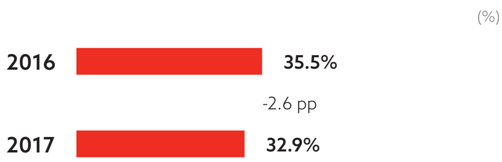
Total Market Share in Portugal



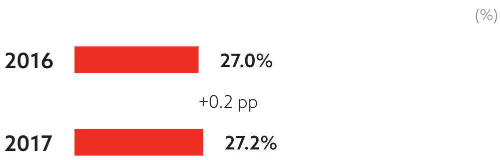
Premiums Written International Business



Life Market Share in Portugal



Non-Life Market Share in Portugal



ii. 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 the range of products and services is a feature of the companies in Longrun's insurance business, 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.

Accordingly, the range of products and services has been clearly developed in recent years, with significant emphasis on differentiation and innovation and the creation of integrated solutions in the various lines of business, together with a greater level of vertical integration within Longrun's insurance companies, as a response to market needs.

In the Motor line of business, the launch of telematics products was prepared. These products 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, speed, or abrupt acceleration or braking, and these are automatically recorded in an application which informs the driver of possibilities for improvement, encouraging safe driving and reducing the risk of accidents. 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 savings by offering several discount options.

Regarding roadside assistance, and following the launch of the OK! Teleseguros App with the function to request assistance and report claims using geo-referencing, the Fidelidade Assistance application, available since 2016, has simplified how requests can be made. The application also enables clients to manage not only vehicle assistance but also roadside assistance, medical assistance, home assistance or IT assistance.

The Health line of business has also been one of the main growth areas within Longrun's insurance companies. Multicare developed and launched "**Orientação Médica Online**", an innovative service in the Portuguese market, which operates 24 hours a day, 7 days a week. Clients can choose the service they require, making their request online or by telephone, and are guaranteed support and advice to improve their state of health. After identifying the clients' complaints and symptoms, specialists suggest the most appropriate course of action in the circumstances, including the potential need to visit a doctor in person or other protective measures. The reply can be given by telephone or email, according to the client's option.

In the Home Insurance line of business, Longrun, through Fidelidade, launched a new product – "**Fidelidade Casa**". This innovation features a more wide-ranging offer, providing a portfolio of covers capable of satisfying clients' needs according to their perception of the risk and their financial capacity. The product is backed up by a multi-purpose simulator that provides recommendations adjusted to the profile of the client.

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 in the Oporto and Lisbon areas, which has allowed the company to guarantee better service quality for its clients and greater control over the healthcare services provided.

In the Personal Accidents line of business, "**Fidelidade GO**" was launched. This product was designed to meet the needs of students studying abroad. This product guarantees assistance and capital payments and/or indemnities for property damage or bodily injury as a result of an accident which occurs during the stay abroad.

New solutions have also been rolled out in the Life segment, which is adapting to the new macroeconomic situation, 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, a low rate of savings by private individuals and high competition from new public debt products for individuals, Longrun's insurance companies have been consolidating their offer of products with guaranteed capital and yield.

In Life Risk, the "**Proteção Vital das Famílias**" product was launched. This 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.

In addition to this new product, 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, the mobile application "**MyFidelidade**" was launched. 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 and follow claims procedures and requests for medical expense reimbursements in real time, as well as search Multicare's network of healthcare providers and Fidelidade's 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, interaction has been encouraged between the various channels, their product ranges and service levels, to provide clients with an integrated response to their needs.

Recent years have also seen consolidation of the activity in the various distribution channels – agents, own stores, brokers, bank (CGD), post office and online channels.

Emphasis has also been placed on enhancing the network of exclusive agents, namely with the opening of new agencies with the Fidelidade brand all over the country, and on creating closer ties with the brokers' channel, with good results in terms of commercial performance being achieved in both cases. 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 Organisation

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 – People Development, Transformation of the Organisation, Change Management and Business Partnerships and Corporate Culture – Longrun has 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** – the companies in Longrun's consolidation perimeter 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 the 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 promoting the corporate culture, which promotes the company's cultural identity (Vision; Values), and the commitment and recognition of the People who contribute daily success, a modern and agile Intranet was recently created, and is now the main channel of internal communication.

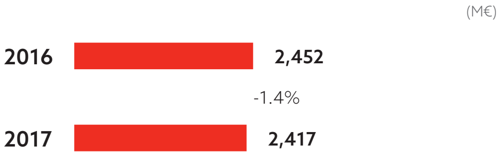
iii. Life Segment

Key activity indicators – Life Segment

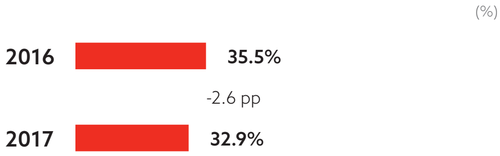
In 2017, Longrun's insurance business saw a slight decrease in premiums in the Life segment, reflecting both the market conditions for financial products and the fact that the amount of premiums in 2016 was particularly high, which allowed a market share of over 35% to be achieved.

Longrun's insurance business continues to be the clear market leader, with a 32.9% share.

Premiums Written – Life



Life Market Share in Portugal



Evolution of the Life segment by line of business

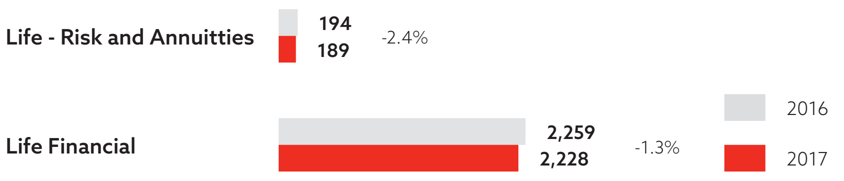
The Life segment is composed of Life Risk and Annuities products and Life Financial products, with the latter generating the great majority of premiums, representing over 92% of the total.

Life Risk and Annuities products recorded a decline of 2.4% to a total of EUR 189 million, due to the number of new contracts linked to mortgages being lower than the number of contracts which came to an end in the year in question.

Life Financial premiums fell 1.3% to a total of EUR 2,228 million, due to the macroeconomic environment of low interest rates, the low rate of savings by families and the competition from the new Portuguese retail treasury bonds.

Premiums Written – Life Segment – By Line of Business

(M€)



Evolution of the Life Segment by distribution channel

The banking and postal channels continue to be the most significant for Life segment products. Together, they represented around 81% of Life premiums, recording growth of 2.7% compared to 2016, mainly influenced by the banking channel.

On the other hand, the traditional channels (agents, own stores and brokers) recorded a decrease in total premiums of 19.1%.

Life Segment *

(million Euros)

Distribution Channel	2017	2016	Var
Traditional	375	464	-19.1%
Bank and Postal	1,957	1,906	+2.7%
International	85	83	+3.1%
Longrun	**2,417**	**2,452**	**-1.4%**

*Includes the companies in Longrun's consolidation perimeter

iv. Non-Life Segment

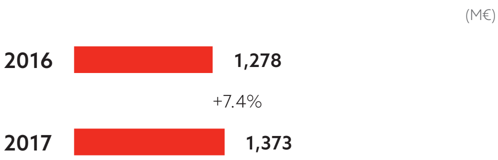
Key activity indicators – Non-Life Segment

In the Non-Life segment performance was clearly positive, with premiums written increasing 7.4% to EUR 1,373 million.

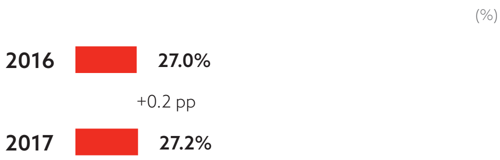
The commercial performance of Longrun's insurance companies exceeded the positive trend of most of the market. In particular, in the Portuguese market, the premiums grew by 7.7% compared to an increase of 6.9% in the overall market. These results enabled Longrun's insurance business to strengthen its leadership position, increasing its market share to 27.2%, which represents a 0.2 pp increase over 2016.

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

Premiums Written – Non-Life



Non-Life Market Share in Portugal



Evolution of the Non-Life segment by line of business

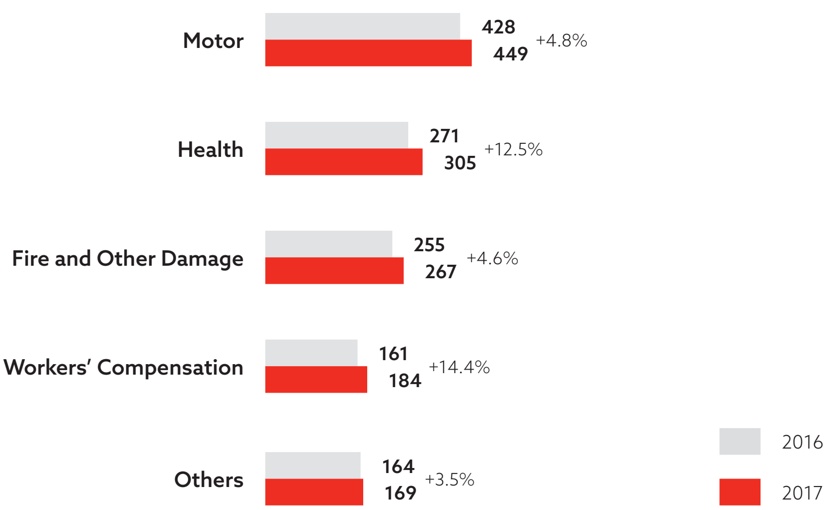
The Non-Life segment comprises a wide range of lines of business, although the four main lines – Workers' Compensation, Health, Motor, and Fire and Other Damage – represent approximately 90% of the total premiums written.

All the Non-Life lines of business displayed positive performance throughout 2017, but particularly significant was the performance of Health and Workers' Compensation, both with growth of over 10%. Contributing to this growth was the focus on the differentiation and innovation of the products and services offered in these lines – for example, the introduction of Multicare's new health portfolio which includes medical advice online and by phone.

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the segment total. The performance of this line of business was particularly solid, with premiums increasing 4.8% due to both an improved structure of vehicle ownership, with growth and improved quality, and the capacity to capitalise on the product and service innovations introduced in recent years, for example, the launch of the "Proteção Vital do Condutor" and the "Auto Estima" own damage insurance.

Premiums Written – Non-Life Segment – By Line of Business

(M€)



Evolution of the Non-Life segment by distribution channel

All the distribution channels in the Non-Life segment evolved positively from 2016 to 2017 in terms of product sales.

The traditional channels (agents, own stores and brokers) continued to represent the greatest share of product sales in the Non-Life segment, rising to around 78% of the total segment. These distribution channels had significant growth of 8.4%, thereby contributing greatly to the segment's performance.

Non-Life Segment *

(million Euros)

Distribution Channel	2017	2016	Var
Traditional	1,069	986	+8.4%
Bank and Postal	104	101	+2.5%
Remote	48	46	+5.1%
International	153	145	+4.8%
Longrun	**1,373**	**1,278**	**+7.4%**

*Includes the companies in Longrun's consolidation perimeter

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 Group currently operates in three continents (Europe, Africa and Asia).

Initially, the process of internationalisation targeted, in particular, markets with which Portugal has 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.

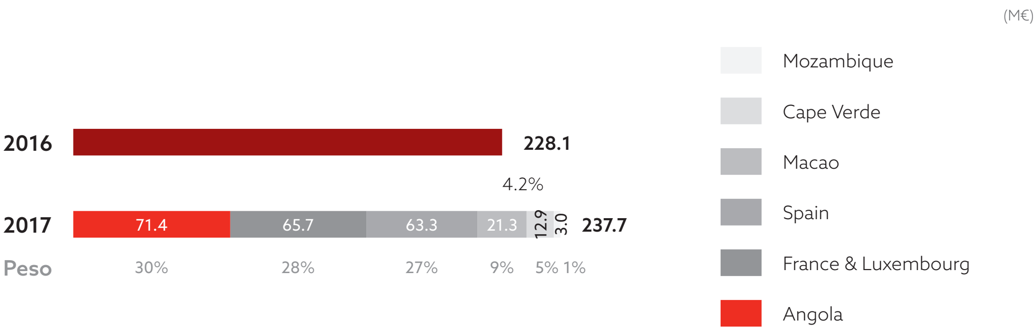
Currently, with new growth horizons and a renewed focus on value creation, Longrun's insurance business regards international expansion as a priority and an opportunity to grow and diversify its business, with emphasis on new locations and on accompanying its clients in new markets, always remaining aware that each transaction must be financially and operationally sustainable.

The international business grew substantially (4.2%) during 2017, with total premiums written of EUR 237.7 million, with the improvement in ongoing international operations. The international business is mostly concentrated in the operations in France, Angola and Spain, the premiums of which together represent over 80% of the total international business.

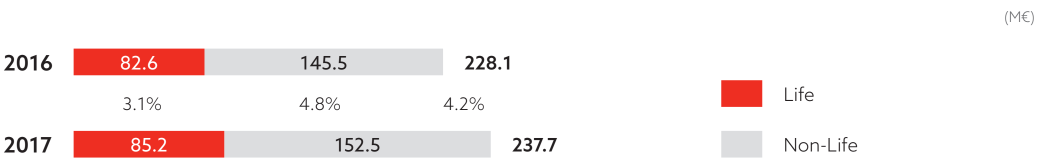
The positive development of the international business benefited from growth in both the Life and Non-Life segments. The Life business grew 3.1% to EUR 85.2 million, while Non-Life increased by 4.8% to EUR 152.5 million.

In 2017, the Non-Life segment in the international business represented 11.1% of the total consolidated premiums.

Premiums Written International Business – By geography



Premiums Written International Business – Life and Non-Life



c. Operational and Financial Performance

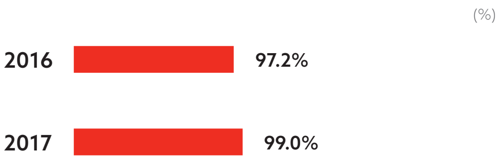
Key indicators of the operational and financial performance

In 2017, Longrun, through the companies in its consolidation perimeter, reported solid profitability, with a net profit of EUR 194.3 million, which represented an increase of 4.3% when compared to 2016. This result was mainly influenced by the positive performance of the financial activity, demonstrating the consistency of investment management.

The combined ratio was 99.0% in 2017, 1.8 pp higher than in the previous year, mainly influenced by by the forest fires in Portugal in June and October, and the floods in Macao.

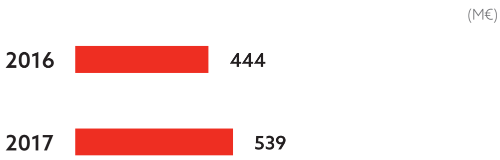
Investments also performed well, resulting in investment income of EUR 539 million and an investment yield of 3.6%.

Combinated Ratio *



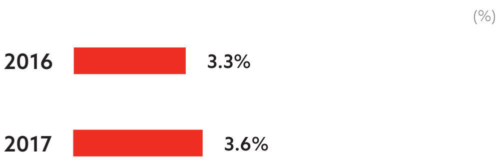
* Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

Investment Income **

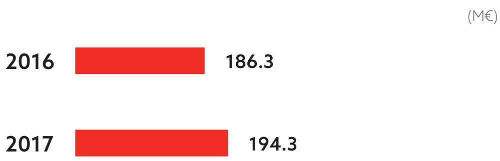


** Includes investment Income from Unit Linked products, net gains and impairments. Unrealised gains not considered

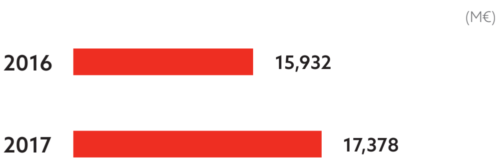
Investment Yeld



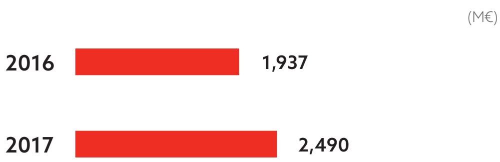
Net Profits



Net Assets



Shareholders' Equity



i. Operational Performance

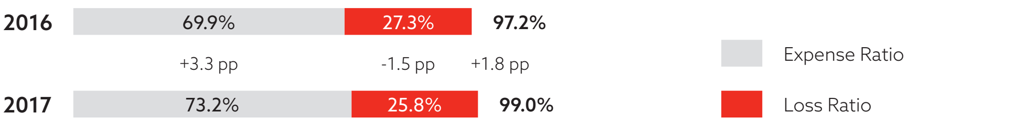
Operational performance fell slightly in 2017, with the combined ratio increasing from 97.2% to 99.0% (+1.8 pp), due to the claims ratio.

There was a 1.5 pp fall in the expense ratio, from 27.3% to 25.8% in 2017. This result reflects the increase in the operational efficiency of the insurance companies in Longrun's consolidation perimeter, in addition to an effort to optimise and contain costs at the same time as the volume of Non-Life premiums has been increasing.

The claims ratio increased 3.3 pp, from 69.9% to 73.2%, in 2017. This increase was heavily influenced by the fires in Portugal, in June and October, and the floods in Macao.

Detailed Combined Ratio *

(%)



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

ii. Financial Performance

The Net Assets of the companies in Longrun's consolidation perimeter were EUR 17,378 million in 2017, representing a rise of 9.1% compared to 2016.

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

- The prolonged environment of low interest rates, which means assets must be sought which have a higher return than traditional fixed rate investments, although also ensuring that an appropriate level of risk is maintained;

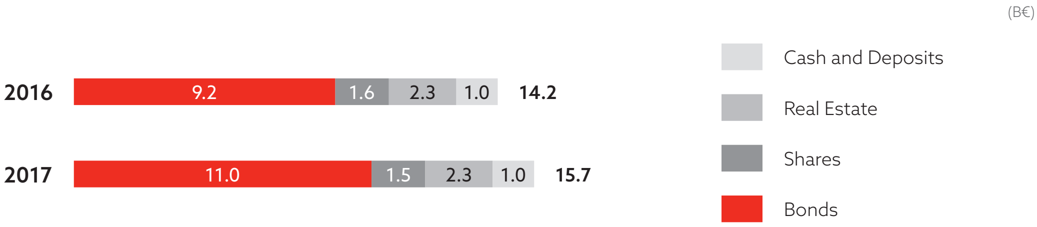
- The need to optimise the capital structure, in line with the framework of the Solvency II regulations.

Longrun's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, stood at EUR 15.7 billion, which represented an increase of 11.0% over 2016.

In 2017, the policy of diversifying by class of asset and geographical location was followed to maximise yields with an appropriate level of risk, in an environment of low interest rates.

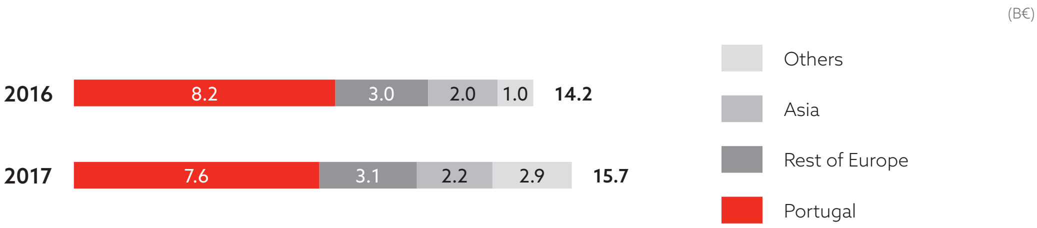
Overall, investments performed well, resulting in an investment income of EUR 539 million and an investment yield of 3.6%.

Longrun's investments by class of asset



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

Longrun's investments by geographical distribution



OUTLOOK

a. Macroeconomic Development

In 2017, the Portuguese economy grew faster than in the previous years, thereby maintaining the recovery trend which began in 2013. In fact, economic activity in Portugal benefited from a favourable external climate, characterised by increased demand from abroad and by general improvements in financial and monetary conditions.

Most recent estimates for 2017 suggest GDP growth of almost 2.5%, which is higher than the figure for 2016 (1.5%) and similar to the average forecast for the euro area. The evolution in the Portuguese economy is rooted in boosts in exports and investment.

Exports of goods and services were highly positive (gross annual growth of 7.7% in 2017 compared to 4.4% in 2016), with particular emphasis on growth in services exports. Tourism exports performed especially well, recording their highest growth rate in the last two decades.

On the other hand, Gross Fixed Capital Formation (GFCF) was the most dynamic component in internal demand. In fact, following a slight rise of 1.6% in 2016, GFCF increased 8.3% in 2017, essentially propelled by the housing sector, but also due to continued strong growth of the business GFCF (around 7%).

In 2017, private consumption continued the previous year's trend (with an increase of 2.2%), reflecting behaviour in terms of consumption of current goods and services, which cancelled out the effect of a certain slowdown in the consumption of consumer durables, in particular motor vehicles.

Forecasts for the labour market suggest an increase in employment levels (+3.1%) and, consequently, a fall in the unemployment rate to around 9% at the end of 2017 (11.1% in 2016).

Accordingly, in 2017 the Portuguese economy should maintain a positive financing capacity, despite a slight fall in the current account and capital account balance compared to the previous year (1.5% of GDP in 2017 compared to 1.7% in 2016).

In terms of inflation, prices rose by 1.6% in 2017 (compared to 0.6% in 2016), reflecting the evolution of the energy sector (with an increase of 4%) and the non-energy sector (with an increase of 1.4%), the latter resulting from a significant increase in prices for services, in particular related to the tourism sector.

The forecasts available for 2018 indicate that the trends described above will continue, although with more moderate GDP growth (2.3%), reflecting less dynamic exports and investment (with expected growth of 6.5% and 6%, respectively) and stabilising of private consumption (growth of 2.1%).

b. Insurance Market in 2017 and Prospects for 2018

i. Evolution of the Portuguese Insurance Market

In 2017, direct insurance premiums totalled around EUR 11,580 million, which represented an annual growth of 6.5%. This growth was influenced by the positive performance of both the Non-Life and Life segments.

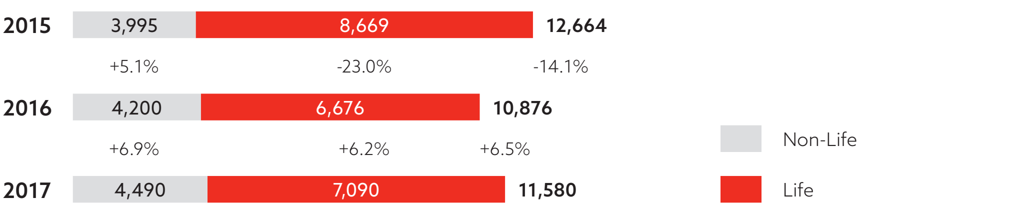
In the Life Segment, after a significant fall in 2016 (-23%), total premiums registered growth of 6.2% compared to 2016, totalling EUR 7,090 million in 2017. This growth contrasts with the negative trend recorded in recent years and reflects the performance of financial products.

The Non-Life segment demonstrated remarkable progress in 2017, with growth of 6.9% to EUR 4,490 million, confirming the upward trend in total premiums that began in 2015. The growth rate in 2017 was the highest annual rate since 2004, in both nominal and real terms.

Portuguese Insurance Market

Source: APS "Direct Insurance Production 2017"

(million Euros)



2017 also saw some significant changes in the structure of the Portuguese insurance sector. Several acquisition operations by international financial groups will mean that the market becomes more concentrated on the larger insurers, particularly in the Non-Life segment.

Evolution of the Life insurance market in Portugal

In 2017 the Life segment recorded total premiums of EUR 7,090 million, an increase of 6.2% compared to the previous year. The main catalyst for this increase was the evolution of financial products, and this trend also reflects the volatility of the premiums associated with these products.

Life Insurance Premiums

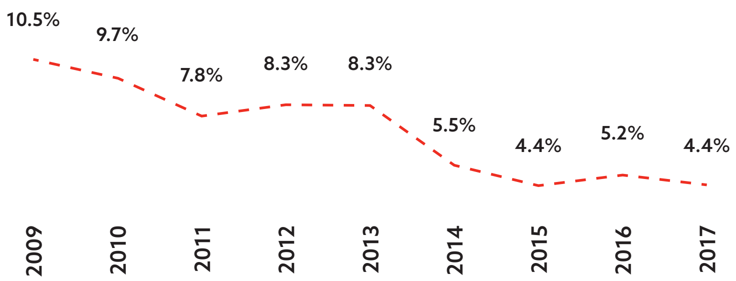
Source: APS "Direct Insurance Production 2017"

(million Euros)

Of particular note is the evolution of products linked to Pension Plan (PPR) contributions, which recorded growth of almost 30%. In a context of low long-term interest rates and a new fall in savings rates, this significant evolution demonstrates the Portuguese market's growing appetite for this type of products.

Global rate of savings from families' disposable income

Source: INE



However, it is important to stress that the current interest rate environment is favourable to an increase in demand for credit, especially mortgages. Considering increased interest in real estate purchases in Portugal, there is potential for an increase in the sale of life insurance linked to credit and, consequently, an increase in the total premiums for Life Risk products.

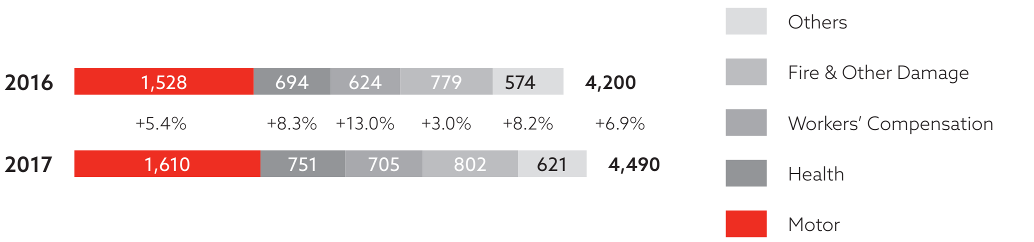
Evolution of the Non-Life insurance market in Portugal

The Non-Life segment performed well across the main lines of business, as a result of improvements in the Portuguese economy. The segments that recorded the main growth were Workers' Compensation (+13.0%) and Health (+8.3%).

Non-Life Segment Premiums

Source: APS "Direct Insurance Production 2017"

(million Euros)



Driven by tariff adjustments and increasing employment, the Workers' Compensation line of business began its recovery in 2014 and has since been consolidating its position. In 2017, it was the line of business that grew the most in the Non-Life segment, with an increase of 13.0% compared to the previous year (total premiums of EUR 705 million).

Following the same trend, the Health line of business also recorded a positive performance (+8.3%), recording total premiums of EUR 751 million, in 2017. These results are due to several factors, among them employers' increasing inclusion of health insurance in employees' benefits plans, and the greater awareness of the population regarding the importance of complementing the National Health Service with assistance offered by Health insurance.

The Motor insurance line of business benefited from the increase in vehicle ownership associated with improvements in vehicle quality, as well as a more favourable economic environment. This resulted in a highly positive performance of the largest line of business in the Non-Life segment (an increase of 5.4% compared to the previous year).

The Fire and Other Damage line of business, which also includes Home Insurance products, grew by 3.0%, with total premiums of EUR 802 million in 2017. As with life risk insurance, this line of business was also influenced positively by a certain recovery in the Portuguese real estate market and by an increase in business investments.

The other less significant lines of business in the Non-Life segment also performed well. Their aggregate value increased 8.2% compared to the previous year, to EUR 621 million.

ii. Prospects for 2018

In 2018, the growth trend associated with financial products is expected to continue, taking advantage of increased appetite in the Portuguese market for products which complement retirement income (in the light of the lower replacement rate in the public system).

In the Non-Life segment, the growth trend will continue, in line with that of the Portuguese economy, benefiting from the expected contribution of some of the more dynamic lines of business, in particular Health and Personal Accidents.

The Non-Life segment should also benefit from an increase in the lines of business more linked to business activity (Workers' Compensation, Property and Third Party Liability), reflecting the evolution forecast for investment (6% growth) and for the unemployment rate (1 pp decrease).

c. Main Challenges for the Future

After discussion of the most significant aspects of the sector and the economic situation in which insurers are currently working, it is important to also understand the key issues that will dominate the future.

Monitoring changes that appear on the horizon almost daily, Longrun, through its insurance companies, has been preparing its response to external factors which may affect its business and influence its capacity to create value, in the following areas:

• Ageing of the population;

• New needs in the digital economy;

• Regulatory changes;

• Uncertainty in the financial markets.

The companies in Longrun's consolidation perimeter are aware of the social changes facing society and of the need to constantly adapt the business to the new context in which it finds itself

1. Ageing of the population

Of all the demographic factors, **ageing** of the population is the one which warrants the greatest attention. The increase in the average life expectancy, combined with a decrease in the fertility rate, has led to a population which is increasingly concentrated on the older population , which is only partially compensated by migratory flows.

Main impacts:

- Increasing ageing of the population, with a major impact on social protection systems, leading to decline in the State commitment to retirement;
- Growing need for healthcare and assistance services;
- Growing concern with channelling savings to retirement.

The insurance sector faces the challenge of adapting its business model, taking into account not only the needs and risk profile of consumers but also the potential expansion of the social and assistance role that has characterised the activity in the sector.

Thus, the aim is to accompany clients throughout their lives by developing innovative products and services adapted to their specific needs at each different stage.

Activities in this area include the creation of new insurance solutions technically adapted to the senior market within the scope of health plans; detailed study of future needs in terms of assistance, long-term care and retirement; development of services using new technologies; and the establishment of strategic partnerships with key entities with the aim of jointly developing new solutions.

2. New needs in the digital context

Society is evolving towards a new **Digital Era**, in which technology plays a prominent role. New dimensions are appearing in products and in the transmission of and access to information, and methods of consumption are changing.

The insurance sector has identified significant and potentially disruptive developments in terms of protection needs, purchasing behaviour and client relationships.

Main Impacts:

- Demand for new protection solutions
- Purchasing process and client relations characterised by multiple contact points using new technologies
- Growing demand for customised services and greater demands in terms of the quality of those services.

The Insurance Sector is facing a significant challenge in this area, which requires the implementation of significant changes in the processes for sales and client contact, and also in the core business management processes, to remain effective in this new environment.

These companies are focused on the development of a truly customer-centric culture, in which digital tools are essential, but in which the human perspective is also a priority.

As part of their digital agenda, the companies in Longrun's consolidation perimeter are currently engaged in transforming their main business and client relations processes using new technologies (mobile, analytics, internet of things, and so on), preserving the capacity to combine the roles of the various elements, the distribution channels and digital physical services, in a truly omni-channel approach, which seeks to satisfy the needs of different generations of consumers throughout the life cycle of the products and services.

The companies in Longrun's consolidation perimeter believe that technological development is crucial in the continuous search for new solutions for clients and in the transformation of business processes

The companies in Longrun's consolidation perimeter are governed by compliance with all regulatory requirements and, in particular, are aligned with the necessary requirements of Solvency II

3. Regulatory changes

Regulation of the insurance industry has always been a very important factor in the development of the business in its different forms.

The insurance sector is currently adapting to the guidelines of new European directives, in particular **Solvency II**, which has been applied since 1 January 2016 and which has brought significant changes for those operating in the market.

Main Impacts:

- Need to strategically consider the potential capital requirements of business development decisions;
- Significant change in the way investment portfolios are managed, so as to obtain the proper balance between return and capital needs;
- Greater relevance of internal control and risk management systems.

The effective adaptation to and application of the Solvency II rules and other directives must continue to be a priority for the Insurance Sector.

Longrun's insurance companies have successfully transitioned to the new Solvency II regulatory framework, having prepared and implemented in advance the changes in terms of management processes, capital and internal control mechanisms which are necessary for compliance with the new requirements imposed by the new Solvency II directive, which has been effective since 1 January 2016.

4. Uncertainty in the financial markets

The macroeconomic environment and political uncertainty which currently characterise the Euro area, the slim prospects for economic growth and the volatility in the world financial markets are major sources of risks for the insurance sector.

One of the most important macroeconomic variables for insurers is the level of interest rates. The persistence of low **interest rates** has a significant impact on investment yields, particularly in the Life segment, which is heavily penalised by the current environment.

Main Impacts:

- Yields offered on financial products are less attractive;
- Across-the-board reduction in margins and financial results of the sector;
- Impact on the companies' solvency position

The environment in which insurers have been operating, and the underlying uncertainty regarding macroeconomic and political variables, represent a significant challenge to financial yields and stability, obliging insurers to adjust their business models.

As part of this, steps have been taken to conduct a prospective analysis, in order to assess the sustainability of the business and investment strategies within the scope of the current macroeconomic constraints.

In the current environment, in which low interest rates and great volatility in the financial markets are expected to continue, combined with the new requirements imposed by the Solvency II directive, Longrun's insurance companies have made the changes deemed necessary regarding the product development process and investment and risk management policies, to minimise any negative impacts that may result from the current macroeconomic context.

Aware of the macroeconomic challenges and the volatility of the financial markets, the companies in Longrun's consolidation perimeter have adopted a proactive attitude, involving early adoption of the strategies which are most appropriate to deal with current uncertainties

d. Longrun Future Positioning

In recent years, Longrun, through its insurance companies, has pursued its strategy with highly positive overall results. It has been able to successfully overcome the challenges of the Portuguese market, despite the difficult environment in which it is working. In 2014 a programme of strategic action began 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. These options and the results which have already been achieved allow us to face future challenges with determination and confidence.

2018 will be a year of evolution and transformation, supported by projects which seek to adapt the business to an increasingly digital and global economy. Initiatives to transform the business, which are critical for consolidating the position in Portugal, international expansion and strengthening of the capital position, should remain key areas of action to ensure the sustainable development of the companies in Longrun's consolidation perimeter.

Longrun's insurance business is also reaffirming its aim of positioning itself more as a partner for its clients in the provision of protection and assistance services which 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. It has been increasing the emphasis placed 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 those of insurance companies, with the aim of creating broader and more competitive value propositions for its clients in areas such as Mobility, Health or Assistance.

The new digital capabilities will enable the development of an offer capable of responding to the changes which are already being seen in terms of client profile, and that will certainly intensify in the future. Yet, the focus will remain on the clients and their needs, maintaining proximity to people which sometimes it is only possible to achieve through physical channels involving human contact.

Additionally, international expansion will continue to be a priority. Anchored on the considerable skills it has in Portugal, Longrun's insurance business intends to position itself as a leading player in the international markets in which it operates and to build a clear growth path outside the domestic market, analysing opportunities to enter attractive markets where it can gain a competitive advantage.

The coming years will certainly be decisive for sustained growth in an insurance business which is undergoing significant transformation. Based on the support of its shareholders, its strong operational capabilities and the motivation of its team, Longrun is confident of its success!

COMPANIES IN LONGRUN'S CONSOLIDATION PERIMETER

The companies in Longrun's consolidation perimeter operate 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 and Fidelidade Macao).

Lastly, Longrun, through Fidelidade and Fidelidade Assistência, also has strategic interests in insurance-related service companies, for example Luz Saúde, the leading healthcare provider group in Portugal. These interests 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 2017, the key indicators and the priorities for 2018.

FIDELIDADE

Total Premiums = M€ 3,651
Net Assets = B€ 15.9

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 national distribution network. It is also present in international markets through branches in locations such as Spain, France, Luxembourg, Macao and Mozambique.

2017 was marked by the following trends:

- Strengthening of the presence in the Portuguese market, with gains in market share in the main lines of business in the Non-Life segment;
- Consolidation of the international business;
- Enhancement of the product range and improvement in the quality of service to the client;
- Consolidation and strengthening of the current multi-channel distribution networks;
- Emphasis on digitalisation, impacting on the gradual transformation of the business processes and client relations processes through an omni-channel approach.

In 2018, Fidelidade will continue its strategy of consolidating its position in the Portuguese market, placing emphasis on the digital transformation of the business and strengthening the international growth effort 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

Total Premiums = M€ 263.2
Net Assets = M€ 157.8

Leading in the health insurance market, Multicare is the only insurer that has obtained Quality Certification for the design, development, management and commercialisation of health insurance. The company adopts high quality standards and an approach of being close to its clients, and provides access to the largest private network of health care providers and also to a wide range of health and wellness services. 2017 was particularly important for Multicare, with the following highlights:

- Strengthening of its market leadership;
- Renewal of the corporate image. Reflecting change, evolution and modernity, the new image suggests pursuit of common shared goals within Longrun, where synergies, history and know-how come together to achieve the common target of becoming the brand of choice in the market;
- Launch of the "Medicina Online" service, an entirely pioneering service through which clients have access to medical advice by telephone, email and video consult, for non-complicated medical situations;
- Annual Client Satisfaction Survey. Multicare scored 8.3, which demonstrates Clients' recognition of and preference for Multicare.

For 2018, Multicare intends to innovate in its standard health offer and optimise channels, based on the double aim of enhancing its standard offer on the sales channels and strengthening its competitive position in key segments. This initiative seeks to boost the sales by channel and also to foster sales involving clarity and support, which will lead to client retention and a consequent increase in the profitability and sustainability of the Health portfolio.

Additionally, technological exploration, robotisation, reinvention of processes and operational excellence will be the order of the day in 2018. Clients should be able to identify distinctive levels of service, and consequently see the use of their insurance as a positive experience. The intention in 2018 is to finish the initiatives in this area which combine to produce process management characterised by operational excellence and superiority.

COMPANHIA PORTUGUESA DE RESSEGUROS

Total Premiums = M€ 2.8
Net Assets = M€ 33.9

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 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 Longrun insurance business. 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 Longrun's insurance business, 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.

VIA DIRECTA

Total Premiums = M€ 47.8
Net Assets = M€ 69.9

Via Directa – Companhia de Seguros, S.A., is Longrun's insurance company designed to retail insurance policies over the Internet, 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 (internet and telephone).

In terms of management of the OK! Teleseguros brand, 2017 was marked by the following aspects:

- Launch of OK! Gestual, a pioneering service which links technology to innovation and guarantees personalised assistance in Portuguese Sign Language to the deaf community;
- Launch of OK! Saúde GO, the first programme of its kind in Portugal, based on the concept 'Pay As You Live' (PAYL), the main aim of which is to encourage the adoption of a healthier lifestyle by giving a discount on the insurance premium according to the number of kms walked or run;
- Launch of OK! Auto elétricos, with an exclusive discount when insurance is taken out for electric vehicles;
- Providing access to simulate and contract OK! Viagem travel insurance online;
- Providing access to georeferenced assistance in the Personal Accidents line of business, in products which include protection for sporting activities, in particular MTB and Climbing, allowing clients to be located quickly so assistance can be provided;
- Renewal of the Bureau Veritas Certification for Motor, Home , Personal Accidents and Health Insurance, in line with ISO 9001:2008.

In 2018, Via Directa will pursue its current strategy of putting new technologies to use for its clients and the community of which it is a part, paying special attention to issues related with more sustainable lifestyles and mobility. Rather than launching new products, the priority will be to enhance the efficiency of existing ones. One of the most important areas to be developed in the coming year is loyalty. Via Directa is currently developing an innovative programme in this area.

FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS

Total Premiums = M€ 47.9
Net Assets = M€ 67.5

Fidelidade Assistência operates in the insurance market, exploring 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 2017:

- Significant increase in total premiums;
- Transition Audit of the company's ISSO 9001:2015 Quality Certification, in which no Non-Conformity or Sensitive Area was recorded;
- Within the scope of the Quality Management System, satisfaction surveys carried out with Clients and Insured Persons resulted in a Global Satisfaction level of 8.80 (on a scale of 1 to 10) and a Net Promoter Score of 66.

In 2018, in line with the strategic guidelines defined, the Company will focus its attention on three areas: digitalisation, internationalisation and creating new disruptive products.

FIDELIDADE ANGOLA

Total Premiums= M€ 71.4
Net Assets = M€ 197.3

Longrun's insurance business has been present in Angola since 2011 through the Angolan insurer Universal Seguros, in which it holds a majority stake. In 2017, rebranding took place and Universal Seguros was renamed Fidelidade Angola.

Fidelidade Angola has participated actively in the development of the Angolan economy, through its global range of insurance products, and has sought to differentiate itself by way of its technical capabilities and level of service.

Benefiting from a modern and flexible structure in the context of the Angolan insurance market, and supported by synergies with its shareholders, Fidelidade Angola has seen significant profitable growth, based on its operational capabilities and rigorous analysis and management of risks.

Fidelidade Angola has been consolidating its position as a key player in the market by developing its brand-awareness, offering an increasingly complete range of products for companies and private individuals, and developing new distribution channels.

2017 was an important year for strengthening this positioning. The following aspects can be highlighted:

- Rebranding and renaming of the company from Universal Seguros S.A. to Fidelidade Angola – Companhia de Seguros S.A., taking on the corporate image of the parent company;
- Change in the Claims Management paradigm, from the perspective of Client Service and Cost Control;
- Expansion of the network of stores, with special focus on the opening of the Business Centre on the Luanda Coast road, at the Presidente Business Centre;
- Acquisition of premises for the new corporate headquarters, located in the Financial district, Talatona.

For 2018 Fidelidade Angola aims to pursue its strategy of developing the business in Angola, maintaining the growth trend of the previous years and ensuring renewed focus on the individual clients segment.

FIDELIDADE MACAU

Total Premiums = M€ 13.6
Net Assets = M€ 75.5

In 2015, Longrun decided to strengthen its presence in Macao by setting up a Non-Life insurer under local law. Fidelidade Macau – Companhia de Seguros, S.A., 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.

The aim of Fidelidade Macau is to operate in the Non-Life segment in Macao, ensuring the provision of a diversified offer of products and solutions for individuals and companies, which are specific to the needs of this market.

In 2017, the company faced a major challenge with Typhoon Hato, which was considered to be the country's largest typhoon of the last 50 years. Fidelidade Macao took a very positive position in supporting its clients, and remained robust, demonstrating the resilience of its operation.

The main strategic directions for 2018 are strengthening of the partnership with BNU, operational efficiency and the provision of a better-quality service and closer proximity to clients.

GARANTIA SEGUROS

Total Premiums = M€ 12.9
Net Assets = M€ 26.3

Garantia, Companhia de Seguros de Cabo Verde S.A. is the leader in the Cape Verde insurance market, and in the last 6 years has been recognised as the brand that Cape Verdeans most trust.

The company aims to operate in both the Life and Non-Life segments, and has 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.

In 2018 Garantia will continue to focus on quality and innovation as a strategy differentiating it from its competitors, and the company predicts an acceleration in the business, based on enhancement of the distribution channels, reformulation of the range of products.

GEP

Total Premiums = M€ 22.5
Net Assets = M€ 3.5

GEP – Gestão de Peritagens, S. A. is the company responsible for providing expert opinions and claims inquiries for Longrun's insurance business.

In 2017, the most important events were:

- Renewal of the ISO 9001 Quality Certificate with zero "non-compliances", which occurred for the ninth year in a row;
- Certification as a training entity, following GEP's application to DGERT – Direção Geral do Emprego e das Relações de Trabalho;
- Implementation of the claims inquiry service at Fidelidade Angola in May 2017;
- Identification of market needs in the business areas in which Gep operates, which led to contracts with new clients, thereby contributing to the sustained development of the business.

For 2018, 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 implementing "Digital Loss Adjusting". It will also consolidate its services in emerging markets in Angola and will implement the motor loss adjusting project in Cape Verde.

FIDELIDADE CAR SERVICE

Total Premiums = M€ 7.2
Net Assets = M€ 6.1

CETRA – Centro Técnico de Reparação Automóvel, S.A., is the Longrun company which, under the brand Fidelidade Car Service (FCS), provides motor vehicle repair services. It is also authorised to lease motor vehicles.

Fidelidade Car Service's mission is to provide the best service in the market, seeking to operate in a different way which the Client understands, and adopting the slogan: "Fidelidade Car Service, more than just a service, an experience".

Aligned with Longrun's mission, Fidelidade Car Service aims to contribute positively to its shareholder's strategy of 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 activities can be highlighted in 2017:

- The business in all the repair shops (Lisbon, Queluz and Porto) was consolidated and developed, and of note is not only the increase in the number of repairs and the turnover, but also significant gains in the service quality provided and in Client satisfaction, which is demonstrated by the great reduction in the number of complaints from 2.03% in 2016 to 0.62% in 2017;
- Client satisfaction surveys collected via the GepContact platform, with a score of 8.08 (on a scale of 1 to 10).

For 2018 CETRA plans to:

- Continue the trend of growing its business, in order to improve utilisation of the capacity of the three repair shops;
- Maintain the policy of reducing operating costs and consolidating its internal reorganisation in order to continually improve client satisfaction;
- Implement a digital archive system for all repair process documents, and a new model for monitoring and handling FCS' external image, with the project "Online Reputation Management";
- Begin studies for a new repair shop on Lisbon's south bank, to be implemented in 2019.

SAFEMODE

Total Premiums = M€ 2.9

Net Assets = M€ 1.5

Safemode is the brand under which EAPS – Empresa de Análise, Prevenção e Segurança S.A. develops and provides services of Risk Analysis, Health and Safety at Work, and Workplace Medicine.

As part of the Fidelidade Group, in 2017, Safemode continued to support the insurance business with risk analysis and workplace medicine services, with the introduction of some innovations, such as remote risk analysis.

In 2018 the company will continue to focus on innovation in risk analysis for the various lines of business and on developing the workplace medicine business, thus contributing decisively to Fidelidade's competitiveness in the various lines of business.

FIDELIDADE – SERVIÇOS DE ASSISTÊNCIA, S.A.

Total Premiums = M€ 1.1
Net Assets = M€ 1.2

Fidelidade – Serviços de Assistência, S.A. has the corporate purpose of representing and assisting foreign insurers and providing support services for the management of claims of national and foreign insurers. . 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.

The following activities can be highlighted in 2017:

- Motor claims management, representing foreign insurance companies and the Portuguese Green Card Office, is the most important line of business, representing 37% of billing and recording growth of 19%;
- Services to national insurers providing support for claims management continue to play a significant role, representing 35% of billing;
- Transition Audit of the company's ISSO 9001:2015 Quality Certification, in which no Non-Conformity or Sensitive Area was recorded;

In 2018, 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 MULTIASSISTANCE

Total Premiums = M€ 9.8
Net Assets = M€ 2.3

CARES Multiassistance, S.A. (CMA) 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 maintained its core business of managing home insurance claims processes.

The following activities can be highlighted in 2017:

- Strengthening its market leadership and stabilising service quality, by developing partnerships with new clients in the insurance market, and launching a pilot with a bank to work with its real estate portfolio;
- Continued increase in operational efficiency levels, both by improving functional processes and by introducing automation in different areas of the operations structure;
- Consolidation of the own repair units structure;
- Creation of a structure to manage the external network and suppliers to enhance quality in the existing network, provide greater specialisation in the management of the network and obtain gains in efficiency and profitability;
- Continued focus on training to improve skills and continuous performance assessment;
- Renewal of the ISO 9001: 2008 quality certification, through APCER.

In 2018 , CMA's main strategic lines are growth in the volume of activity, consolidation of lines of business with current customers and expansion of the offer to intervention in real estate portfolios in new sectors.

FIDELIDADE PROPERTY

Turnover = M€ 124.8
Net Assets = B€ 1.3

Fidelidade Property Europe and Fidelidade Property International are the Longrun companies 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.

2017 was a particularly important year for the two companies. The following aspects can be highlighted:

- Pursuit of the policy of optimising the current real estate assets in Portugal;
- Reorganising the international portfolio with a reduction in the positions in the United States and Australia;
- Continuing the projects currently in progress in the areas of urban rehabilitation in Lisbon;
- Strengthening the structure and internal skills in order to meet new challenges.

In 2018, 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.

LUZ SAÚDE

Luz Saúde, which is 98.79% owned by Fidelidade (at 31 December 2017), is one of the market leaders in the provision of private healthcare in Portugal. The Company has twelve private hospitals, one NHS hospital under Public-Private Partnership (PPP) rules, nine private outpatient clinics and two retirement homes for the elderly. At the beginning of 2017, it began operating in the Madeira archipelago and in the second half of the year it acquired the British Hospital Group in Lisbon.

At the end of 2017, Luz Saúde had 1500 beds and maintained its growth trend, driven by the development in the private healthcare segment, via the acquisition, as mentioned above, of a hospital and clinic in the Madeira archipelago and of the British Hospital Group in Lisbon. Additionally, Luz Saúde opened the expanded area at Hospital da Luz Arrábida in the Porto region and a new building at Hospital da Luz Oeiras, doubling the capacity of the latter and expanding the portfolio of services provided.

Hospital da Luz Lisboa (currently the largest private hospital in the country) is being expanded to increase its capacity by 80%, to strengthen its leadership position in the market and to extend the range of services it provides. A new private hospital is also being built in Vila Real, to strengthen the Luz Saúde Group's presence in the region and expand its client base.

Investment in 2017 totalled EUR 95 million, a record amount for the Luz Saúde Group in the last 10 years.

RISK MANAGEMENT

a. Risk Management and Internal Control System

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, 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 Longrun's insurance business.

The risk management system is therefore an integral part of the daily activities 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 upheld.

Moreover, the own risk and solvency assessment (ORSA), which enables risk, capital and return to be related to each other in a prospective vision, in the context of the business strategy established, plays a key role in monitoring both the risk profile 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 which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business.

To ensure compliance with these policies, processes and procedures, a series of key functions have been established. These are allocated to the following bodies: the Risk Management Division (actuarial and risk management functions), the Audit Division and the Compliance Office.

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

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.

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 31/12/2016, which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management.

The solvency capital requirement (SCR) coverage ratio and the minimum capital requirement (MCR) coverage ratio reported therein were 131.44% and 508.82%, respectively, representing a considerable increase when compared to the figures for 1/1/2016.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the 2017 "Solvency and Financial Condition Report", it is important to state that Longrun continues to comply comfortably with the capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date, and these are expected to be higher than those of 2016.

b. Management of financial risks and hedge accounting

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 on models which incorporate valuation techniques accepted in the market.

These are derivatives used to hedge the exposure of the companies in Longrun's consolidation perimeter to the risks inherent to their activity, namely currency fluctuation risk.

For all operations concerning hedge derivatives, Longrun's insurance companies prepare formal documentation, in the terms defined by IAS39.

Assessments of hedge effectiveness are periodically performed and documented by comparing the change 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 assets and liabilities headings, respectively, 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.

NON-FINANCIAL STATEMENT

a. Legislative and Regulatory Compliance

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

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

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

c. Implementation of human resources policies

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:

- Appropriacy and flexibility of work schedules and conditions;
- Internal mobility;
- Appropriacy 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.

Accordingly, in 2017, in Longrun's insurance business there were around 350 training activities, corresponding to 6000 participations and around 75,000 training hours. 1,100 users are currently registered on the Group's mlearning platform.

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

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

SOCIAL RESPONSIBILITY

Over 200 years of experience in protecting families and companies provide the basis for the reputation of the insurance companies held by Longrun, which have repeatedly proven their dependability by being present when people most need them.

For Longrun's insurance business, Social Responsibility is based first and foremost on the development of products and solutions which, besides being important to developing the business, also enable it to respond to issues of broad social interest and situations which may lead to major inequality.

Longrun, through its insurance companies, remains committed to a wide range of innovation programmes, in products, service models and organisational structure, which will allow it to be positioned among the most advanced, sophisticated and efficient companies in the European insurance sector. Engaging in responsible business by providing the best service to clients and injured persons, partners and suppliers is an absolute priority for the company. Together with its team, the Group has therefore developed a policy of involvement with the community, focused on areas related to business concerns: prevention and promotion of the health and quality of life of individuals.

When claims occur we go beyond our legal obligations, in line with our WeCare commitment. We support organisations and initiatives through donations, sponsorship, free insurance or voluntary work, where we can put our staff's skills to use for the benefit of the community.

We call this "Fidelidade Comunidade" – the Social Responsibility Programme of Longrun's insurer, Fidelidade, the strategy of which is based on implementing solutions which, besides being important for business development, also allow us to respond to situations of social inequality.

In 2017, Fidelidade launched the Fidelidade Comunidade Award, which sets out the way the company structures its response to problems in society. With this Award, Longrun, through Fidelidade, aims to build a mode of operation which is transparent and efficient, with pre-defined assessment criteria and with creation of synergies with other areas, such as voluntary work, but also partnerships with important stakeholders.

The mission of the Fidelidade Comunidade Award is to promote strengthening of the social sector, by investment in the structure of institutions which act in the field of social inclusion and health prevention – these being the areas of intervention chosen for this edition – and which correspond to the key impacts of the insurance business, which seeks to protect people, property and economic activity, both now and in the future.

The Fidelidade Comunidade Award has a global value of EUR 500,000 and is aimed at non-profit organisations legally set up, registered and operating in Portugal. It gives form to Fidelidade's commitment to sustainable development through strengthening entities which respond directly to the needs of society. We are particularly dedicated to promoting the long-term sustainability of these entities in specific areas and creating synergies with Longrun's insurance companies and their partners. 2018 will see the second edition of the Fidelidade Comunidade Award.

The performance of Longrun's insurers in terms of Social Responsibility is shared with stakeholders by means of a Sustainability Report which will be published annually from 2017 onwards. The report is certified by an external entity.

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 Association of Insurers, 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, 28 March 2018

THE BOARD OF DIRECTORS

Lan Kang – Chairman
Wai Lam William Mak – Member

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position as at 31 December 2017 and 2016

(amounts in Euros)

ASSETS	Notes	2017 Gross amount	2017 Impairment, depreciation / amortisation and adjustments	2017 Net amount	2016
Cash and cash equivalents	4 and 11	596,746,666	-	596,746,666	998,421,773
Investments in associates and joint ventures	5 and 11	1,506,320	-	1,506,320	117,006,817
Financial assets held for trading	6 and 11	53,137,930	-	53,137,930	7,770,368
Financial assets initially recognised					
at fair value through profit or loss	6 and 11	807,874,595	-	807,874,595	666,611,044
Hedge derivatives	7 and 11	28,178,377	-	28,178,377	22,768,708
Available-for-sale investments	8 and 11	10,892,900,952	-	10,892,900,952	9,231,138,157
Loans and accounts receivable	9 and 11	1,182,681,373	-	1,182,681,373	1,011,170,690
Deposits in ceding companies	9	167,023	-	167,023	875,620
Other deposits	9	1,136,006,020	-	1,136,006,020	954,405,677
Loans made	9	46,497,673	-	46,497,673	55,859,293
Other	9	10,657	-	10,657	30,100
Properties	10 and 11	1,957,474,940	(107,867,438)	1,849,607,502	2,186,727,205
Properties for own use	10	540,459,856	(107,867,438)	432,592,418	429,456,714
Investment properties	10	1,417,015,084	-	1,417,015,084	1,757,270,491
Other tangible assets	11 and 12	288,946,902	(235,745,227)	53,201,675	50,206,558
Inventories	13	12,055,869	-	12,055,869	10,725,524
Goodwill	14	457,327,763	-	457,327,763	446,387,408
Other intangible assets	15	84,338,819	(63,938,149)	20,400,670	18,991,044
Technical provisions on reinsurance ceded		278,845,656	-	278,845,656	181,395,026
Provision for unearned premiums	16	33,638,047	-	33,638,047	29,492,490
Mathematical provision for life insurance	16	11,187,581	-	11,187,581	11,256,504
Claims provision	16	234,018,956	-	234,018,956	140,646,032
Profit sharing provision	16	1,072	-	1,072	-
Assets for post-employment and long-term benefits	35	12,344,589	-	12,344,589	8,739,168
Other debtors for insurance and other operations		522,000,721	(51,625,072)	470,375,649	475,024,710
Accounts receivable for direct insurance operations	17	232,156,152	(17,117,201)	215,038,951	187,710,184
Accounts receivable for other reinsurance operations	17	26,073,885	(6,390,243)	19,683,642	15,112,019
Accounts receivable for other operations	17	263,770,684	(28,117,628)	235,653,056	272,202,507
Tax assets		260,488,484	-	260,488,484	431,478,819
Recoverable tax assets	18	1,369,591	-	1,369,591	6,361,642
Deferred tax assets	18	259,118,893	-	259,118,893	425,117,177
Accruals and deferrals	19	72,948,204	-	72,948,204	67,564,303
Non-current assets held for sale	20	327,057,041	-	327,057,041	-
TOTAL ASSETS		**17,836,855,201**	**(459,175,886)**	**17,377,679,315**	**15,932,127,322**

Consolidated Statements of Financial Position as at 31 December 2017 and 2016

(amounts in Euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
LIABILITIES			
Technical provisions		4,148,180,822	3,853,123,627
Provision for unearned premiums	21	286,561,207	288,772,388
Mathematical provision for life insurance	21	1,762,942,406	1,648,505,455
Claims provision		1,881,148,502	1,744,947,090
Life	21	132,483,735	121,052,056
Workers' compensation	21	834,126,539	795,587,309
Other	21	914,538,228	828,307,725
Provision for profit sharing	21	110,750,140	68,711,825
Provision for interest rate commitments	21	7,520,800	7,025,239
Provision for portfolio stabilisation	21	24,405,064	21,750,883
Equalisation provision	21	25,630,188	24,056,289
Provision for unexpired risks	21	49,222,515	49,354,458
Financial liabilities of the deposit component of insurance contracts and on insurance contracts			
and operations considered for accounting purposes as investment contracts	22	8,583,639,740	8,293,190,335
Financial liabilities held for trading	23	5,656,794	15,072,639
Other financial liabilities		671,547,855	652,220,473
Hedge Derivatives	7 and 23	4,011,186	13,469,282
Deposits received from reinsurers	23	59,379,105	47,570,755
Loans	23	573,125,604	562,887,131
Others	23	35,031,960	28,293,305
Liabilities for post-employment and other long-term benefits	35	375,229	439,209
Other creditors for insurance and other operations		336,968,123	264,872,305
Accounts payable for direct insurance operations	24	108,455,917	101,776,036
Accounts payable for other reinsurance operations	24	37,966,091	29,047,703
Accounts payable for other operations	24	190,546,115	134,048,566
Tax liabilities		324,875,902	298,564,884
Tax payable liabilities	18	67,364,299	43,161,880
Deferred tax liabilities	18	257,511,603	255,403,004
Accruals and deferrals	25	170,732,512	162,467,198
Other provisions	26	214,676,946	140,532,302
Liabilities from a group for disposal classified as held for sale	20	26,888,083	-
TOTAL LIABILITIES		**14,483,542,006**	**13,680,482,972**
SHAREHOLDERS' EQUITY			
Paid-in Capital	27	50,000	50,000
Other Capital Instruments	27	1,599,398,902	1,598,750,000
Revaluation reserves		757,792,302	187,502,961
Adjustments in fair value of financial assets	28	667,930,708	24,777,100
Revaluation of properties for own use	28	98,807,983	106,470,627
Adjustments in fair value of hedging instruments in cash flow hedging	28	(2,276,633)	(4,092,767)
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	28	71,734,159	43,109,385
Exchange differences	28	(78,403,915)	17,238,616
Deferred tax reserve	28	(206,907,890)	(18,803,051)
Other reserves	28	(11,011,058)	(83,758,398)
Retained earnings	28	156,882,138	67,154,263
Net income for the year	28	194,251,243	186,274,547
TOTAL SHAREHOLDERS' EQUITY		**2,490,455,637**	**1,937,170,322**
Non-controlling interests	29	403,681,672	314,474,028
TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		**2,894,137,309**	**2,251,644,350**
TOTAL LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY		**17,377,679,315**	**15,932,127,322**

Consolidated Income Statement for the Years Ended as at 31 December 2017 and 2016

(amounts in Euros)

		2017				
STATEMENTS OF PROFIT AND LOSS	**Notes**	**Technical – life**	**Technical – non-life**	**Non-technical**	**Total**	**2016**
Earned premiums net of reinsurance		430,716,290	1,197,422,465	-	1,628,138,755	1,419,334,904
Gross premiums written	30	444,020,974	1,373,108,762	-	1,817,129,736	1,614,060,034
Reinsurance ceded premiums	30	(13,322,309)	(160,721,860)	-	(174,044,169)	(178,206,612)
Provision for unearned premiums (change)	21 and 30	24,859	(18,828,844)	-	(18,803,985)	(17,896,723)
Provision for unearned premiums, reinsurers' share (change)	16 and 30	(7,234)	3,864,407	-	3,857,173	1,378,205
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	31	1,943,122	-	-	1,943,122	2,551,811
Claims costs, net of reinsurance		(293,206,029)	(918,089,424)	-	(1,211,295,453)	(1,049,853,561)
Amounts paid		(282,436,463)	(884,212,736)	-	(1,166,649,199)	(1,088,719,113)
Gross amounts	32 and 33	(288,761,478)	(967,805,854)	-	(1,256,567,332)	(1,166,410,519)
Reinsurers' share	32	6,325,015	83,593,118	-	89,918,133	77,691,406
Claims Provision (change)		(10,769,566)	(33,876,688)	-	(44,646,254)	38,865,552
Gross amount	32	(11,453,531)	(130,753,812)	-	(142,207,343)	19,801,296
Reinsurers' share	32	683,965	96,877,124	-	97,561,089	19,064,256
Other technical provisions, net of reinsurance	32	(3,149,742)	(1,482,352)	-	(4,632,094)	12,138,480
Mathematical provision for life insurance, net of reinsurance		(84,038,965)	-	-	(84,038,965)	(4,306,026)
Gross amount	21 and 32	(84,291,038)	-	-	(84,291,038)	(3,148,319)
Reinsurers' share	32	252,073	-	-	252,073	(1,157,707)
Profit sharing, net of reinsurance	21 and 32	5,770,055	(205,279)	-	5,564,776	(9,659,593)
Operating costs and expenses, net		(79,302,317)	(309,323,167)	-	(388,625,484)	(387,236,265)
Acquisition expenses	33	(65,521,319)	(259,535,997)	-	(325,057,316)	(321,400,888)
Deferred cost acquisition (change)	21	74,358	12,505,844	-	12,580,202	1,421,516
Administrative expenses	33	(21,350,068)	(87,330,689)	-	(108,680,757)	(102,749,353)
Commissions and reinsurance profit sharing	33	7,494,712	25,037,675	-	32,532,387	35,492,460
Financial income		235,301,422	68,403,254	122,107,181	425,811,857	392,845,215
From Interest on financial assets not recognised at fair value through profit or loss	36	218,949,795	47,353,509	8,817,141	275,120,445	279,126,487
Other	36	16,351,627	21,049,745	113,290,040	150,691,412	113,718,728
Financial expenses		(9,886,156)	(6,861,238)	(34,342,088)	(51,089,482)	(34,295,277)
Other	33 and 37	(9,886,156)	(6,861,238)	(34,342,088)	(51,089,482)	(34,295,277)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		113,908,204	77,656,349	76,601	191,641,154	62,966,370
Available-for-sale investments	38	208,771,424	77,815,142	1,165,032	287,751,598	211,761,952
Loans and accounts receivable	38	(45,710)	(37,086)	(287,056)	(369,852)	(83,484)
Held-to-maturity investments	38	-	(121,707)	-	(121,707)	-
Financial liabilities recognised at amortised cost	22 and 38	(94,817,510)	-	-	(94,817,510)	(148,712,098)
Other	38	-	-	(801,375)	(801,375)	-
Net income on financial assets and liabilities recognised at fair value through profit or loss		156,246,737	43,234,778	6,398,454	205,879,969	(81,328,644)
Net income on financial assets and liabilities held for trading	39	170,964,045	41,565,891	5,504,457	218,034,393	(76,920,281)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	39	(2,071,643)	6,966,949	(2,063,270)	2,832,036	243,332
Other	39	(12,645,665)	(5,298,062)	2,957,267	(14,986,460)	(4,651,695)
Exchange differences	40	(206,923,013)	(33,265,758)	(26,388,018)	(266,576,789)	41,217,578
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	41	(204,893)	18,359,124	(1,284,153)	16,870,078	78,922,869
Impairment losses (net of reversals)		(94,303,379)	(2,549,694)	(114,098,403)	(210,951,476)	(184,730,013)
Available-for-sale investments	42	(94,303,379)	(3,098,420)	(35,714,426)	(133,116,225)	(189,736,698)
Loans and accounts receivable at amortised cost	42	-	(103,015)	724,587	621,572	199,651
Other	42	-	651,741	(79,108,564)	(78,456,823)	4,807,034
Other technical income/expenses, net of reinsurance	43	600,346	3,801,470	-	4,401,816	1,455,847
Other income/expenses	44	-	-	59,217,750	59,217,750	12,606,941
Negative Goodwill recognised in profit and loss	14	-	-	-	-	24,815,820

(continuation)

(amounts in Euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2017 Technical - life	Technical – non-life	Non-technical	Total	2016
Gains and losses of associates and joint ventures (equity method)	45	-	-	413,658	413,658	(6,263,473)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	20	-	-	791,078	791,078	-
NET INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS		**173,471,682**	**137,100,528**	**12,892,060**	**323,464,270**	**291,182,983**
Current income tax - current taxes	18	-	-	(115,754,631)	(115,754,631)	(102,001,211)
Current income tax - deferred taxes	18	-	-	24,827,874	24,827,874	32,605,241
NET INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS		**173,471,682**	**137,100,528**	**(78,034,697)**	**232,537,513**	**221,787,013**
Non-controlling interests	29	-	-	(38,286,270)	(38,286,270)	(35,512,466)
NET INCOME FOR THE YEAR	**28**	**173,471,682**	**137,100,528**	**(116,320,967)**	**194,251,243**	**186,274,547**

Consolidated Statement of Changes in Equity for the 2017 and 2016 Financial Years

(amounts in Euros)

	Paid-in-capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Other reserves	
				Legal reserve	Other reserves
Balance at 31 December 2015	**1,598,800,000**	**248,256,978**	**(45,241,702)**	**13,845,216**	**(257,007,610)**
Appropriation of net income	-	-	-	19,274,584	176,738,445
Net gains through adjustments in fair value					
of available-for-sale investments	-	(77,322,429)	21,688,067	-	-
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	(3,876,740)	859,481	-	-
Net gains through adjustments in fair value of hedging instruments					
in hedging of net investments in a foreign currency	-	43,109,385	(9,406,249)	-	-
Exchange differences	-	(56,142,658)	4,369,977	-	-
Revaluation of properties for own use	-	33,478,425	(2,067,698)	-	-
Actuarial gains and losses	-	-	3,129,460	-	(10,977,253)
Recognition of non-controlling interests	-	-	-	(3,032,392)	(22,451,409)
Others	-	-	7,865,613	139,541	(287,520)
Net income for the year	-	-	-	-	-
Balance at 31 December 2016	**1,598,800,000**	**187,502,961**	**(18,803,051)**	**30,226,949**	**(113,985,347)**
Appropriation of net income	-	-	-	11,551,269	96,981,732
Supplementary contributions	648,902	-	-	-	-
Net gains through adjustments in fair value					
of available-for-sale investments	-	661,013,841	(196,656,748)	-	-
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	1,414,232	(230,965)	-	-
Net gains through adjustments in fair value of hedging instruments					
in hedging of net investments in a foreign currency	-	41,288,270	(9,564,778)	-	-
Exchange differences	-	(70,336,394)	4,226,342	-	-
Revaluation of properties for own use	-	8,180,496	308,397	-	-
Disposals of properties for own use	-	(2,427,826)	-	-	-
Actuarial gains and losses	-	-	(1,023,258)	-	4,649,808
Recognition of non-controlling interests	-	(68,843,278)	14,836,171	(2,014,274)	(40,836,552)
Others	-	-	-	688,915	1,726,442
Net income for the year	-	-	-	-	-
Balance at 31 December 2017	**1,599,448,902**	**757,792,302**	**(206,907,890)**	**40,452,859**	**(51,463,917)**

(continuation)

(amounts in Euros)

	Retained earnings	Net income for the year	Sub-total	Non-controlling interests	Total
Balance at 31 December 2015	**(14,178,243)**	**254,770,311**	**1,799,244,950**	**277,956,048**	**2,077,200,998**
Appropriation of net income	58,757,282	(254,770,311)	-	-	-
Net gains through adjustments in fair value					
of available-for-sale investments	-	-	(55,634,362)	-	(55,634,362)
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	-	(3,017,259)	-	(3,017,259)
Net gains through adjustments in fair value of hedging instruments					
in hedging of net investments in a foreign currency	-	-	33,703,136	-	33,703,136
Exchange differences	-	-	(51,772,681)	-	(51,772,681)
Revaluation of properties for own use	-	-	31,410,727	-	31,410,727
Actuarial gains and losses	-	-	(7,847,793)	36,517,980	28,670,187
Recognition of non-controlling interests	32,666,162	-	7,182,361	-	7,182,361
Others	(10,090,938)	-	(2,373,304)	-	(2,373,304)
Net income for the year	-	186,274,547	186,274,547	-	186,274,547
Balance at 31 December 2016	**67,154,263**	**186,274,547**	**1,937,170,322**	**314,474,028**	**2,251,644,350**
Appropriation of net income	77,741,546	(186,274,547)	-	-	-
Supplementary contributions	-	-	648,902	-	648,902
Net gains through adjustments in fair value					
of available-for-sale investments	-	-	464,357,093	-	464,357,093
Net gains through adjustments in fair value					
of hedging instruments in cash flow hedging	-	-	1,183,267	-	1,183,267
Net gains through adjustments in fair value of hedging instruments					
in hedging of net investments in a foreign currency	-	-	31,723,492	-	31,723,492
Exchange differences	-	-	(66,110,052)	-	(66,110,052)
Revaluation of properties for own use	-	-	8,488,893	-	8,488,893
Disposals of properties for own use	2,427,826	-	-	-	-
Actuarial gains and losses	-	-	3,626,550	89,207,644	92,834,194
Recognition of non-controlling interests	1,700,085	-	(95,157,848)	-	(95,157,848)
Others	7,858,418	-	10,273,775	-	10,273,775
Net income for the year	-	194,251,243	194,251,243	-	194,251,243
Balance at 31 December 2017	**156,882,138**	**194,251,243**	**2,490,455,637**	**403,681,672**	**2,894,137,309**

Consolidated Statement of Comprehensive Income for the Years Ended as at 31 december 2017 and 2016

(amounts in Euros)

	2017	2016
NET INCOME FOR THE YEAR	**194,251,243**	**186,274,547**
Items that may be reclassified subsequently to gains and losses		
Change in potential gains on financial investments		
Gross amount		
Appreciation	943,313,816	(65,087,670)
Impairment	23,686,416	155,283,127
Disposal	(225,411,839)	(154,384,408)
Life insurance contracts with profit sharing	(59,428,581)	(2,591,419)
Exchange differences		
Gross amount	(21,342,645)	(10,779,846)
Life insurance contracts with profit sharing	196,674	237,787
Deferred tax	(188,965,449)	20,758,942
Current tax – Life insurance contracts with profit sharing	(7,691,299)	929,125
Net gains through adjust. in fair value of hedging instruments in cash flow hedging		
Gross amount	1,414,232	(3,876,740)
Deferred tax	(230,965)	859,481
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency		
Gross amount	41,288,270	43,109,385
Deferred tax	(9,564,778)	(9,406,249)
Change in potential gains due to exchange differences		
Gross amount	(70,336,394)	(56,142,658)
Deferred tax	4,226,341	4,369,976
Items that maybe not be reclassified subsequently to gains and losses		
Change in potential gains on properties for own use		
Gross amount	8,180,496	33,478,425
Deferred tax	308,397	(2,067,698)
Actuarial deviations		
Post-employment benefits	4,518,091	(8,814,648)
Health benefits	131,717	(2,162,605)
Current tax	(959,835)	2,246,746
Deferred tax	(63,422)	882,715
INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	**443,269,243**	**(53,158,232)**
TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR	**637,520,486**	**133,116,315**

Consolidated Statement of Cash Flows for the 2017 and 2016 Financial Years

(amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,643,085,567	1,435,853,422
Claims paid, net of reinsurance	(957,544,449)	(929,963,362)
Commissions on insurance, investment and services contracts, net	(163,033,465)	(157,170,518)
Profit-sharing payments, net of reinsurance	(3,446,421)	(6,085,999)
Payments to suppliers	(203,388,830)	(190,261,417)
Payments to employees	(183,171,004)	(184,152,322)
Contributions to pension funds	(10,090,175)	(18,421,934)
Others	29,081,482	(20,094,016)
	151,492,705	**(70,296,146)**
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	(21,059,788)	(35,151,172)
Debtors - other operations	(88,497,479)	(42,952,968)
Other assets	4,993,484	(4,467,628)
	(104,563,783)	**(82,571,768)**
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	217,189,367	72,231,424
Deposits received from reinsurers	10,966,224	8,398,767
Creditors - direct insurance and reinsurance operations	15,598,269	(3,326,783)
Creditors - other operations	52,501,804	66,102,325
Other liabilities	26,371,774	83,420,997
	322,627,438	**226,826,730**
Net cash from operating activities before tax	**369,556,360**	**73,958,816**
Payments of income tax	(135,897,524)	(204,551,143)
Net cash from operating activities	**233,658,836**	**(130,592,327)**
CASH FLOWS GENERATED BY INVESTING ACTIVITIES		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	486,664,707	396,433,786
Available-for-sale investments	4,444,497,796	3,033,492,918
Loans and accounts receivable	3,893,903,255	6,797,096,282
Investment properties	91,293,243	226,764,043
Tangible and intangible assets	7,473,141	1,395,174
Net income from financial assets	705,699,834	180,034,466
Other receipts	96,810,608	25,700,942
	9,726,342,583	**10,660,917,611**
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(379,661,510)	(152,680,106)
Available-for-sale investments	(5,321,581,806)	(3,600,075,548)
Loans and accounts receivable	(3,904,411,774)	(7,105,878,527)
Investment properties	(56,815,354)	(49,148,484)
Tangible and intangible assets	(84,765,206)	(79,328,405)
Others	(503,283,721)	(823,009,176)
	(10,250,641,079)	**(11,810,120,246)**
Business combinations		
Disposal of subsidiaries, associates and joint ventures	133,375,811	-
Acquisition of subsidiaries, associates and joint ventures	(258,064,082)	(39,943,904)
Net cash from investing activities	**(648,986,766)**	**(1,189,146,539)**

(continuation)

(amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Interest received	7,794,451	2,088,676
Other loans obtained	10,238,473	228,264,259
Other interest paid	(5,029,003)	(4,447,469)
Supplementary contributions	648,902	-
Net cash from financing activities	**13,652,823**	**225,905,466**
Increase (decrease) net of cash and equivalents	(401,675,107)	(1,093,833,400)
Cash and equivalents at start of the year	998,421,773	2,092,255,173
Cash and equivalents at end of the year	596,746,666	998,421,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Introductory Note

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").

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 2017.

Longrun's financial statements at 31 December 2017 were approved by the Board of Directors on 30 April 2018. On the date of issue of the financial statements, these were pending approval by the General Meeting.

2. Accounting Policies

2.1. Basis of presentation and consolidation principles

2.1.1. Basis of presentation

The financial statements at 31 December 2017 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, 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 2016 the Group adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2016. 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 2017 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

Subsidiaries are classified as companies over which the Group exercises control. Control is normally presumed to exist when the Group has the power to exercise the majority of the voting rights. Control may also exist when the Group holds, either directly or indirectly, the power to manage the financial and operational policy of a given company in order to obtain benefits from its activities, even if the percentage of the share capital that it holds 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 assests 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 optional.

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

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

Operating leases

Payments made by the Group for operating lease contracts are recognised in costs in the periods to which they relate.

Finance leases

Finance leases are deemed to be contracts in which the risks and rewards derived from the use of the asset are transferred to the lessee. These contracts are recognised on their commencement date in assets and liabilities at the acquisition cost of the leased asset.

Periodic lease payments are composed of the finance charge, which is recognised in the income statement, and the financial amortisation of the capital, which is deducted from the liability throughout the period of the lease.

All other leases are operating leases, and the lease payments made throughout the contract are recognised in costs in the periods to which they relate.

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 2016 and 2017 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 7% of any profit which exceeds this amount.

Law No. 114/2017, published on 29 December 2017 and which approved the State Budget for 2018, increased the rate of the State Surcharge in the third bracket by 2% when the taxable profit is above EUR 35,000,000. Accordingly, Fidelidade adjusted the deferred tax registered in its accounts at 31 December 2017 based on the aggregate rate of 31.5%.

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 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. At 31 December 2017, the deferred tax assets and liabilities recognised by the Group were determined pursuant to Law No. 7-A/2016, of 30 March.

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 occurence 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 26).

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 provisions of the previous defined benefit plan apply to employees of working age employed as permanent staff, with employment contracts of indefinite term, who are not covered by the 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

Liabilities regarding the seniority bonus, deriving from Clause 42 of the Collective Employment Agreement for the Insurance Activity in force, are calculated annually using generally accepted actuarial methods.

Short-term benefits

Short-term benefits, including performance-related productivity bonuses paid to employees, 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 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.

In line with the ASF regulations, the deferred acquisition costs for each technical line of business may not exceed 20% of the respective deferred 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%	3.84%
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 2016 and 2017, 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	3.84%
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.

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.

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 payment and claims costs 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:

i) 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;

ii) 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;

iii) 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 induded 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.

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 2017 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 2017. 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
IAS 12 – Income Taxes (Amendment)	19-01-2016	2017/1989	01-01-2017
IAS 7 – Statement of Cash Flows (Amendment)	29-01-2016	2017/1990	01-01-2017
IFRS 12 – Disclosure of Interests in Other Entities			
(Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2017

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 15 – Revenue from Contracts with Customers	28-05-2014	2016/1905	01-01-2018
IFRS 15 – Revenue from Contracts with Customers (Amendment)	11-09-2015	2016/1905	01-01-2018
IFRS 9 – Financial Instruments	24-07-2014	2016/2067	01-01-2018
IFRS 16 – Leases	13-01-2016	2017/1986	01-01-2019
IFRS 4 – Insurance Contracts (Applying IFRS 9 Financial			
Instruments with IFRS 4)	12-09-2016	2017/1988	01-01-2018
IAS 28 – Investments in Associaties and Joint Ventures			
(Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2018

2.21.3. Standards, Interpretations, Amendments and Revisions Not Yet Adopted 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	15-05-2017	01-01-2021
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	08-12-2016	01-01-2018
IFRIC 23 – Uncertainly over Income Tax Treatments	07-05-2017	01-01-2019
IFRS 2 – Classification and Measurement of Share-based		
Payment Transactions (Amendment)	20-06-2016	01-01-2018
IAS 40 – Transfers of Investment Property (Amendment)	08-12-2016	01-01-2018
IFRS 9 – Prepayment Features with Negative Compensation (Amendment)	12-10-2017	01-01-2019
IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	01-01-2019
IFRS 3 – Business Combinations. Previously held interests in joint operation.		
(Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IFRS 11 – Joint Arrangements. Previously held interests in joint operation.		
(Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 12 – Income Tax consequences on dividends of equity instruments.		
(Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 23 – Borrowing Costs eligible for capitalisation.		
(Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019

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 2017.

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 2017 and 2016, except when expressly indicated otherwise, can be summarised as follows:

(amounts in Euros)

Operating sector/entity	2017 Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Fidelidade – Companhia de Seguros, S.A.	84.99%	15,889,040,096	13,442,066,973	2,446,973,123	187,789,357	2,610,119,715
Multicare – Seguros de Saúde, S.A.	80.00%	157,841,851	83,792,036	74,049,815	8,088,593	263,973,311
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	67,519,705	32,481,587	35,038,118	5,738,157	31,648,201
Via Directa – Companhia de Seguros, S.A.	100.00%	69,883,287	44,699,127	25,184,160	630,609	45,724,033
Companhia Portuguesa de Resseguros, S.A.	100.00%	33,973,281	22,043,180	11,930,101	444,652	1,231,960
Fidelidade Angola – Companhia de Seguros, S.A. (b)	70.00%	197,287,953	184,175,510	13,112,443	2,120,405	56,176,390
Garantia – Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	26,339,506	15,756,946	10,582,560	1,105,911	10,184,963
Fidelidade Macau – Companhia de Seguros, S.A. (d)	100.00%	75,507,159	55,095,432	20,411,727	1,608,097	9,915,228
Property						
Fidelidade – Property Europe, S.A.	100.00%	835,534,189	67,247,384	768,286,805	(33,194,737)	32,215,227
Fidelidade – Property International, S.A.	100.00%	493,115,610	21,311,835	471,803,775	95,943,971	131,348,853
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	99.09%	157,218,112	22,755,631	134,462,481	15,281,046	19,898,791
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	12,435,567	85,802	12,349,765	965,531	1,420,442
FPI (AU) 1 PTY LIMITED (f)	100.00%	52,132,207	6,404,298	45,727,909	8,663,254	17,567,219
FPI (UK) 1 LIMITED (g)	100.00%	268,676,570	618,493	268,058,077	(23,174,640)	12,346,357
FPE (IT) Società per Azioni	95.76%	364,979,472	1,933,090	363,046,382	1,192,329	3,906,514
FPE (Lux) Holding S.à r.l.	100.00%	153,368,517	3,991,013	149,377,504	3,873,469	16,305,741
Thomas More Square (Lux) Holdings S.à r.l. (g)	99.30%	132,608,472	124,381	132,484,091	(31,402)	6,410
Thomas More Square (Lux) S.à r.l. (g)	100.00%	360,707,184	218,639,731	142,067,453	13,998,546	26,988,887
Godo Kaisha Moana (h)	97.00%	108,138,391	9,339	108,129,052	11,922,814	11,966,921
Godo Kaisha Praia (h)	100.00%	457,503,784	314,522,917	142,980,867	16,638,779	25,567,950
Fundo Broggi	100.00%	373,029,773	7,982,777	365,046,996	8,446,996	46,292,427
Broggi Retail S.R.L.	100.00%	252,081	13,319	238,762	(11,238)	-
Healthcare						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98.79%	660,178,348	424,999,730	235,178,618	16,994,860	483,895,179
Other sectors						
Cetra – Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,161,813	1,066,684	5,095,129	222,736	7,218,276
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	1,519,906	1,262,549	257,357	72,453	2,929,556
GEP – Gestão de Peritagens Automóveis, S.A.	100.00%	3,538,968	3,107,663	431,305	93,420	22,462,636
Fidelidade – Serviços de Assistência, S.A.	100.00%	1,211,895	160,395	1,051,500	(34,169)	1,510,089

(continuation) (amounts in Euros)

Operating sector/entity	2017 Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Cares Multiassistance, S.A.	51.00%	2,273,193	1,364,802	908,391	(399,134)	9,881,046
FCM Beteiligungs GmbH	100.00%	17,299,917	346,309	16,953,608	(91,928)	376,940
FID I (HK) LIMITED (i)	100.00%	-	-	-	-	-
FID III (HK) LIMITED (i)	100.00%	844	12,863	(12,019)	(3,850)	-
Fidelidade – Consultoria e Gestão de Risco, Lda. (j)	100.00%	2,269	4,585	(2,316)	(1,330)	113
Fidelidade – Assistência e Serviços, Lda. (j)	100.00%	9,344	7,086	2,258	2,513	121,080
FID Loans 1 (Ireland) Limited	100.00%	319,415,380	129,295,749	190,119,631	119,631	2,701,985
FID Loans 2 (Ireland) Limited	100.00%	1	-	1	-	-
Universal – Assistência e Serviços, Lda. (b)	80.00%	895	-	895	-	-

(a) The shareholders' equity includes net income for the year
(b) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 185.400 AOA for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 184.86617 AOA for the profit and loss headings.
(c) Amounts in Euros, considering the exchange rate at 31 December 2017 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 2017 of 1 EUR/ 9.6532 MOP for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 9.0653 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 2017 of 1 EUR/ 1.5346 AUD for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 1.4732 AUD for the profit and loss headings.
(g) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 0.88723 GBP for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 0.87667 GBP for the profit and loss headings.
(h) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 135.0100 JPY for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 126.7100 JPY for the profit and loss headings.
(i) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.3720 HKD for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 8.8045 HKD for the profit and loss headings.
(j) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 70.5700 MZN for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 71.51167 MZN for the profit and loss headings.

(amounts in Euros)

Operating sector/entity	2016 Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Fidelidade – Companhia de Seguros, S.A.	84.99%	14,674,807,178	12,834,840,242	1,839,966,936	100,420,503	3,168,274,008
Multicare – Seguros de Saúde, S.A.	80.00%	146,484,583	81,406,861	65,077,722	6,803,404	229,760,314
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	69,479,389	41,068,025	28,411,364	1,925,076	48,582,840
Via Directa – Companhia de Seguros, S.A.	100.00%	72,872,039	51,492,895	21,379,144	(3,792,950)	40,714,618
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,715,603	4,927,959	10,787,644	350,067	1,034,224
Fidelidade Angola – Companhia de Seguros, S.A. (b)	70.00%	99,692,896	87,600,437	12,092,459	1,859,850	80,870,354
Garantia – Companhia de Seguros de Cabo Verde, S.A. (c)	56.35%	26,303,692	16,309,305	9,994,387	1,044,612	9,025,528
Fidelidade Macau – Companhia de Seguros, S.A. (d)	100.00%	62,555,881	40,887,005	21,668,876	1,880,563	9,890,127
Property						
Fidelidade – Property Europe, S.A.	100.00%	797,290,100	15,687,570	781,602,530	(2,958,151)	28,673,625
Fidelidade – Property International, S.A.	100.00%	484,299,611	9,527,099	474,772,512	(40,025,590)	40,174,103
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	99.09%	142,521,246	23,339,811	119,181,435	10,809,608	15,085,888
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	11,467,335	83,101	11,384,234	(896,508)	1,374,371
FPI (AU) 1 PTY LIMITED (f)	100.00%	93,803,520	54,521,549	39,281,971	7,274,209	14,471,293

(continuation) (amounts in Euros)

Operating sector/entity	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
	2016					
FPI (UK) 1 LIMITED (g)	100.00%	249,055,731	2,198,433	246,857,298	8,743,061	16,663,984
FPI (US) 1 LLC (h)	100.00%	117,910,797	62,648,293	55,262,504	(9,362,576)	5,776
FPE (IT) Società per Azioni	95.76%	365,267,333	33,706,557	331,560,776	33,685,905	48,926,838
GK Kita Aoyoma Support 2 (i)	100.00%	24,366,042	25,202	24,340,840	(43,142)	3
Higashi Shinagawa Two TMK (i)	96.56%	157,989,490	22,222,003	135,767,487	18,930,493	45,105,173
FPE (Lux) Holding S.à r.l.	100.00%	172,261,927	26,776,116	145,485,811	6,309,791	15,875,050
Thomas More Square (Lux) Holdings S.à r.l. (j)	99.30%	162,803,996	23,837,004	138,966,992	(39,287)	298
Thomas More Square (Lux) S.à r.l. (j)	100.00%	477,084,501	330,755,816	146,328,685	(4,792,663)	14,389,358
Thomas More Square (Lux) Investments Limited (j)	100.00%	104,739,338	20,440	104,718,898	(7,180)	14,744
Godo Kaisha Moana (l)	97.00%	114,760,163	274,424	114,485,739	8,017,248	8,776,264
Godo Kaisha Praia (l)	100.00%	487,402,382	348,054,350	139,348,032	7,862,661	12,222,887
Healthcare						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98.96%	581,579,825	364,532,653	217,047,172	16,985,152	450,759,517
Other sectors						
Cetra – Centro Técnico de Reparação Automóvel, S.A.	100.00%	5,850,906	978,513	4,872,393	(37,078)	6,276,399
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	855,536	601,631	253,905	72,736	1,793,741
GEP – Gestão de Peritagens Automóveis, S.A.	100.00%	4,032,714	3,588,828	443,886	112,211	21,162,866
Fidelidade – Serviços de Assistência, S.A.	100.00%	2,114,394	209,901	1,904,493	673,489	1,561,962
Cares Multiassistance, S.A.	51.00%	3,434,420	1,334,540	2,099,880	792,356	10,872,110
FCM Beteiligungs GmbH	51.00%	10,508,705	40,238	10,468,467	(3,519,695)	714
FID I (HK) LIMITED (m)	100.00%	26,960,173	2,030,015	24,930,158	(3,801,405)	3,247,642
FID III (HK) LIMITED (m)	100.00%	-	9,797	(9,797)	(3,097)	-
Fidelidade – Consultoria e Gestão de Risco, Lda. (n)	100.00%	3,670	3,327	343	(758)	52,571
Fidelidade – Assistência e Serviços, Lda. (n)	100.00%	12,031	14,150	(2,119)	(3,759)	134,412

(a) The shareholders' equity includes net income for the year
(b) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 184.475 AOA for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 182.32425 AOA for the profit and loss headings.
(c) Amounts in Euros, considering the exchange rate at 31 December 2016 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 2016 of 1 EUR/ 8.4204 MOP for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 8.81952 MOP for the profit and loss headings.
(e) Amounts recorded as in available-for-sale investments.
(f) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 1.4596 AUD for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 1.48523 AUD for the profit and loss headings.
(g) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 0.85618 GBP for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 0.82271 GBP for the profit and loss headings.
(h) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 1.0541 USD for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 1.10317 USD for the profit and loss headings.
(i) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 123.4000 JPY for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 120.44083 JPY for the profit and loss headings.
(j) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 0.85618 GBP for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 0.79822 GBP for the profit and loss headings.
(l) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 123.4000 JPY for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 120.95966 JPY for the profit and loss headings.
(m) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.1751 HKD for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 8.56263 HKD for the profit and loss headings.
(n) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 74.54000 MZN for balance sheet headings and an average montlhy exchange rate of 1 EUR/ 69.82333 MZN for the profit and loss headings.

The financial data at 31 December 2017 was taken from the 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, nº. 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 nº 13 - 7º, 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, nº 13 - 4º, 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 nº 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 1º Congresso MPLA, n.º 11, 1º 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, nº 567, BNU Building, 14º, 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.

PROPERTY

Fidelidade – Property Europe, S.A., using this name since 2014, with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 19 November 1991 with the main object of renting own property which it has acquired or built and the provision of related services. On 24 November 2004 a public deed was signed for the merger by incorporation of Caixa Imobiliário - Sociedade de Gestão e Investimento Imobiliário, S.A., in Mundial Confiança - Sociedade de Gestão e Investimento Imobiliário, S.A., which 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, nº 30, was set up on 5 November 2014 with the main object of purchasing and selling real estate, including purchase for re-sale, renting or the setting up of other real rights over property and, also, developing, promoting and administering real estate projects, in the area of construction and rehabilitation, in addition to the provision of related services.

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

Fundo de Investimento Imobiliário Fechado Bonança I was set up on 22 December 1993 with the investment aim of achieving medium and long-term capital appreciation, through the creation and management of a portfolio of predominantly real estate assets. This fund is managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A..

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

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

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

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

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

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

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

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

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

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

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

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.

HEALTHCARE

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

OTHER SECTORS

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

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

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

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

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

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

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

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

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

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.

The main movements in the Group's subsidiaries during 2017 were as follows:

During 2017 Luz Saúde, S.A. sold its own shares, of EUR 656,388 and Fidelidade acquired shares in the company of EUR 541, thereby holding 98.79% of the share capital at 31 December 2017.

On 24 March 2017 Fidelidade – Companhia de Seguros, S.A. granted Fidelidade – Property Europe, S.A. supplementary contributions of EUR 19,873,562.

On 20 April 2017 there was a reduction in the supplementary contribution of Fidelidade – Property International, S.A., of EUR 98,912,709.

In the first quarter of 2017, Fidelidade – Property International, S.A. reduced the share capital of GK Kita Aoyoma Support 2 and Higashi Shinagawa Two TMK by EUR 24,274,667 and EUR 25,993,865, respectively.

In 2017, Fidelidade – Property Europe, S.A. granted FPE (IT) Società per Azioni supplementary contributions of EUR 23,873,562.

On 24 March 2017 FPE (IT) Società per Azioni set up Fundo Broggi, issuing 7132 participation units on 27 March, holding 100% of the share capital of EUR 356.600.000.

In June 2017 Thomas More Square (Lux) Investments Limited was wound up, with a 100% transfer Thomas More Square (Lux) S.à r.l..

On 13 June 2017 the company FID Loans 1 (Ireland) Limited was set up, with share capital of 1 Euro, with Fidelidade – Companhia de Seguros, S.A. holding 100% of its shares. Capital increases of EUR 189,999,999 were made during the year, to a total value of EUR 190,000,000 at 31 December 2017.

On 13 June 2017 the company FID Loans 2 (Ireland) Limited was set up, with share capital of 1 Euro, with Fidelidade – Companhia de Seguros, S.A. holding 100% of its shares.

In 2017 own shares of Garantia - Companhia de Seguros de Cabo Verde, S.A. were sold to employees, reducing the effective participation of Fidelidade – Companhia de Seguros, S.A.from 56.35% to 55.89%.

In 2017 FCM Beteiligungs GmbH acquired 49% of own shares, resulting in 100% effective participation of Fidelidade – Companhia de Seguros, S.A..

In September 2017 Broggi Retail S.R.L. was set up, with share capital of EUR 250,000, 100% held by Fundo Broggi.

In September 2017, the entire capital held by Fidelidade – Property International, S.A. in Higashi Shinagawa Two TMK was liquidated.

In October 2017 Fidelidade Angola – Companhia de Seguros, S.A set up the company Universal - Assistência e Serviços, Lda. with share capital of AOA 166,000, which when converted to EUR at the date of incorporation is equal to EUR 895.42, with an 80% shareholding of AOA 132,800.

In October 2017, the entire capital held by Fidelidade – Property International, S.A. in GK Kita Aoyoma Support 2 was liquidated.

In November 2017, the entire capital held by FPI (UK) 1 LIMITED in FPI (US) 1 LLC was disposed of/sold.

4. Cash and Cash Equivalents

At 31 December 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Cash and cash equivalents		
Headquarters	9,394,938	2,403,440
Branch offices	2,267,934	1,323,859
	11,662,872	**3,727,299**
Sight deposits		
Domestic currency	438,161,186	579,627,864
Foreign currency	146,922,608	415,066,610
	585,083,794	**994,694,474**
	596,746,666	**998,421,773**

5. Investments in Associates and Joint Ventures

At 31 December 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017		2016	
	Effective share %	Balance sheet value	Effective share %	Balance sheet value
Valued at acquisition cost				
Associates				
HL – Sociedade Gestora do Edifício, S.A.	10.00%	14,400	10.00%	29,400
Valued by the equity accounting method				
Associates				
Audatex Portugal – Peritagens Informatizadas				
Derivadas de Acidentes, S.A. (a)	33.67%	1,149,917	33.67%	914,394
Highgrove – Investimentos e Participações, SGPS, S.A.	25.00%	-	25.00%	-
Genomed – Diagnósticos de Medicina Molecular, S.A.	37.50%	356,403	37.50%	305,636
		1,506,320		**1,220,030**
Joint Ventures				
Madison 30 31 JV LLC	0.00%	-	77.00%	115,757,387
		1,520,720		**117,006,817**

(a) Values at March 2017 and 2016, respectively (accounting period June 2016 to March 2017 and June 2015 to June 2016).

In 2016 there was an adjustment of EUR 15,000 in Luz Saúde registered with the associate HL – Sociedade Gestora do Edifício, S.A. which was rectified in 2017.

Since Highgrove – Investimentos e Participações, SGPS, S.A. has negative equity, the financial interest held by the Group was reduced to zero. Additionally, a liability was set up to cover responsibilities assumed with this subsidiary (Note 24).

The financial data of the associates and joint ventures, measured using the equity method, was as follows at 31 December 2017 and 2016:

(amounts in Euros)

	2017					
Operating sector/entity	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Health						
Genomed – Diagnósticos de Medicina Molecular, S.A.	37.50%	1,667,714	904,515	763,199	102,592	1,294,344
Other Sectors						
Audatex Portugal – Peritagens Informatizadas Derivadas de Acidentes, S.A. (b)	33.67%	4,912,866	1,497,509	3,415,357	699,506	4,647,330
Highgrove – Investimentos e Participações, SGPS, S.A.	25.00%	280,258	492,181	(211,923)	(84,444)	1,515
HL – Sociedade Gestora do Edifício, S.A.	10.00%	n.a.	n.a.	n.a.	n.a.	n.a.

(a) Shareholders' equity includes net income for the year.
(b) Values at March 2017 (accounting period June 2016 to March 2017).

(amounts in Euros)

	2016					
Operating sector/entity	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Health						
Genomed – Diagnósticos de Medicina Molecular, S.A.	37.50%	1,284,129	669,284	614,845	102,592	1,046,161
Other Sectors						
Audatex Portugal – Peritagens Informatizadas Derivadas de Acidentes, S.A. (b)	33.67%	3,963,903	1,248,052	2,715,851	2,630	6,495,780
Highgrove – Investimentos e Participações, SGPS, S.A.	25.00%	807,400	1,102,525	(295,125)	(125,538)	120,356
HL – Sociedade Gestora do Edifício, S.A.	10.00%	n.a.	n.a.	n.a.	n.a.	n.a.
Madison 30 31 JV LLC	77.00%	245,201,924	94,867,660	150,334,264	(8,142,310)	212,736

(a) Shareholders' equity includes net income for the year.
(b) Values at June 2016 (accounting period June 2015 to June 2016).

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, nº 24 - 3º, 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, nº 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities.The participation in this company arose following a partnership with the 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, nº 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".

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

The main movements in the Group's associates and joint ventures during 2017 were as follows:

In November 2017, Madison 30 31 JV LLC left the consolidation perimeter following the sale of FPI (US) 1 LLC.

6. Financial Assets Held for Trading and Financial Assets Initially Recognised at Fair Value Through Profit or Loss

At 31 December 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

	2017			2016		
	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
Investments related to Unit-linked contracts	**11,752**	**124,182,665**	**124,194,417**	**-**	**431,342,214**	**431,342,214**
Other investments						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	22,991,400	22,991,400	-	1,365,213	1,365,213
Foreign issuers	-	387,824,562	387,824,562	-	233,894,101	233,894,101
	-	**410,815,962**	**410,815,962**	**-**	**235,259,314**	**235,259,314**
Other financial instruments						
Investment units						
Domestic issuers	-	534,185	534,185	-	-	-
Others						
Domestic issuers	-	-	-	-	9,516	9,516
	-	**534,185**	**534,185**	**-**	**9,516**	**9,516**
Credit and other receivables	**-**	**272,341,783**	**272,341,783**	**-**	**-**	**-**
Derivative instruments with positive fair value						
Interest rate swaps	4,794	-	4,794	-	-	-
Exchange rate futures	52,663,739	-	52,663,739	7,770,368	-	7,770,368
Exchange forwards	457,645	-	457,645	-	-	-
	53,126,178	**-**	**53,126,178**	**7,770,368**	**-**	**7,770,368**
	53,137,930	**807,874,595**	**861,012,525**	**7,770,368**	**666,611,044**	**674,381,412**

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 2017 and 2016, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 410,815,962 and EUR 235,259,314 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.

In 2017 and 2016, the Group recognised net gains with the valuation of these investments of EUR 12,165,192 and EUR 14,809,012, respectively.

At 31 December 2017 and 2016, investments allocated to Unit-linked contracts were composed as follows:

(amounts in Euros)

	2017	2016
Financial assets initially recognised		
at fair value through profit or loss		
Debt instruments		
Group companies	102,855	49,920,465
Public debt		
Domestic issuers	89,467,752	340,390,253
Foreign issuers	8,443,100	12,646,763
Other issuers		
Domestic issuers	309,615	895,071
Foreign issuers	7,694,157	10,255,555
Equity instruments		
Domestic issuers	11,139,207	12,029,626
Foreign issuers	7,564,290	7,177,090
Accounts receivable	189	(31)
Transactions to be settled	(538,500)	(1,972,578)
	124,182,665	**431,342,214**
Financial assets held for trading		
Derivative instruments	11,752	-
Other assets		
Current deposits	42,440,826	41,786,452
Term deposits	9,040,139	39,851,839
	51,480,965	**81,638,291**
Total (Note 22)	**175,675,382**	**512,980,505**

The total of investment allocated to Unit-linked contracts reveals, at 31 December 2017 and 2016, a difference of EUR 82,015 and EUR 3,312 in relation to the total financial liabilities recognised at fair value (Note 22), which corresponds to the negative fair value of the swaps recognised in "Financial liabilities held for trading" (Note 23) and that are allocated to Unit-linked contracts.

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 2017 and 2016, 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)

	2017							
	Notional Amount			Book Value				
				Trading Derivatives		Hedge Derivatives		
	Trading Derivatives	Hedge Derivatives	Total	Assets (Note 6)	Liabilities (Note 23)	Assets	Liabilities (Note 23)	Total
Fair value hedge								
Interest rate swaps	40,668,155	-	40,668,155	16,546	(5,654,647)	-	-	(5,638,101)
Exchange rate futures	2,762,000,000	940,500,000	3,702,500,000	52,663,739	(2,147)	14,922,591	-	67,584,183
Exchange rate forwards	47,195,181	-	47,195,181	457,645	-	-	-	457,645
Cash flow hedge								
Interest rate swaps	-	180,000,000	180,000,000	-	-	-	(3,109,947)	(3,109,947)
Hedge of a net investment								
in a foreign operation								
Exchange rate futures	-	578,750,000	578,750,000	-	-	4,478,377	(769,417)	3,708,960
Exchange rate forwards	-	161,602,464	161,602,464	-	-	8,777,409	(131,822)	8,645,587
	2,849,863,336	**1,860,852,464**	**4,710,715,800**	**53,137,930**	**(5,656,794)**	**28,178,377**	**(4,011,186)**	**71,648,327**

(amounts in Euros)

	2016							
	Notional Amount			Book Value				
				Trading Derivatives		Hedge Derivatives		
	Trading Derivatives	Hedge Derivatives	Total	Assets (Note 6)	Liabilities (Note 23)	Assets	Liabilities (Note 23)	Total
Fair value hedge								
Interest rate swaps	40,668,155	-	40,668,155	-	(7,164,396)	-	-	(7,164,396)
Exchange rate futures	1,426,125,000	1,024,375,000	2,450,500,000	7,770,368	(7,908,243)	4,356,758	(8,737,700)	4,218,883
Exchange rate forwards	-	13,341,558	13,341,558	-	-	314,098	-	314,098
Cash flow hedge								
Interest rate swaps	-	180,000,000	180,000,000	-	-	-	(4,731,582)	(4,731,582)
Hedge of a net investment								
in a foreign operation								
Exchange rate futures	-	511,625,000	511,625,000	-	-	1,369,636	-	(7,368,064)
Exchange rate forwards	-	456,581,591	456,581,591	-	-	16,728,216	-	16,728,216
	1,466,793,155	**2,185,923,149**	**3,652,716,304**	**7,770,368**	**(15,072,639)**	**22,768,708**	**(13,469,282)**	**1,997,155**

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 23).

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 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 2017 and 2016, by period to maturity, was as follows:

(amounts in Euros)

	2017				
	Up to 3 months	From 3 months to 6 months	Between 1 and 5 years	More than 5 years	Total
Fair value hedge					
Interest rate swaps	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	1,888,125,000	1,814,375,000	-	-	3,702,500,000
Exchange rate forwards	27,287,374	19,907,807	-	-	47,195,181
Cash flow hedge					
Interest rate swaps	-	-	30,000,000	150,000,000	180,000,000
Hedge of a net investment in a foreign operation					
Exchange rate futures	471,000,000	107,750,000	-	-	578,750,000
Exchange rate forwards	48,125,386	113,477,078	-	-	161,602,464
	2,434,537,760	**2,055,509,885**	**70,000,000**	**150,668,155**	**4,710,715,800**

(amounts in Euros)

	2016					
	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	Total
Fair value hedge						
Interest rate swaps	-	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	1,714,750,000	-	735,750,000	-	-	2,450,500,000
Exchange rate forwards	-	13,341,558	-	-	-	13,341,558
Cash flow hedge						
Interest rate swaps	-	-	-	30,000,000	150,000,000	180,000,000
Hedge of a net investment in a foreign operation						
Exchange rate futures	398,375,000	-	113,250,000	-	-	511,625,000
Exchange rate forwards	263,738,140	58,213,382	134,630,069	-	-	456,581,591
	2,376,863,140	**71,554,939**	**983,630,069**	**70,000,000**	**150,668,155**	**3,652,716,304**

The distribution of the Group's derivative financial operations at 31 December 2017 and 2016, by counterparty type, was as follows:

(amounts in Euros)

	2017		2016	
	Notional Amount	Book Value	Notional Amount	Book Value
Swaps				
Interest rate swaps				
Financial institutions				
Caixa Geral Depósitos Group	40,668,155	(5,638,101)	40,668,155	(7,164,396)
Other institutions	180,000,000	(3,109,947)	180,000,000	(4,731,582)
Futures				
Exchange rate futures				
On a stock exchange				
Chicago	4,281,250,000	71,293,143	2,962,125,000	(3,149,181)
Exchange rate forwards				
Financial institutions	208,797,645	9,103,232	469,923,149	17,042,314
	4,710,715,800	**71,648,327**	**3,652,716,304**	**1,997,155**

In 2017 and 2016 the following gains and losses related to fair value hedge accounting were generated:

(amounts in Euros)

	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Derivatives	132,599,074	(13,270,447)	119,328,627	336,597,725	(372,707,569)	(36,109,844)
Hedged assets	1,702,775	(136,017,862)	(134,315,087)	157,776,330	(126,318,181)	31,458,149
	134,301,849	**(149,288,309)**	**(14,986,460)**	**494,374,055**	**(499,025,750)**	**(4,651,695)**

In 2017 and 2016, the following movements were generated in the Revaluation Reserve, relating to hedge accounting:

(amounts in Euros)

	2017		2016	
	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	(2,276,633)	-	(4,092,767)	-
Exchange rate futures	-	49,222,244	-	28,667,820
Exchange rate forwards	-	22,511,915	-	14,441,565
	(2,276,633)	**71,734,159**	**(4,092,767)**	**43,109,385**

8. Available-for-Sale Investments

At 31 December 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017					
	Amount before impairment	Accumulated impairment (Note 42)	Net amount	Exchange differences	Fair value reserve	Balance sheet value
Debt instruments						
Public debt						
Domestic issuers	3,623,850,570	-	3,623,850,570	(1,096,495)	283,170,768	3,905,924,843
Foreign issuers	1,812,018,142	-	1,812,018,142	(8,417,001)	20,019,097	1,823,620,238
Other public issuers						
Foreign issuers	3,422,596	-	3,422,596	-	266,257	3,688,853
International financial organisations	126,854	-	126,854	-	64,935	191,789
Other issuers						
Domestic issuers	209,119,336	(49,979,822)	159,139,514	-	3,357,158	162,496,672
Foreign issuers	3,265,849,526	(90,947,880)	3,174,901,646	(178,073,717)	32,144,898	3,028,972,827
Group companies	374,780,269	-	374,780,269	-	(1,709,110)	373,071,159
	9,289,167,293	**(140,927,702)**	**9,148,239,591**	**(187,587,213)**	**337,314,003**	**9,297,966,381**
Equity instruments						
Recognised at fair value						
Domestic issuers	107,100,583	(12,226,609)	94,873,974	-	1,792,722	96,666,696
Foreign issuers	1,247,240,304	(301,805,345)	945,434,959	(24,695,762)	383,920,044	1,304,659,241
	1,354,340,887	**(314,031,954)**	**1,040,308,933**	**(24,695,762)**	**385,712,766**	**1,401,325,937**
Other instruments						
Participation bonds						
Residents	27,434	-	27,434	-	(5,611)	21,823
Investment units						
Residents	171,238,958	(33,511,103)	137,727,855	-	46,219,657	183,947,512
Non-residents	10,417,597	(4,612,771)	5,804,826	(67)	3,955,319	9,760,078
Others	(120,779)	-	(120,779)	-	-	(120,779)
	181,563,210	**(38,123,874)**	**143,439,336**	**(67)**	**50,169,365**	**193,608,634**
	10,825,071,391	**(493,083,530)**	**10,331,987,861**	**(212,283,042)**	**773,196,133**	**10,892,900,952**

(amounts in Euros)

	2016					
	Amount before impairment	Accumulated impairment (Note 42)	Net amount	Exchange differences	Fair value reserve	Balance sheet value
Debt instruments						
Public debt						
Domestic issuers	5,360,732,880	-	5,360,732,880	-	(63,756,828)	5,296,976,052
Foreign issuers	229,716,864	-	229,716,864	3,458,577	4,391,505	237,566,946
Other public issuers						
Foreign issuers	3,421,701	-	3,421,701	-	381,188	3,802,889
International financial organisations	11,399,305	-	11,399,305	-	6,175,910	17,575,215
Other issuers						
Domestic issuers	216,785,270	(52,929,367)	163,855,903	-	495,856	164,351,759
Foreign issuers	1,508,056,755	(107,752,335)	1,400,304,420	49,972,459	(2,289,547)	1,447,987,332
Group companies	421,271,476	-	421,271,476	-	595,992	421,867,468
	7,751,384,251	**(160,681,702)**	**7,590,702,549**	**53,431,036**	**(54,005,924)**	**7,590,127,661**
Equity instruments						
Recognised at fair value						
Domestic issuers	99,126,120	(7,853,091)	91,273,029	-	1,497,552	92,770,581
Foreign issuers	1,444,690,566	(278,682,063)	1,166,008,503	111,240,424	32,984,633	1,310,233,560
	1,543,816,686	**(286,535,154)**	**1,257,281,532**	**111,240,424**	**34,482,185**	**1,403,004,141**
Other instruments						
Participation bonds						
Residents	27,434	-	27,434	-	(11,519)	15,915
Investment units						
Residents	216,635,616	(41,818,951)	174,816,665	-	47,987,371	222,804,036
Non-residents	17,161,725	(5,867,238)	11,294,487	5	3,958,495	15,252,987
Others	(66,583)	-	(66,583)	-	-	(66,583)
	233,758,192	**(47,686,189)**	**186,072,003**	**5**	**51,934,347**	**238,006,355**
	9,528,959,129	**(494,903,045)**	**9,034,056,084**	**164,671,465**	**32,410,608**	**9,231,138,157**

9. Loans and Accounts Receivable

At 31 December 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

	2017			2016		
	Gross amount	Impairment loss (Note 42)	Net amount	Gross amount	Impairment loss (Note 42)	Net amount
Deposits in ceding companies	167,023	-	167,023	875,620	-	875,620
Other deposits						
Term deposits	1,072,847,342	-	1,072,847,342	881,337,956	-	881,337,956
Margin accounts	63,158,678	-	63,158,678	73,067,721	-	73,067,721
	1,136,006,020	**-**	**1,136,006,020**	**954,405,677**	**-**	**954,405,677**
Loans made						
Mortgage loans	21,720,685	-	21,720,685	21,851,904	(29,803)	21,822,101
Loans over policies	1,592,222	(10,597)	1,581,625	1,328,653	(10,597)	1,318,056
Debt securities	22,834,556	(236,590)	22,597,966	30,084,668	(108,729)	29,975,939
Others	967,602	(370,205)	597,397	3,833,032	(1,089,835)	2,743,197
	47,115,065	**(617,392)**	**46,497,673**	**57,098,257**	**(1,238,964)**	**55,859,293**
Others	10,657	-	10,657	30,100	-	30,100
	1,183,298,765	**(617,392)**	**1,182,681,373**	**1,012,409,654**	**(1,238,964)**	**1,011,170,690**

10. Properties

In 2017 and 2016, the “Properties” headings saw the following movements:

(amounts in Euros)

	Properties for own use	Investment Properties	Total
Balances at 31 December 2015			
Gross amount	433,796,898	1,117,500,727	1,551,297,625
Accumulated depreciation and impairment	(63,106,398)	-	(63,106,398)
	370,690,500	**1,117,500,727**	**1,488,191,227**
Entry/ (Exits) to the consolidation perimeter	6,495,649	845,738,817	852,234,466
Additions			
Acquisitions made in the year	42,380,273	16,054,586	58,434,859
Subsequent expenditure	272,562	17,674,442	17,947,004
Revaluations			
As a credit to the income statement (Note 41)	-	53,903,479	53,903,479
As a credit to shareholders´ equity	33,478,425	-	33,478,425
Additions/reversals of impairment in the year (Note 42)	(2,313,621)	-	(2,313,621)
Depreciation for the period	(16,927,524)	-	(16,927,524)
Exchange differences	-	(71,455,020)	(71,455,020)
Transfers	(4,626,544)	4,626,544	-
Disposals and write-offs (net)	(58,185)	(226,764,043)	(226,822,228)
Other movements	65,179	(9,041)	56,138
Balances at 31 December 2016			
Gross amount	517,884,943	1,757,270,491	2,275,155,434
Accumulated depreciation and impairment	(88,428,229)	-	(88,428,229)
	429,456,714	**1,757,270,491**	**2,186,727,205**
Entry/ (Exits) to the consolidation perimeter	3,390,276	-	3,390,276
Additions			
Acquisitions made in the year	17,581,767	14,600,890	32,182,657
Subsequent expenditure	35,843,311	46,647,230	82,490,541
Revaluations			
As a credit to the income statement (Note 41)	-	7,993,094	7,993,094
As a credit to shareholders´ equity	5,144,675	215,404	5,360,079
Additions/reversals of impairment in the year (Note 42)	(883,984)	-	(883,984)
Depreciation for the period	(21,415,250)	-	(21,415,250)
Exchange differences	(85,465)	(54,215,266)	(54,300,731)
Transfers to non-current assets held for sale	(34,790,401)	(260,924,277)	(295,714,678)
Transfers	3,279,239	(3,279,239)	-
Disposals and write-offs (net)	(4,990,823)	(91,293,243)	(96,284,066)
Other movements	62,359	-	62,359
Balances at 31 December 2017			
Gross amount	540,459,856	1,417,015,084	1,957,474,940
Accumulated depreciation and impairment	(107,867,438)	-	(107,867,438)
	432,592,418	**1,417,015,084**	**1,849,607,502**

Entries in the consolidation perimeter refer, in 2017, to Sociedade Clínica Hospitalar, Lda and in 2016, to the acquisition of the companies Hospital da Luz – Guimarães, S.A., Godo Kaisha Praia and Thomas More Square (Lux) S.à r.l..

In 2017, disposals of investment properties refer, essentially, to the Shinagawa-ku property, in Japan.

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.

Investment properties are also valued at fair value, in line with the treatment provided for in IAS 40.

Properties are valued as deemed appropriate or at least every two years, 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 2017 and 2016, the fair value reserves associated with properties for own use were EUR 111,830,706 and EUR 106,470,627, respectively (Note 27).

At 31 December 2017 and 2016, the breakdown of the properties for own use according to their respective valuation date, was as follows:

(amounts in Euros)

	2017	2016
2017	88,414,115	-
2016	344,178,303	356,382,861
2015	-	73,073,853
	432,592,418	**429,456,714**

11. Allocation of Investments and Other Assets

At 31 December 2017 and 2016, 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)

	2017					
	Life insurance with profit sharing	**Life insurance without profit sharing**	**Life insurance and operations classified as investment contracts**	**Non-life insurance**	**Not allocated**	**Total**
Cash and cash equivalents	15,187,550	1,459,203	61,009,337	3,151,243	515,939,333	596,746,666
Investments in associates and joint ventures	-	-	914,394	-	591,926	1,506,320
Financial assets held for trading	5,977,151	1,040,133	30,053,154	9,676,131	6,391,361	53,137,930
Financial assets initially recognised						
at fair value through profit or loss	83,168,405	1,290,547	283,129,377	148,013,374	292,272,892	807,874,595
Hedge Derivatives	251,956	83,774	10,332,662	4,254,200	13,255,785	28,178,377
Available-for-sale investments	1,399,067,658	199,426,144	7,395,248,894	1,705,997,446	193,160,810	10,892,900,952
Loans and accounts receivable	413,164,959	10,835,519	410,059,605	100,930,890	247,690,400	1,182,681,373
Properties	129,234	6,120,527	-	192,049,190	1,651,308,551	1,849,607,502
Other tangible assets	-	-	-	-	53,201,675	53,201,675
	1,916,946,913	**220,255,847**	**8,190,747,423**	**2,164,072,474**	**2,973,812,733**	**15,465,835,390**

(amounts in Euros)

	2016					
	Life insurance with profit sharing	**Life insurance without profit sharing**	**Life insurance and operations classified as investment contracts**	**Non-life insurance**	**Not allocated**	**Total**
Cash and cash equivalents	155,597,476	29,889,541	196,222,827	15,562,800	601,149,129	998,421,773
Investments in associates and joint ventures	-	-	914,394	-	116,092,423	117,006,817
Financial assets held for trading	2,008,194	254,497	4,218,997	1,288,680	-	7,770,368
Financial assets initially recognised						
at fair value through profit or loss	38,601,817	1,283,659	546,777,433	79,622,430	325,705	666,611,044
Hedge Derivatives	-	1,233	2,605,166	2,064,457	18,097,852	22,768,708
Available-for-sale investments	1,579,475,633	114,506,349	5,947,816,192	1,443,524,006	145,815,977	9,231,138,157
Loans and accounts receivable	71,885,040	7,202,487	570,688,234	264,183,210	97,211,719	1,011,170,690
Properties	569,918	1,869,168	-	358,755,644	1,825,532,475	2,186,727,205
Other tangible assets	-	-	-	-	50,206,558	50,206,558
	1,848,138,078	**155,006,934**	**7,269,243,243**	**2,165,001,227**	**2,854,431,838**	**14,291,821,320**

12. Other Tangible Assets

In 2017 and 2016, the other tangible assets headings saw the following movements:

(amounts in Euros)

	2017										
	Opening balances								Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter	Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	26,496,957	(25,128,530)	57,250	926,590	(84,284)	(802,277)	(3,467)	(940)	26,392,620	(24,931,321)	1,461,299
Machinery and tools	9,008,273	(7,704,564)	-	468,236	(7,444)	(440,418)	(1,728)	(2,751)	8,572,424	(7,252,820)	1,319,604
IT equipment	18,236,003	(15,365,727)	-	1,262,772	203,998	(1,920,258)	(1,670)	-	19,354,117	(16,938,999)	2,415,118
Interior installations	23,232,675	(19,517,526)	-	1,408,963	204,337	(1,008,837)	(5,452)	-	24,790,146	(20,475,986)	4,314,160
Transport material	2,103,281	(1,229,915)	3,694	380,030	(7,733)	(382,130)	(19,275)	(26,455)	2,375,262	(1,553,765)	821,497
Hospital equipment	146,305,912	(115,245,796)	-	12,822,275	506,165	(10,496,289)	-	-	158,335,048	(124,442,781)	33,892,267
Other equipment	38,535,578	(33,184,660)	1,011,250	1,756,434	(142,391)	(1,987,173)	14,855	(240,938)	40,725,056	(34,962,101)	5,762,955
Artistic assets	1,999,474	-	-	34,601	-	-	(1,256)	-	2,032,819	-	2,032,819
Leased equipment	908,995	(643,578)	-	-	190,408	(55,700)	-	(263,411)	539,241	(402,527)	136,714
Other tangible assets	5,531,825	(4,465,618)	-	664,305	(289,135)	(410,769)	-	(38,947)	5,776,588	(4,784,927)	991,661
Advances on											
tangible assets	333,499	-	-	-	(72,954)	-	-	(206,964)	53,581	-	53,581
	272,692,472	**(222,485,914)**	**1,072,194**	**19,724,206**	**500,967**	**(17,503,851)**	**(17,993)**	**(780,406)**	**288,946,902**	**(235,745,227)**	**53,201,675**

(amounts in Euros)

	2016										
	Opening balances								Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter	Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	26,978,080	(25,742,741)	-	979,908	30,241	(827,398)	(49,663)	-	26,496,957	(25,128,530)	1,368,427
Machinery and tools	8,477,976	(7,609,485)	-	741,018	74,204	(368,023)	(8,906)	(3,075)	9,008,273	(7,704,564)	1,303,709
IT equipment	17,213,388	(14,738,525)	-	3,360,236	7,987	(2,847,325)	(36,296)	(89,189)	18,236,003	(15,365,727)	2,870,276
Interior installations	23,171,262	(19,193,902)	-	710,393	191,726	(1,074,174)	(39,662)	(50,494)	23,232,675	(19,517,526)	3,715,149
Transport material	3,010,800	(1,468,289)	-	555,828	(275,988)	(374,524)	(66,088)	(508,373)	2,103,281	(1,229,915)	873,366
Hospital equipment	130,505,040	(107,860,109)	3,272,734	13,797,435	1,049,282	(9,704,266)	-	-	146,305,912	(115,245,796)	31,060,116
Other equipment	37,261,792	(31,734,948)	-	2,233,099	(9,477)	(1,830,027)	(6,454)	(563,067)	38,535,578	(33,184,660)	5,350,918
Artistic assets	1,616,153	-	-	386,724	-	-	286	(3,689)	1,999,474	-	1,999,474
Leased equipment	7,290,447	(7,267,950)	-	146,701	285,043	(80,474)	-	(108,350)	908,995	(643,578)	265,417
Other tangible assets	5,430,946	(4,030,597)	-	743,531	(726,644)	(351,029)	-	-	5,531,825	(4,465,618)	1,066,207
Advances on											
tangible assets	48,585	-	-	284,914	-	-	-	-	333,499	-	333,499
	261,004,469	**(219,646,546)**	**3,272,734**	**23,939,787**	**626,374**	**(17,457,240)**	**(206,783)**	**(1,326,237)**	**272,692,472**	**(222,485,914)**	**50,206,558**

Entries in the consolidation perimeter refer, in 2017, to the acquisition of 81.35% of S.C.H – Sociedade Clínica Hospitalar and 100% of C.C.H. – Capital Criativo Care Investments S.A. and, in 2016, to the acquisition of Hospital da Luz – Guimarães, S.A..

At 31 December 2017 and 2016, the heading "Tangible assets" includes fully amortised assets still in use of EUR 203,002,740 and EUR 149,244,275 respectively.

13. Inventories

At 31 December 2017 and 2016, the breakdown of this heading was as follows:

(amounts in Euros)

	2017	2016
Hospital Goods	11,538,872	9,851,466
Real estate	7,750	456,545
Goods	192,606	146,595
Products and works in progress	88,788	114,663
Salvage	14,047	12,125
Other inventories	213,806	208,683
	12,055,869	**10,790,077**
Impairment of goods (Note 42)	-	(64,553)
	12,055,869	**10,725,524**

14. Goodwill

The Group's recognition of goodwill at 31 December 2017 and 2016 was as follows:

(amounts in Euros)

	2017			2016		
	Gross amount	Impairment loss (Note 42)	Net amount	Gross amount	Impairment loss (Note 42)	Net amount
Goodwill recognised in Goodwill						
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
GK Kita Aoyoma Support 2	15,319	-	15,319	15,319	-	15,319
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
Thomas More Square (Lux) Investments Limited	-	-	-	906,244	-	906,244
Thomas More Square (Lux) Sarl	-	-	-	109	-	109
S.C.H. – Soc. Clínica Hospitalar S.A.	3,126,025	-	3,126,025	-	-	-
C.C.H. – Capital Criativo Care Investments S.A.	8,720,683	-	8,720,683	-	-	-
	457,327,763	**-**	**457,327,763**	**446,387,408**	**-**	**446,387,408**
Goodwill recognised in Investments						
Highgrove – Investimentos e Participações, SGPS, S.A.	957,001	(957,001)	-	957,001	(957,001)	-
	957,001	**(957,001)**	**-**	**957,001**	**(957,001)**	**-**
	458,284,764	**(957,001)**	**457,327,763**	**447,344,409**	**(957,001)**	**446,387,408**

The following movements occurred in this heading in 2017 and 2016:

(amounts in Euros)

Goodwill (net) at 31 December 2015	**428,745,379**
Acquisition of 96.996% of Godo Kaisha Moana	710,601
Acquisition of 99.3% of Thomas More Square (Lux) Investments Limited	906,244
Acquisition of 99.3% of Thomas More Square (Lux) Sarl	109
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	16,025,075
Goodwill (net) at 31 December 2016	**446,387,408**
Hive-up Thomas More Square (Lux) Investments Limited	(906,244)
Thomas More Square (Lux) Sarl	(109)
Acquisition of 81.35% of S.C.H. – Sociedade Clínica Hospitalar S.A.	3,126,025
Acquisition of 100% of C.C.H. – Capital Criativo Care Investments S.A.	8,720,683
Goodwill (net) at 31 December 2017	**457,327,763**

The determination of goodwill for the main companies acquired is as follows:

(amounts in Euros)

Goodwill recognised in Goodwill	
Acquisition of 80.00% of Fidelidade – Companhia de Seguros, S.A.	980,832,887
Shareholders' equity of corporate acquisition (80.00%)	911,913,667
	68,919,220
Acquisition of 4.986% of Fidelidade – Companhia de Seguros, S.A.	(3,387,513)
	65,531,707
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
	359,143,778
Acquisition of 96.996% of Godo Kaisha Moana	102,843,643
Shareholders' equity of corporate acquisition (96.996%) in 2016	(102,133,042)
	710,601
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	25,237,564
Shareholders' equity of corporate acquisition (100%) in 2016	(9,212,489)
	16,025,075
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
	3,126,025
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
	8,720,683

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 2017, 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 2017 is as follows:

(amounts in Euros)

	2017	
	S.C.H. - Soc. Clínica Hospitalar S.A.	C.C.H. - Capital Criativo Care Investments S.A.
Fair value of Assets and Liabilities		
Assets acquired	5,070,195	10,893,002
Liabilities acquired	5,112,834	12,450,303
Total Net Assets	**(42,639)**	**(1,557,301)**
% Assets held	(34,687)	(1,557,301)
Acquisition price	3,091,338	7,163,382
Goodwill	**3,126,025**	**8,720,683**

In 2016 the Group registered directly on the statement of gains and expenses negative of EUR 24,815,820, relating to the purchase of 99.996% of the company Godo Kaisha Moana and 99.3% of Thomas Moore Square (Lux) Holdings S.à.r.l..

15. Other Intangible Assets

In 2017 and 2016, the other intangible assets headings saw the following movements:

(amounts in Euros)

	2017										
	Opening balances								Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter	Transfers and Additions	Depreciation adjustments	Exchange for the year	Disposals write-offs differences	Gross (net)	Accumulated depreciation and amount	Net impairment	amount
Automatic data											
processing systems											
(software)	65,517,345	(57,096,904)	200,713	3,871,562	2,227,361	(6,659,977)	(3,127)	(316,983)	71,375,965	(63,635,975)	7,739,990
Other intangible assets	335,606	(275,041)	-	-	-	(27,133)	-	-	335,606	(302,174)	33,432
Intangible assets											
in progress	10,510,038	-	-	4,354,084	(2,227,361)	-	-	(9,513)	12,627,248	-	12,627,248
	76,362,989	**(57,371,945)**	**200,713**	**8,225,646**	**-**	**(6,687,110)**	**(3,127)**	**(326,496)**	**84,338,819**	**(63,938,149)**	**20,400,670**

(amounts in Euros)

	2016									
	Opening balances							Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals write-offs (net)	Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing										
systems (software)	62,202,558	(49,710,375)	1,791,823	1,690,488	(7,506,513)	(47,540)	-	65,517,345	(57,096,904)	8,420,441
Other intangible assets	335,606	(272,156)	-	-	(2,885)	-	-	335,606	(275,041)	60,565
Intangible assets in progress	7,760,207	-	4,448,311	(1,687,728)	-	-	(10,752)	10,510,038	-	10,510,038
	70,298,371	**(49,982,531)**	**6,240,134**	**2,760**	**(7,509,398)**	**(47,540)**	**(10,752)**	**76,362,989**	**(57,371,945)**	**18,991,044**

At 31 December 2017 and 2016, the values recognised in "Intangible assets in progress" refer to costs incurred with the development of new IT applications (software).

Entries in the consolidation perimeter refer to the acquisition of 81.35% of Sociedade Clínica Hospitalar, Lda and in the acquisition of 100% of C.C.H. – Capital Ciativo Care Investments S.A..

In 2017 and 2016, 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 27,591,167 and EUR 20,594,975, respectively.

16. Technical Provisions for Reinsurance Ceded

At 31 December 2017 and 2016, technical provisions for reinsurance ceded were composed as follows:

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	129,360	33,508,687	33,638,047	136,594	29,355,896	29,492,490
Mathematical provision	11,187,581	-	11,187,581	11,256,504	-	11,256,504
Claims provision						
Reported claims	8,085,106	206,926,121	215,011,227	7,365,124	124,351,162	131,716,286
Claims incurred but not reported (IBNR)	2,638,421	16,369,308	19,007,729	2,674,438	6,255,308	8,929,746
	10,723,527	**223,295,429**	**234,018,956**	**10,039,562**	**130,606,470**	**140,646,032**
Provision for profit sharing	-	1,072	1,072	-	-	-
	22,040,468	**256,805,188**	**278,845,656**	**21,432,660**	**159,962,366**	**181,395,026**

Information on the provision for unearned premiums on reinsurance ceded, at 31 December 2017 and 2016, is set out in the following table:

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance	**129,360**	**-**	**129,360**	**136,594**	**-**	**136,594**
Non-life insurance						
Personal accidents and passengers	3,131,916	(1,460,726)	1,671,190	3,446,191	(1,608,289)	1,837,902
Health	1,469,790	13,320	1,483,110	1,643,680	(200,837)	1,442,843
Fire and other damage	28,282,964	(4,083,093)	24,199,871	23,537,352	(4,353,938)	19,183,414
Motor	389,253	(62,835)	326,418	475,976	(57,246)	418,730
Marine, aviation and transport	169,096	(23,599)	145,497	363,237	(34,560)	328,677
Third party liability	2,533,044	(178,122)	2,354,922	2,526,562	(215,308)	2,311,254
Credit and suretyship	57,811	(3,024)	54,787	67,395	(1,604)	65,791
Legal protection	3,667	(117)	3,550	2,179	(84)	2,095
Assistance	37,771	(2,077)	35,694	65,718	(1,604)	64,114
Others	5,249,565	(2,015,917)	3,233,648	5,640,714	(1,939,638)	3,701,076
	41,324,877	**(7,816,190)**	**33,508,687**	**37,769,004**	**(8,413,108)**	**29,355,896**
	41,454,237	**(7,816,190)**	**33,638,047**	**37,905,598**	**(8,413,108)**	**29,492,490**

The following tables provide information on the movement in the provision for unearned premiums on reinsurance ceded during 2017 and 2016:

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life Insurance				
Provision for unearned premiums	**136,594**	**(7,234)**	**-**	**129,360**
Non-life insurance				
Provision for unearned premiums				
Personal accidents and passengers	3,446,191	(271,292)	(42,983)	3,131,916
Health	1,643,680	(166,867)	(7,023)	1,469,790
Fire and other damage	23,537,352	4,996,134	(250,522)	28,282,964
Motor	475,976	(177,541)	90,818	389,253
Marine, aviation and transport	363,237	(190,004)	(4,137)	169,096
Third party liability	2,526,562	45,659	(39,177)	2,533,044
Credit and suretyship	67,395	(9,584)	-	57,811
Legal protection	2,179	1,501	(13)	3,667
Assistance	65,718	27,550	(55,497)	37,771
Others	5,640,714	(391,149)	-	5,249,565
	37,769,004	**3,864,407**	**(308,534)**	**41,324,877**

(continuation) (amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Deferred acquisition costs				
Personal accidents and passengers	(1,608,289)	130,988	16,575	(1,460,726)
Health	(200,837)	213,771	386	13,320
Fire and other damage	(4,353,938)	198,254	72,591	(4,083,093)
Motor	(57,246)	(1,971)	(3,618)	(62,835)
Marine, aviation and transport	(34,560)	11,555	(594)	(23,599)
Third party liability	(215,308)	32,404	4,782	(178,122)
Credit and suretyship	(1,604)	(1,420)	-	(3,024)
Legal protection	(84)	(33)	-	(117)
Assistance	(1,604)	(474)	1	(2,077)
Others	(1,939,638)	(76,279)	-	(2,015,917)
	(8,413,108)	**506,795**	**90,123**	**(7,816,190)**
	29,355,896	**4,371,202**	**(218,411)**	**33,508,687**
	29,492,490	**4,363,968**	**(218,411)**	**33,638,047**

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life Insurance				
Provision for unearned premiums	**122,501**	**14,093**	**-**	**136,594**
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	10,181	(10,181)	-	-
Personal accidents and passengers	3,752,246	(349,926)	43,871	3,446,191
Health	795,613	984,294	(136,227)	1,643,680
Fire and other damage	24,004,137	(187,980)	(278,805)	23,537,352
Motor	590,432	(224,229)	109,773	475,976
Marine, aviation and transport	310,545	34,212	18,480	363,237
Third party liability	2,124,123	379,959	22,480	2,526,562
Credit and suretyship	110,487	(43,076)	(16)	67,395
Legal protection	3,346	967	(2,134)	2,179
Assistance	78,593	9,646	(22,521)	65,718
Others	4,870,287	770,426	1	5,640,714
	36,649,990	**1,364,112**	**(245,098)**	**37,769,004**

(continuation) (amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Deferred acquisition costs				
Workers' compensation	(1,070)	1,070	-	-
Personal accidents and passengers	(1,780,912)	190,778	(18,155)	(1,608,289)
Health	(38,203)	(169,172)	6,538	(200,837)
Fire and other damage	(3,897,501)	(401,318)	(55,119)	(4,353,938)
Motor	(16,192)	5,017	(46,071)	(57,246)
Marine, aviation and transport	(30,858)	6,792	(10,494)	(34,560)
Third party liability	(181,938)	(21,430)	(11,940)	(215,308)
Credit and suretyship	(4,106)	2,499	3	(1,604)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	(208)	-	(1,604)
Others	(1,468,715)	(470,922)	(1)	(1,939,638)
	(7,420,975)	**(856,894)**	**(135,239)**	**(8,413,108)**
	29,229,015	**507,218**	**(380,337)**	**29,355,896**
	29,351,516	**521,311**	**(380,337)**	**29,492,490**

Information on the claims provision for reinsurance ceded, at 31 December 2017 and 2016, is set out below:

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life Insurance	**8,085,106**	**2,638,421**	**10,723,527**	**7,365,124**	**2,674,438**	**10,039,562**
Non-life insurance						
Workers' compensation	2,424,782	1,125,525	3,550,307	1,374,640	2,907	1,377,547
Personal accidents and passengers	15,361,069	956,816	16,317,885	13,621,797	137,183	13,758,980
Health	551,822	88,652	640,474	449,982	58,875	508,857
Fire and other damage	151,078,402	10,662,565	161,740,967	73,891,900	5,305,728	79,197,628
Motor	9,388,764	997,724	10,386,488	7,957,051	3,900	7,960,951
Marine, aviation and transport	7,766,504	293,254	8,059,758	3,832,039	127,038	3,959,077
Third party liability	12,293,185	1,690,053	13,983,238	16,519,242	185,258	16,704,500
Credit and suretyship	396	10,510	10,906	550	17,270	17,820
Assistance	(1,097)	2	(1,095)	-	-	-
Others	8,062,294	544,207	8,606,501	6,703,961	417,149	7,121,110
	206,926,121	**16,369,308**	**223,295,429**	**124,351,162**	**6,255,308**	**130,606,470**
	215,011,227	**19,007,729**	**234,018,956**	**131,716,286**	**8,929,746**	**140,646,032**

The following tables provide information on the movement in the claims provisions for reinsurance ceded during 2017 and 2016:

(amounts in Euros)

	2017				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	**10,039,562**	**7,134,265**	**(6,450,300)**	**-**	**10,723,527**
Non-life insurance					
Workers' compensation	1,377,547	2,609,570	(335,310)	(101,500)	3,550,307
Personal accidents and passengers	13,758,980	4,769,444	(2,175,850)	(34,689)	16,317,885
Health	508,857	2,375,630	(2,242,661)	(1,352)	640,474
Fire and other damage	79,197,628	144,419,409	(57,757,082)	(4,118,988)	161,740,967
Motor	7,960,951	10,324,815	(7,999,207)	99,929	10,386,488
Marine, aviation and transport	3,959,077	6,928,152	(2,827,221)	(250)	8,059,758
Third party liability	16,704,500	657,119	(3,347,064)	(31,317)	13,983,238
Credit and suretyship	17,820	(6,914)	-	-	10,906
Assistance	-	(1,098)	-	3	(1,095)
Others	7,121,110	16,660,855	(15,175,464)	-	8,606,501
	130,606,470	**188,736,982**	**(91,859,859)**	**(4,188,164)**	**223,295,429**
	140,646,032	**195,871,247**	**(98,310,159)**	**(4,188,164)**	**234,018,956**

(amounts in Euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	**10,400,202**	**9,386,969**	**(9,747,609)**	**-**	**10,039,562**
Non-life insurance					
Workers' compensation	981,874	1,568,055	(1,189,987)	17,605	1,377,547
Personal accidents and passengers	7,924,932	8,026,653	(2,263,571)	70,966	13,758,980
Health	1,088,107	2,785,300	(3,256,423)	(108,127)	508,857
Fire and other damage	59,536,420	66,350,154	(46,957,142)	268,196	79,197,628
Motor	7,314,804	3,529,233	(2,598,068)	(285,018)	7,960,951
Marine, aviation and transport	6,016,312	(772,728)	(1,275,578)	(8,929)	3,959,077
Third party liability	22,155,456	(2,410,118)	(3,101,136)	60,298	16,704,500
Credit and suretyship	27,837	34,461	(44,478)	-	17,820
Others	6,120,841	13,373,821	(12,373,552)	-	7,121,110
	111,166,583	**92,484,831**	**(73,059,935)**	**14,991**	**130,606,470**
	121,566,785	**101,871,800**	**(82,807,544)**	**14,991**	**140,646,032**

Liabilities originated in the year and the claims paid are not deducted from the reinsurers' portion of the processed reimbursements.

17. Other Debtors for Insurance and Other Operations

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts receivable for direct insurance operations		
Premiums pending collection	91,906,760	101,038,175
Claims reimbursements	25,351,728	24,179,053
Brokers	88,595,905	61,463,281
Co-insurers	20,142,467	22,321,187
Funding Institute of Agriculture and Fisheries (IFAP)	3,483,966	3,711,125
Workers' compensation fund	2,043,999	2,132,479
Others	631,327	547,837
	232,156,152	**215,393,137**
(Adjustments to premiums pending collection - Note 42)	(10,529,419)	(17,109,499)
(IFAP adjustments - Note 42)	(99,856)	(484,133)
(Adjustments for doubtful debts - Note 42)	(6,487,926)	(10,089,321)
	(17,117,201)	**(27,682,953)**
	215,038,951	**187,710,184**
Accounts receivable for other reinsurance operations		
Reinsurers' current accounts	24,922,081	19,256,084
Reinsureds' current accounts	1,151,804	2,521,028
	26,073,885	**21,777,112**
(Adjustments for doubtful debts - Note 42)	(6,390,243)	(6,665,093)
	19,683,642	**15,112,019**
Accounts receivable for other operations:		
Group companies	2,229	2,229
Associates	703,126	1,376,216
Consultants,advisors and intermediaries	-	38,957
Employees	744,052	1,173,711
Pension fund	69,901	56,479
Clients - current accounts	111,711,740	115,777,981
Funding Institute of Agriculture and Fisheries (IFAP)	7,944,013	4,442,829

(continuation) (amounts in Euros)

	2017	2016
Debtors - items held under custody	312,159	273,962
Property rentals	2,299,237	2,527,394
Transactions to be settled	-	116,290,481
Other suppliers and services provided	3,240,002	5,353,799
Other debtors	135,822,441	42,880,697
Others	921,784	7,078,470
	263,770,684	**297,273,205**
(Adjustments for doubtful debts - Note 42)	(28,117,628)	(25,070,698)
	235,653,056	**272,202,507**
	470,375,649	**475,024,710**

In the years 2017 and 2016 the value under the heading "Clients - current accounts" includes the amount of EUR 111,711,680 and EUR 109,091,814, 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.

Balances receivable from IFAP correspond, essentially, to bonuses and compensation for excess claims regarding crop insurance campaigns from 2012 to 2017.

At 31 December 2017, the balance of the heading "Accounts receivable for other operations – Other debtors" includes EUR 116,401,991, corresponding to the amount receivable from the sale of FPI (US) 1 LLC.

18. Tax Assets and Liabilities

The balances for tax assets and liabilities at 31 December 2017 and 2016 were as follows:

(amounts in Euros)

	2017	2016
Current tax assets		
Income tax recoverable	-	6,248,884
Others	1,369,591	112,758
	1,369,591	**6,361,642**
Current tax liabilities		
Income tax payable	(30,620,911)	-
Others		
Stamp duty	(8,605,586)	(9,176,299)
Motor insurance guarantee fund	(2,011,623)	(2,300,366)
Workers' compensation fund	(4,265,702)	(4,159,250)
National civil protection authority tax	(1,722,858)	(1,868,421)
Insurance and pension funds supervisory authority tax	(2,183,739)	(1,973,701)
National medical emergency institute tax	(2,574,443)	(2,835,823)
Social security	(5,264,410)	(4,864,615)
Withholdings	(8,141,918)	(8,416,369)
Others	(1,973,109)	(7,567,036)
	(67,364,299)	**(43,161,880)**
Deferred tax assets	259,118,893	425,117,177
Deferred tax liabilities	(257,511,603)	(255,403,004)
	1,607,290	**169,714,173**
Total	**(64,387,418)**	**132,913,935**

At 31 December 2017 and 2016, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in Euros)

	2017	2016
Income tax estimate recognised as a charge to the income statement	(115,754,631)	(102,001,211)
Income tax estimate recognised as a charge to reserves	(6,994,028)	3,953,604
Withholding tax	11,358,898	4,427,126
Payments on account	75,659,093	103,471,316
Others	(4,821,507)	(3,489,194)
	(40,552,175)	**6,361,641**

At 31 December 2017 and 2016 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 2017 and 2016, 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 2017, 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 2017 and 2016 were:

(amounts in Euros)

	2017				
			Change in		
	Opening balance	Entry in perimeter	Shareholders' equity	Income statement	Closing balance
Assets					
Valuation of available-for-sale investments	58,296,520	-	(39,294,536)	(17,765,233)	1,236,751
Properties					
For own use	41,014,480	-	(23,166,280)	(9,069,527)	8,778,673
Investment properties	126,323,422	-	-	(91,311,728)	35,011,694
Provisions and impairment temporarily not allowed for fiscal purposes	180,645,528	-	(63,422)	14,490,037	195,072,143
Employee benefits	14,217,744	-	(573,257)	1,734,249	15,378,736
Carry-forward tax losses	2,127,454	-	-	48,329	2,175,783
Others	2,492,029	-	-	(1,026,916)	1,465,113
	425,117,177	**-**	**(63,097,495)**	**(102,900,789)**	**259,118,893**
Liabilities					
Devaluation of available-for-sale investments	(82,374,907)	-	(149,901,879)	17,772,642	(214,504,144)
Properties					
For own use	(42,423,705)	-	22,171,832	1,232,494	(19,019,379)
Investment properties	(119,041,201)	(2,107,215)	-	100,185,758	(20,962,658)
Others	(11,563,191)	-	-	8,537,769	(3,025,422)
	(255,403,004)	**(2,107,215)**	**(127,730,047)**	**127,728,663**	**(257,511,603)**
	169,714,173	**(2,107,215)**	**(190,827,542)**	**24,827,874**	**1,607,290**

(amounts in Euros)

	2016					
			Change in			
	Opening balance	Entry in perimeter	Shareholders' equity	Income statement	Others	Closing balance
Assets						
Valuation of available-for-sale investments	64,409,370	-	(6,112,850)	-	-	58,296,520
Properties						
For own use	14,873,632	-	26,140,848	-	-	41,014,480
Investment properties	36,974,336	-	-	89,349,086	-	126,323,422
Provisions and impairment temporarily not allowed for fiscal purposes	141,852,286	-	882,715	37,910,527	-	180,645,528
Employee benefits	12,328,258	-	3,932,806	2,676,048	(4,719,368)	14,217,744
Carry-forward tax losses	1,137,273	-	-	990,181	-	2,127,454
Others	777,003	-	859,482	853,226	2,318	2,492,029
	272,352,158	**-**	**25,703,001**	**131,779,068**	**(4,717,050)**	**425,117,177**
Liabilities						
Devaluation of available-for-sale investments	(109,246,699)	-	26,871,792	-	-	(82,374,907)
Properties						
For own use	(14,753,710)	-	(28,208,546)	538,551	-	(42,423,705)
Investment properties	(17,663,583)	(8,456,149)	-	(93,545,744)	624,275	(119,041,201)
Others	(5,464,551)	-	-	(6,166,634)	67,994	(11,563,191)
	(147,128,543)	**(8,456,149)**	**(1,336,754)**	**(99,173,827)**	**692,269**	**(255,403,004)**
	125,223,615	**(8,456,149)**	**24,366,247**	**32,605,241**	**(4,024,781)**	**169,714,173**

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)

	2017	2016
Current tax		
Estimated tax for the year	87,632,080	76,434,616
State and municipal surcharge	26,482,165	24,171,986
Autonomous taxation	1,133,106	1,050,404
	115,247,351	**101,657,006**
Others	507,280	344,205
	115,754,631	**102,001,211**
Deferred tax	(24,827,874)	(32,605,241)
Total tax in income statement	90,926,757	69,395,970
Consolidated income before tax and non-controlling interests	323,464,270	291,182,983
Tax burden	28.11%	23.83%

Reconciliation between the nominal tax rate and the effective tax rate in 2017 and 2016 was as follows:

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Income before tax		323,464,270		291,182,983
Income tax calculated at nominal rate	31.13%	100,695,351	25.56%	74,419,434
Permanent differences to be deducted				
Dividends from equity instruments	(2.41%)	(7,805,207)	(1.04%)	(3,027,279)
Real estate fair value adjustments	(0.23%)	(749,333)	(2.14%)	(6,217,942)
Capital losses included in the net profit	(23.06%)	(74,597,623)	(13.72%)	(39,943,394)
Impairment losses non-deductible	(0.01%)	(42,222)	0.00%	-
Provision not relevant for tax purposes	(0.02%)	(72,426)	(1.77%)	(5,154,587)
Reimbursement of non-deductible				
tax and over estimation of CIT	(0.04%)	(142,886)	(0.06%)	(171,304)
Post-employment benefits and other				
long term benefits to employees	0.00%	-	(0.27%)	(788,548)
Adjustments in respect of previous periods	(2.07%)	(6,695,023)	0.00%	-
Others	(0.12%)	(389,829)	(2.82%)	(8,221,691)

(continuation) (amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Permanent differences to be added				
Provision not relevant for tax purposes	2.72%	8,790,857	0.18%	532,476
Impairment losses non-deductible	4.17%	13,496,053	6.46%	18,807,906
Real estate fair value adjustments	4.50%	14,541,186	0.00%	-
Capital gains (computed in fiscal terms)	14.31%	46,300,646	13.41%	39,045,829
Under estimation of CIT	0.02%	55,624	0.11%	325,615
Post-employment benefits and other				
long term benefits to employees	0.02%	64,097	0.00%	-
Adjustments in respect of previous periods	0.01%	21,815	0.12%	359,646
Others	0.86%	2,767,495	0.03%	82,132
Tax benefits				
Net job creation	(0.21%)	(692,492)	(0.56%)	(1,620,929)
Others	(0.01%)	(24,673)	(0.20%)	(581,518)
Autonomous taxation	**0.20%**	**639,938**	**0.36%**	**1,050,404**
Deferred taxes assets and liabilities - Effect of tax				
rate change	**(1.62%)**	**(5,239,122)**	**0.17%**	**499,720**
	28.11%	**90,926,757**	**23.83%**	**69,395,970**

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.

19. Accruals and Deferrals (Assets)

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accrued income	**47,248,168**	**42,008,986**
Deferred expenses		
Commission on the issue of financial products	14,000,665	13,779,734
Insurance	2,342,020	2,156,029
Rents and leases	653,849	2,256,756
Assistance for IT equipment	1,037,237	1,750,288
Advertising	315,022	412,216
Portuguese Association of Insurers subscriptions	315,959	535,817
Software licences	1,118,393	590,589
Others	5,916,891	4,073,888
	72,948,204	**67,564,303**

At 31 December 2017 and 2016, the heading "Accrued income" includes estimates of the profit commissions receivable from life reinsurers, of EUR 3,580,000 and EUR 3,070,819, 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.

20. Non-current assets held for sale

The Fidelidade Group is reorganising its real estate profile in Portugal. As part of this, some essentially residential and non-strategic assets were selected, given their occupation status and scattered location, together with their high operating costs. These properties do not fit within the Group's current investment strategy, which aims to place greater emphasis on more emblematic projects, which are larger in size and more profitable, in an effort to renew and optimise Fidelidade's real estate portfolio.

The sales process began in November with several real estate assets being placed on the market, for sale to national or international investors. By the end of the year, it was possible to undertake a preliminary assessment of the portfolios and the non-binding purchase offers received from investors. Following this, based on the non-binding offers, a smaller group of investors was selected, and these were given access to more detailed information on the assets, and the option to undertake technical visits of the various properties, in order to present their final offers. Once this phase has ended, they will present their final binding offers, and the process is expected to be concluded by the end of 2018.

At 31 December 2017, the non-current held for sale assets, liabilities, and gains and losses were composed as follows:

(amounts in Euros)

	2017
Non-current assets held for sale	
Properties for own use	34,790,400
Investment properties	260,924,276
Inventory	175,631
Deferred tax assets	31,166,734
	327,057,041
Liabilities of a group for sale classified as held for sale	
Deferred tax liabilities	26,888,083
	26,888,083
Gains and losses on non-current assets classified as held for sale	
Gains	
Rents	1,053,766
Gains made	9,936
	1,063,702
Losses	
Employee costs	(10,414)
External Supplies and Services	
Electricity	(11,573)
Water	(2,934)
Conservation and repair	(73,935)
Insurance	(20,754)
Fees	(9,635)
Cleanliness, hygiene and comfort	(20,597)
Security	(5,905)
Consultancy	(44,220)
Condominiums	(14,870)
Others	(568)
Taxes and charges	(38,787)
Others	(18,432)
	(272,624)
	791,078

21. Technical Provisions

At 31 December 2017 and 2016, technical provisions for direct insurance and reinsurance accepted were composed as follows:

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,542,377	285,018,830	286,561,207	1,567,236	287,205,152	288,772,388
Mathematical provision for life insurance	1,762,942,406	-	1,762,942,406	1,648,505,455	-	1,648,505,455
Claims provision						
Reported claims	108,769,639	1,668,352,992	1,777,122,631	97,246,776	1,558,252,854	1,655,499,630
Claims incurred but not reported (IBNR)	23,714,096	80,311,775	104,025,871	23,805,280	65,642,180	89,447,460
	132,483,735	**1,748,664,767**	**1,881,148,502**	**121,052,056**	**1,623,895,034**	**1,744,947,090**
Provision for profit sharing	110,749,826	314	110,750,140	68,711,511	314	68,711,825
Provision for interest rate commitments	7,520,800	-	7,520,800	7,025,239	-	7,025,239
Provision for portfolio stabilisation	24,405,064	-	24,405,064	21,750,883	-	21,750,883
Equalisation provision	-	25,630,188	25,630,188	-	24,056,289	24,056,289
Provision for unexpired risks	-	49,222,515	49,222,515	-	49,354,458	49,354,458
	2,039,644,208	**2,108,536,614**	**4,148,180,822**	**1,868,612,380**	**1,984,511,247**	**3,853,123,627**

At 31 December 2017 and 2016, the provision for unearned premiums on direct insurance and reinsurance accepted was as follows:

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance	**1,542,377**	**-**	**1,542,377**	**1,567,236**	**-**	**1,567,236**
Non-life insurance						
Workers' compensation	14,930,169	(2,655,666)	12,274,503	13,986,229	(2,177,246)	11,808,983
Personal accidents and passengers	9,625,403	(2,126,911)	7,498,492	9,313,724	(1,654,211)	7,659,513
Health	37,021,107	(7,143,563)	29,877,544	32,914,617	(6,490,727)	26,423,890
Fire and other damage	95,429,856	(21,461,353)	73,968,503	91,148,439	(16,051,795)	75,096,644
Motor	162,822,957	(32,712,208)	130,110,749	162,493,841	(29,939,033)	132,554,808
Marine, aviation and transport	1,973,873	(308,757)	1,665,116	1,854,943	(267,826)	1,587,117
Third party liability	11,726,205	(2,825,983)	8,900,222	10,647,493	(1,830,900)	8,816,593
Credit and suretyship	187,131	(11,759)	175,372	185,601	(12,841)	172,760
Legal protection	2,118,131	(879,774)	1,238,357	2,448,240	(469,509)	1,978,731
Assistance	14,210,514	(2,994,574)	11,215,940	13,920,506	(2,589,652)	11,330,854
Others	12,083,446	(3,989,414)	8,094,032	12,085,552	(2,310,293)	9,775,259
	362,128,792	**(77,109,962)**	**285,018,830**	**350,999,185**	**(63,794,033)**	**287,205,152**
	363,671,169	**(77,109,962)**	**286,561,207**	**352,566,421**	**(63,794,033)**	**288,772,388**

The movements in the provision for unearned premiums and in the deferred acquisition costs on direct insurance and reinsurance accepted during 2017 and 2016 were as follows:

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life insurance				
Provision for unearned premiums	**1,567,236**	**(24,859)**	**-**	**1,542,377**
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	13,986,229	1,129,683	(185,743)	14,930,169
Personal accidents and passengers	9,313,724	431,702	(120,023)	9,625,403
Health	32,914,617	4,162,298	(55,808)	37,021,107
Fire and other damage	91,148,439	4,888,659	(607,242)	95,429,856
Motor	162,493,841	6,055,245	(5,726,129)	162,822,957
Marine, aviation and transport	1,854,943	123,097	(4,167)	1,973,873
Third party liability	10,647,493	1,131,570	(52,858)	11,726,205
Credit and suretyship	185,601	1,609	(79)	187,131
Legal protection	2,448,240	(233,761)	(96,348)	2,118,131
Assistance	13,920,506	1,140,846	(850,838)	14,210,514
Others	12,085,552	(2,104)	(2)	12,083,446
	350,999,185	**18,828,844**	**(7,699,237)**	**362,128,792**
Deferred acquisition costs				
Workers' compensation	(2,177,246)	(385,986)	(92,434)	(2,655,666)
Personal accidents and passengers	(1,654,211)	(478,556)	5,856	(2,126,911)
Health	(6,490,727)	(490,195)	(162,641)	(7,143,563)
Fire and other damage	(16,051,795)	(5,493,094)	83,536	(21,461,353)
Motor	(29,939,033)	(2,123,679)	(649,496)	(32,712,208)
Marine, aviation and transport	(267,826)	(40,061)	(870)	(308,757)
Third party liability	(1,830,900)	(1,002,663)	7,580	(2,825,983)
Credit and suretyship	(12,841)	2,715	(1,633)	(11,759)
Legal protection	(469,509)	(410,273)	8	(879,774)
Assistance	(2,589,652)	(404,931)	9	(2,994,574)
Others	(2,310,293)	(1,679,121)	-	(3,989,414)
	(63,794,033)	**(12,505,844)**	**(810,085)**	**(77,109,962)**
	287,205,152	**6,323,000**	**(8,509,322)**	**285,018,830**
	288,772,388	**6,298,141**	**(8,509,322)**	**286,561,207**

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life insurance				
Provision for unearned premiums	**1,796,858**	**(229,622)**	**-**	**1,567,236**
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	13,576,921	366,170	43,138	13,986,229
Personal accidents and passengers	7,675,687	1,634,448	3,589	9,313,724
Health	29,838,229	4,598,694	(1,522,306)	32,914,617
Fire and other damage	91,305,491	175,985	(333,037)	91,148,439
Motor	158,667,833	5,510,100	(1,684,092)	162,493,841
Marine, aviation and transport	2,087,376	(225,892)	(6,541)	1,854,943
Third party liability	9,490,617	1,194,828	(37,952)	10,647,493
Credit and suretyship	236,469	(50,248)	(620)	185,601
Legal protection	2,449,571	3,110	(4,441)	2,448,240
Assistance	12,644,660	1,283,290	(7,444)	13,920,506
Others	8,449,692	3,635,860	-	12,085,552
	336,422,546	**18,126,345**	**(3,549,706)**	**350,999,185**
Deferred acquisition costs				
Workers' compensation	(2,254,113)	80,876	(4,009)	(2,177,246)
Personal accidents and passengers	(1,316,971)	(336,224)	(1,016)	(1,654,211)
Health	(6,054,164)	(529,391)	92,828	(6,490,727)
Fire and other damage	(15,890,424)	(172,347)	10,976	(16,051,795)
Motor	(30,153,372)	554,814	(340,475)	(29,939,033)
Marine, aviation and transport	(343,297)	74,950	521	(267,826)
Third party liability	(1,443,513)	(390,184)	2,797	(1,830,900)
Credit and suretyship	(16,990)	4,159	(10)	(12,841)
Legal protection	(503,137)	33,076	552	(469,509)
Assistance	(2,610,774)	21,025	97	(2,589,652)
Others	(1,609,743)	(700,550)	-	(2,310,293)
	(62,196,498)	**(1,359,796)**	**(237,739)**	**(63,794,033)**
	274,226,048	**16,766,549**	**(3,787,445)**	**287,205,152**
	276,022,906	**16,536,927**	**(3,787,445)**	**288,772,388**

At 31 December 2017 and 2016, the claims provisions on direct insurance and reinsurance accepted were as follows:

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance	**108,769,639**	**23,714,096**	**132,483,735**	**97,246,776**	**23,805,280**	**121,052,056**
Non-life insurance						
Workers' compensation						
Mathematical provision	600,304,211	1,164,926	601,469,137	574,633,306	1,052,361	575,685,667
Provision for whole life assistance	169,605,546	7,948,876	177,554,422	163,207,398	7,950,714	171,158,112
Provision for temporary assistance	52,293,439	2,809,541	55,102,980	45,994,825	2,748,705	48,743,530
	822,203,196	**11,923,343**	**834,126,539**	**783,835,529**	**11,751,780**	**795,587,309**
Other						
Personal accidents and passengers	25,934,364	2,413,928	28,348,292	21,575,264	421,092	21,996,356
Health	49,595,848	6,191,200	55,787,048	50,627,774	4,559,005	55,186,779
Fire and other damage	222,193,573	20,992,414	243,185,987	129,510,311	14,370,483	143,880,794
Motor	429,365,339	18,715,287	448,080,626	452,354,028	18,053,505	470,407,533
Marine, aviation and transport	11,045,119	1,712,526	12,757,645	8,587,938	987,915	9,575,853
Third party liability	83,164,668	16,494,147	99,658,815	88,614,349	13,876,011	102,490,360
Credit and suretyship	625,979	79,011	704,990	746,565	65,765	812,330
Legal protection	4,129,710	585,851	4,715,561	4,961,894	718,898	5,680,792
Assistance	9,027,728	75,966	9,103,694	8,519,784	52,450	8,572,234
Others	11,067,468	1,128,102	12,195,570	8,919,418	785,276	9,704,694
	846,149,796	**68,388,432**	**914,538,228**	**774,417,325**	**53,890,400**	**828,307,725**
	1,668,352,992	**80,311,775**	**1,748,664,767**	**1,558,252,854**	**65,642,180**	**1,623,895,034**
	1,777,122,631	**104,025,871**	**1,881,148,502**	**1,655,499,630**	**89,447,460**	**1,744,947,090**

The movement in the claims provisions on direct insurance and reinsurance accepted during 2017 and 2016 was as follows:

(amounts in Euros)

	2017				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	**121,052,056**	**296,132,419**	**(284,700,513)**	**(227)**	**132,483,735**
Non-life insurance					
Workers' compensation	795,587,309	174,533,508	(135,907,590)	(86,688)	834,126,539
Personal accidents and passengers	21,996,356	15,681,865	(9,329,902)	(27)	28,348,292
Health	55,186,779	194,922,489	(194,562,267)	240,047	55,787,048
Fire and other damage	143,880,794	240,147,522	(140,737,076)	(105,253)	243,185,987
Motor	470,407,533	340,529,336	(362,839,425)	(16,818)	448,080,626
Marine, aviation and transport	9,575,853	9,568,961	(6,387,163)	(6)	12,757,645
Third party liability	102,490,360	10,755,183	(13,585,833)	(895)	99,658,815
Credit and suretyship	812,330	(33,608)	(73,732)	-	704,990
Legal protection	5,680,792	(417,828)	(547,403)	-	4,715,561
Assistance	8,572,234	35,109,769	(34,578,308)	(1)	9,103,694
Others	9,704,694	24,723,232	(22,232,356)	-	12,195,570
	1,623,895,034	**1,045,520,429**	**(920,781,055)**	**30,359**	**1,748,664,767**
	1,744,947,090	**1,341,652,848**	**(1,205,481,568)**	**30,132**	**1,881,148,502**

(amounts in Euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	**124,623,114**	**263,549,270**	**(267,119,415)**	**(913)**	**121,052,056**
Non-life insurance					
Workers' compensation	788,880,289	118,386,093	(109,699,376)	(1,979,697)	795,587,309
Personal accidents and passengers	22,702,406	8,175,763	(8,881,633)	(180)	21,996,356
Health	54,324,891	200,865,133	(199,415,350)	(587,895)	55,186,779
Fire and other damage	128,401,833	123,020,892	(107,405,695)	(136,236)	143,880,794
Motor	495,577,123	318,685,981	(343,121,907)	(733,664)	470,407,533
Marine, aviation and transport	12,165,164	1,054,400	(3,637,889)	(5,822)	9,575,853
Third party liability	108,646,265	7,199,549	(13,352,725)	(2,729)	102,490,360
Credit and suretyship	902,128	177,708	(267,506)	-	812,330
Legal protection	6,458,236	(300,575)	(476,869)	-	5,680,792
Assistance	7,875,826	34,890,221	(34,193,813)	-	8,572,234
Others	8,128,315	20,325,936	(18,749,557)	-	9,704,694
	1,634,062,476	**832,481,101**	**(839,202,320)**	**(3,446,223)**	**1,623,895,034**
	1,758,685,590	**1,096,030,371**	**(1,106,321,735)**	**(3,447,136)**	**1,744,947,090**

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 2017 and 2016, the provisions for unexpired risks on direct insurance and reinsurance accepted were as follows:

(amounts in Euros)

	2017	2016
Non-life insurance		
Workers' compensation	6,113,713	16,283,252
Personal accidents and passengers	249,939	230,339
Health	229,934	1,047
Fire and other damage	7,784,688	2,891,055
Motor	29,135,581	23,896,419
Marine, aviation and transport	12,971	444
Third party liability	950,506	411,465
Credit and suretyship	61,889	15,823
Legal protection	384	-
Assistance	4,682,786	5,583,876
Others	124	40,738
	49,222,515	**49,354,458**

The movement in the provision for unexpired risks in direct insurance and reinsurance accepted during 2017 and 2016 was as follows:

(amounts in Euros)

	2017		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
Workers' compensation	16,283,252	(10,169,539)	6,113,713
Personal accidents and passengers	230,339	19,600	249,939
Health	1,047	228,887	229,934
Fire and other damage	2,891,055	4,893,633	7,784,688
Motor	23,896,419	5,239,162	29,135,581
Marine, aviation and transport	444	12,527	12,971
Third party liability	411,465	539,041	950,506
Credit and suretyship	15,823	46,066	61,889
Legal protection	-	384	384
Assistance	5,583,876	(901,090)	4,682,786
Others	40,738	(40,614)	124
	49,354,458	**(131,943)**	**49,222,515**

(amounts in Euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
Workers' compensation	25,114,103	(8,830,851)	16,283,252
Personal accidents and passengers	368,105	(137,766)	230,339
Health	3,682,055	(3,681,008)	1,047
Fire and other damage	3,291,533	(400,478)	2,891,055
Motor	21,311,698	2,584,721	23,896,419
Marine, aviation and transport	39,286	(38,842)	444
Third party liability	1,036,256	(624,791)	411,465
Credit and suretyship	55,297	(39,474)	15,823
Assistance	6,009,257	(425,381)	5,583,876
Others	36,429	4,309	40,738
	60,944,019	**(11,589,561)**	**49,354,458**

At 31 December 2017 and 2016, the mathematical provision and the provision for profit sharing for life insurance in direct insurance and reinsurance accepted were as follows:

(amounts in Euros)

	2017				
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	Total
Insurance contracts					
Life individual risk	70,386,667	(194,702)	70,191,965	17,623,212	87,815,177
Life group risk	140,151,023	-	140,151,023	16,723,361	156,874,384
Life individual capitalisation	21,137,628	(14,794)	21,122,834	145,172	21,268,006
Life group capitalisation	3,059,094	-	3,059,094	-	3,059,094
	234,734,412	**(209,496)**	**234,524,916**	**34,491,745**	**269,016,661**
Investment contracts with a discretionary profit					
sharing component					
Life individual capitalisation	211,509,978	(9,151)	211,500,827	20,562,261	232,063,088
Life group capitalisation	312,340,437	-	312,340,437	5,990,684	318,331,121
Life individual PPR	1,004,599,979	(23,753)	1,004,576,226	49,705,136	1,054,281,362
	1,528,450,394	**(32,904)**	**1,528,417,490**	**76,258,081**	**1,604,675,571**
	1,763,184,806	**(242,400)**	**1,762,942,406**	**110,749,826**	**1,873,692,232**

(amounts in Euros)

	2016				
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	Total
Insurance contracts					
Life individual risk	62,016,491	(77,110)	61,939,381	15,722,480	77,661,861
Life group risk	148,230,463	-	148,230,463	16,441,868	164,672,331
Life individual capitalisation	30,781,307	(50,415)	30,730,892	40,937	30,771,829
Life group capitalisation	2,969,919	-	2,969,919	-	2,969,919
	243,998,180	**(127,525)**	**243,870,655**	**32,205,285**	**276,075,940**
Investment contracts with a discretionary profit					
sharing component					
Life individual capitalisation	259,827,922	(11,462)	259,816,460	17,325,095	277,141,555
Life group capitalisation	301,373,041	-	301,373,041	4,585,661	305,958,702
Life individual PPR	843,474,355	(29,056)	843,445,299	14,595,470	858,040,769
	1,404,675,318	**(40,518)**	**1,404,634,800**	**36,506,226**	**1,441,141,026**
	1,648,673,498	**(168,043)**	**1,648,505,455**	**68,711,511**	**1,717,216,966**

The movement in the mathematical provision and in the provision for profit sharing for life insurance in direct insurance and reinsurance accepted during 2017 and 2016 was as follows:

(amounts in Euros)

	2017						
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Others	Income distributed	Closing balance
Direct insurance and reinsurance accepted							
Mathematical provision							
Insurance contracts	243,870,655	(10,405,666)	-	(81,972)	-	1,141,899	234,524,916
Investment contracts with a discretionary							
profit sharing component	1,404,634,800	94,696,704	-	7,614	21,557,472	7,520,900	1,528,417,490
	1,648,505,455	**84,291,038**	**-**	**(74,358)**	**21,557,472**	**8,662,799**	**1,762,942,406**
Profit sharing provision							
Insurance contracts	32,205,285	1,935,342	4,253,758	-	-	(3,902,640)	34,491,745
Investment contracts with a discretionary							
profit sharing component	36,506,226	(7,705,397)	54,978,149	-	-	(7,520,897)	76,258,081
	68,711,511	**(5,770,055)**	**59,231,907**	**-**	**-**	**(11,423,537)**	**110,749,826**
	1,717,216,966	**78,520,983**	**59,231,907**	**(74,358)**	**21,557,472**	**(2,760,738)**	**1,873,692,232**

(amounts in Euros)

	2016						
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Others	Income distributed	Closing balance
Direct insurance and reinsurance accepted							
Mathematical provision							
Insurance contracts	235,776,693	7,963,317	-	(72,598)	-	203,243	243,870,655
Investment contracts with a discretionary							
profit sharing component	1,397,217,639	(4,814,998)	-	10,878	3,396,418	8,824,863	1,404,634,800
	1,632,994,332	**3,148,319**	**-**	**(61,720)**	**3,396,418**	**9,028,106**	**1,648,505,455**
Profit sharing provision							
Insurance contracts	30,915,804	4,941,827	(475,398)	-	-	(3,176,948)	32,205,285
Investment contracts with a discretionary							
profit sharing component	37,847,871	4,687,983	2,829,030	-	-	(8,858,658)	36,506,226
	68,763,675	**9,629,810**	**2,353,632**	**-**	**-**	**(12,035,606)**	**68,711,511**
	1,701,758,007	**12,778,129**	**2,353,632**	**(61,720)**	**3,396,418**	**(3,007,500)**	**1,717,216,966**

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).

22. 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 2017 and 2016 is set out below:

(amounts in Euros)

	2017					
	Opening balance	Issues	Redemptions	Income and expenditure	Others	Closing balance
Valued at fair value						
Unit-linked contracts						
Unit-linked individual capitalisation	485,306,767	1,970,476	(341,853,652)	3,778,132	-	149,201,723
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	26,949,181	208,501	(1,622,669)	192,428	(57,042)	25,670,399
	512,977,193	**2,178,977**	**(343,476,321)**	**3,970,560**	**(57,042)**	**175,593,367**
Valued at amortised cost						
Other investment contracts						
PPR Life individual fixed rate	4,869,587,183	909,190,396	(686,292,227)	43,008,759	(21,500,430)	5,113,993,681
Life individual fixed rate	2,905,250,224	1,062,185,291	(730,237,269)	51,778,068	-	3,288,976,314
Capitalisation OP. Individual fixed rate	5,375,735	-	(330,040)	30,683	-	5,076,378
	7,780,213,142	**1,971,375,687**	**(1,416,859,536)**	**94,817,510**	**(21,500,430)**	**8,408,046,373**
	8,293,190,335	**1,973,554,664**	**(1,760,335,857)**	**98,788,070**	**(21,557,472)**	**8,583,639,740**

(amounts in Euros)

	2016					
	Opening balance	Issues	Redemptions	Income and expenditure	Others	Closing balance
Valued at fair value						
Unit-linked contracts						
Unit-linked individual capitalisation	544,300,088	35,932,004	(94,527,515)	(397,810)	-	485,306,767
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	28,028,089	222,154	(1,367,106)	176,882	(110,838)	26,949,181
	573,049,422	**36,154,158**	**(95,894,621)**	**(220,928)**	**(110,838)**	**512,977,193**
Valued at amortised cost						
Other investment contracts						
PPR Life individual fixed rate	4,517,190,921	869,171,791	(594,650,710)	81,160,761	(3,285,580)	4,869,587,183
Life individual fixed rate	2,979,955,085	1,211,410,102	(1,353,631,014)	67,516,051	-	2,905,250,224
Capitalisation OP. Individual fixed rate	5,447,802	-	(107,353)	35,286	-	5,375,735
	7,502,593,808	**2,080,581,893**	**(1,948,389,077)**	**148,712,098**	**(3,285,580)**	**7,780,213,142**
	8,075,643,230	**2,116,736,051**	**(2,044,283,698)**	**148,491,170**	**(3,396,418)**	**8,293,190,335**

"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.

23. Financial Liabilities Held for Trading and Other Financial Liabilities

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Financial liabilities held for trading		
Fair value hedge (Note 7)	5,656,794	15,072,639
Other financial liabilities		
Hedge derivatives		
Fair value hedge (Note 7)	-	8,737,700
Cash flow hedge	3,109,947	4,731,582
Hedges of a net investment in a foreign operation	901,239	-
	4,011,186	**13,469,282**
Deposits received from reinsurers		
Life	3,823,879	4,438,349
Non-life	55,555,226	43,132,406
	59,379,105	**47,570,755**

(continuation) (amounts in Euros)

	2017	2016
Loans obtained		
Bank loans	352,294,300	364,644,345
Commercial paper - Luz Saúde, S.A.	220,831,304	198,242,786
	573,125,604	**562,887,131**
Others		
Finance leases	35,031,960	28,293,305
	671,547,855	**652,220,473**
	677,204,649	**667,293,112**

The heading "Bank loans" at 31 December 2017 includes loans obtained by companies from the Group consolidation perimeter paying interest at an average annual rate of 1.52%.

24. Other Creditors for Insurance and Other Operations

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts payable for direct insurance operations		
Brokers	59,796,392	57,533,547
Policyholders	33,547,043	29,921,906
Co-insurers	15,112,482	14,320,583
	108,455,917	**101,776,036**
Accounts payable for other reinsurance operations		
Reinsurers' current accounts	35,979,397	27,190,892
Insured's current accounts	1,986,694	1,856,811
	37,966,091	**29,047,703**
Accounts payable for other operations		
Group companies	1,000	1,000
Suppliers of tangible assets	594,602	815,276
Suppliers' current accounts	62,386,676	63,511,927
Employees	46,494	41,673
Consultants, advisors and intermediaries	2,912	10,619
Pension funds	385,937	386,363
Other internal regularisation accounts	7,399,490	9,643,328
Transactions to be settled	73,132,234	-
Advances from clients	14,665,683	18,690,162
Miscellaneous creditors	31,931,087	40,948,218
	190,546,115	**134,048,566**
	336,968,123	**264,872,305**

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 "Miscellaneous creditors" includes liabilities with Highgrove – Investimentos e Participações, SGPS, S.A., as this subsidiary has negative equity (Note 5).

25. Accruals and Deferrals (Liabilities)

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Deferred income		
Rents and leases	8,881,946	16,018,791
Others	111,719	301,755
	8,993,665	**16,320,546**
Accrued expenses		
Interest payable	742,047	204,268
Holiday and holiday subsidies payable	35,937,004	33,349,541
Insurance	3,653,168	2,124,202
Variable remuneration payable to employees	8,403,288	7,382,445
Performance bonus	11,163,815	11,010,735
Seniority bonus	849,661	690,699
Other employee costs	347,621	155,520
Provision for finder's fees	637,745	395,980
Commissions payable	41,524,256	40,008,232
Deferred payments – marketing	5,087,769	4,879,121
Municipal tax on real estate	1,738,639	1,747,210
Audit	1,040,968	604,241
Advertising	99,167	326,487
Electricity	258,766	306,258
Invoices pending conferral	5,899,335	4,511,457
Medical fees	20,559,308	17,250,784
Health services	11,226,965	9,540,523
Outsourcing (except accounting and computing)	4,035,903	5,140,544
Others	8,533,422	6,518,405
	161,738,847	**146,146,652**
	170,732,512	**162,467,198**

26. Other Provisions

Information on the above account heading movements for 2017 and 2016 is set out below:

(amounts in Euros)

	2017							
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	Closing balances
Provisions for tax	7,259,265	-	(3,919,154)	-	-	-	-	3,340,111
Provisions for the cost								
of employee benefits (Note 35)								
Health benefits	23,637,281	-	(541,532)	-	-	-	(131,718)	22,964,031
Pension costs	3,342,004	-	(183,991)	(21,122)	-	-	(537,326)	2,599,565
Provision for Workers'								
compensation fund	48,536,302	1,500,000	-	-	-	-	-	50,036,302
Provision for restructuring	35,424,918	-	(14,247,472)	-	-	-	-	21,177,446
Others	22,332,532	92,398,039	(59,716)	(178,159)	75,077	(8,282)	-	114,559,491
	140,532,302	**93,898,039**	**(18,951,865)**	**(199,281)**	**75,077**	**(8,282)**	**(669,044)**	**214,676,946**

(amounts in Euros)

	2016							
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	Closing balances
Provisions for tax	25,202,883	3,327,175	(20,056,488)	(1,214,305)	-	-	-	7,259,265
Provisions for the cost								
of employee benefits (Note 35)								
Health benefits	22,191,389	-	(716,713)	-	-	-	2,162,605	23,637,281
Pension costs	3,047,157	-	(58,572)	-	1,005	-	352,414	3,342,004
Provision for Workers'								
compensation fund	47,036,302	1,500,000	-	-	-	-	-	48,536,302
Provision for restructuring	60,524,302	-	(25,099,384)	-	-	-	-	35,424,918
Others	30,587,253	14,147,995	(24,563,265)	-	507,832	1,652,717	-	22,332,532
	188,589,286	**18,975,170**	**(70,494,422)**	**(1,214,305)**	**508,837**	**1,652,717**	**2,515,019**	**140,532,302**

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. Accordingly, the plan was initiated in 2014 and 2015 and covered employees who met the criteria below.

The extent of the plan was as follows:

• In 2014: 153 departures, 100 of these of employees aged between 56 and 60 and 53 aged over 60.

• In 2015: 110 departures, 75 of these of employees aged between 56 and 60 and 35 aged over 60.

In 2014 the Group reviewed the development of the plan and decided to adjust it, for the period between 2015 and 2018, while maintaining the same conditions as in 2013. Consequently, the provision for restructuring was increased by EUR 27,483,687. With the development of the plan, 86 employees departed in 2014, resulting in use of EUR 7,038,236 of the provision. At 31 December 2014, EUR 52,338,451 was recognised in the provision for restructuring. In the same period 91 employees were hired.

In 2015 the Group reviewed the development of the plan and decided to adjust it for the period between 2016 and 2019, while maintaining the same conditions previously disclosed. Consequently the provision for restructuring was increased by EUR 25,100,000. With the development of the plan, 147 employees departed in 2015, resulting in use of EUR 16,914,149 of the provision. At 31 December 2015, EUR 60,524,302 was recognised in the provision for restructuring. In the same period 126 employees were hired.

In carrying out the plan, 177 employees left in 2016, which led to EUR 25,099,384 being used. At 31 December 2016, EUR 35,424,918 was recognised in the provision for restructuring. 118 employees were hired during the same period

Following the plan, 194 employees left in 2017, which led to EUR 14,247,472 being used. At 31 December 2017 EUR 21,177,446 was recognised in the provision for restructuring. 247 employees were hired during the same period.

When calculating the provision, the actual cost of the recently negotiated redundancies of employees was considered, with an increase in the amount to reflect the additional expense resulting from the increase in the statutory retirement age to 66 years and 3 months. In 2018, the effective cost is calculated on the basis of the statutory retirement age of 66 years and 4 months.

The other amounts recognised in the heading "Others" are to respond to ongoing legal cases and other contingencies resulting from the Group's activity.

In 2017 and 2016, the "Other Provisions" headings includes constitutions of EUR 88,288,859 in 2017 and the use of EUR 6,827,043 in 2016, 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 35).

27. Paid-In Capital

At 31 December 2017, 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.

The income of 2016 and 2015 was applied as indicated below:

(amounts in Euros)

	2016	2015
Application of income for the year		
Legal Reserve	11,551,269	19,274,584
Free Reserves	96,432,295	176,738,445
Retained earnings	78,290,983	58,757,282
	186,274,547	**254,770,311**

The income per share at 31 December 2017 and 2016 was as follows:

(amounts in Euros)

	2017	2016
Net Income for the year	194,251,243	186,274,547
Number of shares (at the end of the year)	50,000	50,000
Income per Share (in Euros)	**3,885.02**	**3,725.49**

28. Reserves, Retained Earnings and Income for the Year

At 31 December 2017 and 2016, reserves and retained earnings were composed as follows:

(amounts in Euros)

	2017	2016
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains	739,450,457	32,410,608
Amount attributable to policyholders	(71,861,931)	(7,633,508)
	667,588,526	**24,777,100**
Other financial assets	342,182	-
	667,930,708	**24,777,100**
Revaluations of properties for own use	98,807,983	106,470,627
Adjustments in fair value of hedging instruments		
in cash flow hedging	(2,276,633)	(4,092,767)
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	71,734,159	43,109,385
Exchange differences		
Gross gains	(78,571,079)	17,238,616
Amount attributable to policyholders	167,164	-
	(78,403,915)	**17,238,616**
	757,792,302	**187,502,961**
Deferred tax reserve		
Available-for-sale investments	(199,788,979)	(24,060,373)
Properties for own use	(9,100,044)	(11,379,154)
Adjustments in fair value of hedging instruments		
in cash flow hedging	526,686	859,481
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	(16,124,508)	(9,406,249)
Exchange differences	7,306,660	4,369,976
Actuarial gains and losses		
Post-employment benefits	22,984,705	24,733,182
Health benefits	2,046,333	2,976,512
Tax (paid)/deducted from potential capital gains or losses	(14,758,743)	(6,896,426)
	(206,907,890)	**(18,803,051)**

(continuation) (amounts in Euros)

	2017	2016
Revaluation Reserves, net of deferred taxes	550,884,412	168,699,910
Other reserves		
Legal reserve	40,452,859	30,226,949
Actuarial gains and losses		
Post-employment benefits	(49,323,304)	(55,266,955)
Health benefits	(5,967,243)	(6,415,802)
Other reserves	3,826,630	(52,302,590)
	(11,011,058)	**(83,758,398)**
Retained earnings	156,882,138	67,154,263
Income for the year	194,251,243	186,274,547
	891,006,735	**338,370,322**

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 2017 and 2016:

(amounts in Euros)

	2017	2016
Contribution to consolidated net income		
Insurance		
Longrun Portugal, SGPS, S.A.	(159,178)	(21,017)
Fidelidade – Companhia de Seguros, S.A.	187,789,357	100,420,503
Via Directa – Companhia de Seguros, S.A.	630,609	(3,792,950)
Fidelidade Assistência – Companhia de Seguros, S.A.	5,738,157	1,925,076
Multicare – Seguros de Saúde, S.A.	8,088,593	6,803,404
Companhia Portuguesa de Resseguros, S.A.	444,652	350,067
Fidelidade Angola – Companhia de Seguros, S.A.	2,120,405	1,859,851
Fidelidade Macau – Companhia de Seguros, S.A.	1,608,097	1,880,563
Garantia – Companhia de Seguros de Cabo Verde, S.A.	1,105,911	1,044,612
Property		
Fidelidade – Property Europe, S.A.	(33,194,737)	(2,958,150)
Fidelidade – Property International, S.A.	95,943,971	(40,025,590)
Fundo de Investimento Imobiliário Fechado SaudeInvest	15,281,046	10,809,608
Fundo de Investimento Imobiliário Fechado Bonança I	965,531	(896,508)
Highgrove – Investimentos e Participações, SGPS, S.A. (Equity accounting method)	(21,111)	(31,384)
FPI (UK) 1 LIMITED	(23,174,640)	8,743,061

(continuation) (amounts in Euros)

	2017	2016
FPI US 1 LLC	(289,525)	(9,362,576)
FPI (AU) 1 PTY LIMITED	8,663,254	7,251,171
FPE (Lux) Holding S.à r.l.	3,873,469	6,309,791
Thomas More Square (Lux) Holdings S.à r.l.	(31,402)	(39,287)
Thomas More Square (Lux) S.à r.l.	13,998,546	(4,792,663)
Thomas More Square (Lux) Investments Limited	(6,122)	(7,180)
FPE (IT) Società per Azioni	1,192,329	33,685,905
Madison 30 31 JV LLC (Equity accounting method)	148,320	(6,269,579)
GK Kita Aoyoma Support 2	21,408,777	(43,142)
Higashi Shinagawa Two TMK	(20,795)	18,930,493
Godo Kaisha Praia	16,638,779	7,862,661
Godo Kaisha Moana	(44,103)	(66,803)
Fundo Broggi (Maranello)	8,446,996	-
Broggi Retail S.R.L	(11,238)	-
Health		
Luz Saúde, S.A. (consolidated accounts excluding minoritary interests)	11,362,235	14,512,862
Other sectors		
GEP – Gestão de Peritagens Automóveis, S.A.	93,420	112,211
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	72,453	72,736
Cetra – Centro Técnico de Reparação Automóvel, S.A.	214,582	(47,116)
Fidelidade – Serviços de Assistência, S.A.	573,491	269,388
Cares Multiassistance, S.A.	(399,134)	1,046,639
Fidelidade – Consultoria e Gestão de Risco, Lda.	(1,330)	(758)
Fidelidade – Assistência e Serviços, Lda.	2,513	(3,759)
FCM Beteiligungs GmbH	(69,266)	(3,519,695)
FID I (HK) LIMITED	-	(3,801,405)
FID III (HK) LIMITED	(3,850)	(3,097)
FID Loans 1 IRl	119,630	-
FID Loans 2 Ireland Limited	-	-
Audatex Portugal – Peritagens Informatizadas Derivadas		
de Acidentes, S.A. (Equity accounting method)	235,524	886
Elimination of dividends	**(114,994,478)**	**(2,309,088)**
Other consolidation adjustments		
Non - controlling interests (Note 29)	(38,235,472)	(35,512,466)
Elimination of impairment losses (net of reversals)	(36,579,093)	60,745,076
Property adjustments	21,307,060	(6,862,509)
Hedge accounting	(34,015,374)	(33,703,136)
Correction of results from previous years	67,800	987,997
Elimination of exchange differences on intra-group transactions	20,069,393	18,592,932
Negative goodwill on the acquisition of Godo Kaisha Praia	-	24,815,017
Disposal/ liquidation of subsidiaries	34,936,997	-
Others	(7,639,806)	11,311,895
	194,251,243	**186,274,547**

29. 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	2017	2016
Sub-consolidation perimeter Fidelidade Assistance			
Cares Multiassistance, S.A.	49.00%	445,112	1,095,044
Sub-consolidation perimeter Fidelidade			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	1,218,330	1,079,859
Garantia – Companhia de Seguros de Cabo Verde, S.A.	44.11%	4,774,300	4,468,080
Fidelidade Angola – Companhia de Seguros, S.A.	30.43%	4,112,812	3,648,501
FCM Beteiligungs GmbH	0.00%	-	5,129,549
Luz Saúde, S.A.	1.21%	4,918,193	4,311,980
FPE (IT) Società per Azioni	4.24%	14,028,926	14,064,344
Fidelidade – Assistência e Serviços, Lda.	20.00%	-	-
Fidelidade Macau – Companhia de Seguros, S.A.	0.01%	-	-
Higashi Shinagawa Two TMK	0.00%	-	3,961,812
Godo Kaisha Praia	3.00%	3,968,121	3,950,477
Godo Kaisha Moana	3.00%	2,674,427	3,160,090
Thomas More Square (Lux) Investments Limited	0.00%	-	810,915
Thomas More Square (Lux) Holdings Sarl	0.70%	(45,287)	28
Thomas More Square (Lux) Sarl	0.70%	21,416	51,310
Fundo Broggi	4.24%	358,786	-
Broggi Retail S.R.L	4.24%	(477)	-
Universal Assistência e Serviços, Lda	20.00%	179	-
		36,029,726	**44,636,945**
Perimeter Longrun			
Fidelidade – Companhia de Seguros, S.A.	15.01%	345,125,203	249,616,439
Fidelidade Assistência – Companhia de Seguros, S.A.	20.00%	7,131,916	5,990,973
Multicare – Seguros de Saúde, S.A.	20.00%	14,809,963	13,015,544
Adjustments between sub perimeters		139,752	119,083
		367,206,834	**268,742,039**
		403,681,672	**314,474,028**

The part of the consolidated profit attributable to minority shareholders in 2017 and 2016 is as follows:

(amounts in Euros)

	% Non-controlling interests	2017	2016
Sub-consolidation perimeter Fidelidade Assistance			
Cares Multiassistance, S.A.	49.00%	70,977	(512,853)
Sub-consolidation perimeter Fidelidade			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	(138,470)	(98,227)
Garantia – Companhia de Seguros de Cabo Verde, S.A.	44.11%	(487,110)	(455,955)
Fidelidade Angola – Companhia de Seguros, S.A.	30.43%	(697,419)	(436,778)
FCM Beteiligungs GmbH	0.00%	(18,934)	1,724,650
Luz Saúde, S.A.	1.21%	(340,544)	218,279
FPE (IT) Società per Azioni	4.24%	(50,577)	(1,428,909)
Higashi Shinagawa Two TMK	0.00%	(702,469)	(930,512)
Godo Kaisha Praia	3.00%	(380,769)	(236,178)
Godo Kaisha Moana	3.00%	1,325	2,007
Thomas More Square (Lux) Investments Limited	0.00%	-	50
Thomas More Square (Lux) Holdings Sarl	0.70%	198	275
Thomas More Square (Lux) Sarl	0.70%	(97,847)	31,957
Fundo Broggi	4.24%	(358,786)	-
Broggi Retail S.R.L	4.24%	477	-
		(3,270,925)	**(1,609,341)**
Perimeter Longrun			
Fidelidade – Companhia de Seguros, S.A.	15.01%	(32,444,787)	(31,675,878)
Fidelidade Assistência – Companhia de Seguros, S.A.	20.00%	(1,003,147)	(345,499)
Multicare – Seguros de Saúde, S.A.	20.00%	(1,617,719)	(1,360,681)
Adjustments between sub perimeters		(20,669)	(8,214)
		(35,086,322)	**(33,390,272)**
		(38,286,270)	**(35,512,466)**

30. Earned Premiums, Net of Reinsurance

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Gross premiums written						
Life insurance						
Insurance contracts without profit sharing	161,953,532	(12,202,714)	149,750,818	161,814,697	(13,601,561)	148,213,136
Insurance contracts with profit sharing	33,750,746	(1,119,595)	32,631,151	40,952,059	(1,228,286)	39,723,773
Investment contracts with a discrecionary profit sharing component	248,316,696	-	248,316,696	132,874,006	-	132,874,006
	444,020,974	**(13,322,309)**	**430,698,665**	**335,640,762**	**(14,829,847)**	**320,810,915**
Non-life insurance						
Workers' compensation	183,822,094	(969,782)	182,852,312	160,661,550	(1,291,940)	159,369,610
Personal accidents and passengers	31,830,507	(8,992,043)	22,838,464	30,394,775	(11,628,201)	18,766,574
Health	304,573,220	(5,945,507)	298,627,713	270,771,118	(7,697,693)	263,073,425
Fire and other damage	266,650,267	(107,360,242)	159,290,025	254,940,538	(99,107,625)	155,832,913
Motor	448,613,262	(3,628,257)	444,985,005	428,265,939	(2,814,022)	425,451,917
Marine, aviation and transport	19,964,050	(10,898,703)	9,065,347	18,509,706	(10,842,903)	7,666,803
Third party liability	38,766,192	(10,902,940)	27,863,252	36,860,678	(11,643,785)	25,216,893
Credit and suretyship	820,011	(432,690)	387,321	799,255	(447,359)	351,896
Legal protection	5,583,105	(3,398)	5,579,707	5,812,621	(980)	5,811,641
Assistance	38,274,632	(133,702)	38,140,930	34,205,620	(51,181)	34,154,439
Others	34,211,422	(11,454,596)	22,756,826	37,197,472	(17,851,076)	19,346,396
	1,373,108,762	**(160,721,860)**	**1,212,386,902**	**1,278,419,272**	**(163,376,765)**	**1,115,042,507**
	1,817,129,736	**(174,044,169)**	**1,643,085,567**	**1,614,060,034**	**(178,206,612)**	**1,435,853,422**
Change in provision for unearned premiums						
Life insurance						
Insurance contracts without profit sharing	(34,046)	7,150	(26,896)	246,544	18,840	265,384
Insurance contracts with profit sharing	61,272	(14,384)	46,888	(10,765)	(4,747)	(15,512)
Investment contracts with a discrecionary profit sharing component	(2,367)	-	(2,367)	(6,157)	-	(6,157)
	24,859	**(7,234)**	**17,625**	**229,622**	**14,093**	**243,715**

(continuation) (amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Non-life insurance						
Workers' compensation	(1,129,683)	-	(1,129,683)	(366,170)	(10,181)	(376,351)
Personal accidents and passengers	(431,702)	(271,292)	(702,994)	(1,634,448)	(349,926)	(1,984,374)
Health	(4,162,298)	(166,867)	(4,329,165)	(4,598,694)	984,294	(3,614,400)
Fire and other damage	(4,888,659)	4,996,134	107,475	(175,985)	(187,980)	(363,965)
Motor	(6,055,245)	(177,541)	(6,232,786)	(5,510,100)	(224,229)	(5,734,329)
Marine, aviation and transport	(123,097)	(190,004)	(313,101)	225,892	34,212	260,104
Third party liability	(1,131,570)	45,659	(1,085,911)	(1,194,828)	379,959	(814,869)
Credit and suretyship	(1,609)	(9,584)	(11,193)	50,248	(43,076)	7,172
Legal protection	233,761	1,501	235,262	(3,110)	967	(2,143)
Assistance	(1,140,846)	27,550	(1,113,296)	(1,283,290)	9,646	(1,273,644)
Others	2,104	(391,149)	(389,045)	(3,635,860)	770,426	(2,865,434)
	(18,828,844)	**3,864,407**	**(14,964,437)**	**(18,126,345)**	**1,364,112**	**(16,762,233)**
	(18,803,985)	**3,857,173**	**(14,946,812)**	**(17,896,723)**	**1,378,205**	**(16,518,518)**
Earned premiums						
Life insurance						
Insurance contracts without profit sharing	161,919,486	(12,195,564)	149,723,922	162,061,241	(13,582,721)	148,478,520
Insurance contracts with profit sharing	33,812,018	(1,133,979)	32,678,039	40,941,294	(1,233,033)	39,708,261
Investment contracts with a discrecionary profit sharing component	248,314,329	-	248,314,329	132,867,849	-	132,867,849
	444,045,833	**(13,329,543)**	**430,716,290**	**335,870,384**	**(14,815,754)**	**321,054,630**
Non-life insurance						
Workers' compensation	182,692,411	(969,782)	181,722,629	160,295,380	(1,302,121)	158,993,259
Personal accidents and passengers	31,398,805	(9,263,335)	22,135,470	28,760,327	(11,978,127)	16,782,200
Health	300,410,922	(6,112,374)	294,298,548	266,172,424	(6,713,399)	259,459,025
Fire and other damage	261,761,608	(102,364,108)	159,397,500	254,764,553	(99,295,605)	155,468,948
Motor	442,558,017	(3,805,798)	438,752,219	422,755,839	(3,038,251)	419,717,588
Marine, aviation and transport	19,840,953	(11,088,707)	8,752,246	18,735,598	(10,808,691)	7,926,907
Third party liability	37,634,622	(10,857,281)	26,777,341	35,665,850	(11,263,826)	24,402,024
Credit and suretyship	818,402	(442,274)	376,128	849,503	(490,435)	359,068
Legal protection	5,816,866	(1,897)	5,814,969	5,809,511	(13)	5,809,498
Assistance	37,133,786	(106,152)	37,027,634	32,922,330	(41,535)	32,880,795
Others	34,213,526	(11,845,745)	22,367,781	33,561,612	(17,080,650)	16,480,962
	1,354,279,918	**(156,857,453)**	**1,197,422,465**	**1,260,292,927**	**(162,012,653)**	**1,098,280,274**
	1,798,325,751	**(170,186,996)**	**1,628,138,755**	**1,596,163,311**	**(176,828,407)**	**1,419,334,904**

In 2017 and 2016, premiums for life insurance contracts may be broken down as follows:

(amounts in Euros)

	2017	2016
Direct insurance gross premiums written	**444,020,974**	**335,640,762**
Individual contracts	262,390,786	137,978,212
Group contracts	181,630,188	197,662,550
	444,020,974	**335,640,762**
Periodic	212,700,260	271,462,555
Non-periodic	231,320,714	64,178,207
	444,020,974	**335,640,762**
Contracts without profit sharing	162,075,255	161,888,542
Contracts with profit sharing	281,945,719	173,752,220
	444,020,974	**335,640,762**
Reinsurance accepted gross premiums written	**-**	**-**
Gross premiums written from direct insurance and reinsurance accepted	**444,020,974**	**335,640,762**
Reinsurance balance	**1,426,222**	**(5,299,406)**

31. Fees from Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts or Service Contracts

In 2017 and 2016, the commissions received relating to insurance contracts and operations considered for accounting purposes as investment contracts totalled EUR 1,943,122 and EUR 2,551,811 respectively.

32. Claims Costs, Net of Reinsurance

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
Life insurance						
Direct insurance and reinsurance accepted	**288,761,478**	**11,453,531**	**300,215,009**	**268,902,533**	**(3,569,348)**	**265,333,185**
Reinsurance ceded	**(6,325,015)**	**(683,965)**	**(7,008,980)**	**(8,603,018)**	**360,641**	**(8,242,377)**
	282,436,463	**10,769,566**	**293,206,029**	**260,299,515**	**(3,208,707)**	**257,090,808**
Non-life insurance						
Direct insurance and reinsurance accepted						
Workers' compensation	145,963,848	39,970,651	185,934,499	149,188,958	7,732,394	156,921,352
Personal accidents and passengers	12,587,389	6,473,925	19,061,314	10,882,605	(722,043)	10,160,562
Health	228,166,911	(1,768,934)	226,397,977	206,648,212	886,578	207,534,790
Fire and other damage	152,722,443	104,632,341	257,354,784	120,688,569	14,028,971	134,717,540
Motor	346,390,114	(21,228,398)	325,161,716	333,914,547	(30,866,376)	303,048,171
Marine, aviation and transport	6,345,086	3,186,381	9,531,467	3,726,557	(2,583,066)	1,143,491
Third party liability	12,701,492	(2,728,234)	9,973,258	13,540,506	(6,052,702)	7,487,804
Credit and suretyship	408,761	62,451	471,212	373,172	(73,023)	300,149
Legal protection	1,554,825	(965,231)	589,594	1,471,192	(777,444)	693,748
Assistance	38,072,538	623,587	38,696,125	37,692,463	624,077	38,316,540
Others	22,892,447	2,495,273	25,387,720	19,381,205	1,570,686	20,951,891
	967,805,854	**130,753,812**	**1,098,559,666**	**897,507,986**	**(16,231,948)**	**881,276,038**
Reinsurance ceded						
Workers' compensation	(258,707)	(2,274,261)	(2,532,968)	(804,760)	(378,068)	(1,182,828)
Personal accidents and passengers	(2,105,466)	(2,593,595)	(4,699,061)	(1,764,887)	(5,763,082)	(7,527,969)
Health	(2,204,986)	(132,969)	(2,337,955)	(3,253,720)	471,123	(2,782,597)
Fire and other damage	(52,742,567)	(86,662,327)	(139,404,894)	(46,047,669)	(19,393,010)	(65,440,679)
Motor	(6,574,762)	(2,325,609)	(8,900,371)	(1,332,320)	(931,164)	(2,263,484)
Marine, aviation and transport	(2,760,605)	(4,100,931)	(6,861,536)	(976,427)	2,048,304	1,071,877
Third party liability	(2,825,368)	2,689,946	(135,422)	(2,578,503)	5,511,253	2,932,750
Credit and suretyship	1,846	6,914	8,760	(35,272)	10,017	(25,255)
Assistance	-	1,098	1,098	(6,347)	-	(6,347)
Others	(14,122,503)	(1,485,390)	(15,607,893)	(12,288,483)	(1,000,270)	(13,288,753)
	(83,593,118)	**(96,877,124)**	**(180,470,242)**	**(69,088,388)**	**(19,424,897)**	**(88,513,285)**
	884,212,736	**33,876,688**	**918,089,424**	**828,419,598**	**(35,656,845)**	**792,762,753**
	1,166,649,199	**44,646,254**	**1,211,295,453**	**1,088,719,113**	**(38,865,552)**	**1,049,853,561**

"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 2017 and 2016:

(amounts in Euros)

	2017						
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	Total
Direct insurance and reinsurance accepted							
Insurance contracts	105,423,325	9,778,751	115,202,076	2,654,182	(10,405,666)	1,935,342	109,385,934
Investment contracts with a discretionary							
profit sharing component	183,338,153	1,674,780	185,012,933	495,560	94,696,704	(7,705,397)	272,499,800
	288,761,478	**11,453,531**	**300,215,009**	**3,149,742**	**84,291,038**	**(5,770,055)**	**381,885,734**
Reinsurance ceded							
Insurance contracts	(6,325,015)	(683,965)	(7,008,980)	-	(252,073)	-	(7,261,053)
	(6,325,015)	**(683,965)**	**(7,008,980)**	**-**	**(252,073)**	**-**	**(7,261,053)**
Net							
Insurance contracts	99,098,310	9,094,786	108,193,096	2,654,182	(10,657,739)	1,935,342	102,124,881
Investment contracts with a discretionary							
profit sharing component	183,338,153	1,674,780	185,012,933	495,560	94,696,704	(7,705,397)	272,499,800
	282,436,463	**10,769,566**	**293,206,029**	**3,149,742**	**84,038,965**	**(5,770,055)**	**374,624,681**

(amounts in Euros)

	2016						
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	Total
Direct insurance and reinsurance accepted							
Insurance contracts	96,511,783	(3,168,143)	93,343,640	(3,521,275)	7,963,317	4,941,827	102,727,509
Investment contracts with a discretionary							
profit sharing component	172,390,750	(401,205)	171,989,545	1,398,705	(4,814,998)	4,687,983	173,261,235
	268,902,533	**(3,569,348)**	**265,333,185**	**(2,122,570)**	**3,148,319**	**9,629,810**	**275,988,744**
Reinsurance ceded							
Insurance contracts	(8,603,018)	360,641	(8,242,377)	-	1,157,707	-	(7,084,670)
	(8,603,018)	**360,641**	**(8,242,377)**	**-**	**1,157,707**	**-**	**(7,084,670)**
Net							
Insurance contracts	87,908,765	(2,807,502)	85,101,263	(3,521,275)	9,121,024	4,941,827	95,642,839
Investment contracts with a discretionary							
profit sharing component	172,390,750	(401,205)	171,989,545	1,398,705	(4,814,998)	4,687,983	173,261,235
	260,299,515	**(3,208,707)**	**257,090,808**	**(2,122,570)**	**4,306,026**	**9,629,810**	**268,904,074**

In 2017 and 2016, changes in other technical provisions include the allocation of the provision to stabilise the portfolio of EUR 2,654,182 and the reversal of EUR 3,521,275, respectively. In 2017 and 2016, this heading also includes the allocation of EUR 495,560 and EUR 1,398,705 respectively, to the provision for interest rate commitments.

33. Net Operating Costs, by Type and Function

In 2017 and 2016, the Group's operating costs, by type, were as follows:

(amounts in Euros)

	2017	2016
Employee costs (Note 34)	319,001,116	313,356,149
External supplies and services		
Electricity	7,913,547	7,712,858
Fuel	2,661,134	2,595,418
Water	1,276,523	1,229,060
Printed Material	432,642	421,431
Office Supplies	806,454	763,648
Conservation and repair	17,521,195	15,853,443
Rents and leases	25,661,315	26,258,588
Representation expenses	2,133,820	2,270,407
Communication	9,331,838	8,988,567
Travel and accommodation	6,438,929	5,812,705
Insurance	2,993,838	2,865,847
Expenditure with self-employed workers	73,888,560	69,714,440
Advertising and publicity	16,778,680	14,654,658
Litigation and notary expenses	1,927,269	798,766
Security and surveillance	4,268,861	3,832,541
Specialist work	90,984,284	80,982,699
Contributions	2,617,316	1,717,952
Cleanliness, hygiene and comfort	2,586,560	2,302,716
Expenses with premium collections	3,589,063	3,221,619
Software licences	6,157,885	5,381,662
Subcontracts	103,255,753	96,470,352
Others	89,838,938	13,199,817
	473,064,404	**367,049,194**
Taxes and charges	18,790,115	18,294,816
Depreciation and amortisation for the year (Notes 10, 12 and 15)	45,606,211	41,885,453
Other provisions	(13,342,416)	(44,692,210)
Commissions	12,769,898	25,509,211
Interest paid	11,816,392	10,249,071
	867,705,720	**731,651,684**

In 2017 and 2016, the balance of reinsurance commissions and profit sharing is as follows:

(amounts in Euros)

	2017		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	1,227,348	6,267,364	7,494,712
Related to non-life insurance	21,803,085	3,234,590	25,037,675
	23,030,433	**9,501,954**	**32,532,387**

(amounts in Euros)

	2016		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	709,179	1,722,499	2,431,678
Related to non-life insurance	26,511,183	6,549,599	33,060,782
	27,220,362	**8,272,098**	**35,492,460**

In the 2017 and 2016 profit and loss statement, these costs were as follows:

(amounts in Euros)

	2017			
	Life technical account	Non-life technical account	Non-technical account	Total
Claims costs - amounts paid				
Cost allocations	7,630,584	140,567,896	-	148,198,480
Technical costs	281,130,894	827,237,958	-	1,108,368,852
	288,761,478	**967,805,854**	**-**	**1,256,567,332**
Acquisition costs				
Cost allocations	29,508,049	110,541,251	-	140,049,300
Brokerage commissions	35,953,096	146,999,954	-	182,953,050
Others	60,174	1,994,792	-	2,054,966
	65,521,319	**259,535,997**	**-**	**325,057,316**
Administrative expenses				
Cost allocations	21,287,413	78,426,141	-	99,713,554
Brokerage remuneration	62,540	8,891,191	-	8,953,731
Others	115	13,357	-	13,472
	21,350,068	**87,330,689**	**-**	**108,680,757**
Financial expenses (Note 37)				
Cost allocations	9,467,890	6,713,194	34,179,252	50,360,336
Others	418,266	148,044	162,836	729,146
	9,886,156	**6,861,238**	**34,342,088**	**51,089,482**
Other cost allocations (Note 44)	**-**	**-**	**429,384,050**	**429,384,050**
Total operating costs allocations	**67,893,936**	**336,248,482**	**463,563,302**	**867,705,720**

(amounts in Euros)

	2016			
	Life technical account	Non-life technical account	Non-technical account	Total
Claims costs - amounts paid				
Cost allocations	6,085,549	134,805,905	-	140,891,454
Technical costs	262,816,984	762,702,081	-	1,025,519,065
	268,902,533	**897,507,986**	**-**	**1,166,410,519**
Acquisition costs				
Cost allocations	28,986,945	111,607,261	-	140,594,206
Brokerage commissions	40,468,201	139,737,765	-	180,205,966
Others	(279,898)	880,614	-	600,716
	69,175,248	**252,225,640**	**-**	**321,400,888**
Administrative expenses				
Cost allocations	20,625,194	73,281,049	-	93,906,243
Brokerage remuneration	63,877	8,825,961	-	8,889,838
Others	(464)	(46,264)	-	(46,728)
	20,688,607	**82,060,746**	**-**	**102,749,353**
Financial expenses (Note 37)				
Cost allocations	2,693,691	9,481,905	21,114,581	33,290,177
Others	728,156	195,920	81,024	1,005,100
	3,421,847	**9,677,825**	**21,195,605**	**34,295,277**
Other cost allocations (Note 44)	**-**	**-**	**322,969,604**	**322,969,604**
Total operating costs allocations	**58,391,379**	**329,176,120**	**344,084,185**	**731,651,684**

34. Employee Costs

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Remuneration		
Statutory bodies	10,312,819	8,915,586
Employees	218,960,802	209,937,257
Remuneration expenses	48,844,117	46,573,742
Post-employment benefits	12,762,848	17,652,897
Termination of employment benefits	5,392,915	11,009,321
Mandatory insurance	2,991,844	2,880,525
Social action costs	14,853,568	13,626,653
Other employee costs	4,882,203	2,760,168
	319,001,116	**313,356,149**

In 2017 and 2016, the costs of post-employment benefits were as follows:

(amounts in Euros)

	2017	2016
Post-employment benefits		
Defined benefit plan (Note 35)	10,463,419	15,261,017
Individual retirement plan	1,433,866	1,301,558
Employee transfer	(12,443)	2,735
Other costs	878,006	1,087,587
	12,762,848	**17,652,897**

In 2017 and 2016, 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 2017 and 2016, the number of employees working for the Group, by category, was as follows:

	2017	2016
Senior management	119	141
Line management	607	431
Technical	3,434	3,714
Administrative	5,197	4,508
Ancillary	579	504
	9,936	**9,298**

In 2017 and 2016, the Group recorded a reversal in the estimate for seniority bonuses of EUR 296,134 and EUR 20,984, respectively. The heading "Accruals and deferred income" includes EUR 849.661 for seniority bonuses.

35. Retirement Pensions and Other Long-Term Benefits

At 31 December 2017 and 2016, 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)

	2017	2016
Assets		
Defined benefit plan	12,344,589	8,739,168
Liabilities		
Defined contribution plan	(375,229)	(439,209)
	11,969,360	**8,299,959**

Regarding 2017, in the "Defined contribution plan" the Group recorded a cost of EUR 1,176,227, with the payment of EUR 375,299 still pending, which corresponds to December 2017 contributions paid in January 2018.

Defined Contribution Plan

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

The provisions of the previous defined benefit plan apply to employees of working age employed as permanent staff, with employment contracts of indefinite term, who are not covered by the CEAs.

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 the provisions of Annex V to the CEAs, and correspond to the amount which results from applying the percentages indicated in the following table to the employee's basic annual salary:

Civil Year	IRP Contribution
2012	1.00%
2013	2.25%
2014	2.50%
2015	2.75%
2016	3.00%
2017 and after	3.25%

Furthermore, in line with the provisions set out in Chapter IX of the Pre-retirement and Savings Plan of the aforementioned CEAs, the first annual contribution by the Group to the IRP will be:

- In 2015, for current employees admitted to the insurance activity prior to 22 June 1995;

- In 2012, for current employees, admitted to the insurance activity between 22 June 1995 and 31 December 2009;

- In the year following the completion of two years of service within the Group, for employees admitted after 1 January 2010.

At 31 December 2017 and 2016, the liabilities and assets of the Individual Retirement Plan of the Longrun Group companies were:

(amounts in Euros)

	Fidelidade	CPR	Multicare	Via Directa	Fidelidade Assistência	Total
Liabilities at 31 December 2016	**22,769,492**	**24,657**	**272,749**	**179,383**	**136,677**	**23,382,958**
Expenses for the year	1,166,960	-	62,057	32,300	34,498	1,295,815
Liabilities at 31 December 2017	**23,936,452**	**24,657**	**334,806**	**211,683**	**171,175**	**24,678,773**
Assets at 31 December 2016	**22,697,218**	**24,657**	**269,367**	**178,038**	**134,483**	**23,303,763**
Contributions	1,155,817	-	61,584	31,396	34,253	1,283,050
Assets at 31 December 2017	**23,853,035**	**24,657**	**330,951**	**209,434**	**168,736**	**24,586,813**
Difference	**1.00**	**1.00**	**0.99**	**0.99**	**0.99**	**1.00**
Funding level	99.65%	100.00%	98.85%	98.94%	98.58%	99.63%

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.

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 2017 and 2016, were determined by Fidelidade's life insurance actuarial department.

The assumptions and technical bases used to calculate the liabilities were as follows:

	2017	2016
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	1.80%	1.80%
Salary growth rate	2.00%	2.00%
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 2017 and 2016 and the actual amounts:

	2017		2016	
	Assumptions	Real	Assumptions	Real
Salary growth rate	2.00%	1.53%	2.00%	1.12%
Pensions growth rate	0.75%	0.28%	0.75%	0.24%

At 31 December 2017 and 2016, 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)

	2017			2016		
	Fidelidade	Others	Total	Fidelidade	Others	Total
Liabilities for past services						
Active employees	7,218,484	39,303	7,257,787	10,217,625	43,477	10,261,102
Retired and pre-retired	173,886,543	284,462	174,171,005	182,184,965	321,169	182,506,134
	181,105,027	**323,765**	**181,428,792**	**192,402,590**	**364,646**	**192,767,236**
Autonomous pension fund	148,777,396	536,517	149,313,913	153,835,385	572,475	154,407,860
Mathematical provisions	44,459,468	-	44,459,468	47,098,544	-	47,098,544
	193,236,864	**536,517**	**193,773,381**	**200,933,929**	**572,475**	**201,506,404**
Difference	12,131,837	212,752	12,344,589	8,531,339	207,829	8,739,168
Funding level	106.70%	165.71%	106.80%	104.43%	156.99%	104.53%

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 2017 and 2016, 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	8.73 years
Mundial Confiança Pension Fund	7.38 years
Império Bonança Pension Fund	10.02 years
Companhia Portuguesa de Resseguros, S.A. Pension Fund	6 years
Fidelidade Property Europe, S.A. Pension Fund	18 years

At 31 December 2017 and 2016, the number of beneficiaries was as follows:

	2017	2016
Active employees	1,010	1,120
Retired and pre-retired	2,106	2,121
Annuity holders	508	541
	3,624	**3,782**

The movements in the pension fund and in the mathematical provisions during 2017 and 2016 were as follows:

(amounts in Euros)

	Fidelidade	Others	Total
Balances at 31 December 2015	**201,837,142**	**618,873**	**202,456,015**
Contributions	18,421,934	-	18,421,934
Change in mathematical provisions	(3,546,435)	-	(3,546,435)
Pensions paid	(18,556,669)	(51,909)	(18,608,578)
(Payments)/ Receipts relating to other benefits	(581,429)	-	(581,429)
Net income of pension funds	3,359,386	5,511	3,364,897
Balances at 31 December 2016	**200,933,929**	**572,475**	**201,506,404**
Contributions	10,090,175	-	10,090,175
Change in mathematical provisions	(2,639,075)	-	(2,639,075)
Pensions paid	(19,277,840)	(52,173)	(19,330,013)
(Payments)/ Receipts relating to other benefits	(599,149)	-	(599,149)
Net income of pension funds	4,728,824	16,215	4,745,039
Balances at 31 December 2017	**193,236,864**	**536,517**	**193,773,381**

At 31 December 2017 and 2016 the Group's Pension Funds were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2017 and 2016, the pension fund net assets were composed as follows, according to the respective valuation sources:

(amounts in Euros)

	2017								
	Market value			Others			Portfolio value		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Cash and cash equivalents	**16,817,556**	**18,754**	**16,836,310**	**-**	**-**	**-**	**16,817,556**	**18,754**	**16,836,310**
Investment funds									
American shares	717,289	62,629	779,918	-	-	-	717,289	62,629	779,918
National shares	-	-	-	-	-	-	-	-	-
European shares	5,409,819	-	5,409,819	-	-	-	5,409,819	-	5,409,819
Other shares	-	-	-	-	-	-	-	-	-
Real Estate	16,289,386	39,666	16,329,052	-	-	-	16,289,386	39,666	16,329,052
Debt instruments									
Public debt	16,791,265	53,709	16,844,974	-	-	-	16,791,265	53,709	16,844,974
Other issuers	91,899,098	201,049	92,100,147	-	-	-	91,899,098	201,049	92,100,147
Hedge funds	849,723	-	849,723	-	-	-	849,723	-	849,723
Treasury	-	7,678	7,678	-	-	-	-	7,678	7,678
	131,956,581	**364,731**	**132,321,312**	**-**	**-**	**-**	**131,956,581**	**364,731**	**132,321,312**
Others	3,259	153,032	156,291	-	-	-	3,259	153,032	156,291
	148,777,396	**536,517**	**149,313,913**	**-**	**-**	**-**	**148,777,396**	**536,517**	**149,313,913**

(amounts in Euros)

	2016								
	Market value			Others			Portfolio value		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Cash and cash									
equivalents	**25,177,330**	**40,211**	**25,217,541**	**-**	**-**	**-**	**25,177,330**	**40,211**	**25,217,541**
Debt instruments									
Public debt	3,811,388	-	3,811,388	-	-	-	3,811,388	-	3,811,388
	3,811,388	-	3,811,388	-	-	-	3,811,388	-	3,811,388
Investment funds									
American shares	-	56,904	56,904	-	-	-	-	56,904	56,904
National shares	663,286	-	663,286	-	-	-	663,286	-	663,286
European shares	5,627,802	-	5,627,802	-	-	-	5,627,802	-	5,627,802
Other shares	97,814	-	97,814	-	-	-	97,814	-	97,814
Real Estate	12,731,703	42,079	12,773,782	2,281,180	-	2,281,180	15,012,883	42,079	15,054,962
Debt instruments									
Public debt	17,424,477	84,379	17,508,856	-	-	-	17,424,477	84,379	17,508,856
Other issuers	85,373,345	196,901	85,570,246	-	-	-	85,373,345	196,901	85,570,246
Hedge funds	636,026	-	636,026	-	-	-	636,026	-	636,026
Treasury	-	990	990	-	-	-	-	990	990
	122,554,453	**381,253**	**122,935,706**	**2,281,180**	**-**	**2,281,180**	**124,835,634**	**381,253**	**125,216,887**
Others	11,033	151,011	162,044	-	-	-	11,033	151,011	162,044
	151,554,204	**572,475**	**152,126,679**	**2,281,180**	**-**	**2,281,180**	**153,835,385**	**572,475**	**154,407,860**

On these dates, the pension fund portfolio contained the following assets issued or managed by entities in the CGD Group:

(amounts in Euros)

	2017			2016		
	Fidelidade	Others	Total	Fidelidade	Others	Total
Cash and cash equivalents	**8,616,998**	**18,754**	**8,635,752**	**24,603,410**	**40,211**	**24,643,621**
Investment funds						
National shares	710,956	-	710,956	657,727	-	657,727
European Shares	-	62,629	62,629	-	-	-
Real Estate	2,306,702	15,391	2,322,093	2,281,180	15,221	2,296,401
Debt instruments						
Other issuers	6,796,324	128,548	6,924,872	14,626,113	127,150	14,753,263
Treasury	-	994	994	-	990	990
	9,813,982	**207,562**	**10,021,544**	**17,565,020**	**143,361**	**17,708,381**
	18,430,980	**226,316**	**18,657,296**	**42,168,430**	**183,572**	**42,352,002**

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 2017 and 2016, can be demonstrated as follows:

(amounts in Euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Position at 31 December 2015	**188,157,605**	**260,025**	**188,417,630**	**201,837,142**	**618,873**	**202,456,015**	**13,679,537**	**358,848**	**14,038,385**
Current services expenses	100,714	1,201	101,915	-	-	-	(100,714)	(1,201)	(101,915)
Net defined benefit interest	2,885,271	5,624	2,890,895	3,193,061	4,155	3,525,392	307,790	(1,469)	306,321
Normal cost for the year	2,985,985	6,825	2,992,810	3,193,061	4,155	3,197,216	207,076	(2,670)	204,406
Increased liabilities for early retirements	14,770,494	113,500	14,883,994	-	-	-	(14,770,494)	(113,500)	(14,883,994)
Other changes in the income statement	-	-	-	(581,429)	-	(864,972)	(581,429)	-	(581,429)
Changes having an impact in the income statement (Note 33)	**17,756,479**	**120,325**	**17,876,804**	**2,611,632**	**4,155**	**2,332,244**	**(15,144,847)**	**(116,170)**	**(15,261,017)**
Actuarial gains and losses									
return on plan assets, not included in interest income	-	-	-	166,327	6,618	172,945	166,327	6,618	172,945
resulting from changes in financial assumptions	5,397,670	3,243	5,400,913	-	(5,262)	(5,262)	(5,397,670)	(8,505)	(5,406,175)
resulting from differences between assumptions and actual amounts	3,193,944	32,962	3,226,906	-	-	-	(3,193,944)	(32,962)	(3,226,906)
Changes with an impact on shareholders' equity	**8,591,614**	**36,205**	**8,627,819**	**166,327**	**1,356**	**167,683**	**(8,425,287)**	**(34,849)**	**(8,460,136)**
Contributions to the plan paid by entity	-	-	-	18,421,936	-	18,421,936	18,421,936	-	18,421,936
Change in mathematical provisions	(3,546,434)	-	(3,546,434)	(3,546,434)	-	(3,546,434)	-	-	-
Payments made by the plan pensions paid	(18,556,674)	(51,909)	(18,608,583)	(18,556,674)	(51,909)	(18,608,583)	-	-	-
Position at 31 December 2016	**192,402,590**	**364,646**	**192,767,236**	**200,933,929**	**572,475**	**201,506,404**	**8,531,339**	**207,829**	**8,739,168**

(continuation) (amounts in Euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Current services expenses	269,286	1,265	270,551	-	-	-	(269,286)	(1,265)	(270,551)
Net defined benefit interest	2,441,973	6,613	2,448,586	2,595,537	3,737	2,599,274	153,564	(2,876)	150,688
Normal cost for the year	2,711,259	7,878	2,719,137	2,595,537	3,737	2,599,274	(115,722)	(4,141)	(119,863)
Increased liabilities for early retirements	9,751,552	(7,145)	9,744,407	-	-	-	(9,751,552)	7,145	(9,744,407)
Other changes in the income statement	-	-	-	(599,149)	-	(599,149)	(599,149)	-	(599,149)
Changes having an impact in the income statement (Note 33)	**12,462,811**	**733**	**12,463,544**	**1,996,388**	**3,737**	**2,000,125**	**(10,466,423)**	**3,004**	**(10,463,419)**
Actuarial gains and losses									
return on plan assets, not included in interest income	-	-	-	2,133,287	6,704	2,139,991	2,133,287	6,704	2,139,991
resulting from changes in financial assumptions	-	5,776	5,776	-	5,776	5,776	-	-	-
resulting from differences between assumptions and actual amounts	(1,843,460)	4,784	(1,838,676)	-	-	-	1,843,460	(4,784)	1,838,676
Changes with an impact on shareholders' equity	**(1,843,460)**	**10,560**	**(1,832,900)**	**2,133,287**	**12,480**	**2,145,767**	**3,976,747**	**1,920**	**3,978,667**
Contributions to the plan paid by entity	-	-	-	10,090,174	-	10,090,174	10,090,174	-	10,090,174
Change in mathematical provisions	(2,639,074)	-	(2,639,074)	(2,639,074)	-	(2,639,074)	-	-	-
Payments made by the plan									
pensions paid	(19,277,840)	(52,175)	(19,330,015)	(19,277,840)	(52,175)	(19,330,015)	-	-	-
Position at 31 December 2017	**181,105,027**	**323,765**	**181,428,792**	**193,236,864**	**536,517**	**193,773,381**	**12,131,837**	**212,752**	**12,344,589**

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 2017 and 2016, these liabilities totalled EUR 22,964,031 and EUR 23,637,281, respectively, and were covered by provisions (Note 26). The actuarial deviations determined at 31 December 2017 and 2016 relating to this benefit amounted to EUR (669,044) and EUR 2,162,605, 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 2017, 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	2017	A	B	C
Financial Assumptions				
Discount Rate	1.80%	1.55%	2.05%	1.80%
Salary Growth Rate	2.00%	2.00%	2.00%	2.00%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
Demographic Assumptions				
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 2017 Scenarios		2017	A	B	C
Retirees	Old age	56,449,916	57,604,200	55,335,889	60,782,941
	Early retirment	14,473,747	14,801,382	14,157,771	15,597,766
	Disability	10,156,308	10,499,963	9,829,969	10,450,948
Pensioners	Widowhood	4,255,461	4,348,408	4,166,078	4,271,104
	Orphanhood	153,463	160,351	147,033	154,501
Pre-Retirees	Pension up to INR	34,324,385	34,567,203	34,084,898	34,378,628
	Charges up to INR	6,067,430	6,113,129	6,022,384	6,091,210
	Pension after INR				
	> Pension Plan	3,272,866	3,384,874	3,166,037	3,478,646
	> Complementary Plan	273,500	284,860	262,734	278,493
Active employees	Pension Plan	3,681,627	3,898,301	3,479,750	3,872,810
	Complementary Plan	3,536,856	3,783,947	3,308,309	3,731,517
Total		**136,645,559**	**139,446,618**	**133,960,852**	**143,088,564**

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 44,459,468.

36. Income

In 2017 and 2016, the investment income headings were composed as follows:

(amounts in Euros)

	2017				2016			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
Investments allocated to technical								
provisions for life insurance								
Properties	-	-	23,398	23,398	-	-	21,222	21,222
Financial assets initially recognised								
at fair value through profit or loss	939,149	-	-	939,149	497,344	-	-	497,344
Available-for-sale investments	44,822,272	7,351,003	-	52,173,275	46,086,045	991,200	-	47,077,245
Loans and accounts receivable	1,028,030	-	-	1,028,030	3,815,150	-	-	3,815,150
Sight deposits	892	-	-	892	27,148	-	-	27,148
	46,790,343	**7,351,003**	**23,398**	**54,164,744**	**50,425,687**	**991,200**	**21,222**	**51,438,109**

(continuation) (amounts in Euros)

	2017				2016			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
Investments related to contracts								
considered for accounting purposes								
as investment contracts								
Financial assets held for trading	(1,534,347)	-	-	(1,534,347)	(1,491,921)	-	-	(1,491,921)
Financial assets initially recognised								
at fair value through profit or loss	16,776,034	147,393	-	16,923,427	22,264,680	155,370	-	22,420,050
Available-for-sale investments	146,129,543	17,614,675	-	163,744,218	174,077,687	9,298,064	-	183,375,751
Loans and accounts receivable	2,003,134	-	-	2,003,134	3,144,985	-	-	3,144,985
Sight deposits	246	-	-	246	119,041	-	-	119,041
	163,374,610	**17,762,068**	**-**	**181,136,678**	**198,114,472**	**9,453,434**	**-**	**207,567,906**
	210,164,953	**25,113,071**	**23,398**	**235,301,422**	**248,540,159**	**10,444,634**	**21,222**	**259,006,015**
Investments allocated to technical								
provisions for non-life insurance								
Properties	-	-	18,090,692	18,090,692	-	-	18,611,017	18,611,017
Financial assets initially recognised								
at fair value through profit or loss	2,959,053	-	-	2,959,053	1,557,746	-	-	1,557,746
Available-for-sale investments	27,376,585	16,748,002	-	44,124,587	28,091,291	9,010,309	-	37,101,600
Loans and accounts receivable	3,201,410	-	-	3,201,410	3,042,900	-	-	3,042,900
Sight deposits	27,512	-	-	27,512	-	-	-	-
	33,564,560	**16,748,002**	**18,090,692**	**68,403,254**	**32,691,937**	**9,010,309**	**18,611,017**	**60,313,263**
Investments not allocated								
Properties	-	-	110,831,105	110,831,105	-	-	72,103,514	72,103,514
Financial assets held for trading	2,891	-	-	2,891	(460)	-	-	(460)
Financial assets initially recognised								
at fair value through profit or loss	2,456,044	-	-	2,456,044	215	-	-	215
Available-for-sale investments	1,798,521	684,756	-	2,483,277	593,222	5,249	-	598,471
Loans and accounts receivable	6,035,661	-	-	6,035,661	875,547	-	-	875,547
Sight deposits	298,203	-	-	298,203	(51,350)	-	-	(51,350)
	10,591,320	**684,756**	**110,831,105**	**122,107,181**	**1,417,174**	**5,249**	**72,103,514**	**73,525,937**
	254,320,833	**42,545,829**	**128,945,195**	**425,811,857**	**282,649,270**	**19,460,192**	**90,735,753**	**392,845,215**

37. Financial Expenses

In 2017 and 2016, the financial expenses headings were composed as follows:

(amounts in Euros)

	2017				2016			
	Life technical account	Non-life technical account	Non-technical account	Total	Life technical account	Non-life technical account	Non-technical account	Total
Investment Expenses (Note 33)								
Costs allocated	9,467,890	6,713,194	34,179,252	50,360,336	2,693,691	9,481,905	21,114,581	33,290,177
Other Investment expenses	418,266	148,044	162,836	729,146	728,156	195,920	81,024	1,005,100
	9,886,156	**6,861,238**	**34,342,088**	**51,089,482**	**3,421,847**	**9,677,825**	**21,195,605**	**34,295,277**

38. Net Income on Financial Assets and Liabilities not Recognised at Fair Value Through Profit or Loss

In 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Available-for-sale investments	22,507,213	(2,010,414)	20,496,799	31,669,603	(12,469,189)	19,200,414
	22,507,213	**(2,010,414)**	**20,496,799**	**31,669,603**	**(12,469,189)**	**19,200,414**
Investments related to contracts considered						
for accounting purposes as investment contracts						
Available-for-sale investments	205,785,259	(17,510,634)	188,274,625	152,637,370	(15,075,270)	137,562,100
Loans and accounts receivable	-	(45,710)	(45,710)	-	(83,484)	(83,484)
Financial liabilities at amortised cost	22,380	(94,839,890)	(94,817,510)	342	(148,712,440)	(148,712,098)
	205,807,639	**(112,396,234)**	**93,411,405**	**152,637,712**	**(163,871,194)**	**(11,233,482)**
	228,314,852	**(114,406,648)**	**113,908,204**	**184,307,315**	**(176,340,383)**	**7,966,932**
Investments allocated to technical provisions for non-life insurance						
Available-for-sale investments	80,732,701	(2,917,559)	77,815,142	51,843,041	(3,158,862)	48,684,179
Loans and accounts receivable	-	(37,086)	(37,086)	-	-	-
Held-to-maturity investments	-	(121,707)	(121,707)	-	-	-
	80,732,701	**(3,076,352)**	**77,656,349**	**51,843,041**	**(3,158,862)**	**48,684,179**
Investments not allocated						
Available-for-sale investments	1,350,777	(185,745)	1,165,032	7,811,392	(1,496,133)	6,315,259
Loans and accounts receivable	-	(287,056)	(287,056)	-	-	-
Others	-	(801,375)	(801,375)	-	-	-
	1,350,777	**(1,274,176)**	**76,601**	**7,811,392**	**(1,496,133)**	**6,315,259**
	310,398,330	**(118,757,176)**	**191,641,154**	**243,961,748**	**(180,995,378)**	**62,966,370**

39. Net Income on Financial Assets and Liabilities Recognised at Fair Value Through Profit or Loss

In 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

Realised gains and losses	2017 Gains	2017 Losses	2017 Net	2016 Gains	2016 Losses	2016 Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	-	(508,775)	(508,775)	-	(26,311,206)	(26,311,206)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	1,072,269	(2,487,957)	(1,415,688)	1,182,238	(525,056)	657,182
	1,072,269	**(2,996,732)**	**(1,924,463)**	**1,182,238**	**(26,836,262)**	**(25,654,024)**
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	135,354	(885,016)	(749,662)	83,278	(74,903,075)	(74,819,797)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	11,077,266	(10,265,012)	812,254	38,470,125	(3,031,295)	35,438,830
	11,212,620	**(11,150,028)**	**62,592**	**38,553,403**	**(77,934,370)**	**(39,380,967)**
	12,284,889	**(14,146,760)**	**(1,861,871)**	**39,735,641**	**(104,770,632)**	**(65,034,991)**
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	-	(253,538)	(253,538)	-	(13,384,795)	(13,384,795)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	2,685,393	(1,300,572)	1,384,821	3,095,895	(6,963,274)	(3,867,379)
	2,685,393	**(1,554,110)**	**1,131,283**	**3,095,895**	**(20,348,069)**	**(17,252,174)**
Investments not allocated						
Financial assets and liabilities held for trading	3	(54,155)	(54,152)	-	(9,054,831)	(9,054,831)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	-	(201,169)	(201,169)	12,292	(19,358)	(7,066)
	3	**(255,324)**	**(255,321)**	**12,292**	**(9,074,189)**	**(9,061,897)**
	14,970,285	**(15,956,194)**	**(985,909)**	**42,843,828**	**(134,192,890)**	**(91,349,062)**

(amounts in Euros)

Unrealised gains and losses	2017 Gains	2017 Losses	2017 Net	2016 Gains	2016 Losses	2016 Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(7,858,465)	51,797,957	106,677,897	(98,715,172)	7,962,725
Financial assets and liabilities initially recognised						
at fair value through profit or loss	3,762,152	(380,948)	3,381,204	1,134,621	(1,915,217)	(780,596)
Others	1,722,515	(1,476,631)	245,884	4,594,622	(5,731,919)	(1,137,297)
	65,141,089	**(9,716,044)**	**55,425,045**	**112,407,140**	**(106,362,308)**	**6,044,832**
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,104,772	(26,680,247)	120,424,525	271,117,079	(233,451,677)	37,665,402
Financial assets and liabilities initially recognised						
at fair value through profit or loss	13,755,089	(18,604,502)	(4,849,413)	9,216,071	(37,080,944)	(27,864,873)
Others	90,457,133	(103,348,682)	(12,891,549)	359,388,838	(357,958,994)	1,429,844
	251,316,994	**(148,633,431)**	**102,683,563**	**639,721,988**	**(628,491,615)**	**11,230,373**
	316,458,083	**(158,349,475)**	**158,108,608**	**752,129,128**	**(734,853,923)**	**17,275,205**
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,478,185)	41,819,429	69,445,696	(73,444,296)	(3,998,600)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	6,814,905	(1,232,777)	5,582,128	3,099,839	(6,450,568)	(3,350,729)
Others	39,164,935	(44,462,997)	(5,298,062)	130,390,595	(135,334,837)	(4,944,242)
	95,277,454	**(53,173,959)**	**42,103,495**	**202,936,130**	**(215,229,701)**	**(12,293,571)**
Investments not allocated						
Financial assets and liabilities held for trading	16,694,030	(11,135,421)	5,558,609	52,840,588	(47,819,767)	5,020,821
Financial assets and liabilities initially recognised						
at fair value through profit or loss	118,094	(1,980,195)	(1,862,101)	43,555	(25,592)	17,963
Others	2,957,267	-	2,957,267	-	-	-
	19,769,391	**(13,115,616)**	**6,653,775**	**52,884,143**	**(47,845,359)**	**5,038,784**
	431,504,928	**(224,639,050)**	**206,865,878**	**1,007,949,401**	**(997,928,983)**	**10,020,418**

(amounts in Euros)

Total	2017 Gains	2017 Losses	2017 Net	2016 Gains	2016 Losses	2016 Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(8,367,240)	51,289,182	106,677,897	(125,026,378)	(18,348,481)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	4,834,421	(2,868,905)	1,965,516	2,316,859	(2,440,273)	(123,414)
Others	1,722,515	(1,476,631)	245,884	4,594,622	(5,731,919)	(1,137,297)
	66,213,358	**(12,712,776)**	**53,500,582**	**113,589,378**	**(133,198,570)**	**(19,609,192)**
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,240,126	(27,565,263)	119,674,863	271,200,357	(308,354,752)	(37,154,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	24,832,355	(28,869,514)	(4,037,159)	47,686,196	(40,112,239)	7,573,957
Others	90,457,133	(103,348,682)	(12,891,549)	359,388,838	(357,958,994)	1,429,844
	262,529,614	**(159,783,459)**	**102,746,155**	**678,275,391**	**(706,425,985)**	**(28,150,594)**
	328,742,972	**(172,496,235)**	**156,246,737**	**791,864,769**	**(839,624,555)**	**(47,759,786)**
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,731,723)	41,565,891	69,445,696	(86,829,091)	(17,383,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	9,500,298	(2,533,349)	6,966,949	6,195,734	(13,413,842)	(7,218,108)
Others	39,164,935	(44,462,997)	(5,298,062)	130,390,595	(135,334,837)	(4,944,242)
	97,962,847	**(54,728,069)**	**43,234,778**	**206,032,025**	**(235,577,770)**	**(29,545,745)**
Investments not allocated						
Financial assets and liabilities held for trading	16,694,033	(11,189,576)	5,504,457	52,840,588	(56,874,598)	(4,034,010)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	118,094	(2,181,364)	(2,063,270)	55,847	(44,950)	10,897
Others	2,957,267	-	2,957,267	-	-	-
	19,769,394	**(13,370,940)**	**6,398,454**	**52,896,435**	**(56,919,548)**	**(4,023,113)**
	446,475,213	**(240,595,244)**	**205,879,969**	**1,050,793,229**	**(1,132,121,873)**	**(81,328,644)**

40. Exchange Differences

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Investments allocated to technical provisions for life insurance		
Financial assets held for trading	(1,721,685)	(1,735,182)
Financial assets initially recognised		
at fair value through profit or loss	(2,665,476)	1,446,002
Available-for-sale investments	(56,797,985)	14,290,983
Loans and accounts receivable	(5,325,898)	1,544,633
Sight Deposits	495,999	(1,256,939)
Others	6,647	(44,556)
	(66,008,398)	**14,244,941**
Investments related to contracts considered		
for accounting purposes as investment contracts		
Financial assets held for trading	(3,974,818)	(3,968,620)
Financial assets initially recognised		
at fair value through profit or loss	(6,894,025)	716,302
Available-for-sale investments	(127,830,385)	19,590,088
Loans and accounts receivable	(4,071,592)	946,368
Sight Deposits	4,321,062	(432,336)
Others	(2,464,857)	(3,580,468)
	(140,914,615)	**13,271,334**
	(206,923,013)	**27,516,275**
Investments allocated to technical provisions for non-life insurance		
Financial assets held for trading	(1,362,854)	(1,096,369)
Financial assets initially recognised		
at fair value through profit or loss	(12,421,178)	5,343,074
Available-for-sale investments	(26,273,803)	572,871
Loans and accounts receivable	(1,725,979)	3,247,659
Sight Deposits	9,412,675	4,604,595
Others	(894,619)	(1,315,736)
	(33,265,758)	**11,356,094**
Investments not allocated		
Financial assets held for trading	(104,765)	(147,686)
Financial assets initially recognised		
at fair value through profit or loss	(64,457)	(1,332)
Available-for-sale investments	(3,619,465)	(603)
Loans and accounts receivable	(4,450,713)	(731,132)
Sight Deposits	(18,148,605)	3,225,960
Others	(13)	2
	(26,388,018)	**2,345,209**
	(266,576,789)	**41,217,578**

41. 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 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
Realised gains and losses	**Gains**	**Losses**	**Net**	**Gains**	**Losses**	**Net**
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	21,023	-	21,023	55,493	(62,642)	(7,149)
	4,286,223	**-**	**4,286,223**	**55,493**	**(62,642)**	**(7,149)**
Investments not allocated						
Investment properties	4,590,363	(17,770)	4,572,593	25,026,539	-	25,026,539
Investments in associates and joint ventures	24,152	(5,984)	18,168	-	-	-
	4,614,515	**(23,754)**	**4,590,761**	**25,026,539**	**-**	**25,026,539**
	8,900,738	**(23,754)**	**8,876,984**	**25,082,032**	**(62,642)**	**25,019,390**

(amounts in Euros)

	2017			2016		
Unrealised gains and losses	**Gains**	**Losses**	**Net (Note 10)**	**Gains**	**Losses**	**Net (Note 10)**
Investments allocated to technical provisions for life insurance						
Investment properties	-	(204,893)	(204,893)	-	-	-
	-	**(204,893)**	**(204,893)**	**-**	**-**	**-**
Investments allocated to technical provisions for non-life insurance						
Investment properties	38,167,817	(24,094,916)	14,072,901	21,220,121	(8,994,229)	12,225,892
	38,167,817	**(24,094,916)**	**14,072,901**	**21,220,121**	**(8,994,229)**	**12,225,892**
Investments not allocated						
Investment properties	40,819,087	(46,694,001)	(5,874,914)	59,891,204	(18,213,617)	41,677,587
	40,819,087	**(46,694,001)**	**(5,874,914)**	**59,891,204**	**(18,213,617)**	**41,677,587**
	78,986,904	**(70,993,810)**	**7,993,094**	**81,111,325**	**(27,207,846)**	**53,903,479**

(amounts in Euros)

Total	2017 Gains	2017 Losses	2017 Net	2016 Gains	2016 Losses	2016 Net
Investments allocated to technical provisions for life insurance						
Investment properties	-	(204,893)	(204,893)	-	-	-
	-	**(204,893)**	**(204,893)**	**-**	**-**	**-**
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	38,188,840	(24,094,916)	14,093,924	21,275,614	(9,056,871)	12,218,743
	42,454,040	**(24,094,916)**	**18,359,124**	**21,275,614**	**(9,056,871)**	**12,218,743**
Investments not allocated						
Investment properties	45,409,450	(46,711,771)	(1,302,321)	84,917,743	(18,213,617)	66,704,126
Investments in associates and joint ventures	24,152	(5,984)	18,168	-	-	-
	45,433,602	**(46,717,755)**	**(1,284,153)**	**84,917,743**	**(18,213,617)**	**66,704,126**
	87,887,642	**(71,017,564)**	**16,870,078**	**106,193,357**	**(27,270,488)**	**78,922,869**

42. Impairment Losses (Net of Reversals)

Information on impairment loss movements in 2017 and 2016 is set out below:

(amounts in Euros)

	2017 Opening balances	Increases	Recoveries and cancellations	Use	Others	Closing balances
Impairment of available-for-sale investments (Note 8)						
Debt instruments	160,681,702	23,333,685	(917,818)	(42,169,867)	-	140,927,702
Equity instruments	286,535,154	106,014,203	-	(78,517,403)	-	314,031,954
Other instruments	47,686,189	4,686,155	-	(14,248,470)	-	38,123,874
Impairment of loans and accounts receivable (Note 9)	1,238,964	145,811	(767,383)	-	-	617,392
Impairment of property for own use (Note 10)	11,237,416	2,080,972	(1,196,988)	(1,762,499)	-	10,358,901
Impairment of inventories (Note 13)	64,553	-	(79,479)	-	14,926	-
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	17,109,499	-	(7,029,138)	-	449,058	10,529,419
Value adjustments IFAP (Note 17)	484,133	-	(384,277)	-	-	99,856
Adjustments for doubtful debts (Note 17)	41,825,112	-	(3,222,858)	-	2,393,543	40,995,797
	567,819,723	**136,260,826**	**(13,597,941)**	**(136,698,239)**	**2,857,527**	**556,641,896**

(amounts in Euros)

	2016					
	Opening balances	Increases	Recoveries and cancellations	Use	Others	Closing balances
Impairment of available-for-sale investments (Note 8)						
Debt instruments	118,786,119	50,042,372	(8,103,178)	(43,611)	-	160,681,702
Equity instruments	149,669,620	143,828,126	-	(6,962,592)	-	286,535,154
Other instruments	62,956,577	3,969,378	-	(19,239,766)	-	47,686,189
Impairment of loans and accounts receivable (Note 9)	1,438,615	141,117	(340,768)	-	-	1,238,964
Impairment of property for own use (Note 10)	11,129,768	2,676,291	(362,670)	(2,205,973)	-	11,237,416
Impairment of inventories (Note 13)	3,343	79,479	(18,269)	-	-	64,553
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	14,320,357	3,557,719	-	(768,577)	-	17,109,499
Value adjustments IFAP (Note 17)	424,635	59,498	-	-	-	484,133
Adjustments for doubtful debts (Note 17)	44,792,353	-	(3,972,040)	(186,694)	1,191,493	41,825,112
	404,478,388	**204,353,980**	**(12,796,925)**	**(29,407,213)**	**1,191,493**	**567,819,723**

In 2017, the account heading "Impairment losses (net of reversals)" included allocations of "Other provisions" (Note 26), of EUR 88,288,591. In 2016, the account heading "Impairment losses (net of reversals)" included uses of "Other provisions" (Note 26), of EUR 6,827,042.

43. Other Technical Income/Expenses, Net of Reinsurance

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Related to life insurance						
Co-insurance management commissions	13,809	(16,752)	(2,943)	12,610	(21,730)	(9,120)
Pension fund management commissions	559,419	-	559,419	516,727	-	516,727
Others	53,034	(9,164)	43,870	21,047	(4,900)	16,147
	626,262	**(25,916)**	**600,346**	**550,384**	**(26,630)**	**523,754**
Related to non-life insurance						
Co-insurance management commissions	723,829	(468,895)	254,934	721,084	(235,923)	485,161
Others	3,707,723	(161,187)	3,546,536	482,721	(35,789)	446,932
	4,431,552	**(630,082)**	**3,801,470**	**1,203,805**	**(271,712)**	**932,093**
	5,057,814	**(655,998)**	**4,401,816**	**1,754,189**	**(298,342)**	**1,455,847**

44. Other Income/Expenses

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Non-current income and gains		
Tax rebates	4,036,049	1,042,425
Others	699,135	2,105,210
	4,735,184	**3,147,635**
Financial income and gains		
Interest obtained	998,535	307,737
Exchange rate gains	67,574,315	30,622,285
Cash discounts	1,083,368	770,697
Others	230,305	887,865
	69,886,523	**32,588,584**
Income from other assets		
Gains on other tangible assets	39,869	168,771
	39,869	**168,771**
Gains with pension plans		
Pension funds management fees (Macao Branch Life)	11,880	13,388
Other Gains	19,026	-
	30,906	**13,388**
Other non-technical income		
Adjustments to balances	177,764	101,672
Provisions of services	439,436,196	422,556,162
	439,613,960	**422,657,834**
Non-current expenses and losses		
Donations	(549,292)	(163,345)
Sponsorship	(764,285)	(661,038)
Gifts to clients	(272,391)	(49,731)
Fines and penalties	(43,638)	(54,373)
Miscellaneous contributions	(289,358)	(216,191)
Insufficient tax estimate	(689,668)	(3,221,601)
Corrections to previous years	(490,408)	(614,195)
Bad debts	(1,847,831)	(4,357,474)
Adjustments to balances	(301,904)	(534,421)
Others	(1,180,519)	(1,369,435)
	(6,429,294)	**(11,241,804)**

(continuation)

(amounts in Euros)

	2017	2016
Financial expenses and losses		
Interest paid	(98,947)	(28,209)
Exchange rate losses	(12,653,905)	(34,703,827)
Banking services	(441,440)	(557,477)
Others	(1,242,184)	(2,764,136)
	(14,436,476)	**(38,053,649)**
Losses in other assets		
Losses on intangible assets	(344,748)	-
Losses in other tangible assets	(426,947)	(203,016)
	(771,695)	**(203,016)**
Other non-technical expenses		
Allocation of non-technical expenses (Note 33)		
Employee costs	(119,914,577)	(112,082,992)
External supplies and services	(267,732,735)	(179,757,327)
Depreciation for the year	(33,323,200)	(25,120,139)
Interest	(5,936,117)	(4,328,174)
Others	(2,477,421)	(1,680,972)
	(429,384,050)	**(322,969,604)**
Cost of goods sold	**(4,067,177)**	**(73,501,198)**
	59,217,750	**12,606,941**

45. Gains and Losses of Associates and Joint Ventures (Equity Method)

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A.	235,524	886
Highgrove - Investimentos e Participações, SGPS, S.A.	(20,951)	(33,752)
Genomed - Diagnósticos de Medicina Molecular, S.A.	50,766	38,973
Madison 30 31 JV LLC	148,319	(6,269,580)
	413,658	**(6,263,473)**

46. 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:
Life	
Risk	Risk
Capitalisation with profit sharing	Capitalisation with profit sharing
Financial liabilities	Financial liabilities
Non-Life	
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
• Rest of the World

The distribution of income by lines of business and geographical markets in 2017 and 2016 was as follows:

2017

(amounts in Euros)

	Insurance Segment Life	Insurance Segment Non-life	Insurance Segment Not allocated	Health segment	Consolidation adjustments	Total
Gains and losses						
Earned premiums net of reinsurance	430,637,172	1,190,344,911	-	-	7,156,672	1,628,138,755
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,943,122	-	-	-	-	1,943,122
Claims costs, net of reinsurance	(293,309,453)	(966,026,355)	-	(42,842,329)	90,882,684	(1,211,295,453)
Other technical provisions, net of reinsurance	(3,149,741)	(1,482,353)	-	-	-	(4,632,094)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(78,268,910)	(4,011,479)	-	-	3,806,200	(78,474,189)
Operating costs and expenses, net	(79,766,391)	(300,667,833)	(116,963)	-	(8,074,297)	(388,625,484)
Financial income	245,424,403	74,209,470	201,770,496	44,468	(95,636,980)	425,811,857
Financial expenses and net income on financial assets and liabilities	53,117,629	117,856,729	(86,610,471)	10,306	12,350,737	96,724,930
Impairment losses (net of reversals)	(81,422,015)	1,583,596	(92,276,207)	(716,928)	(38,119,922)	(210,951,476)
Other income/expenses and negative goodwill	602,877	38,607,133	4,603,016	57,747,879	(37,527,681)	64,033,224
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	791,078	-	-	791,078
Current income tax	(25,848,723)	(36,584,095)	(9,404,514)	(2,881,161)	(16,208,264)	(90,926,757)
Non-controlling interests	-	-	-	(160,462)	(38,125,808)	(38,286,270)
	169,959,970	**113,829,724**	**18,756,435**	**11,201,773**	**(119,496,659)**	**194,251,243**
Assets						
Cash and cash equivalents and sight deposits	135,187,761	44,798,902	358,970,617	57,789,386	-	596,746,666
Investments in associates and joint ventures	1,713,213,998	201,048,186	2,836,181,294	356,403	(4,749,293,561)	1,506,320
Financial assets held for trading	37,070,438	9,676,129	20,548,387	-	(14,157,024)	53,137,930
Financial assets initially recognised at fair value through profit or loss	367,588,330	148,036,457	291,844,687	405,121	-	807,874,595
Hedge derivatives	10,668,392	4,254,201	13,255,784	-	-	28,178,377
Available-for-sale assets	9,068,104,938	1,775,763,080	558,183,657	24,150	(509,174,873)	10,892,900,952
Loans and accounts receivable	834,060,082	175,260,951	465,574,498	597,397	(292,811,555)	1,182,681,373
Properties	6,242,967	195,598,985	1,328,457,937	316,359,086	2,948,527	1,849,607,502
Other tangible and intangible assets	6,008,844	23,983,649	652,097	55,013,624	-	85,658,214
Goodwill	-	-	-	122,353,167	334,974,596	457,327,763
Technical provisions for reinsurance ceded	22,040,468	410,480,872	-	-	(153,675,684)	278,845,656
Asset for post-employment and other long-term benefits	-	-	12,344,589	-	-	12,344,589
Other debtors for insurance and other operations	56,173,277	247,405,148	237,158,640	121,257,547	107,361,760	769,356,372
Tax assets	139,080,759	102,240,584	23,893,556	9,593,911	(1,205,760)	273,603,050
Accruals and deferrals	14,880,626	3,448,835	6,203,036	47,704,448	711,259	72,948,204
Non-current assets held for sale	-	28,554,471	296,654,538	-	1,848,032	327,057,041
	12,410,320,880	**3,370,550,450**	**6,449,923,317**	**731,454,240**	**(5,272,474,283)**	**17,689,774,604**
Liabilities						
Provision for unearned premiums	1,542,378	313,395,237	-	-	(28,376,408)	286,561,207
Mathematical provision for life insurance	1,762,942,406	-	-	-	-	1,762,942,406
Claims provision	132,483,735	1,886,823,072	-	-	(138,158,305)	1,881,148,502
Provision for profit sharing	110,749,827	313	-	-	-	110,750,140
Provision for interest rate commitments	7,520,800	-	-	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	-	-	24,405,064
Equalisation provision	-	25,630,188	-	-	-	25,630,188
Provision for unexpired risks	-	49,222,515	-	-	-	49,222,515
Financial liabilities	8,593,120,341	129,598,797	326,749,762	299,541,758	(88,166,269)	9,260,844,389
Liabilities for post-employment and other long-term benefits	-	291,812	83,417	-	-	375,229
Other creditors for insurance and other operations	26,895,092	180,323,831	471,876,429	52,226,346	(95,372,852)	635,948,846
Tax liabilities	166,679,173	88,616,623	64,346,939	24,039,401	(5,691,668)	337,990,468
Accruals and deferrals	33,489,858	60,681,845	15,318,496	61,777,424	(535,111)	170,732,512
Other provisions	-	71,148,466	133,529,870	9,998,610	-	214,676,946
Liabilities from a group for disposal classified as held for sale	-	22,403,343	4,484,740	-	-	26,888,083
	10,859,828,673	**2,828,136,042**	**1,016,389,653**	**447,583,539**	**(356,300,613)**	**14,795,637,294**
Total segments						**2,699,886,067**
Shareholders' equity, reserves, retained earnings and non-controlling interests						**2,699,886,067**

2017

(amounts in Euros)

	Life			
	Risk	Capitalisation with profit sharing	Financial liabilities	Total
Gains and losses				
Earned premiums net of reinsurance	175,764,791	254,872,381	-	430,637,172
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	1,943,122	1,943,122
Claims costs, net of reinsurance	(95,015,027)	(198,294,320)	(106)	(293,309,453)
Other technical provisions, net of reinsurance	(2,654,181)	(495,560)	-	(3,149,741)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(848,988)	(77,419,922)	-	(78,268,910)
Operating costs and expenses, net	(24,994,078)	(9,482,328)	(45,289,985)	(79,766,391)
Financial income	9,179,074	46,222,854	190,022,475	245,424,403
Financial expenses and net income on financial assets and liabilities	(622,654)	6,437,164	47,303,119	53,117,629
Impairment losses (net of reversals)	2,573,094	(177,498)	(83,817,611)	(81,422,015)
Other income/expenses and negative goodwill	595,434	255	7,188	602,877
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-
Current income tax	(8,426,139)	(3,045,992)	(14,376,592)	(25,848,723)
Non-controlling interests	-	-	-	-
	55,551,326	**18,617,034**	**95,791,610**	**169,959,970**
Assets				
Cash and cash equivalents and sight deposits	6,043,212	33,024,022	96,120,527	135,187,761
Investments in associates and joint ventures	88,305,834	-	1,624,908,164	1,713,213,998
Financial assets held for trading	1,295,932	5,721,352	30,053,154	37,070,438
Financial assets initially recognised at fair value through profit or loss	2,132,229	82,326,724	283,129,377	367,588,330
Hedge derivatives	83,774	251,956	10,332,662	10,668,392
Available-for-sale assets	283,780,824	1,314,712,978	7,469,611,136	9,068,104,938
Loans and accounts receivable	74,146,444	349,854,033	410,059,605	834,060,082
Properties	6,113,733	129,234	-	6,242,967
Other tangible and intangible assets	2,781,057	625,483	2,602,304	6,008,844
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	22,040,468	-	-	22,040,468
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	7,705,965	10,947,145	37,520,167	56,173,277
Tax assets	10,539,807	5,874,884	122,666,068	139,080,759
Accruals and deferrals	282,583	1,742,333	12,855,710	14,880,626
Non-current assets held for sale	-	-	-	-
	505,251,862	**1,805,210,144**	**10,099,858,874**	**12,410,320,880**
Liabilities				
Provision for unearned premiums	1,521,893	20,485	-	1,542,378
Mathematical provision for life insurance	210,342,988	1,552,599,417	-	1,762,942,405
Claims provision	111,028,598	21,455,137	-	132,483,735
Provision for profit sharing	34,346,573	76,403,254	-	110,749,827
Provision for interest rate commitments	-	7,520,800	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	24,405,064
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	3,823,879	21	8,589,296,441	8,593,120,341
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	7,466,033	3,334,754	16,094,305	26,895,092
Tax liabilities	4,501,822	2,945,647	159,231,704	166,679,173
Accruals and deferrals	5,109,463	3,649,819	24,730,576	33,489,858
Other provisions	-	-	-	-
Liabilities from a group for disposal classified as held for sale	-	-	-	-
	402,546,313	**1,667,929,334**	**8,789,353,026**	**10,859,828,673**

2017

(amounts in Euros)

	Non-life							
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	Total
Gains and losses								
Earned premiums net of reinsurance	177,264,786	285,916,734	172,137,113	450,445,270	8,908,720	26,751,346	68,920,942	1,190,344,911
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(185,031,061)	(233,617,825)	(133,441,110)	(347,208,518)	(2,684,846)	(9,847,177)	(54,195,818)	(966,026,355)
Other technical provisions, net of reinsurance	10,169,540	(192,776)	(6,423,497)	(4,596,247)	(12,641)	(539,041)	112,309	(1,482,353)
Mathematical provision for life insurance and profit sharing, net of reinsurance	-	-	(190,792)	-	-	-	(3,820,687)	(4,011,479)
Operating costs and expenses, net	(38,571,223)	(52,202,552)	(59,363,929)	(128,501,235)	(3,012,360)	(9,919,528)	(9,097,006)	(300,667,833)
Financial income	27,091,481	5,955,293	11,116,022	22,557,971	489,342	3,847,330	3,152,031	74,209,470
Financial expenses and net income on financial assets and liabilities	38,727,123	5,749,329	19,228,372	43,063,355	984,914	7,823,756	2,279,880	117,856,729
Impairment losses (net of reversals)	(65,280)	1,159,080	(726,606)	2,707,072	(244,303)	(173,256)	(1,073,111)	1,583,596
Other income/expenses and negative goodwill	282,082	572,801	10,993,826	25,222,729	(3,429)	(71,641)	1,610,765	38,607,133
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	-	-	-
Current income tax	(6,331,618)	(4,795,071)	(6,383,361)	(13,356,518)	(588,777)	(2,453,697)	(2,675,053)	(36,584,095)
Non-controlling interests	-	-	-	-	-	-	-	-
	23,535,830	**8,545,013**	**6,946,038**	**50,333,879**	**3,836,620**	**15,418,092**	**5,214,252**	**113,829,724**
Assets								
Cash and cash equivalents and sight deposits	4,744,056	20,502,756	7,690,135	3,354,806	36,739	153,543	8,316,867	44,798,902
Investments in associates and joint ventures	88,079,127	8,838,373	24,801,400	65,395,629	1,425,244	9,640,749	2,867,664	201,048,186
Financial assets held for trading	3,617,944	419,395	1,731,823	3,146,913	68,277	513,507	178,270	9,676,129
Financial assets initially recognised at fair value through profit or loss	37,405,613	8,422,025	25,425,834	63,551,810	1,367,328	9,424,975	2,438,872	148,036,457
Hedge derivatives	1,671,760	201,276	570,589	1,504,486	32,790	221,798	51,502	4,254,201
Available-for-sale assets	786,707,629	101,055,315	229,651,363	494,229,870	9,439,352	68,926,689	85,752,862	1,775,763,080
Loans and accounts receivable	21,450,676	80,056,668	31,771,483	34,103,995	395,765	3,367,739	4,114,625	175,260,951
Properties	7,191,849	18,467,015	52,992,696	96,273,398	2,364,733	15,772,685	2,536,609	195,598,985
Other tangible and intangible assets	2,804,695	2,964,071	5,420,020	10,747,065	199,882	737,111	1,110,805	23,983,649
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	4,700,166	81,466,982	267,356,908	13,553,434	8,240,914	17,022,343	18,140,125	410,480,872
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	23,439,303	94,988,753	67,124,772	43,229,669	3,397,838	8,484,277	6,740,536	247,405,148
Tax assets	17,946,592	7,262,262	19,233,558	46,079,269	1,336,010	7,322,440	3,060,453	102,240,584
Accruals and deferrals	280,095	629,082	885,758	1,117,920	17,700	81,599	436,681	3,448,835
Non-current assets held for sale	6,574,603	1,713,176	4,856,392	12,804,978	279,079	1,887,767	438,476	28,554,471
	1,006,614,108	**426,987,149**	**739,512,731**	**889,093,242**	**28,601,651**	**143,557,222**	**136,184,347**	**3,370,550,450**
Liabilities								
Provision for unearned premiums	12,318,654	54,946,119	82,331,516	145,363,621	1,756,142	9,029,805	7,649,380	313,395,237
Mathematical provision for life insurance	-	-	-	-	-	-	-	-

(continuation) (amounts in Euros)

	Non-life							
	Workers' compensation	**Health**	**Property**	**Motor**	**Transported goods**	**Third party liability**	**Other**	**Total**
Claims provision	836,637,300	118,335,594	322,616,630	453,808,494	12,761,071	100,247,978	42,416,005	1,886,823,072
Provision for profit sharing	-	-	-	-	-	-	313	313
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	25,510,356	58,151	-	61,681	-	25,630,188
Provision for unexpired risks	6,113,713	192,776	7,696,953	34,142,713	13,085	950,506	112,769	49,222,515
Financial liabilities	804,403	73,161,077	30,606,070	5,793,388	625,555	1,760,763	16,847,541	129,598,797
Liabilities for post-employment and other long-term benefits	-	3,854	-	2,249	-	-	285,709	291,812
Other creditors for insurance and other operations	15,143,389	44,353,538	68,010,464	19,901,493	2,173,490	6,190,618	24,550,839	180,323,831
Tax liabilities	27,996,989	5,566,801	14,946,886	33,482,102	617,231	3,834,306	2,172,308	88,616,623
Accruals and deferrals	7,901,753	10,559,249	12,084,379	24,746,150	590,787	1,747,256	3,052,271	60,681,845
Other provisions	70,775,507	60,000	-	109,003	-	-	203,956	71,148,466
Liabilities from a group for disposal classified as held for sale	10,085,974	960,052	2,721,489	7,175,823	156,394	1,057,892	245,719	22,403,343
	987,777,682	**308,139,060**	**566,524,743**	**724,583,187**	**18,693,755**	**124,880,805**	**97,536,810**	**2,828,136,042**

2016

(amounts in Euros)

	Insurance segment Life	Non-life	Not allocated	Health segment	Consolidation adjustments	Total
Gains and losses						
Earned premiums net of reinsurance	320,974,184	1,087,971,098	-	-	10,389,622	1,419,334,904
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,551,811	-	-	-	-	2,551,811
Claims costs, net of reinsurance	(257,103,250)	(826,891,254)	-	(39,643,456)	73,784,399	(1,049,853,561)
Other technical provisions, net of reinsurance	2,122,570	10,015,910	-	-	-	12,138,480
Mathematical provision for life insurance and profit sharing, net of reinsurance	(13,935,835)	(3,278,535)	-	-	3,248,751	(13,965,619)
Operating costs and expenses, net	(87,487,586)	(287,765,925)	(88,477)	-	(11,894,277)	(387,236,265)
Financial income	260,301,479	62,480,100	86,317,578	4,070	(16,258,012)	392,845,215
Financial expenses and net income on financial assets and liabilities	(15,907,021)	37,666,268	52,367,699	(604,122)	(6,039,928)	67,482,896
Impairment losses (net of reversals)	(143,004,673)	(47,093,520)	(61,471,811)	(440,753)	67,280,744	(184,730,013)
Other income/expenses and negative goodwill	593,540	38,292,244	(3,588,570)	59,568,184	(62,250,263)	32,615,135
Current income tax	(13,243,303)	(31,428,025)	(19,531,335)	(4,371,062)	(822,245)	(69,395,970)
Non-controlling interests	-	-	-	402,649	(35,915,115)	(35,512,466)
	55,861,916	**39,968,361**	**54,005,084**	**14,915,510**	**21,523,676**	**186,274,547**
Assets						
Cash and cash equivalents and sight deposits	438,013,760	70,686,171	448,632,700	41,089,142	-	998,421,773
Investments in associates and joint ventures	1,590,118,809	209,290,911	3,180,573,712	335,036	(4,863,311,651)	117,006,817
Financial assets held for trading	6,481,688	1,288,679	36,195,705	-	(36,195,704)	7,770,368
Financial assets initially recognised at fair value through profit or loss	586,662,909	79,631,321	316,814	-	-	666,611,044
Hedge derivatives	2,606,399	2,064,457	-	-	18,097,852	22,768,708
Available-for-sale assets	7,708,512,149	1,505,867,570	145,590,989	224,987	(129,057,538)	9,231,138,157
Loans and accounts receivable	649,775,761	334,736,498	366,146,832	687,397	(340,175,798)	1,011,170,690
Properties	2,450,551	362,868,661	1,489,191,146	296,112,133	36,104,714	2,186,727,205
Other tangible and intangible assets	5,600,168	24,660,164	33,982,763	48,968,252	(33,288,221)	79,923,126
Goodwill	-	-	-	110,506,459	335,880,949	446,387,408
Technical provisions for reinsurance ceded	21,432,659	258,982,920	-	-	(99,020,553)	181,395,026
Asset for post-employment and other long-term benefits	-	-	8,739,168	-	-	8,739,168
Other debtors for insurance and other operations	167,501,577	206,453,421	322,362,490	117,035,466	(25,312,991)	788,039,963
Tax assets	184,687,511	197,432,853	121,787,846	8,905,286	(7,267,298)	505,546,198
Accruals and deferrals	14,540,685	5,976,954	5,451,920	43,481,869	(1,887,125)	67,564,303
	11,378,384,626	**3,259,940,580**	**6,158,972,085**	**667,346,027**	**(5,145,433,364)**	**16,319,209,954**
Liabilities						
Provision for unearned premiums	1,567,237	332,669,186	-	-	(45,464,035)	288,772,388
Mathematical provision for life insurance	1,648,505,455	-	-	-	-	1,648,505,455
Claims provision	121,052,056	1,684,746,344	-	-	(60,851,310)	1,744,947,090
Provision for profit sharing	68,711,511	314	-	-	-	68,711,825
Provision for interest rate commitments	7,025,239	-	-	-	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	-	-	21,750,883
Equalisation provision	-	24,056,289	-	-	-	24,056,289
Provision for unexpired risks	-	49,354,458	-	-	-	49,354,458
Financial liabilities	8,316,314,310	116,190,922	362,280,513	254,112,420	(88,414,718)	8,960,483,447
Liabilities for post-employment and other long-term benefits	-	366,936	72,273	-	-	439,209
Other creditors for insurance and other operations	50,686,746	141,969,538	618,595,383	53,651,225	(287,015,333)	577,887,559
Tax liabilities	60,776,502	112,396,956	183,416,198	24,861,346	(8,818,739)	372,632,263
Accruals and deferrals	32,932,737	54,921,387	20,081,525	54,922,074	(390,525)	162,467,198
Other provisions	-	71,873,143	60,232,076	8,427,083	-	140,532,302
	10,329,322,676	**2,588,545,473**	**1,244,677,968**	**395,974,148**	**(490,954,660)**	**14,067,565,605**
Total segments						**2,065,369,802**
Shareholders' equity, reserves, retained earnings and non-controlling interests						**2,065,369,802**

2016

(amounts in Euros)

	Life			
	Risk	Capitalisation with profit sharing	Financial liabilities	Total
Gains and losses				
Earned premiums net of reinsurance	179,112,016	141,862,168	-	320,974,184
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	2,551,811	2,551,811
Claims costs, net of reinsurance	(83,179,961)	(173,923,289)	-	(257,103,250)
Other technical provisions, net of reinsurance	3,521,275	(1,398,705)	-	2,122,570
Mathematical provision for life insurance and profit sharing, net of reinsurance	(5,399,128)	(8,536,707)	-	(13,935,835)
Operating costs and expenses, net	(30,038,434)	(9,569,428)	(47,879,724)	(87,487,586)
Financial income	8,172,925	43,319,353	208,809,201	260,301,479
Financial expenses and net income on financial assets and liabilities	5,336,396	7,303,677	(28,547,094)	(15,907,021)
Impairment losses (net of reversals)	(889,036)	(1,082,270)	(141,033,367)	(143,004,673)
Other income/expenses and negative goodwill	506,944	72,028	14,568	593,540
Current income tax	(10,486,947)	(676,530)	(2,079,826)	(13,243,303)
Non-controlling interests	-	-	-	-
	66,656,050	**(2,629,703)**	**(8,164,431)**	**55,861,916**
Assets				
Cash and cash equivalents and sight deposits	40,508,699	162,606,708	234,898,353	438,013,760
Investments in associates and joint ventures	94,995,235	-	1,495,123,574	1,590,118,809
Financial assets held for trading	333,966	1,928,725	4,218,997	6,481,688
Financial assets initially recognised at fair value through profit or loss	2,093,808	37,791,668	546,777,433	586,662,909
Hedge derivatives	1,233	-	2,605,166	2,606,399
Available-for-sale assets	272,675,837	1,421,306,145	6,014,530,167	7,708,512,149
Loans and accounts receivable	11,856,038	67,231,489	570,688,234	649,775,761
Properties	1,878,875	571,676	-	2,450,551
Other tangible and intangible assets	2,478,258	782,703	2,339,207	5,600,168
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	21,432,659	-	-	21,432,659
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	34,360,370	5,292,402	127,848,805	167,501,577
Tax assets	31,356,216	2,918,379	150,412,916	184,687,511
Accruals and deferrals	292,756	766,148	13,481,781	14,540,685
	514,263,950	**1,701,196,043**	**9,162,924,633**	**11,378,384,626**
Liabilities				
Provision for unearned premiums	1,549,119	18,118	-	1,567,237
Mathematical provision for life insurance	210,169,841	1,438,335,614	-	1,648,505,455
Claims provision	101,343,400	19,708,656	-	121,052,056
Provision for profit sharing	32,164,348	36,547,163	-	68,711,511
Provision for interest rate commitments	-	7,025,239	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	21,750,883
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	4,584,477	1,863,273	8,309,866,560	8,316,314,310
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	11,158,058	16,670,425	22,858,263	50,686,746
Tax liabilities	3,574,954	3,867,054	53,334,494	60,776,502
Accruals and deferrals	4,632,529	3,179,578	25,120,630	32,932,737
Other provisions	-	-	-	-
	390,927,609	**1,527,215,120**	**8,411,179,947**	**10,329,322,676**

2016

(amounts in Euros)

	Non-life							
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	Total
Gains and losses								
Earned premiums net of reinsurance	154,680,930	248,170,335	162,788,443	429,167,270	7,975,829	24,355,326	60,832,965	1,087,971,098
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(159,719,458)	(199,400,246)	(82,597,763)	(330,808,903)	(1,988,701)	(10,601,640)	(41,774,543)	(826,891,254)
Other technical provisions, net of reinsurance	8,830,841	3,669,909	(1,195,370)	(2,001,889)	38,842	624,791	48,786	10,015,910
Mathematical provision for life insurance and profit sharing, net of reinsurance	(12,375)	(7,284)	(12,792)	(1,619)	-	7,656	(3,252,121)	(3,278,535)
Operating costs and expenses, net	(36,403,737)	(39,883,771)	(66,133,444)	(125,943,720)	(2,267,519)	(10,684,352)	(6,449,382)	(287,765,925)
Financial income	20,750,969	4,899,454	9,104,145	21,160,859	550,467	3,660,382	2,353,824	62,480,100
Financial expenses and net income on financial assets and liabilities	(238,598)	3,221,392	9,427,759	21,131,442	614,687	4,015,238	(505,652)	37,666,268
Impairment losses (net of reversals)	(10,674,800)	(5,043,330)	(6,692,649)	(19,348,346)	(273,962)	(2,796,491)	(2,263,942)	(47,093,520)
Other income/expenses and negative goodwill	243,145	698,128	11,399,311	24,338,192	(585)	2,752	1,611,301	38,292,244
Current income tax	(1,092,890)	(4,699,832)	(10,293,029)	(10,441,545)	(743,560)	(1,931,264)	(2,225,905)	(31,428,025)
Non-controlling interests	-	-	-	-	-	-	-	-
	(23,635,973)	**11,624,755**	**25,794,611**	**7,251,741**	**3,905,498**	**6,652,398**	**8,375,331**	**39,968,361**
Assets								
Cash and cash equivalents and sight deposits	5,442,282	27,399,686	8,006,808	16,540,975	146,227	1,322,462	11,827,731	70,686,171
Investments in associates and joint ventures	96,321,852	8,129,593	22,604,707	68,890,446	1,081,673	9,772,064	2,490,576	209,290,911
Financial assets held for trading	802,035	32,287	113,882	284,400	4,477	43,941	7,657	1,288,679
Financial assets initially recognised at fair value through profit or loss	48,101,219	2,213,326	6,354,083	19,172,115	298,503	2,715,844	776,231	79,631,321
Hedge derivatives	-	147,868	415,740	1,266,993	19,894	179,725	34,237	2,064,457
Available-for-sale assets	671,418,523	86,615,847	155,011,662	460,451,755	6,372,217	60,707,405	65,290,161	1,505,867,570
Loans and accounts receivable	50,964,920	91,885,983	48,521,996	118,629,246	1,537,016	14,672,270	8,525,067	334,736,498
Properties	87,613,490	18,831,856	54,126,846	172,008,275	2,854,991	24,150,974	3,282,229	362,868,661
Other tangible and intangible assets	2,714,887	2,584,260	5,174,174	11,563,737	137,367	1,194,478	1,291,261	24,660,164
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	1,805,621	72,389,310	115,575,045	29,407,559	4,344,920	19,564,305	15,896,160	258,982,920
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	31,223,136	48,172,994	57,683,433	45,391,340	9,346,841	6,543,381	8,092,296	206,453,421
Tax assets	58,060,628	14,142,202	37,516,438	66,625,353	2,406,615	10,157,643	8,523,974	197,432,853
Accruals and deferrals	385,330	593,924	1,054,047	3,438,939	17,187	107,091	380,436	5,976,954
	1,054,853,923	**373,139,136**	**512,158,861**	**1,013,671,133**	**28,567,928**	**151,131,583**	**126,418,016**	**3,259,940,580**
Liabilities								
Provision for unearned premiums	11,854,408	49,638,675	84,747,149	148,928,971	1,617,922	8,981,931	26,900,130	332,669,186
Mathematical provision for life insurance	-	-	-	-	-	-	-	-

(continuation) (amounts in Euros)

	Non-life							
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	Total
Claims provision	801,563,413	102,296,343	156,141,980	476,177,896	9,608,886	102,869,169	36,088,657	1,684,746,344
Provision for profit sharing	-	-	-	-	-	-	314	314
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	23,948,910	45,698	-	61,681	-	24,056,289
Provision for unexpired risks	16,283,252	-	2,843,901	29,587,736	444	411,465	227,660	49,354,458
Financial liabilities	1,451,213	69,592,526	21,338,668	5,906,289	1,156,657	1,694,377	15,051,192	116,190,922
Liabilities for post-employment and other long-term benefits	-	3,382	-	1,345	-	-	362,209	366,936
Other creditors for insurance and other operations	12,507,282	42,660,894	29,566,089	28,291,036	11,507,086	7,653,830	9,783,321	141,969,538
Tax liabilities	55,166,112	5,056,480	13,886,126	32,737,605	501,090	3,471,329	1,578,214	112,396,956
Accruals and deferrals	7,675,522	7,436,133	12,107,181	22,541,201	475,558	1,955,496	2,730,296	54,921,387
Other provisions	71,226,740	201,122	-	156,215	-	-	289,066	71,873,143
	977,727,942	**276,885,555**	**344,580,004**	**744,373,992**	**24,867,643**	**127,099,278**	**93,011,059**	**2,588,545,473**

Geographical markets

2017

(amounts in Euros)

	Geographical segment						
	Portugal	Rest of European Union	Africa	Asia	Rest of World	Consolidation adjustments	Total
Gains and losses							
Earned premiums net of reinsurance	1,495,930,524	53,060,509	57,097,208	14,893,842	-	7,156,672	1,628,138,755
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,898,555	44,567	-	-	-	-	1,943,122
Claims costs, net of reinsurance	(1,208,669,913)	(41,434,893)	(34,724,715)	(17,348,616)	-	90,882,684	(1,211,295,453)
Other technical provisions, net of reinsurance	(5,548,353)	505,751	381,505	29,003	-	-	(4,632,094)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(83,600,133)	(6,862,679)	(1,495,168)	9,677,591	-	3,806,200	(78,474,189)
Operating costs and expenses, net	(334,149,808)	(19,913,592)	(23,859,783)	(2,628,004)	-	(8,074,297)	(388,625,484)
Financial income	402,451,376	84,266,480	2,891,702	25,757,183	6,082,096	(95,636,980)	425,811,857
Financial expenses and net income on financial assets and liabilities	128,757,644	(35,618,717)	(955,249)	(12,587,029)	4,777,544	12,350,737	96,724,930
Impairment losses (net of reversals)	(142,514,485)	(34,109,475)	3,715,113	77,293	-	(38,119,922)	(210,951,476)
Other income/expenses and negative goodwill	106,252,142	(4,483,338)	(961,896)	422,392	331,605	(37,527,681)	64,033,224
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	(1,454,211)	-	9,936	-	-	2,235,353	791,078
Current income tax	(91,570,795)	4,379,274	(871,217)	15,872,237	(2,527,992)	(16,208,264)	(90,926,757)
Non-controlling interests	(160,462)	-	-	-	-	(38,125,808)	(38,286,270)
	267,622,081	**(166,113)**	**1,227,436**	**34,165,892**	**8,663,253**	**(117,261,306)**	**194,251,243**
Assets							
Cash and cash equivalents and sight deposits	386,386,331	93,463,746	8,917,284	55,856,324	52,122,981	-	596,746,666
Investments in associates and joint ventures	4,390,080,628	271,962,149	716	88,756,388	-	(4,749,293,561)	1,506,320
Financial assets held for trading	65,341,175	1,953,779	-	-	-	(14,157,024)	53,137,930
Financial assets initially recognised at fair value through profit or loss	522,977,593	284,897,002	-	-	-	-	807,874,595
Hedge derivatives	26,845,487	1,332,890	-	-	-	-	28,178,377
Available-for-sale assets	10,349,456,319	1,048,878,234	3,741,272	-	-	(509,174,873)	10,892,900,952
Loans and accounts receivable	1,287,729,442	95,298,121	35,121,621	57,343,744	-	(292,811,555)	1,182,681,373
Properties	726,331,203	676,384,828	40,189,529	403,753,415	-	2,948,527	1,849,607,502
Other tangible and intangible assets	81,544,117	390,093	3,558,624	165,380	-	-	85,658,214
Goodwill	122,353,167	-	-	-	-	334,974,596	457,327,763
Technical provisions for reinsurance ceded	269,476,612	75,579,120	48,048,403	39,417,205	-	(153,675,684)	278,845,656
Asset for post-employment and other long-term benefits	12,344,589	-	-	-	-	-	12,344,589
Other debtors for insurance and other operations	412,678,347	156,178,509	89,775,545	2,001,982	9,226	107,361,760	768,005,369
Tax assets	264,526,946	(2,890,034)	57,331	-	-	(1,205,760)	260,488,483
Accruals and deferrals	69,936,391	1,643,843	497,336	159,375	-	711,259	72,948,204
Non-current assets held for sale	325,172,733	-	36,276	-	-	1,848,032	327,057,041
	19,313,181,080	**2,705,072,280**	**229,943,937**	**647,453,813**	**52,132,207**	**5,272,474,283)**	**17,675,309,034**
Liabilities							
Provision for unearned premiums	274,971,324	9,361,477	25,871,481	4,733,333	-	(28,376,408)	286,561,207
Mathematical provision for life insurance	1,401,724,831	335,317,345	3,311,176	22,589,054	-	-	1,762,942,406
Claims provision	1,826,092,166	85,684,786	61,055,170	46,474,685	-	(138,158,305)	1,881,148,502

(continuation) (amounts in Euros)

	Geographical segment						
	Portugal	Rest of European Union	Africa	Asia	Rest of World	Consolidation adjustments	Total
Provision for profit sharing	106,225,541	4,488,054	4,599	31,946	-	-	110,750,140
Provision for interest rate commitments	7,451,488	69,312	-	-	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	-	-	-	24,405,064
Equalisation provision	25,588,287	34,137	-	7,764	-	-	25,630,188
Provision for unexpired risks	47,395,517	1,043,479	530,528	252,991	-	-	49,222,515
Financial liabilities	8,960,549,393	95,057,398	3,205,419	290,198,448	-	(88,166,269)	9,260,844,389
Liabilities for post-employment							
and other long-term benefits	375,229	-	-	-	-	-	375,229
Other creditors for insurance and other operations	258,767,114	340,543,566	102,171,522	27,517,607	970,887	(95,372,852)	634,597,844
Tax liabilities	300,819,267	12,185,670	987,042	11,165,507	5,410,083	(5,691,668)	324,875,901
Accruals and deferrals	159,626,333	7,761,245	3,479,228	377,488	23,329	(535,111)	170,732,512
Other provisions	211,655,745	1,063,334	1,957,867	-	-	-	214,676,946
Liabilities from a group for disposal							
classified as held for sale	26,888,083	-	-	-	-	-	26,888,083
	13,632,535,381	**892,609,803**	**202,574,032**	**403,348,823**	**6,404,299**	**(356,300,613)**	**14,781,171,725**
Total Segments							**2,699,886,067**
Shareholders' equity, reserves, retained earnings							
and non-controlling interests							**2,699,886,067**

2016

(amounts in Euros)

	Geographical segment				
	Portugal	Rest of European Union	Rest of World	Consolidation adjustments	Total
Gains and losses					
Earned premiums net of reinsurance	1,284,641,018	55,810,454	68,493,810	10,389,622	1,419,334,904
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,508,587	43,224	-	-	2,551,811
Claims costs, net of reinsurance	(1,052,351,783)	(36,601,325)	(34,684,852)	73,784,399	(1,049,853,561)
Other technical provisions, net of reinsurance	11,196,791	(598,878)	1,540,567	-	12,138,480
Mathematical provision for life insurance and profit sharing, net of reinsurance	8,310,322	(14,781,367)	(10,743,325)	3,248,751	(13,965,619)
Operating costs and expenses, net	(334,592,829)	(17,523,987)	(23,225,172)	(11,894,277)	(387,236,265)
Financial income	332,584,131	44,011,861	32,507,235	(16,258,012)	392,845,215
Financial expenses and net income on financial assets and liabilities	24,403,488	18,725,770	30,393,566	(6,039,928)	67,482,896
Impairment losses (net of reversals)	(230,779,364)	(2,643,982)	(18,587,411)	67,280,744	(184,730,013)
Other income/expenses and negative goodwill	84,380,453	8,312,540	2,172,405	(62,250,263)	32,615,135
Current income tax	(38,119,014)	(17,547,595)	(12,907,116)	(822,245)	(69,395,970)
Non-controlling interests	402,649	-	-	(35,915,115)	(35,512,466)
	92,584,449	**37,206,715**	**34,959,707**	**21,523,676**	**186,274,547**
Assets					
Cash and cash equivalents and sight deposits	627,450,304	117,263,030	253,708,439	-	998,421,773
Investments in associates and joint ventures	4,269,003,091	471,529,100	239,786,277	(4,863,311,651)	117,006,817
Financial assets held for trading	43,824,824	141,248	-	(36,195,704)	7,770,368
Financial assets initially recognised at fair value through profit or loss	660,374,636	6,236,408	-	-	666,611,044
Hedge derivatives	4,670,856	-	-	18,097,852	22,768,708
Available-for-sale assets	8,861,793,216	494,899,518	3,502,961	(129,057,538)	9,231,138,157
Loans and accounts receivable	1,158,784,754	37,696,210	154,865,524	(340,175,798)	1,011,170,690
Properties	928,501,190	689,041,907	533,079,394	36,104,714	2,186,727,205
Other tangible and intangible assets	108,186,856	997,693	4,026,798	(33,288,221)	79,923,126
Goodwill	110,506,459	-	-	335,880,949	446,387,408
Technical provisions for reinsurance ceded	197,712,710	47,937,087	34,765,782	(99,020,553)	181,395,026
Asset for post-employment and other long-term benefits	8,739,168	-	-	-	8,739,168
Other debtors for insurance and other operations	532,723,943	181,662,456	60,796,404	(25,312,991)	749,869,812
Tax assets	440,990,048	7,685,159	7,201,819	(7,267,298)	448,609,728
Accruals and deferrals	67,707,087	451,578	1,292,763	(1,887,125)	67,564,303
	18,020,969,142	**2,055,541,394**	**1,293,026,161**	**(5,145,433,364)**	**16,224,103,333**
Liabilities					
Provision for unearned premiums	296,689,966	12,152,476	25,393,981	(45,464,035)	288,772,388
Mathematical provision for life insurance	1,285,368,204	328,988,118	34,149,133	-	1,648,505,455
Claims provision	1,698,290,929	54,313,413	53,194,058	(60,851,310)	1,744,947,090
Provision for profit sharing	64,798,795	3,872,094	40,936	-	68,711,825
Provision for interest rate commitments	6,799,165	226,074	-	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	-	21,750,883
Equalisation provision	24,013,252	34,137	8,900	-	24,056,289
Provision for unexpired risks	46,728,702	1,392,468	1,233,288	-	49,354,458
Financial liabilities	8,636,164,463	89,377,675	323,356,027	(88,414,718)	8,960,483,447
Liabilities for post-employment and other long-term benefits	439,209	-	-	-	439,209
Other creditors for insurance and other operations	261,499,488	350,279,689	214,953,564	(287,015,333)	539,717,408
Tax liabilities	264,509,545	19,720,583	40,284,404	(8,818,739)	315,695,793
Accruals and deferrals	145,300,929	13,705,259	3,851,535	(390,525)	162,467,198
Other provisions	139,333,673	114,509	1,084,120	-	140,532,302
	12,891,687,203	**874,176,495**	**697,549,946**	**(490,954,660)**	**13,972,458,984**
Total Segments					**2,065,369,802**
Shareholders' equity, reserves, retained earnings and non-controlling interests					**2,065,369,802**

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.

47. 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 2017 and 2016 the Group's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2017

(amounts in Euros)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Holding Gaillon II (5)	Peak Reinsurance Company (5)
Assets				
Cash and cash equivalents	266,818,536	-	-	-
Financial assets held for trading	16,546	-	-	-
Financial assets initially recognised at fair value through profit or loss	23,094,445	-	-	-
Available-for-sale investments	-	60,936,040	102,753,909	-
Loans and accounts receivable	257,087,255	-	-	-
Technical provisions on reinsurance ceded	-	-	-	803,662
Accounts receivable for direct insurance operations	20,300	-	-	-
Accounts receivable for other operations	15,296	-	-	-
Accruals and deferrals	18,597	-	-	-
Liabilities				
Claims provision	-	-	-	55,972
Other financial liabilities	27,104,647	-	-	1,506,253
Accounts payable for direct insurance operations	3,301,899	-	-	-
Accounts payable for other reinsurance operations	-	-	-	2,195,175
Accounts payable for other operations	900,109	5,269,099	22,423	3,744
Accruals and deferrals	15,711,124	-	-	-
Gains and Losses				
Gross premiums written	(19,394)	-	-	-
Reinsurance ceded premiums	-	-	-	(8,988,278)
Provision for unearned premiums (change)	-	-	-	192,065
Provision for unearned premiums, reinsurers' share (change)	-	-	-	156,824
Claims costs, net of reinsurance	(290,922)	-	-	2,054,932
Operating costs and expenses, net	(37,179,619)	-	-	1,928,063
Financial income	5,524,538	-	5,274,510	-
Financial expenses	(3,449,646)	-	-	(3,842)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	247,551	336,940	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	3,228,574	-	-	-
Exchange differences	(3,258,772)	-	-	-
Impairment losses (net of reversals)	-	(407,798)	(52,456,684)	-
Other income/expenses	(182,753)	-	-	4,172

(continuation) (amounts in Euros)

	Xingtao Assets Limited (5)	BHF (ex. RHJ International, S.A.) (5)	Outros	Total
Assets				
Cash and cash equivalents	-	-	-	266,818,536
Financial assets held for trading	-	-	-	16,546
Financial assets initially recognised				
at fair value through profit or loss	-	-	-	23,094,445
Available-for-sale investments	270,317,250	-	-	434,007,199
Loans and accounts receivable	-	-	-	257,087,255
Technical provisions on reinsurance ceded	-	-	-	803,662
Accounts receivable for direct insurance operations	-	-	-	20,300
Accounts receivable for other operations	42,512	-	4,490,931	4,548,739
Accruals and deferrals	-	-	-	18,597
Liabilities				
Claims provision	-	-	-	55,972
Other financial liabilities	-	-	-	28,610,900
Accounts payable for direct insurance operations	-	-	-	3,301,899
Accounts payable for other reinsurance operations	-	-	-	2,195,175
Accounts payable for other operations	-	-	22,427	6,217,802
Accruals and deferrals	-	-	-	15,711,124
Gains and Losses				
Gross premiums written	-	-	-	(19,394)
Reinsurance ceded premiums	-	-	-	(8,988,278)
Provision for unearned premiums (change)	-	-	-	192,065
Provision for unearned premiums, reinsurers' share (change)	-	-	-	156,824
Claims costs, net of reinsurance	-	-	(274,384)	1,489,626
Operating costs and expenses, net	-	-	(136,268)	(35,387,824)
Financial income	9,328,853	-	680,973	20,808,874
Financial expenses	-	-	-	(3,453,488)
Net income on financial assets and liabilities				
not recognised at fair value through profit or loss	3,795	-	-	588,286
Net income on financial assets and liabilities				
recognised at fair value through profit or loss	-	-	-	3,228,574
Exchange differences	-	-	-	(3,258,772)
Impairment losses (net of reversals)	-	-	-	(52,864,482)
Other income/expenses	-	-	1,563	(177,018)

2016

(amounts in Euros)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Holding Gaillon II (5)	Peak Reinsurance Company (5)
Assets				
Cash and cash equivalents	241,107,005	-	-	-
Financial assets initially recognised				
at fair value through profit or loss	49,920,435	-	-	-
Available-for-sale investments	23,728,405	30,991,171	149,936,082	-
Loans and accounts receivable	77,301,205	-	-	-
Technical provisions on reinsurance ceded	-	-	-	159,793
Accounts receivable for direct insurance operations	1,786,052	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	68,299
Accounts receivable for other operations	34,612	-	-	-
Accruals and deferrals	18,497	-	-	-
Liabilities				
Provision for unearned premiums	-	-	-	192,065
Other financial liabilities	21,750,000	-	-	604,002
Accounts payable for direct insurance operations	4,610,738	-	-	-
Accounts payable for other reinsurance operations	-	-	-	692,814
Accounts payable for other operations	53,730	-	-	1,913
Accruals and deferrals	16,697,737	-	-	-
Gains and Losses				
Gross premiums written	-	-	-	254,596
Reinsurance ceded premiums	-	-	-	(6,565,330)
Provision for unearned premiums (change)	-	-	-	(192,065)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	9,216
Claims costs, net of reinsurance	(267,302)	-	-	2,110,821
Operating costs and expenses, net	(45,151,729)	-	-	1,132,840
Financial income	10,121,236	-	7,731,074	-
Financial expenses	(2,516,704)	-	-	-
Net income on financial assets and liabilities				
not recognised at fair value through profit or loss	15,234,109	-	-	-
Net income on financial assets and liabilities				
recognised at fair value through profit or loss	294,120	-	-	-
Exchange differences	2,366,818	-	-	-
Impairment losses (net of reversals)	-	(10,856,680)	-	-
Other income/expenses	(4,463,772)	-	-	-

(continuation) (amounts in Euros)

	Xingtao Assets Limited (5)	BHF (ex. RHJ International, S.A.) (5)	Outros	Total
Assets				
Cash and cash equivalents	-	-	-	241,107,005
Financial assets initially recognised				
at fair value through profit or loss	-	-	-	49,920,435
Available-for-sale investments	302,242,500	-	-	506,898,158
Loans and accounts receivable	-	-	30,100	77,331,305
Technical provisions on reinsurance ceded	-	-	-	159,793
Accounts receivable for direct insurance operations	-	-	-	1,786,052
Accounts receivable for other reinsurance operations	-	-	-	68,299
Accounts receivable for other operations	-	-	10,476,470	10,511,082
Accruals and deferrals	-	-	-	18,497
Liabilities				
Provision for unearned premiums	-	-	-	192,065
Other financial liabilities	-	-	-	22,354,002
Accounts payable for direct insurance operations	-	-	-	4,610,738
Accounts payable for other reinsurance operations	-	-	-	692,814
Accounts payable for other operations	-	-	23,223	78,866
Accruals and deferrals	-	-	-	16,697,737
Gains and Losses				
Gross premiums written	-	-	-	254,596
Reinsurance ceded premiums	-	-	-	(6,565,330)
Provision for unearned premiums (change)	-	-	-	(192,065)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	9,216
Claims costs, net of reinsurance	-	-	(390,532)	1,452,987
Operating costs and expenses, net	-	-	(306,149)	(44,325,038)
Financial income	21,168,883	-	-	39,021,193
Financial expenses	-	-	(996)	(2,517,700)
Net income on financial assets and liabilities				
not recognised at fair value through profit or loss	(10,197)	11,090,496	-	26,314,408
Net income on financial assets and liabilities				
recognised at fair value through profit or loss	-	-	-	294,120
Exchange differences	-	-	-	2,366,818
Impairment losses (net of reversals)	-	-	-	(10,856,680)
Other income/expenses	-	-	678,725	(3,785,047)

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 2017 were as follows:

(amounts in Euros)

Board of Directors	Fixed Remuneration	Capitalisation insurance Deferred receipt	Variable Remuneration *	Meal allowance	Health Insurance	Life Insurance
Lan KANG	-	-	-	-	-	-
Wai Lam William MAK	-	-	-	-	-	-

(amounts in Euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
Pedro Nunes de Almeida	5,874	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	5,286	-	-	-	-
João Filipe Gonçalves Pinto	5,286	-	-	-	-

* Concerning the financial year 2016

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, relating to 2017, amount to EUR 1,633,668, EUR 1,303,168 of which are related to the Statutory Audit, EUR 228,000 to compliance and assurance services and EUR 102,500 to other audit services.

48. Disclosures Relating to Financial Instruments

STATEMENTS OF FINANCIAL POSITION

At 31 December 2017 and 2016, the financial instruments had the following balance sheet value:

(amounts in Euros)

	2017		
	Recognised at fair value	Not recognised at fair value	Balance sheet value
Assets			
Cash and cash equivalents	-	596,746,666	596,746,666
Investments in associates and joint ventures	-	1,506,320	1,506,320
Financial assets held for trading	53,137,930	-	53,137,930
Financial assets initially recognised			
at fair value through profit or loss	807,874,595	-	807,874,595
Hedge derivatives	28,178,377	-	28,178,377
Available-for-sale investments	10,889,946,040	2,954,912	10,892,900,952
Loans and accounts receivable	-	1,182,681,373	1,182,681,373
Other debtors	-	228,663,157	228,663,157
	11,779,136,942	**2,012,552,428**	**13,791,689,370**
Liabilities			
Mathematical provision for life insurance	-	1,528,417,490	1,528,417,490
Financial liabilities of the deposit component of insurance			
contracts and on insurance contracts and operations considered			
for accounting purposes as investment contracts	175,593,366	8,408,046,374	8,583,639,740
Financial liabilities held for trading	5,656,794	-	5,656,794
Hedge derivatives	4,011,186	-	4,011,186
Deposits received from reinsurers	-	59,379,105	59,379,105
Other financial liabilities	-	608,157,564	608,157,564
Other creditors	-	146,422,008	146,422,008
	185,261,346	**10,750,422,541**	**10,935,683,887**

(amounts in Euros)

	2016		
	Recognised at fair value	Not recognised at fair value	Balance sheet value
Assets			
Cash and cash equivalents	-	998,421,773	998,421,773
Investments in associates and joint ventures	-	117,006,817	117,006,817
Financial assets held for trading	7,770,368	-	7,770,368
Financial assets initially recognised at fair value through profit or loss	666,611,044	-	666,611,044
Hedge derivatives	22,768,708	-	22,768,708
Available-for-sale investments	9,174,187,419	56,950,738	9,231,138,157
Loans and accounts receivable	-	1,011,170,690	1,011,170,690
Other debtors	-	196,914,895	196,914,895
	9,871,337,539	**2,380,464,913**	**12,251,802,452**
Liabilities			
Mathematical provision for life insurance	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	512,977,194	7,780,213,141	8,293,190,335
Financial liabilities held for trading	15,072,639	-	15,072,639
Hedge derivatives	13,469,282	-	13,469,282
Deposits received from reinsurers	-	47,570,755	47,570,755
Other financial liabilities	-	591,180,436	591,180,436
Other creditors	-	130,823,739	130,823,739
	541,519,115	**9,954,422,871**	**10,495,941,986**

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 2017 and 2016, the net gains and losses on financial instruments had the following breakdown:

(amounts in Euros)

	2017			2016		
	income	As a charge to shareholders' equity	total	income	As a charge to shareholders' equity	total
Earned premiums net of reinsurance	248,314,329	-	248,314,329	132,867,849	-	132,867,849
Claims costs , net of reinsurance	(185,012,933)	-	(185,012,933)	(171,989,545)	-	(171,989,545)
Mathematical provision for life insurance,						
net of reinsurance	(94,696,704)	-	(94,696,704)	4,814,998	-	4,814,998
Income from financial instruments						
Assets held for trading	(1,531,456)	-	(1,531,456)	(1,492,381)	-	(1,492,381)
Financial assets at fair value through profit or loss	23,277,673	-	23,277,673	24,475,355	-	24,475,355
Available-for-sale investments	262,525,357	-	262,525,357	268,153,067	-	268,153,067
Loans and accounts receivable	12,268,235	-	12,268,235	10,878,582	-	10,878,582
Sight deposits	326,853	-	326,853	94,839	-	94,839
Net gains from financial assets and liabilities						
not recognised at fair value through profit or loss						
Available-for-sale investments	287,751,598	661,013,841	948,765,439	211,761,952	(77,322,429)	134,439,523
Loans and accounts receivable	(369,852)	-	(369,852)	(83,484)	-	(83,484)
Held-to-maturity investments	(121,707)	-	(121,707)	-	-	-
Financial liabilities at amortised cost	(94,817,510)	-	(94,817,510)	(148,712,098)	-	(148,712,098)
Others	(801,375)	-	(801,375)	-	-	-
Net gains from financial assets and liabilities						
recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	218,034,393	-	218,034,393	(76,920,281)	-	(76,920,281)
Financial assets and liabilities initially						
recognised at fair value through profit or loss	2,832,036	-	2,832,036	243,332	-	243,332
Others	(14,986,460)	-	(14,986,460)	(4,651,695)	-	(4,651,695)
Exchange differences	(266,576,789)	-	(266,576,789)	41,217,578	-	41,217,578
Impairment losses (net of reversals)						
Available-for-sale investments	(133,116,225)	-	(133,116,225)	(189,736,698)	-	(189,736,698)
Loans and accounts receivable at amortised cost	621,572	-	621,572	199,651	-	199,651
Interest from deposits received from reinsurers	(842,126)	-	(842,126)	(1,472,691)	-	(1,472,691)
	263,078,909	**661,013,841**	**924,092,750**	**99,648,330**	**(77,322,429)**	**22,325,901**

In the years ended on 31 December 2017 and 2016, 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)

	2017	2016
Assets		
Available-for-sale investments	220,126,921	248,848,245
Loans and accounts receivable	12,268,235	10,878,582
Sight deposits	326,853	94,839
	232,722,009	**259,821,666**
Liabilities		
Mathematical provision for life insurance	(32,551,180)	(29,945,814)
Financial liabilities of the deposit component of insurance contracts		
and on insurance contracts and operations considered		
for accounting purposes as investment contracts	(94,817,510)	(148,712,098)
Deposits received from reinsurers	(842,126)	(1,472,691)
	(128,210,816)	**(180,130,603)**

OTHER DISCLOSURES

Fair Value of Financial Instruments

At 31 December 2017 and 2016, 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)

	2017				
	Fair value assessment methodology			Not recognised	
	Level 1	Level 2	Level 3	at fair value	Total
Assets					
Cash and cash equivalents	-	-	-	596,746,666	596,746,666
Investments in associates and joint ventures	-	-	-	1,506,320	1,506,320
Financial assets held for trading	52,663,740	474,190	-	-	53,137,930
Financial assets initially recognised					
at fair value through profit or loss	225,593,302	582,181,898	99,395	-	807,874,595
Hedge derivatives	19,400,968	8,777,409	-	-	28,178,377
Available-for-sale investments	9,986,020,279	268,672,273	635,253,488	2,954,912	10,892,900,952
Loans and accounts receivable	-	-	-	1,182,681,373	1,182,681,373
Other debtors	-	-	-	228,663,157	228,663,157
	10,283,678,289	**860,105,770**	**635,352,883**	**2,012,552,428**	**13,791,689,370**
Liabilities					
Mathematical provision for life insurance	-	-	-	1,528,417,490	1,528,417,490
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	-	175,593,366	-	8,408,046,374	8,583,639,740
Financial liabilities held for trading	2,147	5,654,647	-	-	5,656,794
Hedge derivatives	769,417	3,241,769	-	-	4,011,186
Deposits received from reinsurers	-	-	-	59,379,105	59,379,105
Other financial liabilities	-	-	-	608,157,564	608,157,564
Other creditors	-	-	-	146,422,008	146,422,008
	771,564	**184,489,782**	**-**	**10,750,422,541**	**10,935,683,887**
	10,282,906,725	**675,615,988**	**635,352,883**	**(8,737,870,113)**	**2,856,005,483**

(amounts in Euros)

	2016				
	Fair value assessment methodology			Not recognised	
	Level 1	Level 2	Level 3	at fair value	Total
Assets					
Cash and cash equivalents	-	-	-	998,421,773	998,421,773
Investments in associates and joint ventures	-	-	-	117,006,817	117,006,817
Financial assets held for trading	7,770,368	-	-	-	7,770,368
Financial assets initially recognised					
at fair value through profit or loss	372,148,596	294,392,059	70,389	-	666,611,044
Hedge derivatives	5,726,395	17,042,313	-	-	22,768,708
Available-for-sale investments	6,873,609,699	1,465,658,616	834,919,104	56,950,738	9,231,138,157
Loans and accounts receivable	-	-	-	1,011,170,690	1,011,170,690
Other debtors	-	-	-	196,914,895	196,914,895
	7,259,255,058	**1,777,092,988**	**834,989,493**	**2,380,464,913**	**12,251,802,452**
Liabilities					
Mathematical provision for life insurance	-	-	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	-	512,977,194	-	7,780,213,141	8,293,190,335
Financial liabilities held for trading	7,908,244	7,164,395	-	-	15,072,639
Hedge derivatives	8,737,700	4,731,582	-	-	13,469,282
Deposits received from reinsurers	-	-	-	47,570,755	47,570,755
Other financial liabilities	-	-	-	591,180,436	591,180,436
Other creditors	-	-	-	130,823,739	130,823,739
	16,645,944	**524,873,171**	**-**	**9,954,422,871**	**10,495,941,986**
	7,242,609,114	**1,252,219,817**	**834,989,493**	**(7,573,957,958)**	**1,755,860,466**

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 2016 and 2015 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.

When determining the fair value and respective classification in the light of IFRS 13, it was considered that prices obtained from BGN-type executable sources from informal platforms, such as Bloomberg, which were already important transaction locations for institutional investors, were now equivalent to comparable stock exchange prices. In fact, in 2017 Bloomberg developed its Multilateral Trading Facility to comply with the requirements of MiFid II.

This meant formal onboarding of the participating entities, which include Fidelidade, with accreditation of traders and the possibility of tracing transactions which are subject to scrutiny similar to the other market infrastructures set out in the European regulatory framework. This change led to the reclassification of a very significant component of securities from Level 2 to Level 1.

The debt securities reclassified in 2017 from level 2 to level 1, due to this new approach, amount to EUR 2,860,010,886. Applying the same criteria on 31 December 2016, would have been reclassified debt securities in the amount of EUR 1,322,398,540 from level 2 level to level 1.

The movement in 2016 and 2017 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
Balances at 31 December 2015	**1,606,072,714**	**7,928,105**
Acquisitions	1,019,693	-
Revaluations		
as a charge to the income statement	(18,784,577)	200,469
as a charge to shareholders' equity	54,472,743	-
Increase / reversal of impairment in the year	(3,298,366)	-
Transfers from		
level 3 to historical cost	(462,970)	-
Disposals	(804,100,133)	(8,058,185)
Balances at 31 December 2016	**834,919,104**	**70,389**
Acquisitions	30,334,193	46,377
Revaluations		
as a charge to the income statement	(7,417,190)	2,107
as a charge to shareholders' equity	12,991,392	-
Increase / reversal of impairment in the year	(4,686,135)	-
Transfers from		
from level 3 to level 1	(91,513,356)	-
from level 2 to level 3	2,834,987	-
Disposals	(142,209,507)	(19,478)
Balances at 31 December 2017	**635,253,488**	**99,395**

At 31 December 2017 and 2016, 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)

	2017		
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents	596,746,666	596,746,666	-
Available-for-sale investments	2,954,912	2,954,912	-
Loans and accounts receivable	1,182,681,373	1,182,681,373	-
Other debtors	228,663,157	228,663,157	-
	2,011,046,108	**2,011,046,108**	**-**

(amounts in Euros)

	2016		
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents	998,421,773	998,421,773	-
Available-for-sale investments	56,950,738	56,950,738	-
Loans and accounts receivable	1,011,170,690	1,011,170,690	-
Other debtors	196,914,895	196,914,895	-
	2,263,458,096	**2,263,458,096**	**-**

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 allcoation 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 2017 and 2016, the Group's exposure to credit risk was as follows:

(amounts in Euros)

	2017			2016		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	585,083,794	-	585,083,794	994,694,474	-	994,694,474
Financial assets initially recognised						
at fair value through profit or loss	516,833,441	-	516,833,441	649,367,421	-	649,367,421
Available-for-sale investments	9,438,915,906	(140,927,702)	9,297,988,204	7,750,825,278	(160,681,702)	7,590,143,576
Loans and accounts receivable	1,183,298,765	(617,392)	1,182,681,373	1,012,409,654	(1,238,964)	1,011,170,690
Other debtors	252,070,745	(23,407,588)	228,663,157	230,778,808	(33,863,913)	196,914,895
Maximum exposure to credit risk	**11,976,202,651**	**(164,952,682)**	**11,811,249,969**	**10,638,075,635**	**(195,784,579)**	**10,442,291,056**

In 2017 and 2016, the net book value of the available-for-sale investments presented in the table includes shares with credit risk, of EUR 21,823 and EUR 15,915, 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 2017 and 2016, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in Euros)

Class of asset	2017 Country of origin Portugal	Rest of European Union	North America	Other	Total
Deposits in credit institutions					
AA- to AA+	-	-	-	52,122,981	52,122,981
A- to A+	25,748,311	237,393,377	15,978,302	153,821,699	432,941,689
BBB- to BBB+	299,064,428	206,678,628	-	-	505,743,056
BB- to BB+	572,759,453	24,821,477	-	5,828,700	603,409,630
B- to B+	-	-	-	57,343,745	57,343,745
Not rated	12,786,391	39,568,776	-	17,173,546	69,528,713
	910,358,583	**508,462,258**	**15,978,302**	**286,290,671**	**1,721,089,814**
Deposits in ceding companies					
Not rated	-	140,691	9,628	16,704	167,023
	-	**140,691**	**9,628**	**16,704**	**167,023**
Total	**910,358,583**	**508,602,949**	**15,987,930**	**286,307,375**	**1,721,256,837**

(amounts in Euros)

Class of asset	2016 País de origem Portugal	Rest of European Union	Others	Total
Deposits in credit institutions				
AA- até AA+	-	-	7,972,823	7,972,823
A- to A+	2,429,483	518,496,012	205,237,725	726,163,220
BBB- to BBB+	306,963,063	80,251,303	-	387,214,366
BB- to BB+	161,354,078	47,434,547	-	208,788,625
B- to B+	495,950,471	22,048,823	70,986,804	588,986,098
Not rated	11,528,975	-	18,446,044	29,975,019
	978,226,070	**668,230,685**	**302,643,396**	**1,949,100,151**
Deposits in ceding companies				
Not rated	26,416	819,974	29,230	875,620
	26,416	**819,974**	**29,230**	**875,620**
Total	**978,252,486**	**669,050,659**	**302,672,626**	**1,949,975,771**

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 1,136,006,020 and EUR 954,405,677, in 2017 and 2016, respectively.

At 31 December 2017 and 2016, 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	2017 Country of origin Portugal	Rest of European Union	North America	Other	Total
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	806,660	106,328	-	912,988
A- to A+	-	1,283,237	46,013,826	-	47,297,063
BBB- to BBB+	206,231	900,178	84,654,606	41,509,075	127,270,090
BB- to BB+	-	-	29,357,389	-	29,357,389
Not rated	-	63,096,948	50,981,767	3,668,807	117,747,522
	206,231	**66,087,023**	**211,113,916**	**45,177,882**	**322,585,052**
Governments and other local authorities					
AAA	-	2,466,718	-	-	2,466,718
AA- to AA+	-	3,310,451	-	-	3,310,451
BBB- to BBB+	-	2,665,930	-	-	2,665,930
BB- to BB+	89,467,753	-	-	-	89,467,753
	89,467,753	**8,443,099**	**-**	**-**	**97,910,852**
Financial Institutions					
AAA	-	199,430	-	-	199,430
AA- to AA+	-	150,842	-	-	150,842
A- to A+	103,384	34,118,336	303,200	-	34,524,920
BBB- to BBB+	102,855	969,023	37,344,034	55,028	38,470,940
CCC- to CCC+	22,991,405	-	-	-	22,991,405
	23,197,644	**35,437,631**	**37,647,234**	**55,028**	**96,337,537**
Total Financial assets initially recognised at fair value through profit or loss	**112,871,628**	**109,967,753**	**248,761,150**	**45,232,910**	**516,833,441**

(amounts in Euros)

Class of asset	2017 Country of origin Portugal	Rest of European Union	North America	Other	Total
Available-for-sale investments (net of impairment)					
Corporate					
AAA	-	-	54,924	-	54,924
AA- to AA+	-	68,070	16,302,572	36,144,355	52,514,997
A- to A+	-	39,985,234	197,340,886	406,307,830	643,633,950
BBB- to BBB+	520,428	107,762,130	527,150,362	111,402,447	746,835,367
BB- to BB+	11,854,982	213,019,490	170,528,424	97,470,835	492,873,731
B- to B+	-	-	22,867,424	2,267,255	25,134,679
CCC- to CCC+	-	3,389,259	-	-	3,389,259
CC- to CC+	-	-	-	5,139,798	5,139,798
D	-	17,790,907	-	-	17,790,907
Not rated	149,103,911	102,753,909	-	308,700,808	560,558,628
	161,479,321	**484,768,999**	**934,244,592**	**967,433,328**	**2,547,926,240**
Governments and other local authorities					
AAA	-	20,941,612	-	-	20,941,612
AA- to AA+	-	23,367,560	-	-	23,367,560
BBB- to BBB+	-	1,707,819,314	-	-	1,707,819,314
BB- to BB+	3,905,924,842	-	-	74,461,353	3,980,386,195
Not rated	-	-	-	719,259	719,259
	3,905,924,842	**1,752,128,486**	**-**	**75,180,612**	**5,733,233,940**
Financial institutions					
AAA	-	898,245	-	1,155,576	2,053,821
AA- to AA+	-	9,922,700	-	3,958,521	13,881,221
A- to A+	-	114,908,449	59,614,152	166,524,615	341,047,216
BBB- to BBB+	21,822	20,861,691	348,892,429	172,516,247	542,292,189
BB- to BB+	1,017,351	29,782,535	-	44,153,914	74,953,800
Not rated	-	-	42,407,988	-	42,407,988
	1,039,173	**176,373,620**	**450,914,569**	**388,308,873**	**1,016,636,235**
Other issuers					
AAA	-	-	-	191,789	191,789
	-	**-**	**-**	**191,789**	**191,789**
Total Available-for-sale investments (net of impairment)	**4,068,443,336**	**2,413,271,105**	**1,385,159,161**	**1,431,114,602**	**9,297,988,204**

(amounts in Euros)

Class of asset	2016 Country of origin Portugal	Rest of European Union	North America	Other	Total
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	1,680,353	106,914	-	1,787,267
A- to A+	-	1,221,073	304,438	-	1,525,511
BBB- to BBB+	198,468	1,766,637	506,974	-	2,472,079
BB- to BB+	-	106,531	-	83,955,509	84,062,040
Not rated	-	66,326,470	-	52,155,838	118,482,308
	198,468	**71,101,064**	**918,326**	**136,111,347**	**208,329,205**
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- to AA+	-	4,430,571	-	-	4,430,571
BBB- to BBB+	-	5,194,071	-	-	5,194,071
BB- to BB+	340,390,253	-	-	-	340,390,253
	340,390,253	**12,646,763**	**-**	**-**	**353,037,016**
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- to AA+	-	401,844	-	122,943	524,787
A- to A+	104,694	2,406,087	150,331	57,457	2,718,569
BBB- to BBB+	572,605	866,375	399,258	-	1,838,238
B- to B+	49,920,215	-	-	-	49,920,215
	50,597,514	**4,095,418**	**549,589**	**180,400**	**55,422,921**
Other issuers					
A- to A+	-	31,193,510	-	-	31,193,510
BBB- to BBB+	19,556	-	-	-	19,556
BB- to BB+	1,365,213	-	-	-	1,365,213
	1,384,769	**31,193,510**	**-**	**-**	**32,578,279**
Total Financial assets initially recognised at fair value through profit or loss	**392,571,004**	**119,036,755**	**1,467,915**	**136,291,747**	**649,367,421**

(amounts in Euros)

Class of asset	2016 Country of origin Portugal	Rest of European Union	North America	Other	Total
Available-for-sale investments (net of impairment)					
Corporate					
AAA	-	-	57,479	-	57,479
AA- to AA+	-	78,760	-	-	78,760
A- to A+	-	27,154,636	17,282,756	11,959,433	56,396,825
BBB- to BBB+	540,033	53,591,473	9,670,137	60,960,826	124,762,469
BB- to BB+	11,007,422	77,080,111	33,669,233	262,293,225	384,049,991
B- to B+	-	41,994,341	81,687,988	15,903,776	139,586,105
CCC- to CCC+	-	74,678,857	58,814,938	13,286,098	146,779,893
CC- to CC+	-	-	-	4,865,122	4,865,122
C	-	19,804	-	-	19,804
D	-	17,312,923	-	8,343,684	25,656,607
Not rated	147,932,976	95,896,563	17,369,544	490,949,614	752,148,697
	159,480,431	**387,807,468**	**218,552,075**	**868,561,778**	**1,634,401,752**
Governments and other local authorities					
AAA	-	26,997,493	-	-	26,997,493
AA- to AA+	-	26,043,657	-	-	26,043,657
BBB- to BBB+	-	51,826,528	-	-	51,826,528
BB- to BB+	5,216,917,047	-	-	136,032,610	5,352,949,657
B- to B+	80,059,005	-	-	-	80,059,005
Not rated	-	-	-	469,547	469,547
	5,296,976,052	**104,867,678**	**-**	**136,502,157**	**5,538,345,887**
Financial Institutions					
AAA	-	6,123,603	-	9,386,706	15,510,309
AA- to AA+	-	23,130,497	-	10,654,975	33,785,472
A- to A+	-	87,667,564	10,830,139	-	98,497,703
BBB- to BBB+	51,989	37,803,680	41,668,978	-	79,524,647
BB- to BB+	15,915	20,875,026	-	52,362,986	73,253,927
B- to B+	18,145,848	27,400,743	-	-	45,546,591
CCC- to CCC+	8,940,208	-	-	-	8,940,208
Not rated	-	-	30,035,950	7,783,752	37,819,702
	27,153,960	**203,001,113**	**82,535,067**	**80,188,419**	**392,878,559**
Other issuers					
AAA	-	-	-	17,575,216	17,575,216
AA- to AA+	-	139,351	-	-	139,351
A- to A+	-	138,091	-	-	138,091
BBB- to BBB+	1,461,690	265,300	-	-	1,726,990
BB- to BB+	-	-	4,937,730	-	4,937,730
	1,461,690	**542,742**	**4,937,730**	**17,575,216**	**24,517,378**
Total Available-for-sale investments (net of impairment)	**5,485,072,133**	**696,219,001**	**306,024,872**	**1,102,827,570**	**7,590,143,576**

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 42). At 31 December 2017 and 2016, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in Euros)

	2017						
	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	Net balance sheet value
Life insurance							
Capitalisation products	8,552,339	287,739	374,282	35,751	33,996	(800)	9,283,307
Life risk products	252,562	23,804	25,811	59,330	146,941	(282,582)	225,866
Non-life insurance							
Motor	12,274,942	1,453,966	682,448	400,269	258,154	(3,100,171)	11,969,608
Workers' compensation	2,422,718	2,743,367	1,162,832	175,057	322,090	(2,250,676)	4,575,388
Health	5,867,719	11,865,222	1,444,879	632,022	100,633	(1,177,164)	18,733,311
Fire and other damage	11,131,490	6,107,222	2,311,291	2,705,347	283,739	(1,633,969)	20,905,120
Transports	1,888,868	156,651	153,434	65,278	12,603	(315,645)	1,961,189
Third party liability	2,232,572	447,322	265,946	630,112	71,067	(556,524)	3,090,495
Others (includes personal accidents)	3,437,120	6,117,650	782,640	428,312	1,079,223	(1,211,888)	10,633,057
	48,060,330	**29,202,943**	**7,203,563**	**5,131,478**	**2,308,446**	**(10,529,419)**	**81,377,341**

(amounts in Euros)

	2016						
	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	Net balance sheet value
Life insurance							
Capitalisation products	3,830,757	735,291	158,007	113,918	25,612	(57,199)	4,806,386
Life risk products	12,298	462,401	501,376	1,152,489	2,854,325	(3,237,598)	1,745,291
Non-life insurance							
Motor	9,390,092	4,783,692	5,431,958	1,994,499	1,709,616	(6,236,708)	17,073,149
Workers' compensation	3,782,002	2,025,471	2,227,543	1,085,211	484,502	(2,442,167)	7,162,562
Health	8,456,525	8,781,077	3,732,534	2,581,267	714,770	(2,156,277)	22,109,896
Fire and other damage	10,925,020	4,263,607	1,000,234	962,510	668,516	(1,686,686)	16,133,201
Transports	852,589	193,412	172,438	99,207	130,787	(263,446)	1,184,987
Third party liability	1,524,885	432,343	185,614	53,489	63,629	(322,681)	1,937,279
Others (includes personal accidents)	4,218,576	5,810,973	1,324,307	569,981	558,825	(706,737)	11,775,925
	42,992,744	**27,488,267**	**14,734,011**	**8,612,571**	**7,210,582**	**(17,109,499)**	**83,928,676**

Liquidity risk

At 31 December 2017 and 2016, the estimated undiscounted cash flows of the financial instruments, according to the respective contractual maturity, were as follows:

(amounts in Euros)

	2017									
	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 10 years	More than 10 years	Indefinite	Total
Assets										
Cash and cash equivalents	596,746,666	-	-	-	-	-	-	-	-	596,746,666
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	1,506,320	1,506,320
Financial assets held for trading	-	-	-	-	-	-	-	-	53,137,930	53,137,930
Financial assets initially recognised at fair value through profit or loss	3,163,674	4,030,843	98,631,482	65,649,384	181,257,098	117,776,052	52,156,160	79,763,472	27,324,353	629,752,518
Hedge derivatives	-	-	-	-	-	-	-	-	28,178,377	28,178,377
Available-for-sale investments	134,118,250	296,456,520	480,872,414	215,917,302	1,561,556,021	2,391,619,287	5,155,830,307	74,555,162	4,051,436,494	14,362,361,757
Loans and accounts receivable	154,496,727	498,763,253	99,220,474	100,122,575	51,942,216	1,137,195	531,067	165,633	10,657	906,389,797
Other debtors	228,663,157	-	-	-	-	-	-	-	-	228,663,157
	1,117,188,474	**799,250,616**	**678,724,370**	**381,689,261**	**1,794,755,335**	**2,510,532,534**	**5,208,517,534**	**154,484,267**	**4,161,594,131**	**16,806,736,522**
Liabilities										
Mathematical provision for life insurance	16,118,899	20,456,927	21,845,516	91,820,119	318,862,387	328,131,364	294,501,597	326,902,664	-	1,418,639,473
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	185,082,773	238,043,191	456,863,323	684,798,436	2,236,895,366	2,593,884,254	1,764,471,864	797,274,448	-	8,957,313,655
Financial liabilities held for trading	-	777,800	(7,684)	787,021	3,114,274	1,558,674	1,537	-	-	6,231,622
Hedge derivatives	-	-	-	-	-	-	-	-	4,011,186	4,011,186
Other financial liabilities	35	2,709,659	13,045,284	15,136,739	23,145,368	369,378,702	208,071,747	2,284,510	-	633,772,044
Deposits received from reinsurers	61,853	123,706	185,560	59,750,224	-	-	-	-	-	60,121,343
Other creditors	146,422,008	-	-	-	-	-	-	-	-	146,422,008
	347,685,568	**262,111,283**	**491,931,999**	**852,292,539**	**2,582,017,395**	**3,292,952,994**	**2,267,046,745**	**1,126,461,622**	**4,011,186**	**11,226,511,331**

(amounts in Euros)

	2016									
	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 10 years	More than 10 years	Indefinite	Total
Assets										
Cash and cash equivalents	998,421,773	-	-	-	-	-	-	-	-	998,421,773
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	117,006,817	117,006,817
Financial assets held for trading	-	-	-	-	-	-	-	-	7,770,368	7,770,368
Financial assets initially recognised at fair value through profit or loss	1,384,972	2,337,973	102,330,176	287,227,133	241,767,747	6,206,546	69,759,937	1,220,395	17,243,623	729,478,502
Hedge derivatives	-	-	-	-	-	-	-	-	22,768,708	22,768,708
Available-for-sale investments	352,954,955	334,402,427	425,612,280	1,106,073,359	1,500,675,767	1,636,215,182	3,544,312,904	143,360,426	1,641,001,085	10,684,608,385
Loans and accounts receivable	238,571,148	543,844,075	54,367,003	91,109,592	68,193,848	23,077,761	1,848,064	168,679	30,100	1,021,210,270
Other debtors	196,914,895	-	-	-	-	-	-	-	-	196,914,895
	1,788,247,743	**880,584,475**	**582,309,459**	**1,484,410,084**	**1,810,637,362**	**1,665,499,489**	**3,615,920,905**	**144,749,500**	**1,805,820,701**	**13,778,179,718**
Liabilities										
Mathematical provision for life insurance	40,214,577	16,550,164	22,990,288	98,152,490	292,708,367	279,575,920	292,957,743	299,375,626	-	1,342,525,175
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	113,606,065	276,221,337	186,111,430	886,928,427	2,633,721,193	2,344,235,626	1,906,575,498	731,039,535	4,884,887	9,083,323,998
Financial liabilities held for trading	-	761,600	(7,350)	771,155	3,050,810	3,050,810	4,410	-	7,908,243	15,539,678
Hedge derivatives	-	-	-	-	-	-	-	-	13,469,282	13,469,282
Other financial liabilities	2,887,667	969,307	31,137,561	4,594,211	44,433,040	336,838,208	193,158,925	2,466,749	-	616,485,668
Deposits received from reinsurers	49,553	99,106	148,659	47,868,072	-	-	-	-	-	48,165,390
Other creditors	130,823,739	-	-	-	-	-	-	-	-	130,823,739
	287,581,601	**294,601,514**	**240,380,588**	**1,038,314,355**	**2,973,913,410**	**2,963,700,564**	**2,392,696,576**	**1,032,881,910**	**26,262,412**	**11,250,332,930**

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

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 2016.

Market risk

At 31 December 2017 and 2016, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

(amounts in Euros)

	2017			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Cash and cash equivalents	-	585,083,794	11,662,872	596,746,666
Investments in associates and joint ventures	-	-	1,506,320	1,506,320
Financial assets held for trading	-	16,546	53,121,384	53,137,930
Financial assets initially recognised				
at fair value through profit or loss	478,129,398	307,377,018	22,368,179	807,874,595
Hedge derivatives	-	-	28,178,377	28,178,377
Available-for-sale investments	8,724,421,849	563,643,897	1,604,835,206	10,892,900,952
Loans and accounts receivable	-	1,182,670,716	10,657	1,182,681,373
Other debtors	-	-	228,663,157	228,663,157
	9,202,551,247	**2,638,791,971**	**1,950,346,152**	**13,791,689,370**
Liabilities				
Mathematical provision for life insurance	-	1,528,417,490	-	1,528,417,490
Financial liabilities of the deposit component				
of insurance contracts and on insurance contracts				
and operations considered for accounting purposes				
as investment contracts	8,408,046,374	175,593,366	-	8,583,639,740
Other financial liabilities	5,654,647	-	2,147	5,656,794
Hedge derivatives	3,109,947	-	901,239	4,011,186
Deposits received from reinsurers	-	59,379,105	-	59,379,105
Other financial liabilities	-	608,157,564	-	608,157,564
Other creditors	-	-	146,422,008	146,422,008
	8,416,810,968	**2,371,547,525**	**147,325,394**	**10,935,683,887**

(amounts in Euros)

	2016			
	Exposure to			
	Fixed rate	Variable rate	Not subject to interest rate risk	Total
Assets				
Cash and cash equivalents	-	994,694,474	3,727,299	998,421,773
Investments in associates and joint ventures	-	-	117,006,817	117,006,817
Financial assets held for trading	-	-	7,770,368	7,770,368
Financial assets initially recognised				
at fair value through profit or loss	565,642,167	83,725,254	17,243,623	666,611,044
Hedge derivatives	-	-	22,768,708	22,768,708
Available-for-sale investments	7,383,430,222	206,706,850	1,641,001,085	9,231,138,157
Loans and accounts receivable	-	1,011,140,590	30,100	1,011,170,690
Other debtors	-	-	196,914,895	196,914,895
	7,949,072,389	**2,296,267,168**	**2,006,462,895**	**12,251,802,452**
Liabilities				
Mathematical provision for life insurance	-	1,404,634,800	-	1,404,634,800
Financial liabilities of the deposit component				
of insurance contracts and on insurance contracts				
and operations considered for accounting purposes				
as investment contracts	7,780,213,141	512,977,194	-	8,293,190,335
Financial liabilities held for trading	119,643	7,044,752	7,908,244	15,072,639
Hedge derivatives	4,731,582	-	8,737,700	13,469,282
Deposits received from reinsurers	-	47,570,755	-	47,570,755
Other financial liabilities	-	591,180,436	-	591,180,436
Other creditors	-	-	130,823,739	130,823,739
	7,785,064,366	**2,563,407,937**	**147,469,683**	**10,495,941,986**

At 31 December 2017 and 2016, 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)

	2017					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets initially recognised						
at fair value through profit or loss	(21,243,814)	(11,023,326)	(5,618,274)	5,848,735	11,947,169	24,971,127
Available-for-sale investments	(789,679,567)	(415,378,905)	(211,350,691)	219,008,411	446,029,367	910,660,421
Loans and accounts receivable	(5,368,901)	(2,703,307)	(1,357,828)	1,370,380	2,753,520	5,570,049
	(816,292,282)	**(429,105,538)**	**(218,326,793)**	**226,227,526**	**460,730,056**	**941,201,597**
Liabilities						
Financial liabilities held for trading	286,728	145,939	73,629	(74,980)	(151,346)	(308,370)
	286,728	**145,939**	**73,629**	**(74,980)**	**(151,346)**	**(308,370)**

(amounts in Euros)

	2016					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets initially recognised						
at fair value through profit or loss	(9,005,658)	(4,583,524)	(2,312,446)	2,354,876	4,753,281	9,685,245
Available-for-sale investments	(581,921,824)	(301,670,319)	(153,645,878)	159,556,743	325,334,015	676,902,226
Loans and accounts receivable	(2,727,470)	(1,374,565)	(690,032)	695,616	1,396,906	2,816,866
	(593,654,952)	**(307,628,408)**	**(156,648,356)**	**162,607,235**	**331,484,202**	**689,404,337**
Liabilities						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	(3,884)	**(1,970)**	**(992)**	**1,007**	**2,030**	**4,125**

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 2017 and 2016, the breakdown of financial instruments by currency was as follows:

(amounts in Euros)

	2017				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
Assets					
Cash and cash equivalents	449,465,806	-	16,242,053	131,038,807	596,746,666
Investments in associates and joint ventures	1,506,320	-	-	-	1,506,320
Financial assets held for trading	474,191	49,709,157	-	2,954,582	53,137,930
Financial assets initially recognised					
at fair value through profit or loss	519,397,203	288,033,869	-	443,523	807,874,595
Hedge derivatives	8,777,408	16,392,403	-	3,008,566	28,178,377
Available-for-sale investments	7,258,848,881	2,852,416,995	495,541,790	286,093,286	10,892,900,952
Loans and accounts receivable	1,009,466,174	77,154,916	26,452,790	69,607,493	1,182,681,373
Other debtors	174,695,350	40,308,536	69,486	16,927,923	232,001,295
	9,422,631,333	**3,324,015,876**	**538,306,119**	**510,074,180**	**13,795,027,508**
Liabilities					
Mathematical provision for life insurance	1,516,563,098	-	-	11,854,392	1,528,417,490
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,583,639,740	-	-	-	8,583,639,740
Financial liabilities held for trading	5,654,647	2,147	-	-	5,656,794
Hedge derivatives	3,241,769	-	-	769,417	4,011,186
Deposits received from reinsurers	56,722,798	1,080,113	-	1,576,194	59,379,105
Other financial liabilities	317,959,116	-	-	290,198,448	608,157,564
Other creditors	93,133,730	12,746,899	2,374,856	41,504,661	149,760,146
	10,576,914,898	**13,829,159**	**2,374,856**	**345,903,112**	**10,939,022,025**

(amounts in Euros)

	2016				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
Assets					
Cash and cash equivalents	582,875,369	97,360,517	45,935,474	272,250,413	998,421,773
Investments in associates and joint ventures	1,249,434	115,757,383	-	-	117,006,817
Financial assets held for trading	-	7,770,368	-	-	7,770,368
Financial assets initially recognised					
at fair value through profit or loss	484,410,911	177,964,590	3,970,887	264,656	666,611,044
Hedge derivatives	17,042,313	5,463,366	-	263,029	22,768,708
Available-for-sale investments	6,922,636,380	1,515,261,015	609,532,075	183,708,687	9,231,138,157
Loans and accounts receivable	784,708,173	108,618,341	22,366,313	95,477,863	1,011,170,690
Other debtors	153,297,454	27,547,478	24,311	19,365,249	200,234,492
	8,946,220,034	**2,055,743,058**	**681,829,060**	**571,329,897**	**12,255,122,049**
Liabilities					
Mathematical provision for life insurance	1,400,822,448	-	-	3,812,352	1,404,634,800
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,293,190,335	-	-	-	8,293,190,335
Financial liabilities held for trading	7,164,396	7,908,243	-	-	15,072,639
Hedge derivatives	4,731,581	6,931,648	-	1,806,053	13,469,282
Deposits received from reinsurers	44,817,897	1,007,941	-	1,744,917	47,570,755
Other financial liabilities	271,200,450	-	-	319,979,986	591,180,436
Other creditors	92,387,779	3,867,328	2,664,181	35,224,048	134,143,336
	10,114,314,886	**19,715,160**	**2,664,181**	**362,567,356**	**10,499,261,583**

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.

49. Disclosures Relating to Insurance Contract Risks

Below is a summary of the acceptance and risk management policies in force.

49.1. 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 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 Technical Divisions, which have additional instruments for risk analysis.

The Technical 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 Technical 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.

49.2. 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.

49.3. 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 Fidelidade

(amounts in Euros)

	2017			2016		
	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	200,240,801	1.17	1.15	177,009,518	1.15	1.14
Health	266,855,030	0.93	0.91	235,163,325	0.88	0.87
Fire and Other Damage	236,074,982	1.09	1.07	232,500,910	0.88	0.87
Motor	387,006,789	1.04	1.03	364,502,656	1.01	1.00
Marine	4,440,089	0.43	0.42	4,215,745	0.32	0.31
Aviation	6,852,250	0.80	0.79	6,086,809	-0.19	-0.21
Transported Goods	6,729,878	0.75	0.74	7,079,288	0.45	0.43
Third Party Liability	34,140,311	0.78	0.76	32,496,223	0.57	0.56
Other Lines of Business (Credit and Suretyship + Others)	71,128,143	0.70	0.68	66,525,720	0.76	0.76

Note: Ratios for the years of occurrence 2017 and 2016.

In the last 12 months some variations in the post-investment claims/expenses ratio were seen. Only Other Lines of Business saw a decrease in the ratio of 10.4%.

The ratio tended to increase in Aviation, Transported Goods, Third Partly Liability, Marine, Fire and Other Damage, Health, Motor and Accidents.

An analysis of the above table reveals that in the last 12 months premiums in the Accidents, Fire and Other Damage and Motor lines of business were not sufficient to meet the liabilities.

Fidelidade Portugal's pre-tax technical results for non-life were positive in December 2017, reaching over EUR 106 million.

Premiums sufficiency and creation of a provision for unexpired risks

Direct insurance

Fidelidade's direct non-life insurance premiums for Accidents, Fire and Other Damage and Motor were insufficient to meet the liabilities associated with claims, operating costs and investments. A reduction of 15.5%, 7.1% and 2.6%, respectively, in the costs would be needed to eliminate the premiums shortfall in these lines of business.

The premiums earned from direct insurance were sufficient to meet the liabilities assumed in all other lines of business.

Net of reinsurance

With the exception of the Aviation and Marine lines of business, the insurance company's premiums net of reinsurance were insufficient, in 2017, to meet the costs associated with the operation of most of the lines of business.

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 2016.

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 89.7% of the Gross Premiums Earned and 95.6% of the claims.

In order to control the risks assumed, the insurance company has underwriting and acceptance rules which 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 2017.

Distribution of Reinsurers by Rating

	% Reinsurers	
Rating	2017	2016
A -	18.5%	14.3%
A	25.9%	25.0%
A +	22.2%	25.0%
AA -	25.9%	25.0%
AA	-	3.6%
AA+	3.7%	3.6%
Not rated	3.7%	3.6%

There is a specific "Excess of Loss" treaty to guarantee catastrophic risks, with a retention of EUR 100,000,000 and a capacity of EUR 420,000,000.

At Fidelidade 60.23% 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 2016 totalled EUR 1,541 million. During 2017, EUR 329,189,347 were paid for claims which occurred in 2017 and previous years.

In December 2017, natural consumption would lead to a provision of EUR 1,212,064,347. However, there was a negative readjustment of over EUR 51 million, and the provision at the end of December 2016 was EUR 1,263,414,294.

There were negative readjustments for all lines of business except Accidents, Health and Other lines of business. The most significant, in absolute terms, was in Motor, which was greater than EUR 47 million.

Development of the Claims Provision Regarding Claims Occurred in Previous Years and their Readjustments (Corrections)

(amounts in Euros)

Headings	Claims Provision at 31 December 2016 (1)	Claims Paid in the Year* (2)	Claims Provision at 31 December 2017* (3)	Readjustments (3)+(2)-(1)
Accidents and Health	861,221,400	136,396,648	758,791,227	33,966,475
Fire and Other Damage	120,793,836	50,062,807	129,922,724	59,191,695
Motor	437,622,477	115,871,854	273,903,326	(47,847,297)
Marine and Transport	3,862,941	1,697,682	2,440,143	274,884
Aviation	1,099,255	196,643	793,379	(109,233)
Transported Goods	4,562,304	2,766,264	1,715,887	(80,153)
Third Party Liability	101,770,550	8,525,120	86,735,070	(6,510,360)
Credit and Suretyship	495,342	(95,422)	341,323	(249,441)
Legal Protection	18,981	(553)	897	(18,637)
Assistance	98,616	0	7,615	(91,001)
Other	9,704,694	13,765,006	8,762,703	12,823,015
Total	**1,541,250,396**	**329,186,049**	**1,263,414,294**	**51,349,947**

* Claims occurred in the year N-1 and previous years

Insurance Risks

The Group 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 Group'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 Group 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 Group 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 group'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 Group's liabilities of changes which are reasonably possible in the assumptions indicated. All the others remain constant.

Assumption	Factor	Increase in Liability
Longevity	+ 20%	5.33%
Expense	+ 10%	0.64%
Revision	4%	2.04%
Interest Rate	-1%	12.10%

49.4. 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 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 associated with the cover available and in force in Reinsurance, and these are decisive for the acceptance or refusal of certain types of risks.

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.

For Motor, Workers' Compensation, Personal Accidents, Marine Hull, Transported Goods and Third Party Liability, the risks are covered by an Excess of Loss treaty, 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 the resulting quotes from potential different levels are taken into consideration.

The Maximum Risk in Retentions is protected by the Excess of Loss Treaties which are appropriate to each situation.

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 infrequency 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.

The criteria for selecting reinsurers take into account their reliability and financial solvency and their capacity to provide services, and constant observation and monitoring of this is carried out.

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-".

49.5. 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:

(Premiums + Income – Claims – Management Expenses – Changes in Mathematical Provision – Potential Negative Balance from the previous year) x 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:

(Premiums + Income – Claims – Management Expenses – Changes in Mathematical Provision – Potential Negative Balance from the previous year) x 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:

(Percentage of Income – Technical Income – Management Costs – Potential Negative Balance from the previous year) x 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)

	Risk		Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2018	149,431,364	104,164,879	0	14,997,333	21,112,335	156,861,500
2019	127,979,657	88,020,733	0	14,153,768	19,121,920	171,715,932
2020	119,126,882	81,169,650	0	13,292,457	17,084,652	165,509,079

The following tables provide information on the changes of these cash inflows and outflows, considering a 5% increase in expected redemptions.

(amounts in Euros)

	Risk		Annuities		Capitalisation with PS	
Year	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2018	145,903,655	102,046,121	0	14,997,333	20,576,038	212,770,678
2019	118,137,985	82,303,914	0	14,153,768	17,686,937	209,879,123
2020	104,060,331	72,529,828	0	13,292,457	15,000,426	187,892,171

50. Capital Management

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

The Solvency II rules are divided into three pillars.

Pillar I (quantitative requirements)

The Solvency II rules define criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance 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 it 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 Office, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, and the Life and Non-Life Products Committees.

51. Public Service Concessions

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).

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.

52. Managed Pension Funds

At 31 December 2017 and 2016, 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:

	2017							
	BNU Pension 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
Amounts in Patacas								
Cash and deposits	28,003,144	24,326,810	42,484,019	188,291	226,478	329,492	263,753	827,907
Debt instruments	114,934,707	469,029,419	-	5,193,808	3,372,269	6,533,339	3,476,160	-
Equity instruments	23,576,635	219,047,187	-	1,754,443	5,165,134	9,355,561	6,233,622	-
Others	(24,973)	(373,816)	(306,523)	(60,646)	(73,298)	(134,426)	(88,625)	(136)
	166,489,513	**712,029,601**	**42,177,496**	**7,075,896**	**8,690,584**	**16,083,966**	**9,884,909**	**80,034**
Amounts in Euros								
Cash and deposits	2,900,918	2,520,077	4,401,030	19,506	23,461	34,133	27,323	85,765
Debt instruments	11,906,384	48,587,973	-	538,040	349,342	676,806	360,104	-
Equity instruments	2,442,365	22,691,666	-	181,747	535,070	969,167	645,757	-
Others	(2,587)	(38,725)	(31,754)	(6,282)	(7,593)	(13,926)	(9,181)	(14)
	17,247,080	**73,760,991**	**4,369,276**	**733,011**	**900,280**	**1,666,180**	**1,024,003**	**8,291**

Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9,65320 MOP.

	2016						
	BNU Pension 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
Amounts in Patacas							
Cash and deposits	24,399,235	32,857,477	34,154,957	392,968	180,119	688,283	360,681
Debt instruments	112,727,740	387,450,630	-	3,593,161	2,363,705	4,460,539	2,931,578
Equity instruments	23,285,816	185,620,055	-	1,256,682	3,683,091	6,312,482	5,051,920
Others	(20,049)	(318,112)	(174,828)	(43,055)	(53,486)	(93,521)	(68,720)
	160,392,742	**605,610,050**	**33,980,129**	**5,199,756**	**6,173,429**	**11,367,783**	**8,275,459**
Amounts in Euros							
Cash and deposits	2,897,634	3,902,128	4,056,216	46,669	21,391	81,740	42,834
Debt instruments	13,387,457	46,013,328	-	426,721	280,712	529,730	348,152
Equity instruments	2,765,405	22,044,090	-	149,243	437,401	749,665	599,962
Others	(2,381)	(37,779)	(20,762)	(5,113)	(6,352)	(11,106)	(8,161)
	19,048,115	**71,921,767**	**4,035,454**	**617,520**	**733,152**	**1,350,029**	**982,787**

Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.4204 MOP.

53. Subsequent Events

On 15 January 2018, Fidelidade sold 49% of the shares representing the share capital of Luz Saúde, S.A. (46,815,704 shares) to Fosun International Limited, for EUR 267,317,670, so that its holding is now 49.7881%.

REPORT AND OPINIONS ON THE CONSOLIDATED ACCOUNTS

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(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 31 December 2017 (which establishes a total of 17,377,679,315 euros and total equity and non-controlling interests of 2,894,137,309 euros, including a net profit for the year of 194,251,243 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 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF").

Basis for opinion

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

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
As described in notes 21 and 22 of consolidated financial statements, as at 31 December 2017, the technical provisions for life insurance and the financial liabilities of the deposit component of insurance	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:

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
contracts and on insurance contracts and operations considered for accounting purposes as investment contracts amounted to 2,040 million euros and 8,584 million euros, respectively, representing approximately 73% of the total liabilities. 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 2.20, the liabilities for insurance contracts are determined based on actuarial methods, 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.	• Understanding of the Entity'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; • Analytical review procedures, recalculation and analysis of the methodologies for the projection of cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates; • 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 • 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.

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
As described in note 21 to the financial statements as at 31 December 2017, the claims provisions arising from non-life insurance contracts amounted to 1,749 million euros (12% of total liabilities). These provisions are determined using actuarial assumptions and methodologies and are based on the history of the Entity's loss ratio by business. They present the estimated value of damages to pay for claims already incurred, including claims incurred but not reported (IBNR), and administrative costs related to future settlement. These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based	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: • 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); • 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;

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
on judgments, in particular the discount rate, mortality tables and estimation of expenses to be incurred (see details in subparagraph (d) note 2.17). In view of the materiality of these liabilities to the consolidated financial statements and that the process for their determination 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.	• 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 year and with the default payment history by segment and by reference to the specifics of the Entity's products and its subsidiaries regulatory requirements and practices in the insurance sector; • 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; • 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.

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
As detailed in note 48, the consolidated assets and liabilities include financial instruments valued at fair value amounting to 11,779 million euros and 10 million euros, respectively, which represent about 67% of the total consolidated assets and 0.1% of the total consolidated liabilities. 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 1,495 million euros (9% of the asset) and 9 million euros (0.1% of	Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following: • Understanding of the internal control procedures of the 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; • 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; • Analysis of the methodologies and assumptions used by the Entity and its subsidiaries in determining fair value, using as

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
the liabilities), respectively, which were classified under the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 48). 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.	reference the details of its investment policy, regulatory requirements and sector practices; and • Review the completeness and consistency of disclosures of financial instruments at fair value in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

4. Impairment tests 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
The consolidated financial statements of the Entity as at 31 December 2017 include in the statement of financial position as more fully disclosed in note 14, *Goodwill* arising from investments in subsidiaries of 457 million euros, representing approximately 3% of the consolidated assets. In accordance with the accounting principles, *Goodwill* 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 issuers (such as discount rates, inflation, growth rates/profit margins and prospective financial information). 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.	Our approach to the risk of material misstatements in the valuation of Goodwill included a specific response by performing the following procedures: • Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of *Goodwill*; • Review of the assumptions used in the valuation models approved by the management, in particular the 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; • 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; • 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.

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5. Recognition and measurement of impairment losses on financial assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
The consolidated income statement of the Entity as at 31 December 2017, includes impairment losses from financial instruments held, classified as "available-for-sale financial assets", of 134 million euros (details disclosed in note 42). 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 financial assets 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. 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.	Our approach to the risk of material misstatements in the recognition and measurement of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following: • Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of financial instruments and recognition of impairment losses for the Entity and its subsidiaries (when relevant); • Analytical review tests on the consolidated financial statements line items related to financial assets and recalculation of impairment losses on a sample basis; • Analysis of the policies/methodology for the recognition of impairment losses of the Entity and its subsidiaries, based on the accounting principles and market practices; • 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.

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
The consolidated financial statements of the Entity as at 31 December 2017 include real estate assets as disclosed in notes 10 and 20 to the financial statements, recorded at fair value, classified as own use, investment properties and inventories, of 464 million euros, 2,018 million euros and 2 million euros, respectively, which represent a total of about 12% of the consolidated assets of the Entity. The real estate appraisals were based on the methods disclosed in note 10 to the consolidated financial statements and assumptions for which the effects of the	Our approach to the risk of material misstatements in the valuation of real estate investments included a specific strategy consisting of a combination of evaluation of controls and substantive procedures, namely: • 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; • Analytical review tests on real estate items included in the consolidated financial statements;

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
economic and financial environment and the ability of the market to absorb the available supply is crucial. 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.	• Analysis of the valuation reports prepared by experts, testing the appropriateness of the valuation methods used and reasonableness of the assumptions made; • 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; • 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.

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 accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;
- 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 ISAs 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 ISAs, 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;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we remain solely responsible for our audit opinion;
- 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 the 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 10º of Regulation (EU) nº 537/2014

Pursuant to article 10º of Regulation (EU) nº 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 ISAs 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; and
- We declare that we have not provided any prohibited services as described in article 77 nr. 8 of the Statute of the Institute of Statutory Auditors and we have remained independent of the Group in conducting the audit.

Lisbon, 25 May 2018

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

(signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230
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LONGRUN PORTUGAL, SGPS, S.A

Report and Opinion of the Supervisory Board

2017

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, 28 May 2018

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABLITY

TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD

OF LONGRUN PORTUGAL, SGPS, S.A.

FOR 2017

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, 28 May 2018.

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

ÓRGÃOS SOCIAIS

LONGRUN PORTUGAL, SGPS, S.A.

Board of Directors

Chairman	Lan KANG
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 Ana Rosa Ribeiro Salcedas Montes Pinto, ROC.

LONGRUN PORTUGAL, SGPS, S.A.

a. About Longrun Portugal, SGPS, S.A.

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. (84.99%, 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

Longrun, SGPS, S.A.'s Net Assets amounted to EUR 1,631 million, corresponding mainly to the value of the aforementioned shareholdings.

Longrun obtained a negative individual statutory income of EUR 159 thousand.

OUTLOOK

a. Macroeconomic Development

In 2017, the Portuguese economy displayed a rhythm of economic growth greater than in the previous years, thereby maintaining the recovery trend which began in 2013. In fact, economic activity in Portugal benefited from a favourable external climate, characterised by increased demand from abroad and by general improvements in financial and monetary conditions.

Most recent estimates for 2017 suggest GDP growth of almost 2.5%, which is higher than the figure for 2016 (1.5%) and similar to that forecast for the euro area average. The evolution in the Portuguese economy is rooted in boosts in exports and investment.

Exports of goods and services were highly positive (gross annual growth of 7.7% in 2017 compared to 4.4% in 2016), with particular emphasis on growth in services exports. In particular, tourism exports performed especially well, recording their highest growth rate in the last two decades.

On the other hand, Gross Fixed Capital Formation (GFCF) was the most dynamic component in internal demand. In fact, following a slight rise of 1.6% in 2016, GFCF increased 8.3% in 2017, essentially propelled by the housing sector, but also due to continued strong growth of the business GFCF (around 7%).

In 2017, private consumption continued the previous year's trend (with an increase of 2.2%), reflecting behaviour in terms of consumption of current goods and services, which cancelled out the effect of a certain slowdown in the consumption of consumer durables, in particular motor vehicles.

Forecasts for the labour market suggest an increase in employment levels (+3.1%) and, consequently, a fall in the unemployment rate to around 9% at the end of 2017 (11.1% in 2016).

Accordingly, in 2017 the Portuguese economy should maintain a positive financing capacity, despite a slight fall in the current account and capital account balance compared to the previous year (1.5% of GDP in 2017 compared to 1.7% in 2016).

In terms of inflation, prices rose by 1.6% in 2017 (compared to 0.6% in 2016), reflecting the evolution of the energy sector (with an increase of 4%) and the non-energy sector (with an increase of 1.4%), the latter resulting from a significant increase in prices for services, in particular related to the tourism sector.

The forecasts available for 2018 indicate that the trends described above will continue, although with more moderate GDP growth (2.3%), reflecting less dynamic exports and investment (with expected growth of 6.5% and 6%, respectively) and stabilising of private consumption (growth of 2.1%).

b. Prospects for the Insurance Market in 2018

Following two consecutive years in decline, the Portuguese insurance market recorded an increase in premiums of 6.5% compared to 2016, propelled by the positive evolution of its two major business segments: the Life segment (+6.2%), heavily influenced by the behaviour of financial products, and the Non-life segment (+6.9%), the evolution of which is closely linked to economic activity.

In the Life segment, the area associated with financial products saw an increase of almost 7%, reversing the trend of accentuated decline in the volume of production recorded in the previous two years. The evolution of Pension Plans (PPR), which recorded growth of almost 30%, contributed heavily to this figure.

The Non-Life segment intensified its growth (to 6.9% in 2017 compared to 5.1% in 2016), with the highest annual growth rate since 2004, the main drivers of which were the Health and Workers' Compensation lines of business.

In 2018, the growth trend associated with financial products is expected to continue, taking advantage of increased appetite in the Portuguese market for products which complement retirement income (in the light of the lower replacement rate in the public system).

In the Non-Life segment, the growth trend will continue, in line with that of the Portuguese economy, benefiting from the expected contribution of some of the more dynamic lines of business, in particular Health and Personal Accidents.

The Non-Life segment should also benefit from an increase in the lines of business more linked to business activity (Workers' Compensation, Property and Third Party Liability), reflecting the evolution forecast for investment (6% growth) and for the unemployment rate (1 pp decrease).

PROPOSAL FOR THE APPLICATION OF INCOME

The individual net income for 2017 was € -159,177.75

In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following application:

Retained Earnings	€ -159,177.75

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 Board and the Statutory Auditors for their interest, availability and commitment.

Lisbon, 28 March 2018

THE BOARD OF DIRECTORS

Lan KANG – Chairman
Wai Lam William MAK – Member

SEPARATE FINANCIAL STATEMENTS

Separate of Financial Position as at 31 december 2017 and 2016

Tax no: 510 999 018

(amounts in Euros)

		2017			
ASSETS	Notes	Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	2016
Cash and cash equivalents	3	429,568	-	429,568	28,084
Investments in subsidiaries	4	1,598,784,859	-	1,598,784,859	1,598,784,859
Other debtors for insurance and other operations		32,123,090	-	32,123,090	61,608,156
Accounts receivable for other operations	5	32,123,090	-	32,123,090	61,608,156
Tax assets		88,649	-	88,649	45,552
Deferred tax assets	6	88,649	-	88,649	45,552
TOTAL ASSETS		**1,631,426,166**	**-**	**1,631,426,166**	**1,660,466,651**

Separate Statement of Financial Position as at 31 december 2017 and 2016

Tax no: 510 999 018 (amounts in Euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
LIABILITIES			
Other creditors for insurance and other operations		719,997	4,714,113
Accounts payable for other operations	7	719,997	4,714,113
Tax liabilities		31,420,032	57,096,234
Tax payable liabilities	6	31,420,032	57,096,234
Accruals and deferrals	8	185,715	45,606
TOTAL LIABILITIES		**32,325,744**	**61,855,953**
SHAREHOLDERS' EQUITY			
Paid-in Capital	9	50,000	50,000
Other Capital Instruments		1,599,398,902	1,598,750,000
Other reserves	10	3,040	3,040
Retained earnings	10	(192,342)	(171,325)
Net income for the year	10	(159,178)	(21,017)
TOTAL SHAREHOLDERS' EQUITY		**1,599,100,422**	**1,598,610,698**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,631,426,166**	**1,660,466,651**

Lisbon, 30 April 2018

Chief Accounting Officer
Ana Paula Bailão Rodrigues

Certified Public Accountant
Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Lan Kang
Chairman

Wai Lam William Mak
Member

Separate Income Statement for the Years Ended as at 31 december 2017 and 2016

Tax no: 510 999 018 (amounts in Euros)

INCOME STATEMENT	Notes	2017 Non-technical	2017 Total	2016
Financial expenses		(204,847)	(204,847)	(27,540)
Other	11	(204,847)	(204,847)	(27,540)
Other income/expenses	13	2,572	2,572	936
NET INCOME BEFORE TAX		**(202,275)**	**(202,275)**	**(26,604)**
Current income tax - current taxes	6	-	-	5,587
Current income tax - deferred taxes	6	43,097	43,097	-
NET INCOME FOR THE YEAR		**(159,178)**	**(159,178)**	**(21,017)**

Lisbon, 30 April 2018

Chief Accounting Officer
Ana Paula Bailão Rodrigues

Certified Public Accountant
Filipa Jesus Martins Pires

On Behalf of the Board of Directors

Lan Kang
Chairman

Wai Lam William Mak
Member

Separate Statement of Changes in Equity for the 2017 and 2016 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
Balance at 31 December 2015	**1,598,800,000**	**305**	**2,735**	**-**	**(171,325)**	**1,598,631,715**
Appropriation of net income	-	-	-	(171,325)	171,325	-
Net income for the year	-	-	-	-	(21,017)	(21,017)
Balance at 31 December 2016	**1,598,800,000**	**305**	**2,735**	**(171,325)**	**(21,017)**	**1,598,610,698**
Appropriation of net income	-	-	-	(21,017)	21,017	-
Supplementary contributions	648,902	-	-	-	-	648,902
Net income for the year	-	-	-	-	(159,178)	(159,178)
Balance at 31 December 2017	**1,599,448,902**	**305**	**2,735**	**(192,342)**	**(159,178)**	**1,599,100,422**

Individual Cash Flow Statements for the Years Ended 31 december 2017 and 2016

Tax no: 510 999 018 (amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Operating flows prior to changes in assets and liabilities		
Payments to suppliers	(44,906)	(83,959)
Payments to statutory bodies	(19,784)	-
Other	2,524	935
	(62,166)	**(83,024)**
(Increases) decreases in operating assets		
Debtors - other operations	29,485,066	(61,605,244)
	29,485,066	**(61,605,244)**
(Increases) decreases in operating liabilities		
Creditors - other operations	(3,994,116)	4,586,286
Other liabilities	(25,676,202)	57,101,821
	(29,670,318)	**61,688,107**
Net cash from operating activities	**(247,418)**	**(161)**
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Additional Benefits	648,902	-
Net cash from financing activities	**648,902**	**-**
Increase (decrease) net of cash and equivalents	401,484	(161)
Cash and equivalents at start of period	28,084	28,245
Cash and equivalents at end of period	429,568	28,084

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Introductory Note

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 2017 were approved by the Board of Directors on 30 April 2018.

2. Accounting Policies

2.1. Basis of presentation

The financial statements at 31 December 2017 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, 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 2016 the Company adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2016. 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 2017 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 2016 and 2017, 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 7% 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. At 31 December 2017, the deferred tax assets and liabilities recognised by the Company were determined pursuant to Law No. 7-A/2016, of 30 March.

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 2017 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 2016. 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
IAS 12 – Income Taxes (Amendment)	19-01-2016	2017/1989	01-01-2017
IAS 7 – Statement of Cash Flows (Amendment)	29-01-2016	2017/1990	01-01-2017
IFRS 12 – Disclosure of Interests in Other Entities			
(Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2017

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 – Investments in Associaties and Joint Ventures			
(Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2018

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	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRIC 23 - Uncertainly over Income Tax Treatments	07-05-2017	01-01-2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	01-01-2019

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 2017.

3. Cash and Cash Equivalents

At 31 December 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Sight deposits		
Domestic currency	429,568	28,084
	429,568	**28,084**

4. Investments in Subsidiaries

The balances of investments in subsidiaries at 31 December 2017 and 2016 were as follows:

(amounts in Euros)

	2017		2016	
	Effective Share (%)	**Balance Sheet Value**	**Effective Share (%)**	**Balance Sheet Value**
Valued at acquisition cost				
Subsidiaries				
Fidelidade – Companhia de Seguros, S.A.	84.99%	1,541,964,100	84.99%	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
		1,598,784,859		**1,598,784,859**

The financial data for the main subsidiaries at 31 December 2017 and 2016 were as follows:

(amounts in Euros)

	2017					
Operating sector / entity	**Effective share %**	**Assets**	**Liabilities**	**Shareholders' equity (a)**	**Net income**	**Total revenue**
Insurance						
Fidelidade – Companhia de Seguros, S.A.	84.99%	15,889,040,096	13,442,066,973	2,446,973,123	187,789,357	2,610,119,715
Multicare – Seguros de Saúde, S.A.	80.00%	157,841,851	83,792,036	74,049,815	8,088,593	263,973,311
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	67,519,705	32,481,587	35,038,118	5,738,157	31,648,201

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

(amounts in Euros)

	2016					
Operating sector / entity	**Effective share %**	**Assets**	**Liabilities**	**Shareholders' equity (a)**	**Net income**	**Total revenue**
Insurance						
Fidelidade – Companhia de Seguros, S.A.	84.99%	14,674,807,178	12,834,840,242	1,839,966,936	100,420,503	3,168,274,008
Multicare – Seguros de Saúde, S.A.	80.00%	146,484,583	81,406,861	65,077,722	6,803,404	229,760,314
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	69,479,389	41,068,025	28,411,364	1,925,076	48,582,840

(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, nº. 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 nº 13 - 7º, was set up on 17 February 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.

5. Other Debtors for Insurance and Other Operations

At 31 December 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts receivable for other operations		
Group companies	32,122,021	61,607,087
Others	1,069	1,069
	32,123,090	**61,608,156**

6. Tax Assets and Liabilities

The balances for tax assets and liabilities at 31 December 2017 and 2016 were as follows:

(amounts in Euros)

	2017	2016
Current tax liabilities		
Income tax payable (Subsidiaries)	(31,417,518)	(57,096,234)
Others		
Social security	(1,206)	-
Withholdings	(1,308)	-
	(31,420,032)	**(57,096,234)**
Deferred tax assets	88,649	45,552
	88,649	**45,552**
Total	**(31,331,383)**	**(57,050,682)**

At 31 December 2017 and 2016, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in Euros)

	2017	2016
Income tax estimate recognised as a charge to the income statement	-	(5,587)
	-	**(5,587)**

A reconciliação entre a taxa nominal e a taxa efetiva de imposto verificada nos exercícios de 2017 e 2016 pode ser demonstrada como se segue:

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Income before tax		(202,275)		(26,604)
Income tax calculated at nominal rate - Tax losses	0.00%	-	21.00%	(5,587)
Deferred tax assets - Tax losses	21.31%	(43,097)	0.00%	-
Effective tax rate	21.31%	(43,097)	21.00%	(5,587)

In 2017 the Company presented tax losses of EUR 205,226. However, no deferred tax asset was registered, since as part of the SRTCG this tax loss is consumed in 2017 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

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts payable for other operations		
Group companies		
Aggregate tax	703,653	4,505,267
Others	1,000	152,113
Suppliers' current accounts	15,343	56,733
	719,997	**4,714,113**

8. Accruals and Deferrals

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accrued expenses		
Insurance	183	-
Audit	62,115	9,840
Other specialist work	123,417	35,766
	185,715	**45,606**

9. Paid-In Capital

At 31 December 2017, 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.

10. Reserves, Retained Earnings and Income for Year

At 31 December 2017 and 2016, reserves and retained earnings were as follows:

(amounts in Euros)

	2017	2016
Other reserves		
Legal reserve	305	305
Other reserves	2,735	2,735
	3,040	**3,040**
Retained earnings	(192,342)	(171,325)
Net income for the year	(159,178)	(21,017)
	(348,480)	**(189,302)**

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 2017 and 2016, the Company operating costs, by type, are as follows:

(amounts in Euros)

	2017	2016
Employee costs (Note 12)	19,709	-
External supplies and services		
Litigation and notary expenses	120	-
Consultancy	-	92,250
Auditors	103,268	123,000
Other specialist work	81,623	(187,791)
Others	81	81
	185,092	**27,540**
Comissions	46	-
	204,847	**27,540**

In 2017 and 2016 profit and loss statements, these costs were as follows:

(amounts in Euros)

	2017	2016
Non technical account		
Financial expenses	204,847	27,540
Total operating costs allocations	**204,847**	**27,540**

12. Employee Costs

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Remuneration		
Statutory bodies	16,446	-
Remuneration expenses	3,080	-
Mandatory insurance	183	-
	19,709	**-**

13. Other Income / Expenses

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Financial income and gains		
Interest obtained	2,951	-
Exchange rate gains	-	3,420
	2,951	**3,420**
Financial expenses and losses		
Exchange rate losses	-	(1,834)
Banking services	(379)	(650)
	(379)	**(2,484)**
	2,572	**936**

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 2017 and 2016 the Company's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2017

(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)	Luz Saúde, S.A. (2)	Fidelidade - Property International, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	401,860
Investments in subsidiaries	1,541,964,100	39,420,236	17,400,523	-	-	-	-	-
Accounts receivable								
for other operations	7,374,967	486,136	900,575	10,585	9,344	-	20,981,580	-
Liabilities								
Accounts payable for other operations	-	-	-	-	-	374,169	-	-
Income								
Financial expenses	-	-	-	-	-	-	-	(37)
Other income/expenses	-	-	-	-	-	-	-	(205)

(continuation) (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
Assets							
Cash and cash equivalents	-	-	-	-	-	-	401,860
Investments in subsidiaries	-	-	-	-	-	-	1,598,784,859
Accounts receivable for other operations	60,008	2,222,104	76,722	-	-	-	32,122,021
Liabilities							
Accounts payable for other operations	-	-	-	20,035	309,449	1,000	704,654
Income							
Financial expenses	-	-	-	-	-	-	(37)
Other income/expenses	-	-	-	-	-	-	(205)

2016

(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)	Luz Saúde, S.A. (2)	Fidelidade - Property International, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	203
Investments in subsidiaries	1,541,964,100	39,420,236	17,400,523	-	-	-	-	-
Accounts receivable								
for other operations	54,044,492	2,210,507	688,643	-	43,936	-	4,023,176	-
Liabilities								
Accounts payable for other operations	151,113	-	-	840,682	-	481,180	-	-
Income								
Other income/expenses	(149)	-	-	-	-	-	-	(356)

(continuation) (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)	Fosun International Ltd (1)	Millennium Gain Ltd (1)	Total
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	203
Investments in subsidiaries	-	-	-	-	-	-	-	1,598,784,859
Accounts receivable								
for other operations	104,053	-	7,893	78,131	406,258	-	-	61,607,087
Liabilities								
Accounts payable for other operations	-	3,183,405	-	-	-	-	1,000	4,657,379
Income								
Other income/expenses	-	-	-	-	-	149	-	(356)

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 2017 were as follows:

(amounts in Euros)

Board of Directors	Fixed Remuneration	Capitalisation insurance Deferred receipt	Variable Remuneration *	Meal allowance	Health Insurance	Life Insurance
Lan KANG	-	-	-	-	-	-
Wai Lam William MAK	-	-	-	-	-	-

(amounts in Euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
Pedro Nunes de Almeida	5,874	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	5,286	-	-	-	-
João Filipe Gonçalves Pinto	5,286	-	-	-	-

* Concerning the financial year 2016

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 2017, amount to EUR 108,236, EUR 60,000 of which are related to the Statutory Audit, EUR 5,736 to compliance and assurance services and EUR 42,500 related to other audit services.

15. Subsequent Events

After the Statements of Financial Position date, no events were recorded which affect the value of the assets and liabilities and financial statement disclosures for the period.

REPORT AND OPINIONS ON THE SEPARATE ACCOUNTS

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(Translation of a report originally issued in Portuguese)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Longrun Portugal, SGPS, S.A. (the "Entity"), which comprise the Separate Statement of Financial Position as at 31 December 2017 (which establishes a total of 1,631,426,166 euros and total equity of 1,599,100,422 euros, including a negative net profit for the year of 159,178 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 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 financial position of Longrun Portugal, SGPS, S.A. as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF").

Basis for opinion

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

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
The financial statements of the Entity as at 31 December 2017 include in the 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. 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	Our approach to the risk of material misstatements in the investments in subsidiaries included a specific response by performing the following procedures: • Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of these investments; • Review of internal analyses for identification of impairment triggers on financial shareholdings. • 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.

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
rates/profit margins, prospective financial information and inflation). 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.	• 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; Review of 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.

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 ASF;
- 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 ISAs 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 ISAs, 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

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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.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatement.

On additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant to article 10º of Regulation (EU) nº 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 ISAs 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, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Entity in conducting the audit.
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Company in conducting the audit.

Lisbon, 25 May 2018

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

(signed)

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1230
Registered with the Portuguese Securities Market Commission under license nr. 20160841

LONGRUN PORTUGAL, SGPS, S.A

Report and Opinion of the Supervisory Board

2017

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, 28 May 2018

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABLITY

TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD

OF LONGRUN PORTUGAL, SGPS, S.A.

FOR 2017

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, 28 May 2018.

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 2017 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies and in Article 32(1) a) iv) of Regulatory Standard No. 8/2016 – R, of 16 August.

INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. Capital structure

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 2017, 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 2017, 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 2017, 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.

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.

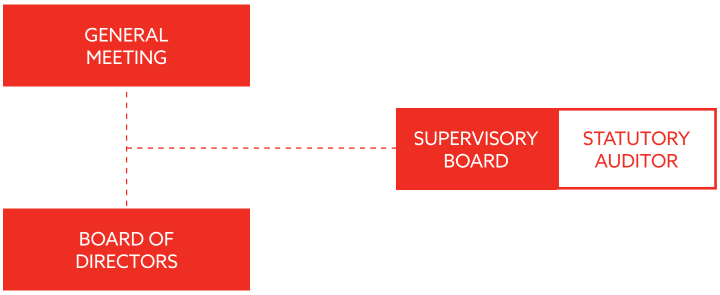
14. Composition of the board of directors, with an indication of the articles of association's minimum and maximum number of members, duration of the mandate, number of effective members, date when first appointed and duration of the mandate of each member

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 2017, the Board of Directors was composed of:

Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Lan KANG	Chairman	17-04-2017	2016/2019	Non-executive
William MAK	Member	17-04-2017	2016/2019	Executive

The following table represents the Longrun's Corporate Governance structure during 2017:



Board of Directors

The Board of Directors (BD), 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 2017:

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	Replacement	31-05-2017	2017/2019

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

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 carry out duties until the end of the three-year period 2014/2016, and exercise its duties until the end of the 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

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 insurance group Longrun.

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 Group has policies, processes and procedures relating to the governance system which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business. In terms of organisational structure, the risk management and internal control systems are managed by the following bodies: the Risk Management Division, the Compliance Office, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, and the Life and Non-Life Products Committees.

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

Included within the set of prudential recommendations of the supervisory authorities, in order to guarantee operational continuity of the processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of a structured assessment of damage and agile decision-making regarding the type of recovery to be undertaken.

Regarding the public reporting requirements, in 2017 the Company prepared and disseminated, on its Internet site, the "2016 Solvency and Financial Condition Report", which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2016. 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 2017, 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 Fidelidade 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 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 Fidelidade Group, 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 Companies, 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 2017 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 appro priate 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

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, if any, 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 executive director terminated their 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	5,874	
Vasco Jorge Valdez Ferreira Matias	5,286	
João Filipe Gonçalves Pinto	5,286	
Isabel Gomes de Novais Paiva	0	Reserve
TOTAL		

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) l)

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the company.

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

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. Elementos relativos às transações

43. Indicação do local dos documentos de prestação de contas onde está disponível informação sobre os negócios com partes relacionadas

A informação sobre os negócios com partes relacionadas encontra-se nas demonstrações financeiras.