

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

ANNUAL  
REPORT  
2016

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

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# **CORPORATE BODIES**

## LONGRUN PORTUGAL, SGPS, S.A.

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### Board of Directors

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Chairman	Guoqi Ding
Member	Xuetang Qin

### Supervisory Board

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Chairman	Xiaolei HU
Member	Lijun SHAO Xiao Lei CHI
Alternate	Pei YU

### Statutory Auditors

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Ernst & Young Audit & Asociados - SROC, S.A.,  
represented by  
Ana Rosa Ribeiro Salcedas Montes Pinto, ROC.

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

## a. Key Indicators

**€3,731  
million**

Total Premiums Written

Life: € 2,452 million  
Non-Life: € 1,278 million

**32.2%**

Market Share (PT)

Life: 35.5%  
Non-Life: 27.0%

**11.4%**

Weight of International  
Non-Life operation

**€15.9  
billion**

Net Assets

**3,625**

Employees

**97.2%**

Non-Life Combined  
Ratio

**€186.3  
million**

Net Profits

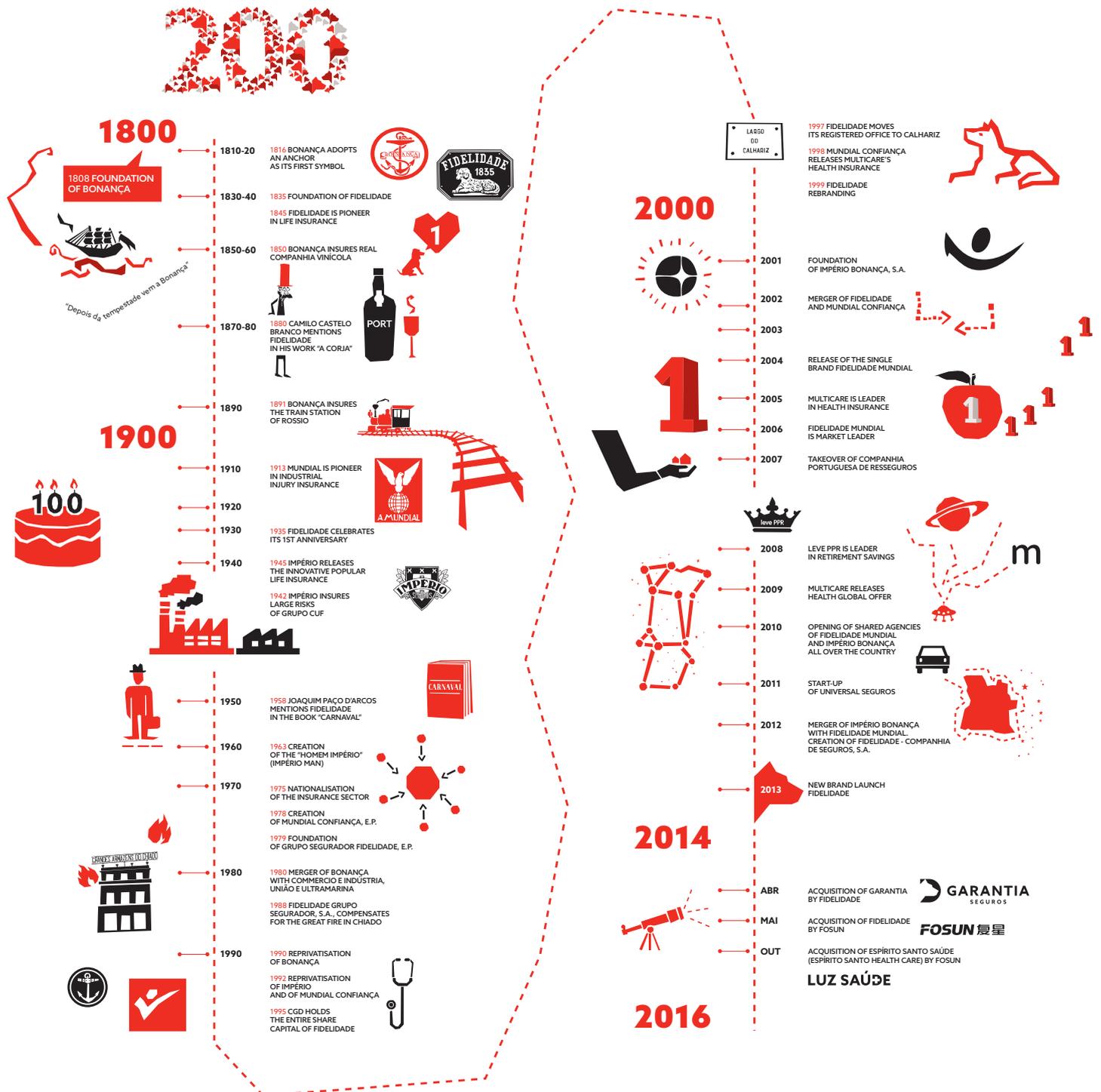
**€1,937  
million**

Shareholders' Equity

**10.0%**

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. (hereinafter "Longrun" or "Company").

Until 2000 the Portuguese insurance sector was mostly concentrated on six insurers following 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, Caixa Geral de Depósitos (hereinafter "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 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 acquiring approximately 84.99% of the capital of Fidelidade - Companhia de Seguros S.A. (hereinafter "Fidelidade"), and the CGD Group remaining the reference shareholder with 15%.



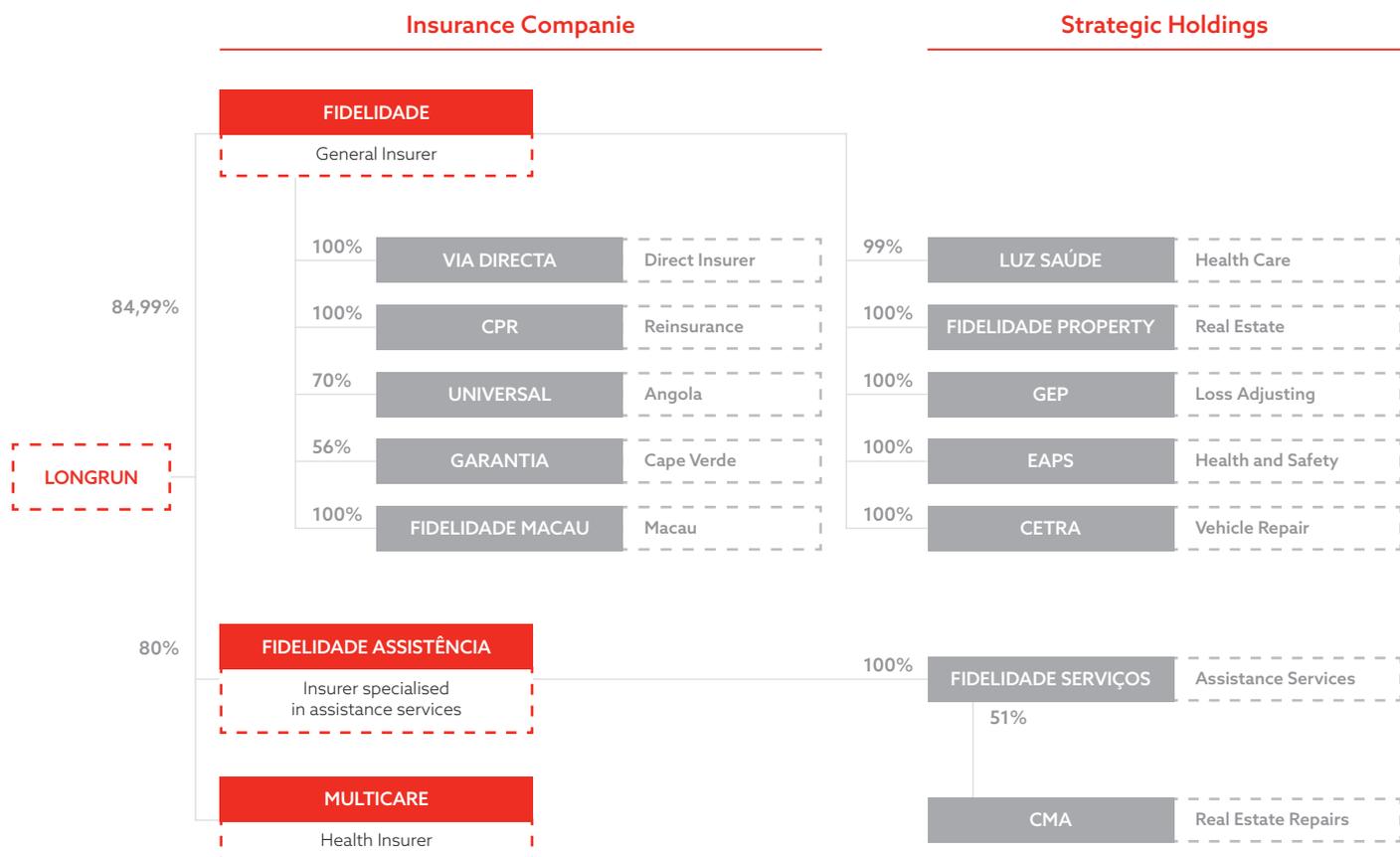
## c. About Longrun Portugal, SGPS, S.A.

### i. Group Structure

Longrun owns several insurance companies in the Portuguese market: Fidelidade, Multicare - Seguros de Saúde S.A. (hereinafter "Multicare"), Via Directa - Companhia de Seguros S.A. (hereinafter "Via Directa"), Fidelidade Assistência - Companhia de Seguros S.A. (hereinafter "Fidelidade Assistência") and Companhia Portuguesa de Resseguros S.A. (hereinafter "CPR"). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macau-Life Segment, and Mozambique) and through its insurance subsidiaries, Universal Seguros, Garantia and Fidelidade Macau (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 2016, Longrun's insurance business once again strengthened its leadership across both the Life and Non-Life segments, recording an overall market share of 32.2%, which corresponds to an increase of 2.4pp over the previous year.

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

As a result of continued emphasis on retirement-related products, Longrun's insurance business holds a 56% market share, reflecting our clients' great confidence in the solidity of the Group.

### Life Segment - Market Share



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

### Non-Life Segment - Market Share



#### Longrun

Life Risk **19%**  
Annuities **16%**  
Life Capitalisation **31%**  
Pension Plans **56%**

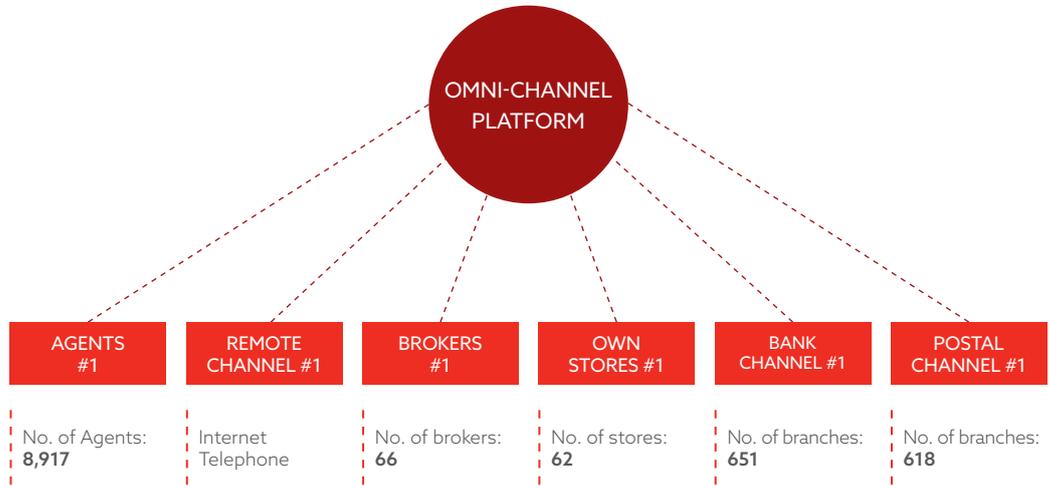
#### Longrun

Motor **28%**  
Workers' Compensation **24%**  
Personal Accidents **15%**  
Health **34%**  
Home **23%**  
Commercial and Industrial Property **33%**  
Other Fire and Damage **40%**  
Third Party Liability **27%**  
Transport **33%**

### iii. Distribution Network

Longrun's insurance business companies sell products in all business segments through the largest and most diversified distribution network of insurance products operating in the Portuguese market: Fidelidade's own stores; agents; brokers; CGD bank branches; the CTT (postal service) network; 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 seeks added value by means of a broad range of products, each with an appropriate service level.

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. Fidelidade's new web platform, which was launched in 2016, seeks to align the online world with the physical world, and is one of the most important actions undertaken in this area.

#### 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.

Longrun´s insurance companies reach clients through three different brands: Fidelidade, Multicare and Ok! teleseguros.

**FIDELIDADE**  
SEGUROS DESDE 1808

- Life and Non-Life products
- Benchmark brand focused on traditional channels (e.g. Agents, Bank Channel)

multicare 

- Health Insurance
- Broad offer of health insurance

 **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 for the insurance companies held by Longrun, with a strong impact in terms of client satisfaction. The skill of the companies in Longrun's consolidation perimeter has been identified and recognised by clients.

Longrun is proud of Fidelidade, which has been recognised on several occasions as a brand of reference by the Portuguese. It is the insurance company which has won the most awards in Portugal.



### ESCOLHA DO CONSUMIDOR 2017

Best satisfaction level and intention to purchase by consumers



### MARCA DE CONFIANÇA 2016

Portuguese Trusted Brand in the insurance category



### BANCA E SEGUROS EXAME 2016

Best Large Life Insurer, in the Banking and Insurance category



### MARKTEST REPUTATION INDEX 2016

Insurer with the best reputation in Portugal



### BASEF SEGUROS GLOBAL 2016

Best Insurance  
Best Prices  
Most innovative  
Most solid



### MARKTEST REPUTATION INDEX 2016

Best Insurer in marketing, communication and advertising areas



### REPUTATION INSTITUTE

Best Public Reputation, Companies and Media



### GLOBAL BANKING & FINANCE REVIEW 2015

Best Non-Life insurer in Portugal and Insurer with the best customer service in Portugal



### EFMA ACCENTURE INNOVATION AWARDS 2014

Winner in the "Sustainable Business" 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 sought, in particular, to take advantage of 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 32%

### 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

### MACAU LIFE/ MACAU NON-LIFE

- 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

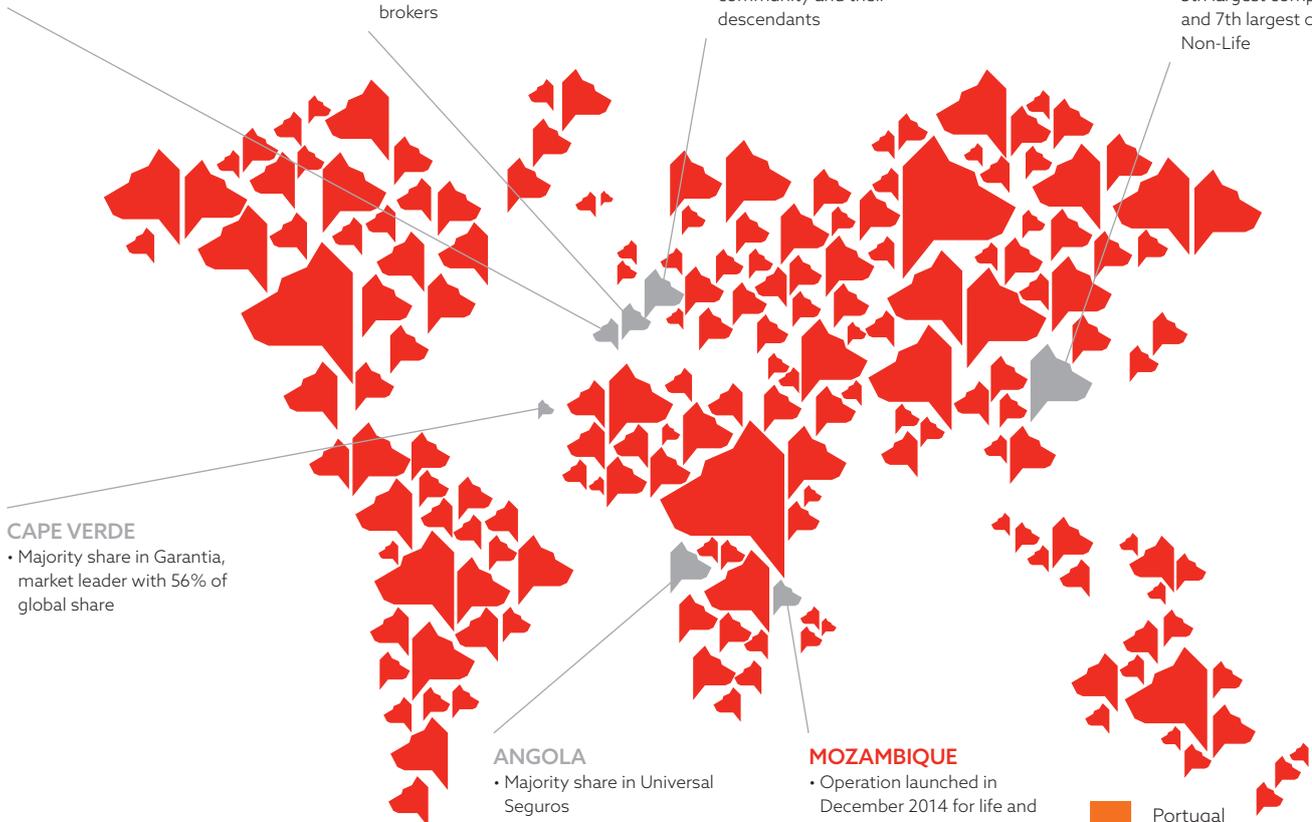
### ANGOLA

- Majority share in Universal Seguros
- Continued growth in business (40% growth in 2016 in local currency)

### MOZAMBIQUE

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

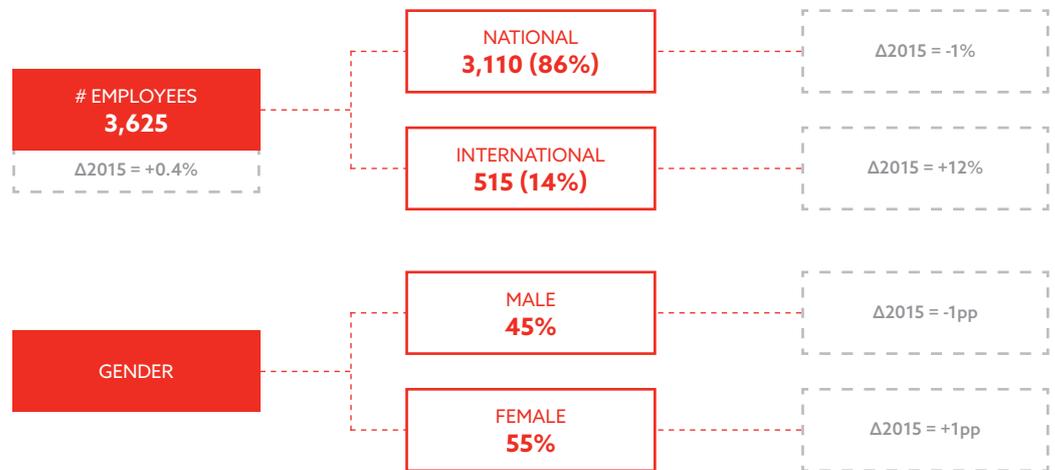
- Portugal
- Fidelidade Branches
- Subsidiaries



## vii. Longrun 's Insurance Business Team

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

In comparison with 2015, the number of employees rose 0.4%, although the number of employees in Portugal fell by 1%. International operations rose 12%, in line with the Group's increasing internationalisation.



In 2016, 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 46.1 in 2015 to 45.2 in 2016 (Insurance business in Portugal).

Reflecting the ongoing transformation of the business, 2016 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 planned effort to reformulate human resources management policies and practices.

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

## d. Longrun 's Insurance Business Strategy

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 2.1 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, becoming a recognised international player.

Specifically, the latter goal involves increasing the weight of the international business to around 30-50% of the total Non-Life business, assuming a position of reference in the markets where the Group is present and gaining recognition for its operational skills and multi-channel management.

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

Despite Longrun 's leading position through its insurance business, different factors point to the need for constant evolution in the approach to the market. In some lines of business in recent years, there has been a high level of competition together with the potentially disruptive impact of new business models based on new technologies.

In this context, and in preparation for the future, the companies in Longrun's consolidation perimeter are taking a structured and coherent approach to maintain and strengthen their position in the Portuguese market.

Accordingly, Longrun 's insurance companies have 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;
- Assessment of opportunities for vertical integration in the value chain;
- Digital transformation of business processes and client relations;
- 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 companies not only to strengthen their position in the Portuguese market, but also to acquire skills and transfer these experiences to the Group's international operations.

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

Throughout the process of internationalisation of Longrun's insurance companies, the Group has aimed to take advantage of markets where Portugal has greater economic, cultural and language ties. For the most part, Fidelidade followed its natural distribution partner – CGD – concentrating its operations in markets where the Bank was present.

In Europe, this strategy led to a presence in France and Luxembourg, two countries well-known for their large communities of Portuguese immigrants, and also in Spain. The presence in Macau 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 for Longrun's insurance business, as a means of diversifying its activity and guaranteeing new paths for growth. The goal 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 the companies in Longrun's consolidation perimeter.

### **Optimisation of investment management**

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

In recent years, the financial markets have offered very low interest rates. This situation is expected to continue and presents a challenge for business profitability, especially in the Life segment.

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

Naturally, this investment policy requires constant monitoring, to ensure control over the exposures incurred and appropriate alignment between assets and liabilities. Implementation of this policy is also based on the assumption that the company's capital needs are properly safeguarded, taking into account the new European Solvency II regulations, in force since January 2016.

# **OUR PERFORMANCE**

## a. Events Summary 2016

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

## i. Evolution of the Portuguese Insurance Market

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

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

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

### Portuguese Insurance Market

Source: APS

(million euros)



2016 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.

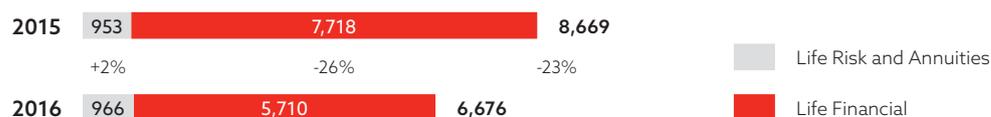
## ii. Evolution of the Life Insurance Market in Portugal

In 2016 the Life segment represented total premiums of EUR 6,676 million, a decrease of 23% compared to the previous year. Life Financial products fell 26% from EUR 7,718 million to EUR 5,710 million, while Life Risk and Annuities products were up 2%, from EUR 953 million to EUR 966 million.

### Life Segment Premiums

Source: APS

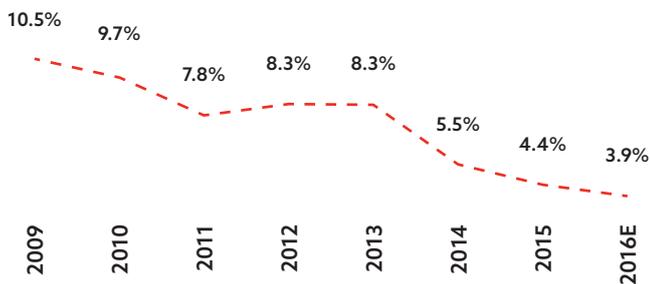
(million euros)



The current situation regarding the sale of Life Financial products is not the most favourable for the insurance business. On the one hand, the new Portuguese retail treasury bonds have increased the level of competition and, on the other, the macroeconomic environment of low interest rates has discouraged the accumulation of savings, particularly since 2013.

### 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.

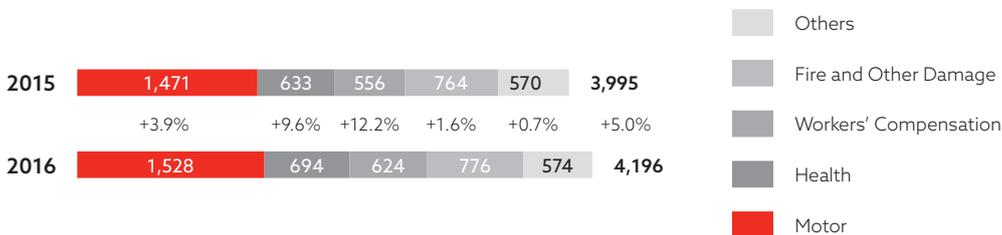
### iii. Evolution of the Non-Life Insurance Market in Portugal

The Non-Life segment performed well across the various lines of business, as a result of improvements in the Portuguese economy. Analysing by line of business, the main growth segments were Workers' Compensation and Health.

#### Non-Life Segment Premiums

Source: APS

(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 2016 it was the line of business that grew the most in the Non-Life segment, with an increase of 12.2% compared to the previous year, with premiums of EUR 624 million.

The line of business with the second highest growth was Health, with an increase of 9.6% and total premiums of EUR 694 million, in 2016. 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. In 2016, the market also benefited from a large contract of a Health-Group relating to activities previously managed by PT ACS under a self-insurance regime.

The Motor insurance line of business, the largest in the Non-Life segment, benefited from the increase in vehicle ownership associated with improvements in motor vehicle quality, as well as a more favourable economic environment. This resulted in a highly positive performance, reflecting an increase of 3.9% compared to the previous year.

Despite reduced levels of business investment, the Fire and Other Damage line of business, which also includes Home Insurance products grew by 1.6%, with total premiums of EUR 776 million in 2016. As with life risk insurance, this line of business also benefited from the positive effect of a certain recovery in the Portuguese real estate market.

The other less significant lines of business in the Non-Life segment did not match the results of the four main lines of business. In 2016, the aggregate value of those lines increased only 0.7% compared to the previous year, to EUR 574 million.

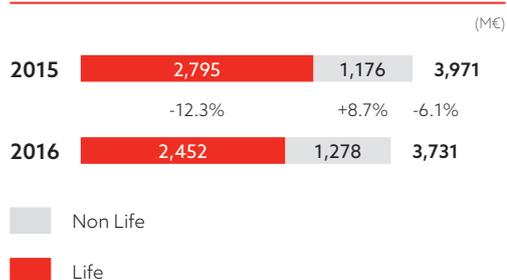
## b. Longrun's Performance

### i. Key activity indicators

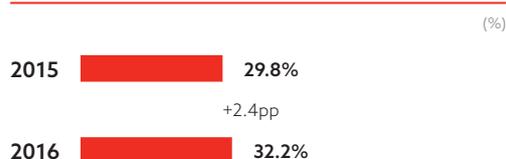
In 2016, in a year marked by the trends previously referred to, Longrun's insurance companies had a very consistent performance, recording total premiums written of EUR 3,731 million.

Regarding the activity in Portugal, Longrun registered, in its consolidated accounts, EUR 3,503 million, which enabled it to strengthen its leadership position, increasing its total market share to 32.2%, up 2.4 pp on 2015. This growth in the market share reflected trends in both the Life and Non-Life segments. The international business recorded substantial growth of 12.7%, with the strengthening of existing international operations.

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



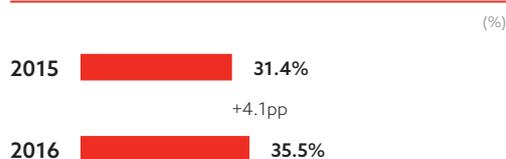
#### Total Market Share in Portugal



#### 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 their range of products and services is a feature of Longrun 's insurance companies. The Group is seeking to increasingly position itself in the market as a group 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 our 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, as a response to market expectations.

In 2016 the Motor line of business consolidated the success of the "Proteção Vital ao Condutor" and "Auto Estima" own damage insurance solutions. The "Proteção Vital ao Condutor" cover, which was launched in 2014, is a pioneering solution in Portugal to respond to a lack of adequate protection for the driver if he is responsible for an accident, thus guaranteeing a speedy response from the insurer when the client is most in need. The "Auto Estima" own damage insurance, launched in 2015, is a totally innovative solution in the Portuguese market designed especially for motor vehicles over four years old. It has enabled Longrun, through Fidelidade, to enhance its penetration in the own damage segment.

The Health line of business has been one of the main growth areas within Longrun's insurance companies. Back in 2015, the Longrun, through Fidelidade and Multicare, was already offering an innovative insurance product in the Portuguese market – Seguro Proteção Vital, with a specific cover for Oncology, for diagnosis and treatment, with a sum insured of €1,000,000. This cover, supported by an excellent medical network, involves heavy emphasis on prevention with periodic and differentiated check-ups being performed, with the aim of providing timely screening and the earliest possible diagnosis of oncology-related issues.

During 2016, Multicare launched its new range of Health insurance, which involved the creation of three new Healthcare Plans, with increasing levels of protection, in a simplified approach which is also a better response to client needs. Additionally, as part of the partnership with Advance Medical, and enhancing the digital focus, this new offer also provides access to the Multicare24 platform, through which clients can obtain medical advice online, as well as other health and wellbeing support services.

2016 was also a year of consolidation in Personal Accidents, namely with the boosting of sales of the "Proteção Vital das Pessoas" insurance. This product was launched in 2015 and involves an innovative and highly competitive approach that complements people protection in accidents when they are not covered by mandatory insurance, such as motor insurance and/or workers' compensation insurance, for example, during free-time activities or in the event of an accident at home. There has been a high take-up of the product in the market.

In the Workers' Compensation line of business there has been continued effort to rebalance the technical results, also by working in close cooperation with our selected network of healthcare providers. In cooperation with Luz Saúde, a specific medical treatment unit was set up in the Oporto area, which has allowed the Group to guarantee better service quality for its clients and greater control over the healthcare services provided.

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, the offer of unit-linked products has been improved, allowing clients to obtain more attractive returns, without jeopardising the solidity of the investments. In addition to this improved offer, a range of savings products with guaranteed capital and interest rates have also been maintained, in line with the concerns of a large proportion of clients in Portugal.

In Life Risk, in addition to the new offers aimed at specific segments, Longrun has positioned itself to benefit from renewed interest in the Portuguese real estate market where mortgages play a key role in business development. As a result, the existing products, sold mostly through branches of Portugal's largest retail bank, Caixa Geral de Depósitos, have performed solidly.

## **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, these companies have encouraged interaction between the various channels, their product ranges and service levels, to provide the client with an integrated response to his 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.

Initiated in 2015 and pursued in 2016, the internal structure for providing support to agents was streamlined to restructure the network of own agencies, with the aim of better adjusting the existing means to the needs of our commercial network. Emphasis was also 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 goods 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 the postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

Also of note in 2016 is the launch of the new web platform ([www.fidelidade.pt](http://www.fidelidade.pt)) which is an important milestone in implementing an omni-channel strategy. This platform allows motor insurance, health insurance and home insurance to be simulated and contracted online, in close cooperation with the agents' network, thereby boosting the digital focus of the companies in Longrun's consolidation perimeter.

### III. People and Organisation

Companies that position themselves increasingly as a partner in people protection, by guaranteeing faultless service quality, innovative products, ever more transparent practices and greater proximity to clients, staff and partners: this is the great challenge that drives the day-to-day of the people working in Longrun's insurance business.

Our aim is make the organisation more agile, more digital, and more innovative, giving people the opportunity to be more creative and play a bigger part in this transformation. For all these reasons, People Management and alignment with the companies' strategy and the needs of the business units are key issues.

As a first step, the Human Resources Division was repositioned as the People and Organisation Division, adopting a stance of greater partnership with all the companies held by Longrun, and as an agent of change. An integrated action plan in the area of People Management was also defined, with a working plan and specific projects structured in four key areas:

- People Development – Guaranteeing that People are prepared to face future challenges, attracting, developing and retaining the best staff for Longrun's insurance companies. Implementing meritocracy-based People Management Models which promote opportunities for employees' growth and development. Ensuring succession and promoting mobility to guarantee a pool of global talent that can rise to the challenges of the different Group operations at the national and international level;
- Transformation of the Organisation – Support in designing the organisational structure to better respond to the challenges of the business and support in workforce planning, contributing to rejuvenating the Organisation, retaining knowledge, and introducing new skills profiles. Creating transversal group policies, respecting the specific characteristics of each company and guaranteeing fairness to employees;
- Change Management and Business Partnerships – Supporting business unit leaders in managing their people. Understanding and working alongside the business, proactively identifying its needs, supporting change in every area, focusing on the market, proximity to the client and results;
- Corporate Culture – Supporting and consolidating a corporate culture for the companies in Longrun's consolidation perimeter, by developing and promoting the company's cultural identity (Vision; Values) and optimising communication channels with employees which foster engagement and proximity between the People and the Organisation. Promoting the image of Longrun's insurance companies as employers with an attractive value proposition among potential applicants, academic institutions, senior executives and members of staff.

Longrun's insurance companies have also made a continuous effort to improve and digitalise processes, which is key to promoting greater agility and enhancing the technical and claims management skills that are essential in the insurance business.

Incorporating the most recent digital developments, Longrun's insurance business has been implementing advanced analytics, based on machine learning tools, which enable it to improve the underwriting process, increase the level of automation in claims management processes and improve fraud prevention capabilities. These developments, which are being applied across the various lines of business, have great potential to transform processes and improve performance.

With the aim of implementing this emphasis on Analytics and Big Data more consistently, Fidelidade has created the Advanced Analytics Centre. This unit is focused specifically on this area and will develop internal capabilities and, in close cooperation with the various business areas, promote the application of these technologies in the Longrun companies.

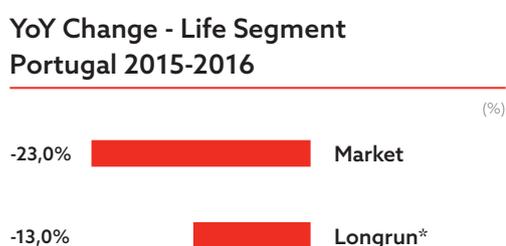
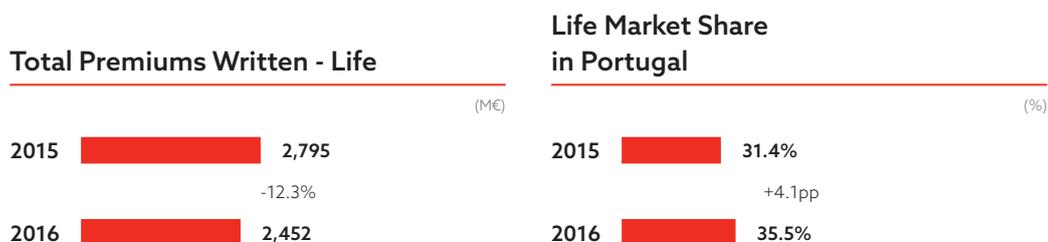
### iii. Life Segment

#### Key activity indicators - Life Segment

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

The commercial performance of the companies in Longrun's consolidation perimeter was clearly positive in comparison with most of the market, particularly in Portugal. Although the premiums of these companies fell 13.0%, the market as a whole declined 23.0%. This performance led to a strengthening of the leadership position, increasing the market share to 35.5%, which represents an increase of 4.1 pp over 2015.

In a context dominated by low interest rates, a low rate of savings by private individuals and high competition from new public debt products for individuals, which have placed great pressure on the Life Financial segment, Longrun's insurance companies were able to innovate in their range of products, leveraging the multi-channel distribution network and taking advantage of their high levels of service quality, reputation and client satisfaction in order to strengthen their position in the Life segment.



\*Includes the companies in Longrun's consolidation perimeter

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

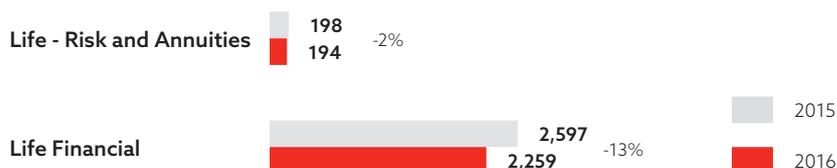
The Life segment is composed of Life Risk and Annuities products and Life Financial products, with the latter being responsible for the great majority of premiums, representing over 80% of the total.

The Life Risk and Annuities products displayed sustained performance, despite a decline of 2% to a total of EUR 194 million. The positive contribution of the changes in the real estate sector to the increase in sales of life risk insurance associated with mortgages was not sufficient to prevent a slight drop in overall premiums.

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

### Premiums Written - Life Segment - By Line of Business

(M€)



### Evolution of the Life Segment by distribution channel

The banking and postal channels combined continue to be the most significant for Life segment products. They represent around 80% of Life premiums.

However, it should be stressed that in 2016 there was significant growth (+54%) in the traditional channels (agents, own stores and brokers), which increased their share of the sales in the companies in Longrun's consolidation perimeter.

### Life Segment

(million euros)

Distribution Channel	2016	2015	Change
Traditional	464	301	+54.1%
Bank and Postal	1,906	2,423	-21.3%
Remote	-	-	-
International	83	72	+15.2%
<b>Longrun*</b>	<b>2,452</b>	<b>2,795</b>	<b>-12.3%</b>
<b>Market</b>	<b>6,676</b>	<b>8,669</b>	<b>-23.0%</b>

\*Includes the companies in Longrun's consolidation perimeter

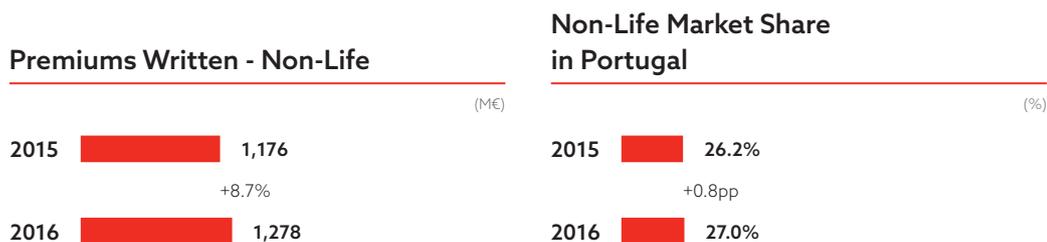
## iv. Non-Life Segment

### Key activity indicators - Non-Life Segment

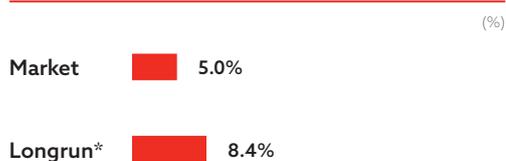
In the Non-Life segment performance was clearly positive, with premiums written increasing 8.7% to EUR 1,278 million.

Longrun's insurance companies' commercial performance followed the positive trend of most of the market. In the Portuguese market, the premiums grew by 8.4%, in comparison with an increase of 5.0% in the market overall. These results enabled Longrun's insurance business to strengthen its leadership position, increasing its market share to 27.0%, which represents a 0.8 pp increase over 2015.

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



### YoY Change - Non-Life Segment Portugal 2015-2016



\*There are included the companies in the consolidated perimeter of Longrun

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

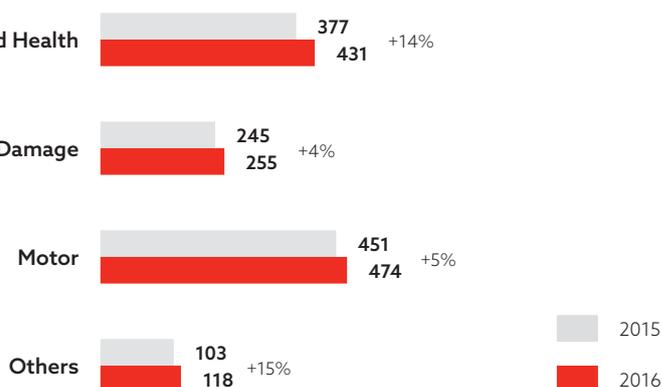
The Non-Life segment comprises a wide range of lines of business, although the four main lines – Motor, Health, Fire and Other Damage, and Workers' Compensation – represent approximately 90% of the total premiums written.

All the Non-Life lines of business displayed positive performance throughout 2016, but particularly significant was the performance of the Health, Workers' Compensation and Personal Accidents lines of business, which all had growth of over 10%. Contributing to this growth was the focus on the differentiation and innovation of the products and services offered in these lines, for example, Multicare's introduction of new health products including medical advice online, and boosting of the sales of the personal accidents product, "Proteção Vital das Pessoas", which was launched in 2015. In 2016, in the Health business, the companies in Longrun's consolidation perimeter also benefited from a large contract of a Health-Group relating to activities previously managed by PT ACS under a self-insurance regime.

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 5% 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 dos Condutores" and the "Auto Estima" own-damage insurance.

### Premiums Written - Non-Life - 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 2015 to 2016 in terms of product sales.

The traditional channels (agents, own stores and brokers) continued to present the greatest share of product sales in the Non-Life segment, representing around 80% of the segment total. These distribution channels had significant growth of 9.0%, thereby contributing greatly to the segment's performance.

### Non-Life Segment

(million euros)

Distribution Channel	2016	2015	Change
Traditional	986	904	+9.0%
Bank and Postal	101	98	+3.2%
Remote	46	44	+3.3%
International	145	130	+11.6%
<b>Longrun*</b>	<b>1,278</b>	<b>1,176</b>	<b>+8.7%</b>
<b>Market</b>	<b>4,196</b>	<b>3,994</b>	<b>+5.0%</b>

\*Includes the companies in Longrun's consolidation

### v. International Activity

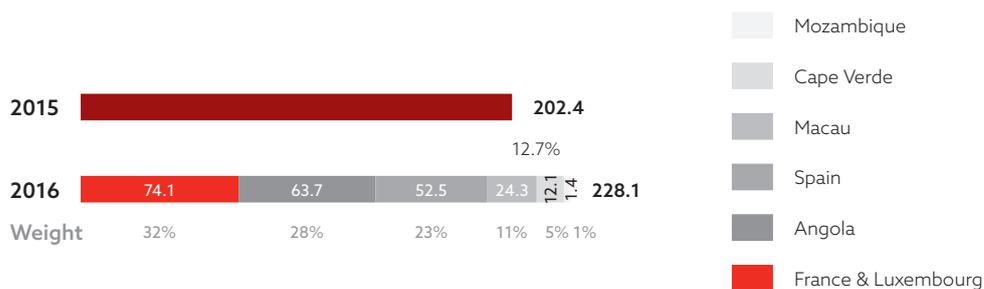
The international business of the companies in Longrun's consolidation perimeter grew substantially (12.7%) during 2016, recording total premiums written of EUR 228.1 million, with the improvement in ongoing international operations: France and Luxembourg, Angola, Spain, Cape Verde, Macau and Mozambique.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

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

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

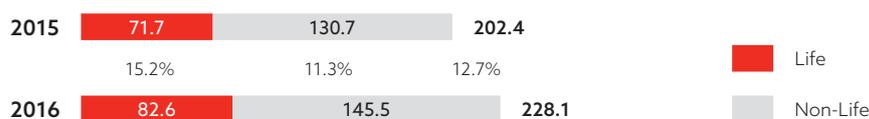
### Premiums Written International Business - By geography

(M€)



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

(M€)



The operations in Angola and Mozambique (the most recent operation, which began in 2014) displayed high levels of growth in the local currencies (40% and 670%, respectively). However, this effect was partially offset by the decline in the foreign exchange rate of these currencies compared to the Euro (growth expressed in Euros was 2.3% and 420%, respectively). In this context, in 2016 the contribution of Universal (in Angola) as a growth factor in the international business was significantly lower than in previous years.

## c. Operational and Financial Performance

### Key indicators of the operational and financial performance

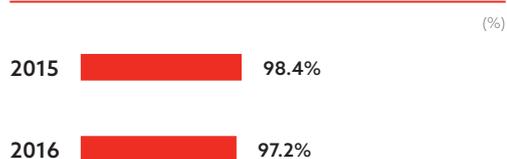
In 2016, Longrun, through the companies in its consolidation perimeter, reported solid profitability, with a net profit of EUR 186.3 million, which was lower than in 2015, which had included extraordinary gains from investments.

Significant improvement in the combined ratio and consistent performance in investment management both made a positive contribution to this net profit.

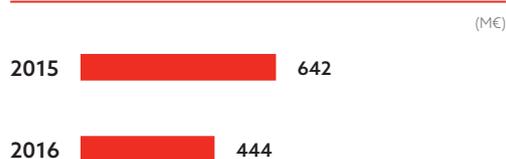
The combined ratio was 97.2% in 2016, 1.2pp lower than in the previous year, mostly benefiting from an increase in efficiency leading to a reduction in the expense ratio.

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

#### Combined Ratio \*



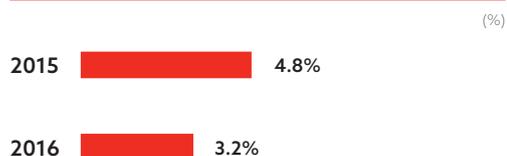
#### Investment Income \*\*



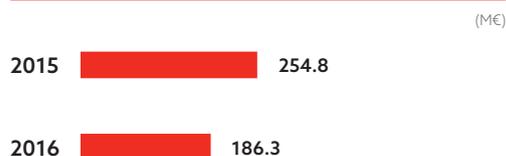
\* Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

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

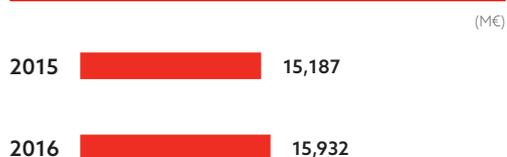
#### Investment yield



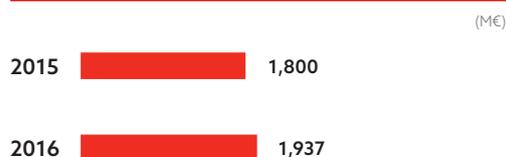
#### Net Profit



#### Net Assets



#### Shareholders' Equity



## i. Operational Performance

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

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

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

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

### Detailed Combined Ratio \*

	Loss Ratio	Expense Ratio	Combined Ratio	
2015	70.1%	28.3%	98.4%	
	-0.2pp	-1.0pp	-2.3pp	
2016	69.9%	27.3%	97.2%	

(%)

\* 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 15,932 million in 2016, representing a rise of 4.9% compared to 2015.

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

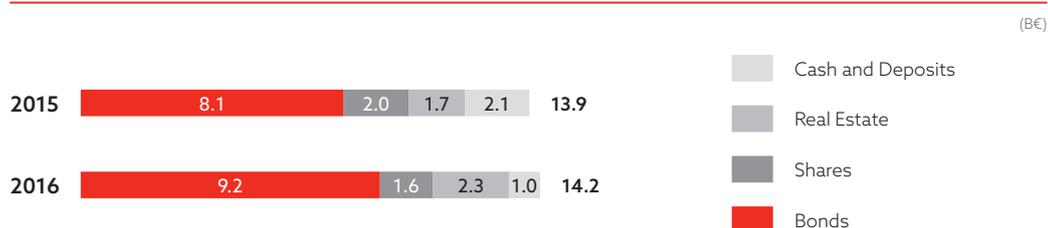
- The prolonged environment of low interest rates, which means assets must be sought which have a higher return than traditional fixed rate investments, although also ensuring that an appropriate level of risk is maintained;
- The need to optimise the capital structure, in line with the framework of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

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

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

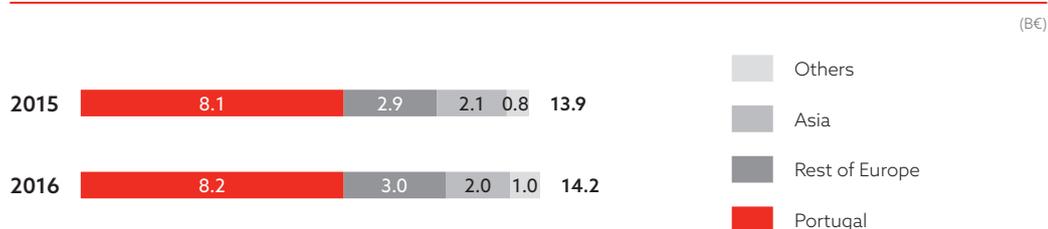
Overall, investments performed well, resulting in an investment income of EUR 444 million and an investment yield of 3.2%.

### Longrun's investments by class of asset



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

### Longrun's investments according to geographical distribution



### iii. Capital and Solvency

Shareholders' Equity of EUR 1,937 million in 2016 represented an increase of around 7.6% compared to 2015.

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 Longrun complies with the capital requirements based on the information currently available.

# OUTLOOK

## a. Macroeconomic Development

In 2016, the Portuguese economy continued to display some of the key features that have characterised the economic recovery in progress since 2013, although the rhythm of economic growth was lower than in previous economic cycles.

Accordingly, there was a slowing of the annual Gross Domestic Product (GDP) growth from 1.6% in 2015 to 1.2% in 2016. This figure was lower than the ECB estimate for the euro area (1.7%), and mostly reflected the contraction in investment (-1.7%), in particular in the public and residential components.

On the other hand, unemployment declined by 1.3 pp compared to 2015, to 11.1%, having benefited from a boost in certain activities, namely those connected with tourism.

The forecasts available for 2017 indicate that the trends described above will continue, although with greater GDP growth (1.4%), reflecting higher investment (with expected growth of 4.4%). On the other hand, there should be some moderation in private consumption, which is expected to increase by 1.3%, slightly lower than GDP growth, resulting from lower consumption of consumer durables.

The unemployment rate is expected to fall once again to 10.1%, with the economy continuing to benefit from boosts in exports, in particular in the tourism sector.

Lastly, although the forecast pattern of growth includes a range of characteristics which should lead to a more sustained recovery of the Portuguese economy, several structural constraints to growth will persist, namely the high level of indebtedness in the public and private sectors, adverse demographic evolution and a high level of long-term unemployment.

## b. Prospects for the Insurance Market in 2017

The insurance market must be analysed separately for the two major business segments, the Life segment, heavily influenced by the behaviour of financial products, and the Non-Life segment, the evolution of which is closely linked to economic activity.

In 2016, the area associated with financial products saw a decrease of 23%, reflecting continuing low interest rates (which discourage long-term saving) and competition from new savings products launched by the State.

On the other hand, the Non-Life segment intensified its growth to 5.0% in 2016, the highest annual growth rate since 2003, the main drivers of which were the Health and Workers' Compensation lines of business, with growth of 9.6% and 12.2%, respectively.

For 2017, Life Financial premiums should maintain the downward trend of the last two years, reflecting the environment of low interest rates, pressure from competition from State financial products and the new regulatory framework in force which, in terms of solvency, penalises this type of product.

In the Non-Life segment, the growth trend will continue, in line with the Portuguese economy, with some of the more dynamic lines of business, such as Health and Personal Accidents, also benefiting from this.

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

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 and for the unemployment rate.

In short, 2017 will certainly be a challenging year, in which it is likely that the environment of moderate growth of the economy and pressure from competition will continue to condition the evolution of the Non-Life segment, and in which the global dimension of the Life segment will decline, in particular due to regression in the Life Financial segment.

## 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.

### 1. Ageing of the population

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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

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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

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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 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

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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 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 model.

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.

2017 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 client and his 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 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**

Longrun operates in the Portuguese market through several insurance companies (Fidelidade, Multicare, Fidelidade Assistência, Via Directa and Companhia Portuguesa de Resseguro). In addition, besides their branches, these companies are also present in the international market through their insurance subsidiaries (Universal Seguros, Garantia and Fidelidade Macau).

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 Longrun's strategy of guaranteeing operational excellence and quality of the service provided throughout the value chain and of increasing Longrun's position as a global service provider associated with people protection.

A brief (non-exhaustive) overview of these companies is presented below indicating the most important events of 2016, the key indicators and the priorities for 2017.

## FIDELIDADE

**Total Premiums = M€3,601**

**Number of Employees = 2,607**

**Net Assets =B€14.7**

Fidelidade is the largest insurance company in the Portuguese market, with a strong presence in the Life and Non-Life segments, and is the head of the Fidelidade insurance group. 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, Macau and Mozambique.

2016 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;
- Maintenance of the international growth trend;
- 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 2017, 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 great potential for growth.

## VIA DIRECTA

**Total Premiums = M€45.5**

**Number of Employees = 84**

**Net Assets = M€72.9**

Via Directa - Companhia de Seguros, S.A, is the insurance company within the Fidelidade Group 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, 2016 was marked by the following aspects:

- Development of the "Good Idea" programme, the focus of which is a series of innovation projects in different areas of activity (launch of new products, different commercial approaches, improvements in service quality, etc.)
- Renewal of the Bureau Veritas Certification for Motor, Home, Personal Accidents and Health Insurance, in line with ISO 9001:2008;
- Launch of the new client APP by OK! Teleseguros;
- Development of the digital health card.

In 2017 Via Directa will pursue its current strategy of strengthening its current position in the market, with particular emphasis on implementing the innovation projects within the "Good Idea" programme.

## COMPANHIA PORTUGUESA DE RESSEGUROS

**Total Premiums = M€2.2**

**Net Assets = M€15.7**

The corporate purpose of Companhia Portuguesa de Resseguros, S.A. (CPR) is to perform any operations related to reinsurance in the Non-Life segment in Portugal, and also internationally. Besides managing the existing portfolio, the company has been taking advantage of new business opportunities which are largely a result of its inclusion within the Fidelidade insurance group.

2016 was marked by a strengthening of the company's position as the Group's reinsurer, with particular focus on the international area, with the following new treaties being underwritten:

- Retention with Fidelidade Spain namely in Personal Accidents, Liabilities and Motor;
- Stop Loss with Fidelidade - Companhia de Seguros S.A (Non-Life), with its registered office in Maputo, in the Republic of Mozambique, for the Health business.

Further development of synergies provided by the shareholder framework is planned for 2017, especially regarding internationalisation of the business.

## UNIVERSAL SEGUROS

**Total Premiums = M€63.7**  
**Number of Employees = 186**  
**Net Assets = M€99.7**

Fidelidade has been present in Angola since 2011 through the Angolan insurer Universal Seguros, in which it holds a majority stake. Universal Seguros 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, Universal has seen significant profitable growth, based on its operational capabilities and rigorous analysis and management of risks.

Universal Seguros 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.

2016 was an important year for strengthening this positioning. The following aspects can be highlighted:

- Consolidation of partnerships with the banking sector for the distribution of insurance and opening of new agents' stores and own stores in the provinces of Luanda and Benguela and a local representative in Lubango;
- Development of a specific approach for Chinese clients (individuals and companies) resident in Angola, with the opening of an own store in Luanda and an agents' store in Huambo, both with opening scheduled for the first quarter of 2017.

For 2017 Universal aims to pursue its strategy of developing the business in Angola, maintaining the growth trend of the previous years. The company also intends to update its image and brand and launch the Multicare brand for health insurance.

## FIDELIDADE (MACAU)

**Total Premiums = M€13.8**  
**Number of Employees = 28**  
**Net Assets = M€62.6**

In 2015, Fidelidade decided to strengthen its presence in Macau by setting up a Non-Life insurer, Fidelidade Macau - Companhia de Seguros, SA, which began its operations on 1 October 2015, incorporating, by acquisition, the assets of Fidelidade's Non-Life branch, which ceased activity on that date.

The aim of Fidelidade Macau is to operate in the Non-Life segment in Macau, 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 2016, Fidelidade Macau emphasised a multi-channel strategy for product distribution, and achieved a market share of 6%.

The main strategic directions for 2017 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€12.1**

**Number of Employees = 100**

**Net Assets = M€26.3**

Garantia, Companhia de Seguros de Cabo Verde SA 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.

The key milestones in 2016 were:

- Celebration of Garantia's 25 birthday;
- Change in the visual identity, bringing it closer to the Fidelidade image, which has given it greater international visibility and has helped to consolidate the "Emigrants" segment.

In 2017 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 in Motor and Property, and the launch of the new health insurance, which is an innovation for the Cape Verdean market.

## FIDELIDADE CAR SERVICE

**Total Premiums = M€5.9**

**Number of Employees = 25**

**Net Assets = M€5.9**

Fidelidade Car Service (FCS) is the brand under which CETRA - Centro Técnico de Reparação Automóvel, S.A carries on its motor vehicles activities related with repairs, loss adjusting, evaluation and recovery of wreckages, as well as the leasing of motor vehicles.

The following activities can be highlighted in 2016:

- Refurbishment of the Olivais repair shop, including the creation of a new fast service area for crash repairs and vehicle respraying, which enables small damage to be repaired more efficiently and effectively;

- Launch of an innovative service through a WEB platform accessible by mail or smartphone which allows clients to follow up on the repair of their vehicle, from the first contact made by the loss adjuster to the scheduling of the loss inspection, and up until the repaired vehicle is returned.

For 2017 FCS forecasts a continuing increase in its activity, with improvements in the rate of usage of the installed capacity of its three units, and consolidation of the business processes to improve client satisfaction.

## GEP

**Total Premiums = M€21.1**  
**Number of Employees = 58**  
**Net Assets = M€4.1**

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

In 2016, the most important events were:

- Renewal of the ISO 9001 Quality Certificate;
- Improvement in IT tools, such as Gep Expert, GePoP and SCAPA;
- Launch of a new web platform: Gep Contact.

For 2017, 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 invest in innovation and in internationalisation of its services, namely in emerging markets in Africa, with the main objective of providing services to the group insurers operating there.

## FIDELIDADE PROPERTY

**Total Premiums = M€124.8**  
**Number of Employees = 62**  
**Net Assets = B€1.3**

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

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

2016 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;
- Strengthening of the international portfolio with acquisitions in the United Kingdom and Japan;
- Development of the projects currently in progress in the area of urban rehabilitation in Lisbon;
- Strengthening of the structure and internal skills in order to meet new challenges.

In 2017, 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 insurers.

## SAFEMODE

**Total Premiums = M€1.8**

**Number of Employees = 33**

**Net Assets = T€855.3**

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

As part of the Fidelidade Group, in 2016, 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 2017 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.

## LUZ SAÚDE

Luz Saúde is one of the major groups providing healthcare services in the Portuguese market, providing its services from 20 units (eight private hospitals, one NHS hospital under Public-Private Partnership (PPP) rules, two long-term care units, seven private clinics operating on an out-patient basis and two retirement homes for the elderly). The company is present in the North, Centre and Centre-South regions of Portugal.

2016 was a very important year for Luz Saúde. The following aspects can be highlighted:

- Maintenance of the trend of increasing revenues, largely driven by activity in the private healthcare segment;
- Conclusion of the acquisition of the Guimarães Private Hospital (now called Hospital Luz Saúde Guimarães) and the Clíhotel Clinic in Gaia, which has increased its capacity by around 200 beds to a total of 1,395 beds;
- Strengthening of synergies with Fidelidade's insurance business, through an increase in turnover in the health and workers' compensation areas in the existing units, and the opening in Oporto of a specific unit for Fidelidade to support workers' compensation accident victims.

- Significant investment in expansion of the existing units in the Lisbon area, with the start of construction work on the new extensions to Hospital da Luz and Hospital da Luz Oeiras, the aim of which is to increase the installed capacity and extend the portfolio of services provided;
- Additionally, in the north of the country, the Group also expanded Hospital da Luz Arrábida and acquired land in Vila Real, with the aim of enhancing its presence in this area.

In 2017, Luz Saúde will maintain its focus on leveraging the increased demand for its services in the private healthcare sector, continuing to improve the use of its capacity in the current units and, consequently, its overall profitability. Parallel to this, it will also continue to carry out the expansion projects referred to above, seeking to increase the installed capacity.

## MULTICARE

**Total Premiums = M€229.1**  
**Number of Employees = 224**  
**Net Assets = M€146.5**

Leading in the health insurance market, Multicare is the only insurer that has obtained the Quality Certification for the design, development, management and commercialisation of health insurance. By regulating its conduct by high standards of quality and proximity to its customer, Multicare provides access to the largest private network of health care providers and also to a wide range of health and wellness services.

2016 was particularly important for Multicare, with the following highlights:

- Reinforcement of its market leadership;
- Renewal of its range of products, through a new offer. This simplified and more attractive offer guarantees protection which is more complete and effective, and more adapted to each individual;
- Active participation in the Fidelidade Group's internationalisation strategy. Capitalising on the success achieved in Angola, Multicare is now focusing on the health insurance markets of Cape Verde and Mozambique, with the objective of commencing operations there in 2017;
- Launch of the coverage "Orientação Médica Online", which allows clients, from home, to obtain clarifications for their doubts and concerns. This orientation is based on access to highly specialised medical teams with the technical capacity to confirm diagnoses, indicate the most appropriate treatments, provide nutritional guidance, and perform tests on healthy living habits.

For 2017, Multicare intends to maintain the investment in the sustained growth of its activity, guided by the spirit of continuous improvement. Innovation will continue to play a key role in increasing service quality. In this sense, the new offer, launched in 2016, will be extended to the remaining individual portfolio. Accordingly, families can be provided with protection adapted to the different stages of their lives, involving not only a response to major risks, but also prevention.

Telemedicine is also a focus for 2017. Besides providing a platform for triage and online and telephone medical advice, with teleconsultations, this will include the creation of mechanisms for prevention, increasing healthy lifestyle habits, and self-monitoring of follow-up indicators in the case of chronic disease.

## FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS

**Total Premiums = M€48.6**

**Number of Employees = 166**

**Net Assets = M€69.5**

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 of the Fidelidade Group.

The following activities can be highlighted in 2016

- Significant increase in total premiums;
- Following the entry into force of the Solvency II rules on January 1, 2016, the company performed a number of activities in this area, leading to the expectation of a comfortable Solvency level for the Company;
- Within the scope of the Quality Management System, satisfaction surveys carried out with Insured Persons, resulted in a Global Satisfaction level of 8.72 (on a scale of 1 to 10) and a Net Promoter Score of 63.

In 2017 the company's key areas of development will be enhanced, namely:

- i) The digitisation process that began in September 2016 with the launch of the Client App and that will culminate with the launch of the Providers App, making the company fully digital;
- ii) The internationalisation project based on boosting the commercial operations in Angola and Mozambique.

## FIDELIDADE – SERVIÇOS DE ASSISTÊNCIA, S.A.

**Total Premiums = M€1.6**

**Number of Employees = 4**

**Net Assets = M€2.1**

Fidelidade Services 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 2016:

- Claims management support services to national insurers continue to be the most important line of business. Management of claims under the green card system and the 4th European Directive was the line of business that registered the greatest growth, with the consolidation of the claims management of the Portuguese Green Card Office;
- Renewal once again of the ISO 9001:2008 Quality Certification.

In 2017, 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 and Claims Management under the Green Card System and the 4th European Directive.

## CARES MULTIASSISTANCE

**Total Premiums = M€10.9**

**Number of Employees = 48**

**Net Assets = M€3.4**

CARES Multiassistance, S.A. has the corporate purpose of providing the services of repair, restoration, assembly and improvement of real estate properties and their contents, and is market leader in this field. The company maintained its core business of managing property claims processes for its clients, which are the main insurance companies operating in Portugal.

The following activities can be highlighted in 2016:

- Reinforcement of the market position through the exploration of other accounts in the insurance market, maintaining Fidelidade as the main Client;
- Increase in the levels of quality and efficiency with all Clients, with a special focus on the continuous improvement of process flows, including an improved NPS (Net Promoter Score) with all clients;
- Maintenance of the efficiency plan in the management of direct repair processes, through the consolidation of existing units (Lisbon, Porto, Coimbra and Caldas da Rainha). In addition, the company continued to strengthen its own technical network for the management of Electrical Risk claims. CMA's repair units also managed 80% of the activity in the Water Damage line of business;
- Renewal of the extension of the ISO 9001: 2008 quality certification

For 2017, CMA's main strategic lines are growth in the volume of activity and consolidation of its business lines with current customers and pilot projects started at the end of 2016.

# **RISK MANAGEMENT**

## **i. Risk Management and Internal Control System**

The Legal Rules on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR), approved by Law No. 147/2015, of 9 September, which transposes the Solvency II Directive into Portuguese law, became effective on 1 January 2016.

The sector is currently awaiting publication by the Insurance and Pension Funds Supervisory Authority (ASF) of a series of rules intended to complete the resulting regulatory requirements.

These new rules introduced significant, wide-ranging changes related to the assessment and management of risk, the governance system and reporting requirements.

As part of the preparation for their application, which began on 1 January 2014, a global risk management system was developed, to meet the planned requirements.

The implementation of this system, besides complying with the rules applicable to the insurance business, was always 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, owned by Longrun.

The insurance companies held by Longrun have policies, processes and procedures relating to the governance system which are adapted to their business strategy and operations, guaranteeing sound and prudent management of their business.

The key functions established as part of this system are allocated to the following bodies at Fidelidade: the Risk Management Division (actuarial and risk management functions), the Auditing 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, 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 set out in the new solvency rules, as part of the initial report as of 1 January 2016, the Company sent annual information contained in the quantitative report templates – QRT – and the respective qualitative information, which was subject to certification by the statutory auditor and by the chief actuary, pursuant to the regulations issued by the ASF.

Quarterly quantitative reporting under Solvency II also began in 2016.

The annual own risk and solvency assessment (ORSA) was conducted and the results reported to the ASF in the respective supervision report.

Lastly, also in relation to the first year under the Solvency II rules, the ASF was also sent up-to-date information on the governance system.

The measures adopted during the preparatory phase of application the new Solvency II rules, and the activities, which are still ongoing, to consolidate their application, ensure that Longrun's insurance companies currently comply comfortably with these new rules.

## **ii. 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.

# **SOCIAL RESPONSIBILITY**

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

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.

Hence, regarding our products and services, the focus is on improving cover and on prevention. This objective includes, for example, the creation of more wide-ranging solutions for motor insurance and personal accidents, the recent initiatives of free check-ups for Multicare insured persons or the cooperation between Fidelidade and Luz Saúde in early screening for cancer.

On the other hand, in our day-to-day business, through the "WeCare" programme, we provide a framework for all our activities as part of our assistance to those with claims, which go far beyond our contractual obligations. In this way, we try to mitigate the harm and suffering which result from the accidents and adversities to which they have fallen victim and promote their reintegration in society in the best way possible.

However, this focus driven by sustainability in terms of our products and services as insurers does not detract from the role we play in other social responsibility initiatives. Thus, we have defined the priority areas which, given the nature of the insurance activity, should guide most of our social responsibility initiatives:

- accompanying and reintegration of people who have suffered serious accidents;
- education and financial literacy;
- entrepreneurship;
- combatting poverty and social exclusion;
- promoting health and healthier lifestyles.

We are currently beginning work to reorganise the support we provide: we want to maximise the social impact and engage in projects which are increasingly structured and related to our activity.

The performance of the Longrun Group's insurers in terms of Social Responsibility is shared with stakeholders by means of a Sustainability Report which is published every two years and an interim accounts disclosure, both 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 Insurance Association, for its efforts in representing insurers in common fields of interest;
- The Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for their interest, availability and constant commitment to accompanying and checking the activity;
- The insurance distribution networks and the reinsurers, for the motivation, team spirit, openness and commitment they demonstrate in developing our business;
- The employees of all insurance companies included in the Longrun Group, who, with their professionalism, dedication and skill, made it possible to achieve the results seen and to continually enhance the value of the companies;
- The clients for their preference and for the constant stimulus to improve service quality.

Lisbon, 5 may 2017

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

Lan KANG – Chairman

Wai Lam William MAK – Member

# **CONSOLIDATED FINANCIAL STATEMENTS**

# Consolidated Statements of Financial Position as at 31 december 2016 and 2015

(amounts in euros)

ASSETS	Notes	2016			2015
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	4 and 11	998,421,773	-	998,421,773	2,092,255,173
Investments in associates and joint ventures	5 and 11	117,006,817	-	117,006,817	70,101,641
Financial assets held for trading	6 and 11	7,770,368	-	7,770,368	957,920
Financial assets initially recognised at fair value through profit or loss	6 and 11	666,611,044	-	666,611,044	888,551,392
Hedge derivatives	7 and 11	22,768,708	-	22,768,708	1,285,939
Available-for-sale investments	8 and 11	9,231,138,157	-	9,231,138,157	8,659,317,011
Loans and accounts receivable	9 and 11	1,011,170,690	-	1,011,170,690	686,960,936
Deposits in ceding companies	9	875,620	-	875,620	948,511
Other deposits	9	954,405,677	-	954,405,677	666,319,298
Loans made	9	55,859,293	-	55,859,293	19,089,659
Other	9	30,100	-	30,100	603,468
Properties	10 and 11	2,275,155,434	(88,428,229)	2,186,727,205	1,488,191,227
Properties for own use	10	517,884,943	(88,428,229)	429,456,714	370,690,500
Investment properties	10	1,757,270,491	-	1,757,270,491	1,117,500,727
Other tangible assets	11 and 12	272,692,472	(222,485,914)	50,206,558	41,357,923
Inventories	13	10,790,077	(64,553)	10,725,524	8,795,157
Goodwill	14	446,387,408	-	446,387,408	428,745,379
Other intangible assets	15	76,362,989	(57,371,945)	18,991,044	20,315,840
Technical provisions on reinsurance ceded		181,395,026	-	181,395,026	163,357,497
Provision for unearned premiums	16	29,492,490	-	29,492,490	29,351,516
Mathematical provision for life insurance	16	11,256,504	-	11,256,504	12,439,196
Claims provision	16	140,646,032	-	140,646,032	121,566,785
Assets for post-employment and long-term benefits	34	8,739,168	-	8,739,168	14,038,385
Other debtors for insurance and other operations		534,443,454	(59,418,744)	475,024,710	274,801,969
Accounts receivable for direct insurance operations	17	215,393,137	(27,682,953)	187,710,184	154,710,156
Accounts receivable for other reinsurance operations	17	21,777,112	(6,665,093)	15,112,019	13,448,778
Accounts receivable for other operations	17	297,273,205	(25,070,698)	272,202,507	106,643,035
Tax assets		431,478,819	-	431,478,819	274,247,293
Recoverable tax assets	18	6,361,642	-	6,361,642	1,895,135
Deferred tax assets	18	425,117,177	-	425,117,177	272,352,158
Accruals and deferrals	19	67,564,303	-	67,564,303	73,185,552
<b>TOTAL ASSETS</b>		<b>16,359,896,707</b>	<b>(427,769,385)</b>	<b>15,932,127,322</b>	<b>15,186,466,234</b>

# Consolidated Statements of Financial Position as at 31 december 2016 and 2015

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2016	2015
<b>LIABILITIES</b>			
Technical provisions		3,853,123,627	3,850,782,693
Provision for unearned premiums	20	288,772,388	276,022,906
Mathematical provision for life insurance	20	1,648,505,455	1,632,994,332
Claims provision		1,744,947,090	1,758,685,590
Life	20	121,052,056	124,623,114
Workers' compensation	20	795,587,309	788,880,289
Other	20	828,307,725	845,182,187
Provision for profit sharing	20	68,711,825	68,765,439
Provision for interest rate commitments	20	7,025,239	5,626,534
Provision for portfolio stabilisation	20	21,750,883	25,272,158
Equalisation provision	20	24,056,289	22,471,715
Provision for unexpired risks	20	49,354,458	60,944,019
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	21	8,293,190,335	8,075,643,230
Financial liabilities held for trading	22	15,072,639	18,448,784
Other financial liabilities		652,220,473	398,025,999
Hedge Derivatives	7 and 22	13,469,282	4,406,362
Deposits received from reinsurers	22	47,570,755	37,699,297
Loans	22	562,887,131	334,622,872
Others	22	28,293,305	21,297,468
Liabilities for post-employment and other long-term benefits	34	439,209	257,321
Other creditors for insurance and other operations		264,872,305	203,471,066
Accounts payable for direct insurance operations	23	101,776,036	93,201,791
Accounts payable for other reinsurance operations	23	29,047,703	40,948,731
Accounts payable for other operations	23	134,048,566	69,320,544
Tax liabilities		298,564,884	213,372,962
Tax payable liabilities	18	43,161,880	66,244,419
Deferred tax liabilities	18	255,403,004	147,128,543
Accruals and deferrals	24	162,467,198	160,673,895
Other provisions	25	140,532,302	188,589,286
<b>TOTAL LIABILITIES</b>		<b>13,680,482,972</b>	<b>13,109,265,236</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in-Capital	26	50,000	50,000
Other Capital Instruments	26	1,598,750,000	1,598,750,000
Revaluation reserves		187,502,961	248,256,978
Adjustments in fair value of financial assets	27	24,777,100	91,557,470
Revaluation of properties for own use	27	106,470,627	72,992,202
Adjustments in fair value of hedging instruments in cash flow hedging	27	(4,092,767)	(216,027)
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	27	43,109,385	-
Exchange differences	27	17,238,616	83,923,333
Deferred tax reserve	27	(18,803,051)	(45,241,702)
Other reserves	27	(83,758,398)	(243,162,394)
Retained earnings	27	67,154,263	(14,178,243)
Net income for the year	27	186,274,547	254,770,311
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,937,170,322</b>	<b>1,799,244,950</b>
Non-controlling interests	28	314,474,028	277,956,048
<b>TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>2,251,644,350</b>	<b>2,077,200,998</b>
<b>TOTAL LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY</b>		<b>15,932,127,322</b>	<b>15,186,466,234</b>

# Consolidated Income Statement for the years ended as at 31 december 2016 and 2015

(amounts in euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2016				2015
		Technical - life	Technical - non-life	Non-technical	Total	
Earned premiums net of reinsurance		321,054,630	1,098,280,274	-	1,419,334,904	1,300,910,513
Gross premiums written	29	335,640,762	1,278,419,272	-	1,614,060,034	1,473,251,710
Reinsurance ceded premiums	29	(14,829,847)	(163,376,765)	-	(178,206,612)	(160,785,981)
Provision for unearned premiums (change)	20 and 29	229,622	(18,126,345)	-	(17,896,723)	(10,067,791)
Provision for unearned premiums, reinsurers' share (change)	16 and 29	14,093	1,364,112	-	1,378,205	(1,487,425)
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	30	2,551,811	-	-	2,551,811	2,306,164
Claims costs, net of reinsurance		(257,090,808)	(792,762,753)	-	(1,049,853,561)	(1,020,519,047)
Amounts paid		(260,299,515)	(828,419,598)	-	(1,088,719,113)	(1,036,198,868)
Gross amounts	31 and 32	(268,902,533)	(897,507,986)	-	(1,166,410,519)	(1,089,095,402)
Reinsurers' share	31	8,603,018	69,088,388	-	77,691,406	52,896,534
Claims Provision (change)		3,208,707	35,656,845	-	38,865,552	15,679,821
Gross amount	31	3,569,348	16,231,948	-	19,801,296	1,557,927
Reinsurers' share	31	(360,641)	19,424,897	-	19,064,256	14,121,894
Other technical provisions, net of reinsurance	31	2,122,570	10,015,910	-	12,138,480	(2,541,834)
Mathematical provision for life insurance, net of reinsurance		(4,306,026)	-	-	(4,306,026)	47,467,573
Gross amount	20 and 31	(3,148,319)	-	-	(3,148,319)	45,479,789
Reinsurers' share	31	(1,157,707)	-	-	(1,157,707)	1,987,784
Profit sharing, net of reinsurance	20 and 31	(9,629,810)	(29,783)	-	(9,659,593)	(41,506,608)
Operating costs and expenses, net		(87,370,457)	(299,865,808)	-	(387,236,265)	(381,515,276)
Acquisition expenses	32	(69,175,248)	(252,225,640)	-	(321,400,888)	(307,941,574)
Deferred cost acquisition (change)	20	61,720	1,359,796	-	1,421,516	261,555
Administrative expenses	32	(20,688,607)	(82,060,746)	-	(102,749,353)	(97,569,736)
Commissions and reinsurance profit sharing	32	2,431,678	33,060,782	-	35,492,460	23,734,479
Financial income		259,006,015	60,313,263	73,525,937	392,845,215	428,579,226
From interest on financial assets not recognised at fair value through profit or loss	35	237,559,319	40,144,500	1,422,668	279,126,487	347,313,157
Other	35	21,446,696	20,168,763	72,103,269	113,718,728	81,266,069
Financial expenses		(3,421,847)	(9,677,825)	(21,195,605)	(34,295,277)	(26,101,916)
Other	32 and 36	(3,421,847)	(9,677,825)	(21,195,605)	(34,295,277)	(26,101,916)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		7,966,932	48,684,179	6,315,259	62,966,370	165,468,590
Available-for-sale investments	37	156,762,514	48,684,179	6,315,259	211,761,952	354,334,446
Loans and accounts receivable	37	(83,484)	-	-	(83,484)	-
Financial liabilities recognised at amortised cost	21 and 37	(148,712,098)	-	-	(148,712,098)	(187,551,641)
Other	37	-	-	-	-	(1,314,215)
Net income on financial assets and liabilities recognised at fair value through profit or loss		(47,759,786)	(29,545,745)	(4,023,113)	(81,328,644)	(17,043,464)
Net income on financial assets and liabilities held for trading	38	(55,502,876)	(17,383,395)	(4,034,010)	(76,920,281)	(37,314,963)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	38	7,450,543	(7,218,108)	10,897	243,332	16,836,701
Other	38	292,547	(4,944,242)	-	(4,651,695)	3,434,798
Exchange differences	39	27,516,275	11,356,094	2,345,209	41,217,578	44,324,114
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	40	-	12,218,743	66,704,126	78,922,869	50,740,276
Impairment losses (net of reversals)		(142,207,206)	(45,669,001)	3,146,194	(184,730,013)	(184,785,684)
Available-for-sale investments	41	(142,196,609)	(43,391,912)	(4,148,177)	(189,736,698)	(223,533,507)
Loans and accounts receivable at amortised cost	41	(10,597)	(5,519)	215,767	199,651	496,540
Other	41	-	(2,271,570)	7,078,604	4,807,034	38,251,283
Other technical income/expenses, net of reinsurance	42	523,754	932,093	-	1,455,847	2,542,217
Other income/expenses	43	-	-	12,606,941	12,606,941	22,484,908
Negative Goodwill recognised in profit and loss	14	-	-	24,815,820	24,815,820	-
Gains and losses of associates and joint ventures (equity method)	44	-	-	(6,263,473)	(6,263,473)	1,914,116
<b>NET INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS</b>		<b>68,956,047</b>	<b>64,249,641</b>	<b>157,977,295</b>	<b>291,182,983</b>	<b>392,723,868</b>
Income tax for the year - current taxes	18	-	-	(102,001,211)	(102,001,211)	(129,882,068)
Income tax for the year - deferred taxes	18	-	-	32,605,241	32,605,241	38,270,069
<b>NET INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS</b>		<b>68,956,047</b>	<b>64,249,641</b>	<b>88,581,325</b>	<b>221,787,013</b>	<b>301,111,869</b>
Non-controlling interests	28	-	-	(35,512,466)	(35,512,466)	(46,341,558)
<b>NET INCOME FOR THE YEAR</b>	<b>27</b>	<b>68,956,047</b>	<b>64,249,641</b>	<b>53,068,859</b>	<b>186,274,547</b>	<b>254,770,311</b>

# Consolidated Statement of Changes in Equity for the 2016 and 2015 Financial years

(amounts in euros)

	Paid-in-capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Legal reserves	Other reserves	
					Share premiums	Other reserves
<b>Balance at 31 December 2014</b>	<b>1,037,850,000</b>	<b>536,958,395</b>	<b>(121,034,222)</b>	<b>95,985</b>	-	<b>(402,133,915)</b>
Appropriation of net income	-	-	-	16,161,674	-	135,103,776
Supplementary contributions	560,950,000	-	-	-	-	-
Own Shares	-	-	-	148,960	-	-
Net gains through adjustments in fair value of available-for-sale investments	-	(311,097,195)	73,886,299	-	-	-
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	(216,027)	-	-	-	-
Exchange differences	-	19,552,734	-	-	-	-
Revaluation of properties for own use	-	3,060,989	114,686	-	-	-
Disposals of properties for own use	-	(1,918)	-	-	-	-
Actuarial gains and losses	-	-	1,791,535	-	-	(4,925,528)
Recognition of non-controlling interests	-	-	-	(2,561,403)	-	12,513,774
Others	-	-	-	-	-	2,434,283
Net income for the year	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>1,598,800,000</b>	<b>187,502,961</b>	<b>(18,803,051)</b>	<b>30,226,949</b>	-	<b>(113,985,347)</b>

(continued)

(amounts in euros)

	Retained earnings	Net income for the year	Sub-Total	Non-controlling Interests	Total
<b>Balance at 31 December 2014</b>	<b>(8,667,166)</b>	<b>123,696,919</b>	<b>1,166,765,996</b>	<b>315,903,872</b>	<b>1,482,669,868</b>
Appropriation of net income	(27,568,531)	(123,696,919)	-	-	-
Supplementary contributions	-	-	560,950,000	-	560,950,000
Own Shares	-	-	148,960	-	148,960
Net gains through adjustments in fair value of available-for-sale investments	-	-	(237,210,896)	-	(237,210,896)
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	-	(216,027)	-	(216,027)
Exchange differences	-	-	19,552,734	-	19,552,734
Revaluation of properties for own use	-	-	3,175,675	-	3,175,675
Disposals of properties for own use	1,918	-	-	-	-
Actuarial gains and losses	-	-	(3,133,993)	-	(3,133,993)
Recognition of non-controlling interests	24,314,875	(46,341,946)	(12,074,700)	(37,947,824)	(50,022,524)
Others	(2,259,339)	-	174,944	-	174,944
Net income for the year	-	301,112,257	301,112,257	-	301,112,257
<b>Balance at 31 December 2015</b>	<b>(14,178,243)</b>	<b>254,770,311</b>	<b>1,799,244,950</b>	<b>277,956,048</b>	<b>2,077,200,998</b>
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
<b>Balance at 31 December 2016</b>	<b>67,154,263</b>	<b>186,274,547</b>	<b>1,937,170,322</b>	<b>314,474,028</b>	<b>2,251,644,350</b>

# Consolidated Statement of Comprehensive Income for the year as at 31 december 2016 and 2015

(amounts in euros)

	2016	2015
<b>NET INCOME FOR THE YEAR</b>	<b>186,274,547</b>	<b>254,770,311</b>
<b>Items that may be reclassified subsequently to gains and losses</b>		
Change in potential gains and losses on available for sale investments		
Gross amount		
Appreciation	( 65,087,670 )	( 230,923,958 )
Impairment	155,283,127	205,874,418
Disposal	( 154,384,408 )	( 388,957,969 )
Life insurance contracts with profit sharing	( 2,591,419 )	68,709,466
Exchange differences		
Gross amount	( 10,779,846 )	34,535,558
Life insurance contracts with profit sharing	237,787	( 334,710 )
Deferred tax	20,758,942	67,500,140
Current tax - Life insurance contracts with profit sharing	929,125	6,386,159
Fair value of hedging instruments in cash flow hedging		
Gross amount	( 3,876,740 )	( 216,027 )
Deferred tax	859,481	-
Fair value hedge of net investment in a foreign currency		
Gross amount	43,109,385	-
Deferred tax	( 9,406,249 )	-
Change in potential gains and losses due to exchange differences on conversion of financial statements		
Gross amount	( 56,142,658 )	19,552,734
Deferred tax	4,369,976	-
<b>Items that may not be reclassified subsequently to gains and losses</b>		
Change in potential gains on properties for own use		
Gross amount	33,478,425	3,060,989
Deferred tax	( 2,067,698 )	114,686
Actuarial deviations		
Post-employment benefits	( 8,814,648 )	( 4,107,208 )
Health benefits	( 2,162,605 )	( 818,320 )
Current tax	2,246,746	1,440,504
Deferred tax	882,715	351,031
<b>INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>( 53,158,232 )</b>	<b>( 217,832,507 )</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR</b>	<b>133,116,315</b>	<b>36,937,804</b>

# Consolidated Statements of Cash Flows for the 2016 and 2015 Financial years

(amounts in euros)

	2016	2015
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,435,853,422	1,312,465,729
Claims paid, net of reinsurance	(929,963,362)	(940,433,435)
Commissions on insurance, investment and services contracts, net	(157,170,518)	(155,076,134)
Profit sharing payments, net of reinsurance	(6,085,999)	(49,944,516)
Payments to suppliers	(190,261,417)	(118,984,602)
Payments to employees	(184,152,322)	(170,415,512)
Contributions to pension funds	(18,421,934)	(17,785,176)
Others	(20,094,016)	(9,419,092)
	<b>(70,296,146)</b>	<b>(149,592,738)</b>
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	(35,151,172)	(12,091,483)
Debtors - other operations	(42,952,968)	17,300,576
Other assets	(4,467,628)	(974,529)
	<b>(82,571,768)</b>	<b>4,234,564</b>
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	72,231,424	196,279,938
Deposits received from reinsurers	8,398,767	(670,169)
Creditors - direct insurance and reinsurance operations	(3,326,783)	23,620,188
Creditors - other operations	66,102,325	11,801,819
Other liabilities	83,420,997	(15,836,127)
	<b>226,826,730</b>	<b>215,195,649</b>
<b>Net cash from operating activities before tax</b>	<b>73,958,816</b>	<b>69,837,475</b>
Payments of income tax	(204,551,143)	(101,518,002)
<b>Net cash from operating activities</b>	<b>(130,592,327)</b>	<b>(31,680,527)</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	396,433,786	291,401,514
Available-for-sale investments	3,033,492,918	5,399,515,464
Loans and accounts receivable	6,797,096,282	5,376,137,728
Investment properties	226,764,043	5,203,180
Tangible and intangible assets	1,395,174	2,810,670
Net income from financial assets	180,034,466	372,174,690
Other receipts	25,700,942	39,674,587
	<b>10,660,917,611</b>	<b>11,486,917,833</b>
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(152,680,106)	(332,807,468)
Available-for-sale investments	(3,600,075,548)	(4,838,350,234)
Loans and accounts receivable	(7,105,878,527)	(4,660,583,424)
Investment properties	(49,148,484)	(14,221,460)
Tangible and intangible assets	(79,328,405)	(33,358,638)
Others	(823,009,176)	(461,718,616)
	<b>(11,810,120,246)</b>	<b>(10,341,039,840)</b>
Business combinations		
Disposal of subsidiaries, associates and joint ventures	-	134,970,776
Acquisition of subsidiaries, associates and joint ventures	(39,943,904)	(117,730,308)
<b>Net cash from investing activities</b>	<b>(1,189,146,539)</b>	<b>1,163,118,461</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Interest received	2,088,676	-
Other loans obtained	228,264,259	10,145,696
Other interest paid	(4,447,469)	(1,732,216)
Supplementary contributions	-	560,950,000
<b>Net cash from financing activities</b>	<b>225,905,466</b>	<b>569,363,480</b>
Increase (decrease) net of cash and equivalents	(1,093,833,400)	1,700,801,414
Cash and equivalents at start of the year	2,092,255,173	391,453,759
Cash and equivalents at end of the year	998,421,773	2,092,255,173

# **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"), Universal Seguros, S.A. ("Universal"), Multicare - Seguros de Saúde, S.A. ("Multicare"), Fidelidade Assistência - Companhia de Seguros, S.A. ("Fidelidade Assistência") and Fidelidade Macau - Companhia de Seguros, S.A. ("Fidelidade Macau").

In order to perform its activity, Fidelidade has a nationwide branch network, 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 2016.

Longrun's financial statements at 31 December 2016 were approved by the Board of Directors on 5 May 2017. 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 2016 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 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 2016 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 accounting principles of the Group.

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 Company 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 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 the 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 Company may also exercise significant influence over an investee by means of a role in management of the associate or membership of the Board of Directors with executive powers.

There are also situations where the Group 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 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 the fair value of the respective 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, 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 of the 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, it is used to discount the estimated future cash flows associated with the financial instrument, to reflect the value of the financial instrument 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.

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. 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), the hedge 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 (that 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 the fair value of the hedged item attributable to the hedged risk. If the hedge relationship ceases to be effective, the cumulative change in fair value reflected in the hedged item is recognised in the income statement up until its maturity.

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

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

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

The Group began using hedge accounting in 2015.

### **Trading derivatives**

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

- Derivatives used to hedge risk in assets and liabilities recognised at fair value through profit or loss, rendering the use of hedge accounting unnecessary;

- Derivatives used to hedge risks which do not meet the criteria defined for use of hedge accounting under IAS 39, due to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges, or due to the effectiveness assessment being outside the range allowed by IAS 39;
- Derivatives used for trading purposes.

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

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

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

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

- Significant financial difficulties of the issuer or the debtor;
- Breach of contract clauses, such as late payment of capital or interest;
- Restructuring of operations as a result of financial difficulties of the debtor or of the issuer of the debt;
- Probability that the debtor will go bankrupt or encounter financial difficulties;
- Disappearance of an active market for that financial asset as a result of financial difficulties of the issuer;
- Adverse changes in industry conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Another indication of potential impairment is the existence of potential capital losses greater than 30%. Recognition of impairment according to this criterion is 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’ assessment.

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)”.

The Group does not have any non-current assets held for sale or groups of assets and liabilities for disposal.

## **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

The 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 that 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 the 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 in the form of 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. Added to CIT Code and Municipal Surcharge, the aggregate rate of which, in 2015 and 2016 is 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 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 by 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 2016, 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 occurrence is remote.

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

## 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 34). 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 as 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 25).

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, entitles 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 contributions 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 in 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**

The 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 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 written premiums.

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 are 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 2015 and 2016, 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:

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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**

During the course of the year, through actuarial studies assesses/validates the sufficiency of the provisions for the various types of insurance.

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 acceptance – 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 comprising 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 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 receivables, 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 revenues 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, estimates must be made by the Board of Directors of Longrun and Group companies. The estimates with the greatest impact on the Group 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 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 2016 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 2016. The relevant changes for the Group were as follows:

Standards / Interpretations	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 5 - Non-current assets held for sale and Discontinued Operations (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IFRS 7 - Financial Instruments: Disclosures (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of interests in other Entities and IAS 28 - Investments in Associates and Jointly Controlled Entities	1703/2016	01-01-2016
IFRS 11 - Accounting for acquisitions of interests in joint operations (Amendments to the Standard)	2173/2015	01-01-2016
IAS 1 - Clarification on Disclosure in Financial Reporting (Amendments to the Standard)	2406/2015	01-01-2016
IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets - Clarification on Acceptable Methods of Depreciation and Amortisation (Amendments to the Standard)	2231/2015	01-01-2016
IAS 16 - Property, plant and equipment and IAS 41 - Agriculture - Clarification on Acceptable Accounting Methods (Amendments to the Standard)	2113/2015	01-01-2016
IAS 19 - Employee Benefits (Annual improvements relating to the 2012 -2014 cycle)	2343/2015	01-01-2016
IAS 27 - Equity Method in Separate Financial Statements (Amendments to the Standard)	2441/2015	01-01-2016
IAS 34 - Interim Financial Reporting (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016

### 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:

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Standards / Interpretations	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 9 - Financial Instruments	2067/2016	01-01-2018
IFRS 15 - Revenue from Contracts with Customers	1905/2016	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 adopted by the European Union up to the date these financial statements were approved:

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Standards / Interpretations	Applicable to accounting periods beginning on or after
IFRS 14 - Regulated Assets	01-01-2016
IFRS 16 - Leases	01-01-2019
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Jointly Controlled Entities	01-01-2016
IAS 7 - Statement of Cash Flows	01-01-2017
IAS 12 - Income Taxes	01-01-2017

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 2016.

### 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 2016 and 2015, except when expressly indicated otherwise, can be summarised as follows:

(amounts in euros)

Operating sector/entity	Effective share %	2016				
		Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
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
Universal 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
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	797,290,100	15,687,570	781,602,530	(2,958,151)	28,673,625
Fidelidade - Property Internacional, 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
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
<b>Healthcare</b>						
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
<b>Other sectors</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	5,850,906	978,513	4,872,393	(37,078)	6,276,399

(continued)

(amounts in euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
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 monthly 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 monthly 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 monthly 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 monthly 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 monthly 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 monthly 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 monthly 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 monthly 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 monthly 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 monthly exchange rate of 1 EUR/ 69.82333 MZN for the profit and loss headings.

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade - Companhia de Seguros, S.A.	84.99%	14,217,045,038	12,446,347,244	1,770,697,794	207,862,217	2,226,166,634
Multicare - Seguros de Saúde, S.A.	80.00%	130,656,784	73,412,739	57,244,045	8,370,408	202,213,318
Fidelidade Assistência - Companhia de Seguros, S.A.	80.00%	60,430,268	34,825,110	25,605,158	7,868,906	47,985,840
Via Directa - Companhia de Seguros, S.A.	100.00%	74,226,582	48,895,604	25,330,978	228,225	40,713,189
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,490,601	5,438,915	10,051,686	651,804	972,281
Universal Seguros, S.A. (b)	70.00%	92,261,904	79,465,846	12,796,058	2,443,785	54,586,023
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	24,847,676	15,057,978	9,789,698	966,867	8,091,863
Fidelidade Macau - Companhia de Seguros, S.A. (d)	100.00%	67,177,199	48,090,710	19,086,489	679,711	2,202,858

(continued)

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	375,036,950	15,933,384	359,103,566	7,278,154	17,921,581
Fidelidade - Property Internacional, S.A.	100.00%	351,964,581	457,133	351,507,448	(7,845,080)	4,168,172
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	99.09%	135,212,129	26,840,302	108,371,827	5,783,522	8,827,478
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	14,898,182	117,457	14,780,725	(283,643)	532,335
FPI (AU) 1 PTY LIMITED (f)	100.00%	78,922,398	47,473,050	31,449,348	1,668,905	5,247,030
FPI (UK) 1 LIMITED (g)	100.00%	329,825,721	110,162,033	219,663,688	1,656,438	5,614,923
FPI (US) 1 LLC (h)	100.00%	80,183,261	36,885,883	43,297,378	(1,381,689)	-
FPE (IT) Società per Azioni	95.76%	322,038,204	24,163,333	297,874,871	5,550,271	4,168,172
GK Kita Aoyoma Support 2 (i)	100.00%	26,871,274	2,493,373	24,377,902	(47,956)	-
Higashi Shinagawa Two TMK (i)	96.56%	241,487,804	131,060,523	110,427,280	15,798,418	24,218,799
<b>Healthcare</b>						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98.43%	572,986,216	337,545,619	235,440,597	19,616,035	424,189,572
<b>Other sectors</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,462,932	1,659,913	4,803,019	78,058	4,476,839
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	737,197	542,404	194,793	27,249	1,762,316
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,275,779	2,895,650	380,129	96,909	18,832,956
Fidelidade - Serviços de Assistência, S.A.	100.00%	2,547,340	307,756	2,239,584	876,340	1,918,528
Cares Multiassistance, S.A.	51.00%	2,572,708	1,248,359	1,324,349	1,395,909	1,395,909
FCM Beteiligungs GmbH	51.00%	10,581,339	41,428	10,539,911	(7,350,750)	-
FID I (HK) LIMITED (j)	100.00%	136,671,034	108,658,737	28,012,297	24,087,061	-
FID III (HK) LIMITED (j)	100.00%	-	6,349	(6,349)	(3,142)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (l)	100.00%	13,684	12,093	1,591	1,196	14,691
Fidelidade - Assistência e Serviços, Lda. (l)	100.00%	23,117	20,996	2,121	1,730	26,437

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

(b) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 147.83150 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 133.18254 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2015 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 2015 of 1 EUR/ 8.6907 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.6433 AOA 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 2015 of 1 EUR/ 1.48970 AUD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.48367 AUD for the profit and loss headings.

(g) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 0.73400 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.72420 GBP for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 1.08870 USD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.10455 USD for the profit and loss headings.

(i) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 131.07000 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 133.63083 JPY for the profit and loss headings.

(j) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 8.43760 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.56221 HKD for the profit and loss headings.

(l) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 49.29000 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 48.86600 MZN for the profit and loss headings.

The financial data at 31 December 2016 was taken from the provisional financial statements, which are subject to alterations before they are approved by the General Meeting of Shareholders. However, it is not expected that there will be material changes to the Group's financial statements.

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

## INSURANCE

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

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

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

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

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

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

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

**Fidelidade Macau – Companhia de Seguros, S.A.**, with its head office in Macao at Avenida da Praia Grande, n° 567, BNU Building, 14°, 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, n° 30, was set up on 19 November 1991 with the main object of renting own property which it has acquired or built and the provision of related services. On 24 November 2004 a public deed was signed for the merger by incorporation of Caixa Imobiliário - Sociedade de Gestão e Investimento Imobiliário, S.A., in Mundial Confiança - Sociedade de Gestão e Investimento Imobiliário, S.A., which altered its name to Fidelidade-Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A., and this name was altered in 2013 to Fidelidade – Investimentos Imobiliários, S.A..

**Fidelidade – Property International, S.A.** with its head office in Lisbon, at Largo do Calhariz, n° 30, was set up on 5 November 2014 with the main object of purchasing and selling real estate, including purchase for re-sale, renting or the setting up of other real rights over property and, also, developing, promoting and administering real estate projects, in the area of construction and rehabilitation, in addition to the provision of related services.

**Fundo de Investimento Imobiliário Fechado Saudeinveste** was set up on 10 December 2002 with the investment aim of achieving medium and long-term capital appreciation, 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.**, is 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.**, is 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.**, is 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.

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

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

## HEALTHCARE

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

## OTHER SECTORS

**Cetra - Centro Técnico de Reparação Automóvel, S.A. (Fidelidade Car Service)**, with its head office in Lisbon, at Rua Cidade de Bolama, n° 1 - B, was set up on 12 February 1973 with the corporate purpose of performing all and any type of activity related to motor vehicles, including repairs, loss adjustments, assessments and salvage recovery, in addition to vehicle leasing operations. The company may also perform related or complementary operations.

**E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. (Safemode)**, with its head office in Lisbon, at Rua Nova da Trindade, n° 3, was set up on 11 November 1996 with the corporate purpose of providing risk analysis and prevention services, in addition to technical consultancy and training to improve hygiene, safety and health conditions in the workplace, laboratory support, environmental recovery planning and monitoring of interventions and the management of industrial premises for treatment, recovery or recycling operations.

**GEP - Gestão de Peritagens Automóveis, S.A.**, with its head office in Lisbon, at Avenida 5 de Outubro n° 35 8° 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, n° 13 - 7° was set up on 29 January 1991 with the corporate purpose of representing and assisting foreign insurers and, in addition, providing support services for the management of claims of national and foreign insurers. In 2015, Cares RH - Companhia de Assistência e Representação de Seguros, S.A., changed its name to Fidelidade - Serviços de Assistência, S.A..

**Cares Multiassistance, S.A.**, with its head office in Lisbon, at Rua de Ponta Delgada, n° 44 A e B, was set up on 19 June 2002 with the corporate purpose of providing services of organisation, assessment and management of any repair or restoration work.

**FCM Beteiligungs GmbH**, with its head office in 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, n° 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the main purpose of providing assistance services and claims management support services, as well as the provision of accounting services, human resource management and IT support, and also the provision of services for the organisation, evaluation, expert assessment and management of any repair work, restoration, installation and improvements to be made to any property, and the hiring of any entities to perform such work, acquisition and supply of various materials, products and tools, and the provision of any services which are related or complementary to these activities.

**Fidelidade - Consultoria e Gestão de Risco, Lda.**, with its head office at Rua 1393, n° 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the purpose of performing health and safety at work activities, and providing risk analysis and prevention services, technical consultancy and human resources management and training services, laboratory support, planning and monitoring of environmental recovery interventions and facilities management.

**The main movements in the Group's subsidiaries during 2016 were as follows:**

In 2016 the Group acquired shares in Luz Saúde S.A., increasing its shareholding from 98.43% at 31 December 2015 to 98.96% at the end of the year, and totalling EUR 1,640,456.

On 11 March 2016, the Group acquired 120 shares in FPE (Lux) Holdings S.à r.l., representing 100% of the share capital, for GBP 12,000, equivalent to EUR 15,640.

On 14 March 2016, the Group acquired 32,252 shares in Thomas More Square (Lux) Holdings S.à r.l., representing 97.44% of the share capital, for GBP 32,252, equivalent to EUR 42,034.

In March 2016, the Group acquired a share in Thomas More Square (Lux) S.à r.l., representing 100% of the share capital, for GBP 12,000, equivalent to EUR 15,640.

In March 2016, the Group acquired a share in Thomas More Square (Lux) Investments Limited, representing 100% of the share capital, for GBP 73,000,001, equivalent to EUR 95,141,262.

In July 2016, the Group acquired a share in Godo Kaisha Moana, representing 96.996% of the share capital, for JPY 11,754,000,000, equivalent to EUR 102,843,643.

In July 2016, the Group acquired a share in Godo Kaisha Praia, representing 100% of the share capital, for JPY 11,983,000,000, equivalent to EUR 104,354,263.

In 2016, Fidelidade - Companhia de Seguros, S.A., granted Fidelidade - Property Europe, S.A. supplementary contributions of EUR 426,324,631.

In 2016, Fidelidade - Companhia de Seguros, S.A., granted Fidelidade - Property International, S.A. supplementary contributions of EUR 163,290,654.

In August 2016, Fidelidade - Property Europe, S.A., granted FPE (Lux) Holdings S.à r.l. supplementary contributions of EUR 139,160,360.

In 2016, Fidelidade - Property International, S.A., granted FPI (UK) 1 LIMITED supplementary contributions of EUR 67,018,837.

In 2016, FPI (UK) 1 LIMITED granted FPI (US) 1 LLC supplementary contributions of EUR 17,833,259.

In September 2016, the Group increased its shareholding in Thomas More Square (Lux) Holdings, S.à.r.l. by 1.86%, from 97.44% to 99.30%.

In September 2016 FPE (Lux) Holdings S.à r.l. granted Thomas More Square (Lux) Holdings S.à r.l. supplementary contributions of EUR 116,778,000.

In September 2016 Thomas More Square (Lux) Holdings S.à r.l. granted Thomas More Square (Lux) S.à r.l. supplementary contributions of EUR 117,600,000.

In December 2016, Fidelidade - Companhia de Seguros, S.A. redeemed investments units in Fundo de Investimento Imobiliário Fechado Bonança I, totalling EUR 2,499,983.

## 4. Cash and Cash Equivalents

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Cash and cash equivalents		
Headquarters	2,403,440	1,577,201
Branch offices	1,323,859	2,132,094
	<b>3,727,299</b>	<b>3,709,295</b>
Sight deposits		
Domestic currency	579,627,864	1,733,898,958
Foreign currency	415,066,610	354,646,920
	<b>994,694,474</b>	<b>2,088,545,878</b>
	<b>998,421,773</b>	<b>2,092,255,173</b>

## 5. Investments in Associates and Joint Ventures

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016		2015	
	Effective share %	Balance sheet value	Effective share %	Balance sheet value
<b>Valued at acquisition cost</b>				
<b>Associates</b>				
HL - Sociedade Gestora do Edifício, S.A.	10.00%	29,400	10.00%	29,400
<b>Valued by the equity accounting method</b>				
<b>Associates</b>				
Audatex Portugal - Peritagens Informatizadas				
Derivadas de Acidentes, S.A. (a)	33.67%	914,394	33.67%	1,646,055
Highgrove - Investimentos e Participações, SGPS, S.A.	25.00%	-	25.00%	-
Genomed - Diagnósticos de Medicina Molecular, S.A.	37.50%	305,636	37.50%	266,664
		<b>1,220,030</b>		<b>1,912,719</b>
<b>Joint Ventures</b>				
Madison 30 31 JV LLC	77.00%	115,757,387	77.00%	68,159,522
		<b>117,006,817</b>		<b>70,101,641</b>

(a) Values at June 2016 and 2015, respectively (accounting period June 2015 to June 2016 and June 2014 to June 2015).

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 23).

The financial data of the associates and joint ventures, measured using the equity method, was as follows at 31 December 2016 and 2015:

(amounts in euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Saúde</b>						
Genomed - Diagnósticos de Medicina Molecular, S.A.	37.50%	1,284,129	669,284	614,845	102,592	1,046,161
<b>Other Sectors</b>						
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).

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Saúde</b>						
Genomed - Diagnósticos de Medicina Molecular, S.A.	37.50%	772,164	271,186	500,978	45,302	991,123
<b>Other Sectors</b>						
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (b)	33.67%	6,904,447	2,015,566	4,888,881	2,175,660	8,763,249
Highgrove - Investimentos e Participações, SGPS, S.A.	25.00%	1,123,971	1,422,267	( 298,296 )	( 224,567 )	43,917
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%	180,371,544	91,852,668	88,518,876	( 272 )	-

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

(b) Values at June 2015 (accounting period June 2014 to June 2015).

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 2016 were as follows:**

In 2016, FPI (US) 1 LLC granted Madison 30 31 JV LLC supplementary contributions of USD 54,730,984, corresponding to EUR 49,604,557.

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

At 31 December 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Held for trading (Note 7)	At fair value through profit or loss	Total	Held for trading (Note 7)	At fair value through profit or loss	Total
<b>Investments related to Unit-linked contracts</b>	-	<b>431,342,214</b>	<b>431,342,214</b>	-	<b>487,476,907</b>	<b>487,476,907</b>
<b>Other investments</b>						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	1,365,213	1,365,213	-	1,360,017	1,360,017
Foreign issuers	-	233,894,101	233,894,101	-	399,714,468	399,714,468
	-	<b>235,259,314</b>	<b>235,259,314</b>	-	<b>401,074,485</b>	<b>401,074,485</b>
<b>Other financial instruments</b>						
Domestic issuers	-	9,516	9,516	-	-	-
	-	<b>9,516</b>	<b>9,516</b>	-	-	-
<b>Derivatives instruments with positive fair value</b>						
Exchange rate futures	7,770,368	-	7,770,368	957,920	-	957,920
	<b>7,770,368</b>	<b>666,611,044</b>	<b>674,381,412</b>	<b>957,920</b>	<b>888,551,392</b>	<b>889,509,312</b>

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

At 31 December 2016 and 2015, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 235,259,314 and EUR 401,074,485 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 2016 and 2015, the Group recognised net gains with the valuation of these investments of EUR 14,809,012 and EUR 52,244,943, respectively.

At 31 December 2016 and 2015, investments allocated to Unit-linked contracts were composed as follows:

(amounts in euros)

	2016	2015
<b>Financial assets initially recognised</b>		
<b>at fair value through profit or loss</b>		
Debt instruments		
Group companies	49,920,465	62,366,922
Public debt		
Domestic issuers	340,390,253	375,369,102
Foreign issuers	12,646,763	13,285,588
Other issuers		
Domestic issuers	895,071	868,840
Foreign issuers	10,255,555	14,658,379
Equity instruments		
Domestic issuers	12,029,626	14,797,953
Foreign issuers	7,177,090	8,466,661
Accounts receivable	( 31 )	( 430 )
Transactions to be settled	( 1,972,578 )	( 2,336,108 )
	<b>431,342,214</b>	<b>487,476,907</b>
<b>Other assets</b>		
Current deposits	41,786,452	25,762,641
Term deposits	39,851,839	59,812,090
	81,638,291	85,574,731
<b>Total (Note 21)</b>	<b>512,980,505</b>	<b>573,051,638</b>

The total of investment allocated to Unit-linked contracts reveals, at 31 December 2016 and 2015, a difference of EUR 3,312 and EUR 2,217 in relation to the total financial liabilities recognised at fair value (Note 21), which corresponds to the negative fair value of the swaps recognised in "Financial liabilities held for trading" (Note 22) 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 exchange rate and interest rates fluctuations.

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 2016 and 2015, 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)

	2016							
	Notional Amount			Trading Derivatives		Book Value		
	Trading Derivatives	Hedge Derivatives	Total	Assets (Note 6)	Liabilities (Note 22)	Assets	Liabilities (Note 22)	Total
<b>Cobertura de justo valor</b>								
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	-	4,218,883
Exchange rate forwards	-	13,341,558	13,341,558	-	-	314,098	-	314,098
<b>Cash flow hedge</b>								
Interest rate swaps	-	180,000,000	180,000,000	-	-	-	(4,731,582)	(4,731,582)
<b>Hedge of a net investment in a foreign operation</b>								
Exchange rate futures	-	511,625,000	511,625,000	-	-	1,369,636	(8,737,700)	(7,368,064)
Exchange rate forwards	-	456,581,591	456,581,591	-	-	16,728,216	-	16,728,216
	<b>1,466,793,155</b>	<b>2,185,923,149</b>	<b>3,652,716,304</b>	<b>7,770,368</b>	<b>(15,072,639)</b>	<b>22,768,708</b>	<b>(13,469,282)</b>	<b>1,997,155</b>

(amounts in euros)

	2015							
	Notional Amount			Trading Derivatives		Book Value		
	Trading Derivatives	Hedge Derivatives	Total	Assets (Note 6)	Liabilities (Note 22)	Assets	Liabilities (Note 22)	Total
<b>Fair value hedge</b>								
Interest rate swaps	40,668,155	-	40,668,155	-	(7,625,988)	-	-	(7,625,988)
Exchange rate futures	1,339,625,000	1,160,375,000	2,500,000,000	957,920	(10,822,796)	1,285,939	(4,155,656)	(12,734,593)
<b>Cash flow hedge</b>								
Exchange rate futures	-	181,083,333	181,083,333	-	-	-	(250,706)	(250,706)
	<b>1,380,293,155</b>	<b>1,341,458,333</b>	<b>2,721,751,488</b>	<b>957,920</b>	<b>(18,448,784)</b>	<b>1,285,939</b>	<b>(4,406,362)</b>	<b>(20,611,287)</b>

The interest rate swaps contracted by the Group and classified as derivatives held for trading are essentially intended to hedge its liabilities on life insurance investment contracts which, except for Unit-linked contracts, are valued at amortised cost (Note 22).

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 risks, the instruments contracted are over-the-counter forwards.

The distribution of the Group's derivative financial instrument operations at 31 December 2016 and 2015, by period to maturity, was as follows:

(amounts in euros)

	2016					Total
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 5 years	More than 5 years	
<b>Fair value hedge</b>						
Interest rate swaps	-	-	-	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
<b>Cash flow hedge</b>						
Interest rate swaps	-	-	-	30,000,000	150,000,000	180,000,000
<b>Hedge of a net investment in a foreign operation</b>						
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
	<b>2,376,863,140</b>	<b>71,554,939</b>	<b>983,630,069</b>	<b>70,000,000</b>	<b>150,668,155</b>	<b>3,652,716,304</b>

(amounts in euros)

	2015			Total
	Up to 3 months	From 3 months to 6 months	More than 5 years	
<b>Fair value hedge</b>				
Interest rate swaps	-	-	40,668,155	40,668,155
Exchange rate futures	2,500,000,000	-	-	2,500,000,000
<b>Cash flow hedge</b>				
Exchange rate futures	-	1,083,333	180,000,000	181,083,333
	<b>2,500,000,000</b>	<b>1,083,333</b>	<b>220,668,155</b>	<b>2,721,751,488</b>

The distribution of the Group's derivative financial operations at 31 December 2016 and 2015, by counterparty type, was as follows:

(amounts in euros)

	2016		2015	
	Notional Amount	Book Value	Notional Amount	Book Value
<b>Swaps</b>				
Interest rate swaps				
Financial institutions				
Caixa Geral Depósitos Group	40,668,155	(7,164,396)	40,668,155	(7,625,988)
Other institutions	180,000,000	(4,731,582)	181,083,333	(250,706)
<b>Futures</b>				
Exchange rate futures				
On a stock exchange				
Chicago	2,962,125,000	(3,149,181)	2,500,000,000	(12,734,593)
Exchange rate forwards				
Financial institutions	469,923,149	17,042,314	-	-
	<b>3,652,716,304</b>	<b>1,997,155</b>	<b>2,721,751,488</b>	<b>(20,611,287)</b>

In 2016 and 2015 the following gains and losses related to fair value hedge accounting were generated:

(amounts in euros)

	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
Derivatives	336,597,725	(372,707,569)	(36,109,844)	1,582,464	(28,630,626)	(27,048,162)
Hedged assets	157,776,330	(126,318,181)	31,458,149	68,692,875	(38,209,915)	30,482,960
	<b>494,374,055</b>	<b>(499,025,750)</b>	<b>(4,651,695)</b>	<b>70,275,339</b>	<b>(66,840,541)</b>	<b>3,434,798</b>

In 2016 and 2015, the following movements were generated in the Revaluation Reserve, relating to hedge accounting:

(amounts in euros)

	2016		2015
	Cash flow hedge	Hedge of a net investment in a foreign operation	Cash flow hedge
Interest rate swaps	(4,092,767)	-	(216,027)
Exchange rate futures	-	28,667,820	-
Exchange rate forwards	-	14,441,565	-
	<b>(4,092,767)</b>	<b>43,109,385</b>	<b>(216,027)</b>

## 8. Available-for-Sale Investments

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016					Balance Sheet Value
	Amount before impairment	Accumulated impairment (Note 41)	Net amount	Exchange differences	Fair value reserve (Note 27)	
<b>Debt instruments</b>						
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
	<b>7,751,384,251</b>	<b>(160,681,702)</b>	<b>7,590,702,549</b>	<b>53,431,036</b>	<b>(54,005,924)</b>	<b>7,590,127,661</b>
<b>Equity instruments</b>						
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
	<b>1,543,816,686</b>	<b>(286,535,154)</b>	<b>1,257,281,532</b>	<b>111,240,424</b>	<b>34,482,185</b>	<b>1,403,004,141</b>
<b>Other instruments</b>						
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
Other	(66,583)	-	(66,583)	-	-	(66,583)
	<b>233,758,192</b>	<b>(47,686,189)</b>	<b>186,072,003</b>	<b>5</b>	<b>51,934,347</b>	<b>238,006,355</b>
	<b>9,528,959,129</b>	<b>(494,903,045)</b>	<b>9,034,056,084</b>	<b>164,671,465</b>	<b>32,410,608</b>	<b>9,231,138,157</b>

(amounts in euros)

	2015					
	Amount before impairment	Accumulated impairment (Note 41)	Net amount	Exchange differences	Fair value reserve (Note 27)	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	3,076,060,467	-	3,076,060,467	-	144,669,449	3,220,729,916
Foreign issuers	240,306,070	-	240,306,070	( 706,561 )	3,202,962	242,802,471
Other public issuers						
Foreign issuers	3,420,459	-	3,420,459	-	438,734	3,859,193
International financial organisations	12,439,733	-	12,439,733	-	5,139,687	17,579,420
Other issuers						
Domestic issuers	277,914,447	( 52,929,367 )	224,985,080	-	4,487,803	229,472,883
Foreign issuers	1,819,510,247	( 65,856,752 )	1,753,653,495	21,032,007	( 178,137,779 )	1,596,547,723
Group companies	1,293,906,206	-	1,293,906,206	-	( 47,434,314 )	1,246,471,892
	<b>6,723,557,629</b>	<b>( 118,786,119 )</b>	<b>6,604,771,510</b>	<b>20,325,446</b>	<b>( 67,633,458 )</b>	<b>6,557,463,498</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	269,743,922	( 14,907,436 )	254,836,486	-	( 3,473,958 )	251,362,528
Foreign issuers	1,474,136,645	( 134,762,184 )	1,339,374,461	88,292,102	110,499,971	1,538,166,534
	<b>1,743,880,567</b>	<b>( 149,669,620 )</b>	<b>1,594,210,947</b>	<b>88,292,102</b>	<b>107,026,013</b>	<b>1,789,529,062</b>
<b>Other instruments</b>						
Participation bonds						
Residents	27,445	-	27,445	-	( 10,770 )	16,675
Investment units						
Residents	288,868,110	( 55,219,720 )	233,648,390	-	49,857,517	283,505,907
Non-residents	31,180,848	( 7,736,857 )	23,443,991	( 18 )	5,427,244	28,871,217
Other	( 69,348 )	-	( 69,348 )	-	-	( 69,348 )
	<b>320,007,055</b>	<b>( 62,956,577 )</b>	<b>257,050,478</b>	<b>( 18 )</b>	<b>55,273,991</b>	<b>312,324,451</b>
	<b>8,787,445,251</b>	<b>( 331,412,316 )</b>	<b>8,456,032,935</b>	<b>108,617,530</b>	<b>94,666,546</b>	<b>8,659,317,011</b>

## 9. Loans and Accounts Receivable

At 31 December 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Gross amount	Impairment Loss (Note 41)	Net amount	Gross amount	Impairment Loss (Note 41)	Net amount
Deposits in ceding companies	875,620	-	875,620	948,511	-	948,511
Other deposits						
Term deposits	881,337,956	-	881,337,956	601,660,071	-	601,660,071
Margin accounts	73,067,721	-	73,067,721	64,659,227	-	64,659,227
	<b>954,405,677</b>	<b>-</b>	<b>954,405,677</b>	<b>666,319,298</b>	<b>-</b>	<b>666,319,298</b>
Loans made						
Mortgage loans	21,851,904	(29,803)	21,822,101	354,625	(29,803)	324,822
Loans over policies	1,328,653	(10,597)	1,318,056	981,339	-	981,339
Debt securities	30,084,668	(108,729)	29,975,939	15,354,910	(108,729)	15,246,181
Other	3,833,032	(1,089,835)	2,743,197	3,837,400	(1,300,083)	2,537,317
	<b>57,098,257</b>	<b>(1,238,964)</b>	<b>55,859,293</b>	<b>20,528,274</b>	<b>(1,438,615)</b>	<b>19,089,659</b>
Others	30,100	-	30,100	603,468	-	603,468
	<b>1,012,409,654</b>	<b>(1,238,964)</b>	<b>1,011,170,690</b>	<b>688,399,551</b>	<b>(1,438,615)</b>	<b>686,960,936</b>

## 10. Properties

In 2016 and 2015, the "Properties" headings saw the following movements:

(amounts in euros)

	Properties for own use	Investment Properties	Total
<b>Balances at 31 December 2014</b>			
Gross amount	431,763,877	650,333,269	1,082,097,146
Accumulated depreciation and impairment	( 48,829,974 )	-	( 48,829,974 )
	<b>382,933,903</b>	<b>650,333,269</b>	<b>1,033,267,172</b>
Entry/ (Exits) to the consolidation perimeter	35,859	-	35,859
Additions			
Acquisitions made in the year	13,416,617	396,282,669	409,699,286
Subsequent expenditure	768,984	7,544,867	8,313,851
Revaluations			
As a credit to the income statement (Note 40)	-	36,352,441	36,352,441
As a credit to shareholders' equity	3,060,989	-	3,060,989
Additions/reversals of impairment in the year (Note 41)	( 1,270,285 )	-	( 1,270,285 )
Depreciation for the period	( 16,645,963 )	-	( 16,645,963 )
Exchange differences	-	20,282,321	20,282,321
Transfers	( 12,085,711 )	12,081,701	( 4,010 )
Disposals and write-offs (net)	( 394,929 )	( 5,203,180 )	( 5,598,109 )
Other movements	871,036	( 173,361 )	697,675
<b>Balances at 31 December 2015</b>			
Gross amount	433,796,898	1,117,500,727	1,551,297,625
Accumulated depreciation and impairment	( 63,106,398 )	-	( 63,106,398 )
	<b>370,690,500</b>	<b>1,117,500,727</b>	<b>1,488,191,227</b>
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 40)	-	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 41)	( 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
<b>Balances at 31 December 2016</b>			
Gross amount	517,884,943	1,757,270,491	2,275,155,434
Accumulated depreciation and impairment	( 88,428,229 )	-	( 88,428,229 )
	<b>429,456,714</b>	<b>1,757,270,491</b>	<b>2,186,727,205</b>

In 2016, the entries to the consolidation perimeter relate to the acquisition of the companies Hospital da Luz – Guimarães, S.A., Godo Kaisha Praia and Thomas More Square (Lux) S.à r.l., and in 2015, these entries, to the consolidation perimeter, refer to the acquisition of the company HME – Gestão Hospitalar, S.A. by Luz Saúde, S.A..

In 2016, 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 estimation 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 of 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 2016 and 2015, the fair value reserves associated with properties for own use were EUR 106,470,627 and EUR 72,992,202, respectively (Note 27).

At 31 December 2016 and 2015, the breakdown of the properties for own use according to their respective valuation date, was as follows:

(amounts in euros)

	2016	2015
2016	356,382,861	-
2015	73,073,853	81,486,375
2014	-	264,054,509
In progress (without evaluation)	-	25,149,616
	<b>429,456,714</b>	<b>370,690,500</b>

## 11. Allocation of Investments and Other Assets

At 31 December 2016 and 2015, 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)

	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
	<b>1,848,138,078</b>	<b>155,006,934</b>	<b>7,269,243,243</b>	<b>2,165,001,227</b>	<b>2,854,431,838</b>	<b>14,291,821,320</b>

(amounts in euros)

	2015					
	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	118,999,851	14,506,948	1,124,679,665	138,917,894	695,150,815	2,092,255,173
Investments in associates and joint ventures	-	-	1,646,054	-	68,455,587	70,101,641
Financial assets held for trading	-	642,969	314,951	-	-	957,920
Financial assets initially recognised						
at fair value through profit or loss	11,192,224	22,396,973	788,998,889	65,287,322	675,984	888,551,392
Hedge Derivatives	-	-	1,285,939	-	-	1,285,939
Available-for-sale investments	1,390,954,509	124,024,032	5,614,699,679	1,302,345,348	227,293,443	8,659,317,011
Loans and accounts receivable	325,212,640	13,843,636	247,830,738	73,491,003	26,582,919	686,960,936
Properties	132,853	-	-	349,723,817	1,138,334,557	1,488,191,227
Other tangible assets	-	-	-	-	41,357,923	41,357,923
	<b>1,846,492,077</b>	<b>175,414,558</b>	<b>7,779,455,915</b>	<b>1,929,765,384</b>	<b>2,197,851,228</b>	<b>13,928,979,162</b>

## 12. Other Tangible Assets

In 2016 and 2015, the other tangible assets headings saw the following movements:

(amounts in euros)

	2016										
	Opening balances			Additions	Transfers and adjustments	Depreciation or the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
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 by											
tangible assets	48,585	-	-	284,914	-	-	-	-	333,499	-	333,499
	<b>261,004,469</b>	<b>(219,646,546)</b>	<b>3,272,734</b>	<b>23,939,787</b>	<b>626,374</b>	<b>(17,457,240)</b>	<b>(206,783)</b>	<b>(1,326,237)</b>	<b>272,692,472</b>	<b>(222,485,914)</b>	<b>50,206,558</b>

(amounts in euros)

	2015										
	Opening balances			Additions	Transfers and adjustments	Depreciation or the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	27,027,401	(25,582,261)	31,798	485,654	36,677	(724,151)	(39,779)	-	26,978,080	(25,742,741)	1,235,339
Machinery and tools	13,738,092	(12,820,780)	-	427,896	2,923	(461,089)	(8,367)	(10,184)	8,477,976	(7,609,485)	868,491
IT equipment	21,658,241	(19,275,105)	1,719	2,860,413	66	(2,753,278)	20,081	(37,274)	17,213,388	(14,738,525)	2,474,863
Interior installations	24,481,079	(19,378,342)	-	468,989	(328,774)	(1,162,292)	(61,746)	(41,554)	23,171,262	(19,193,902)	3,977,360
Transport material	2,675,156	(1,322,491)	1,790	666,261	(69)	(417,320)	(31,165)	(29,651)	3,010,800	(1,468,289)	1,542,511
Hospital equipment	127,178,500	(99,064,186)	61,610	4,367,042	(81,834)	(9,792,579)	-	(23,622)	130,505,040	(107,860,109)	22,644,931
Other equipment	36,746,845	(29,877,636)	11,968	1,631,079	(966,749)	(2,010,253)	(3,734)	(4,676)	37,261,792	(31,734,948)	5,526,844
Artistic assets	1,611,998	-	-	4,155	-	-	-	-	1,616,153	-	1,616,153
Leased equipment	9,570,187	(9,541,311)	-	-	-	(6,379)	-	-	7,290,447	(7,267,950)	22,497
Other tangible assets	6,046,327	(4,249,774)	24,876	863,872	292,098	(321,426)	-	(1,255,624)	5,430,946	(4,030,597)	1,400,349
Advances by											
tangible assets	-	-	-	-	1,048,585	-	-	(1,000,000)	48,585	-	48,585
	<b>270,733,826</b>	<b>(221,111,887)</b>	<b>133,761</b>	<b>11,775,360</b>	<b>2,926</b>	<b>(17,648,769)</b>	<b>(124,711)</b>	<b>(2,402,583)</b>	<b>261,004,469</b>	<b>(219,646,546)</b>	<b>41,357,923</b>

The entries in the consolidation perimeter, in 2016, refer to the acquisition of Hospital da Luz – Guimarães and in 2015, refer to the acquisition of HME – Gestão Hospitalar, S.A. by Luz Saúde, S.A..

At 31 December 2016 and 2015, the heading “Tangible assets” includes fully amortised assets still in use of EUR 149,244,275 and EUR 146,063,595 respectively.

### 13. Inventories

At 31 December 2016 and 2015, the breakdown of this heading was as follows:

(amounts in euros)

	2016	2015
Hospital Goods	9,851,466	8,141,670
Real estate	456,545	435,049
Goods	146,595	11,457
Products and works in progress	114,663	44,344
Salvage	12,125	11,695
Other inventories	208,683	154,285
	<b>10,790,077</b>	<b>8,798,500</b>
Impairment of goods (Note 41)	(64,553)	(3,343)
	<b>10,725,524</b>	<b>8,795,157</b>

## 14. Goodwill

The Group's recognition of goodwill at 31 December 2016 and 2015 was as follows:

(amounts in euros)

	2016			2015		
	Gross amount	Impairment Loss (Note 41)	Net amount	Gross amount	Impairment Loss (Note 41)	Net amount
<b>Goodwill recognised in Goodwill</b>						
Fidelidade - Companhia de Seguros, S.A.	65,531,707	-	65,531,707	65,531,707	-	65,531,707
Fidelidade Assistência - Companhia de Seguros, S.A.	1,663,226	-	1,663,226	1,663,226	-	1,663,226
Multicare - Seguros de Saúde, S.A.	2,281,095	-	2,281,095	2,281,095	-	2,281,095
Luz Saúde, S.A.	359,254,032	-	359,254,032	359,254,032	-	359,254,032
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	-	-	-
Godo Kaisha Moana	710,601	-	710,601	-	-	-
Thomas More Square (Lux) Investments Limited	906,244	-	906,244	-	-	-
Thomas More Square (Lux) S.à r.l.	109	-	109	-	-	-
	<b>446,387,408</b>	<b>-</b>	<b>446,387,408</b>	<b>428,745,379</b>	<b>-</b>	<b>428,745,379</b>
<b>Goodwill recognised in Investments</b>						
Highgrove - Investimentos e Participações, SGPS, S.A.	957,001	( 957,001 )	-	957,001	( 957,001 )	-
	957,001	( 957,001 )	-	957,001	( 957,001 )	-
	<b>447,344,409</b>	<b>( 957,001 )</b>	<b>446,387,408</b>	<b>429,702,380</b>	<b>( 957,001 )</b>	<b>428,745,379</b>

The following movements occurred in this heading in 2016 and 2015:

(amounts in euros)

<b>Goodwill (net) at 31 December 2014</b>	<b>432,007,319</b>
Acquisition of 4.986% of Fidelidade - Companhia de Seguros, S.A.	( 3,387,513 )
GK Kita Aoyoma Support 2 acquisition cost change	15,319
Acquisition of 0.21% of Luz Saúde, S.A.	110,254
<b>Goodwill (net) at 31 December 2015</b>	<b>428,745,379</b>
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) S.à r.l.	109
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	16,025,075
<b>Goodwill (net) at 31 December 2016</b>	<b>446,387,408</b>

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

(amounts in euros)

<b>Goodwill recognised in Goodwill</b>	
Acquisition of 80% of Fidelidade - Companhia de Seguros, S.A.	980,832,887
Shareholders' equity of corporate acquisition (80.00%)	911,913,667
	<b>68,919,220</b>
Acquisition of 4.986% of Fidelidade - Companhia de Seguros, S.A.	( 3,387,513 )
	<b>65,531,707</b>
Acquisition of 98.21% of Luz Saúde, S.A.	457,827,530
Shareholders' equity of corporate acquisition (98.21%) in September 2014	98,683,752
	<b>359,143,778</b>
Acquisition of 96.996% of Godo Kaisha Moana	102,843,643
Shareholders' equity of corporate acquisition (96.996%) in 2016	( 102,133,042 )
	<b>710,601</b>
Acquisition of 99.3% of Thomas More Square (Lux) Investments Limited	129,463,365
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 128,557,121 )
	<b>906,244</b>
Acquisition of 99.3% of Thomas More Square (Lux) S.à r.l.	15,640
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 15,531 )
	<b>109</b>
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	25,237,564
Shareholders' equity of corporate acquisition (100%) in 2016	( 9,212,489 )
	<b>16,025,075</b>
<b>Negative Goodwill recognised in profit and loss</b>	
Acquisition of 96.996% of Godo Kaisha Praia	104,847,318
Shareholders' equity of corporate acquisition (96.996%) in 2016	( 129,662,335 )
	<b>24,815,017</b>
Acquisition of 99.3% of Thomas More Square (Lux) Holdings S.à r.l.	42,034
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 42,837 )
	<b>( 803 )</b>

Goodwill acquired in a business combination represents a payment made by an acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

At least annually, the Group performs impairment tests of goodwill recorded in the balance sheet, in accordance with the requirements of IAS 36 - "Impairment of assets". For this purpose, goodwill is allocated to units generating cash-flows and the respective recoverable amount is calculated based on estimates of future cash-flows, updated based on discount rates considered appropriate by the Group. Impairment losses related to goodwill are registered in the income statement and cannot be reversed.

The recoverable amount of the asset corresponds to the higher value between the fair value less the selling costs and its value in use.

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 2016, the Company 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 2016 is as follows:

(amounts in euros)

	2016					
	Godo Kaisha Praia	Godo Kaisha Moana	TMS (Lux) Investments Limited	TMS (Lux) Holdings S.à.r.l.	TMS (Lux) Sarl	Hospital da Luz Guimarães
<b>Fair value of Assets and Liabilities</b>						
Assets acquired	531,378,662	106,954,483	369,408,195	1,113,351	130,112,978	10,090,509
Liabilities acquired	397,700,920	1,658,566	239,944,830	1,070,212	130,097,339	674,696
<b>Total Net Assets</b>	<b>133,677,742</b>	<b>105,295,917</b>	<b>129,463,365</b>	<b>43,139</b>	<b>15,639</b>	<b>9,415,813</b>
% Assets held	129,662,335	102,133,042	128,557,121	42,837	15,530	9,415,813
<b>Acquisition price</b>	<b>104,847,318</b>	<b>102,843,643</b>	<b>129,463,365</b>	<b>42,034</b>	<b>15,639</b>	<b>25,237,564</b>
<b>Goodwill</b>	<b>(24,815,017)</b>	<b>710,601</b>	<b>906,244</b>	<b>(803)</b>	<b>109</b>	<b>16,025,075</b>

## 15. Other Intangible Assets

In 2016 and 2015, the other intangible assets headings saw the following movements:

(amounts in euros)

	2016							Closing balances		
	Opening balances		Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Gross amount	Accumulated depreciation and impairment	Net amount
Gross amount	Accumulated depreciation and impairment									
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
	<b>70,298,371</b>	<b>(49,982,531)</b>	<b>6,240,134</b>	<b>2,760</b>	<b>(7,509,398)</b>	<b>(47,540)</b>	<b>(10,752)</b>	<b>76,362,989</b>	<b>(57,371,945)</b>	<b>18,991,044</b>

(amounts in euros)

	2015									
	Opening balances			Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions					Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing systems										
(software)	166,334,890	(150,672,194)	2,812,807	2,542,724	(8,505,398)	(10,984)	(9,662)	62,202,558	(49,710,375)	12,492,183
Other intangible assets	268,796	(202,461)	-	-	(2,885)	-	-	335,606	(272,156)	63,450
Intangible assets in progress	5,753,920	-	4,549,011	(2,542,724)	-	-	-	7,760,207	-	7,760,207
	<b>172,357,606</b>	<b>(150,874,655)</b>	<b>7,361,818</b>	<b>-</b>	<b>(8,508,283)</b>	<b>(10,984)</b>	<b>(9,662)</b>	<b>70,298,371</b>	<b>(49,982,531)</b>	<b>20,315,840</b>

At 31 December 2016 and 2015, the values recognised in "Intangible assets in progress" refer to costs incurred with the development of new IT applications (software).

In 2016 and 2015, 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 20,594,975 and EUR 21,373,297, respectively.

## 16. Technical Provisions for Reinsurance Ceded

At 31 December 2016 and 2015, technical provisions for reinsurance ceded were composed as follows:

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	136,594	29,355,896	29,492,490	122,501	29,229,015	29,351,516
Mathematical provision	11,256,504	-	11,256,504	12,439,196	-	12,439,196
Claims provision						
Reported claims	7,365,124	124,351,162	131,716,286	7,882,623	106,071,652	113,954,275
Claims incurred but not reported (IBNR)	2,674,438	6,255,308	8,929,746	2,517,579	5,094,931	7,612,510
	<b>10,039,562</b>	<b>130,606,470</b>	<b>140,646,032</b>	<b>10,400,202</b>	<b>111,166,583</b>	<b>121,566,785</b>
	<b>21,432,660</b>	<b>159,962,366</b>	<b>181,395,026</b>	<b>22,961,899</b>	<b>140,395,598</b>	<b>163,357,497</b>

Information on the provision for unearned premiums on reinsurance ceded, at 31 December 2016 and 2015, is set out in the following table:

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>136,594</b>	-	<b>136,594</b>	<b>122,501</b>	-	<b>122,501</b>
<b>Non-life insurance</b>						
Workers' compensation	-	-	-	10,181	(1,070)	9,111
Personal accidents and passengers	3,446,191	(1,608,289)	1,837,902	3,752,246	(1,780,912)	1,971,334
Health	1,643,680	(200,837)	1,442,843	795,613	(38,203)	757,410
Fire and other damage	23,537,352	(4,353,938)	19,183,414	24,004,137	(3,897,501)	20,106,636
Motor	475,976	(57,246)	418,730	590,432	(16,192)	574,240
Marine, aviation and transport	363,237	(34,560)	328,677	310,545	(30,858)	279,687
Third party liability	2,526,562	(215,308)	2,311,254	2,124,123	(181,938)	1,942,185
Credit and suretyship	67,395	(1,604)	65,791	110,487	(4,106)	106,381
Legal protection	2,179	(84)	2,095	3,346	(84)	3,262
Assistance	65,718	(1,604)	64,114	78,593	(1,396)	77,197
Other	5,640,714	(1,939,638)	3,701,076	4,870,287	(1,468,715)	3,401,572
	<b>37,769,004</b>	<b>(8,413,108)</b>	<b>29,355,896</b>	<b>36,649,990</b>	<b>(7,420,975)</b>	<b>29,229,015</b>
	<b>37,905,598</b>	<b>(8,413,108)</b>	<b>29,492,490</b>	<b>36,772,491</b>	<b>(7,420,975)</b>	<b>29,351,516</b>

The following tables provide information on the movement in the provision for unearned premiums on reinsurance ceded during 2016 and 2015:

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life Insurance</b>				
<b>Provision for unearned premiums</b>	<b>122,501</b>	<b>14,093</b>	-	<b>136,594</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
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
Other	4,870,287	770,426	1	5,640,714
	<b>36,649,990</b>	<b>1,364,112</b>	<b>(245,098)</b>	<b>37,769,004</b>

(continued)

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Deferred acquisition costs</b>				
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)
Other	(1,468,715)	(470,922)	(1)	(1,939,638)
	<b>(7,420,975)</b>	<b>(856,894)</b>	<b>(135,239)</b>	<b>(8,413,108)</b>
	<b>29,229,015</b>	<b>507,218</b>	<b>(380,337)</b>	<b>29,355,896</b>
	<b>29,351,516</b>	<b>521,311</b>	<b>(380,337)</b>	<b>29,492,490</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life Insurance</b>				
<b>Provision for unearned premiums</b>	<b>121,619</b>	<b>882</b>	<b>-</b>	<b>122,501</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	405	10,181	(405)	10,181
Personal accidents and passengers	2,789,101	961,680	1,465	3,752,246
Health	353,431	521,954	(79,772)	795,613
Fire and other damage	25,786,983	(1,634,870)	(147,976)	24,004,137
Motor	598,617	(537,658)	529,473	590,432
Marine, aviation and transport	1,936,503	(1,625,544)	(414)	310,545
Third party liability	2,316,288	(149,238)	(42,927)	2,124,123
Credit and suretyship	187,167	(76,684)	4	110,487
Legal protection	807	2,892	(353)	3,346
Assistance	20,887	64,435	(6,729)	78,593
Other	3,895,742	974,545	-	4,870,287
	<b>37,885,931</b>	<b>(1,488,307)</b>	<b>252,366</b>	<b>36,649,990</b>

(continued)

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Deferred acquisition costs</b>				
Workers' compensation	-	(1,018)	(52)	(1,070)
Personal accidents and passengers	(1,266,897)	(514,660)	645	(1,780,912)
Health	(35,631)	(24,058)	21,486	(38,203)
Fire and other damage	(4,162,092)	113,246	151,345	(3,897,501)
Motor	(563,864)	512,995	34,677	(16,192)
Marine, aviation and transport	(207,551)	171,632	5,061	(30,858)
Third party liability	(207,369)	517	24,914	(181,938)
Credit and suretyship	(5,568)	1,466	(4)	(4,106)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	-	-	(1,396)
Other	(870,873)	(597,842)	-	(1,468,715)
	<b>(7,321,325)</b>	<b>(337,722)</b>	<b>238,072</b>	<b>(7,420,975)</b>
	<b>30,564,606</b>	<b>(1,826,029)</b>	<b>490,438</b>	<b>29,229,015</b>
	<b>30,686,225</b>	<b>(1,825,147)</b>	<b>490,438</b>	<b>29,351,516</b>

Information on the claims provision for reinsurance ceded, at 31 December 2016 and 2015, is set out below:

(amounts in euros)

	2016			2015		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life Insurance</b>	<b>7,365,124</b>	<b>2,674,438</b>	<b>10,039,562</b>	<b>7,882,623</b>	<b>2,517,579</b>	<b>10,400,202</b>
<b>Non-life insurance</b>						
Workers' compensation	1,374,640	2,907	1,377,547	944,656	37,218	981,874
Personal accidents and passengers	13,621,797	137,183	13,758,980	7,857,559	67,373	7,924,932
Health	449,982	58,875	508,857	1,038,942	49,165	1,088,107
Fire and other damage	73,891,900	5,305,728	79,197,628	55,773,622	3,762,798	59,536,420
Motor	7,957,051	3,900	7,960,951	7,311,215	3,589	7,314,804
Marine, aviation and transport	3,832,039	127,038	3,959,077	5,825,545	190,767	6,016,312
Third party liability	16,519,242	185,258	16,704,500	22,043,573	111,883	22,155,456
Credit and suretyship	550	17,270	17,820	396	27,441	27,837
Other	6,703,961	417,149	7,121,110	5,276,144	844,697	6,120,841
	<b>124,351,162</b>	<b>6,255,308</b>	<b>130,606,470</b>	<b>106,071,652</b>	<b>5,094,931</b>	<b>111,166,583</b>
	<b>131,716,286</b>	<b>8,929,746</b>	<b>140,646,032</b>	<b>113,954,275</b>	<b>7,612,510</b>	<b>121,566,785</b>

The following tables provide information on the movement in the claims provisions for reinsurance ceded during 2016 and 2015:

(amounts in euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>10,400,202</b>	<b>9,386,969</b>	<b>(9,747,609)</b>	<b>-</b>	<b>10,039,562</b>
<b>Non-life insurance</b>					
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
Other	6,120,841	13,373,821	(12,373,552)	-	7,121,110
	<b>111,166,583</b>	<b>92,484,831</b>	<b>(73,059,935)</b>	<b>14,991</b>	<b>130,606,470</b>
	<b>121,566,785</b>	<b>101,871,800</b>	<b>(82,807,544)</b>	<b>14,991</b>	<b>140,646,032</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>8,797,633</b>	<b>8,219,258</b>	<b>(6,616,689)</b>	<b>-</b>	<b>10,400,202</b>
<b>Non-life insurance</b>					
Workers' compensation	935,464	1,893,402	(1,729,730)	(117,262)	981,874
Personal accidents and passengers	7,230,323	1,319,731	(617,569)	(7,553)	7,924,932
Health	558,145	3,085,629	(2,492,755)	(62,912)	1,088,107
Fire and other damage	46,283,675	41,905,451	(28,360,547)	(292,159)	59,536,420
Motor	6,460,806	2,411,494	(2,074,512)	517,016	7,314,804
Marine, aviation and transport	8,613,868	1,070,193	(4,243,519)	575,770	6,016,312
Third party liability	21,820,788	1,939,586	(1,614,457)	9,539	22,155,456
Credit and suretyship	27,913	1,232	(1,308)	-	27,837
Other	6,231,553	9,660,662	(9,771,374)	-	6,120,841
	<b>98,162,535</b>	<b>63,287,380</b>	<b>(50,905,771)</b>	<b>622,439</b>	<b>111,166,583</b>
	<b>106,960,168</b>	<b>71,506,638</b>	<b>(57,522,460)</b>	<b>622,439</b>	<b>121,566,785</b>

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 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts receivable for direct insurance operations</b>		
Premiums pending collection	101,038,175	81,710,818
Claims reimbursements	24,179,053	18,403,133
Brokers	61,463,281	54,169,138
Co-insurers	22,321,187	14,457,905
Funding Institute of Agriculture and Fisheries (IFAP)	3,711,125	8,022,707
Workers' compensation fund	2,132,479	2,159,507
Others	547,837	650,519
	<b>215,393,137</b>	<b>179,573,727</b>
(Adjustments to premiums pending collection - Note 41)	( 17,109,499 )	( 14,320,357 )
(IFAP adjustments - Note 41)	( 484,133 )	( 424,635 )
(Adjustments for doubtful debts - Note 41)	( 10,089,321 )	( 10,118,579 )
	<b>( 27,682,953 )</b>	<b>( 24,863,571 )</b>
	<b>187,710,184</b>	<b>154,710,156</b>
<b>Accounts receivable for other reinsurance operations</b>		
Reinsurers' current accounts	19,256,084	21,816,848
Reinsureds' current accounts	2,521,028	628,502
	<b>21,777,112</b>	<b>22,445,350</b>
(Adjustments for doubtful debts - Note 41)	( 6,665,093 )	( 8,996,572 )
	<b>15,112,019</b>	<b>13,448,778</b>
<b>Accounts receivable for other operations:</b>		
Group companies	2,229	2,229
Associates	1,376,216	2,380,471
Other shareholders	-	547,427
Consultants, advisors and intermediaries	38,957	4,082
Employees	1,173,711	1,625,280
Pension fund	56,479	46,395
Clients - current accounts	115,777,981	97,462,971

(continued)

(amounts in euros)

	2016	2015
Funding Institute of Agriculture and Fisheries (IFAP)	4,442,829	4,596,206
Debtors - items held under custody	273,962	258,469
Property rentals	2,527,394	2,695,334
Transactions to be settled	116,290,481	-
Other suppliers and services provided	5,353,799	1,010,803
Other debtors and creditors	42,880,697	18,573,064
Others	7,078,470	3,117,506
	<b>297,273,205</b>	<b>132,320,237</b>
(Adjustments for doubtful debts - Note 41)	( 25,070,698 )	( 25,677,202 )
	<b>272,202,507</b>	<b>106,643,035</b>
	<b>475,024,710</b>	<b>274,801,969</b>

In the years 2016 and 2015 the value under the heading "Clients - current accounts" includes the amount of EUR 109,091,814 and EUR 91,579,431, 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 2016.

## 18. Tax Assets and Liabilities

The balances for tax assets and liabilities at 31 December 2016 and 2015 were as follows:

(amounts in euros)

	2016	2015
<b>Current tax assets</b>		
Income tax recoverable	6,248,884	-
Others	112,758	1,895,135
	<b>6,361,642</b>	<b>1,895,135</b>
<b>Current tax liabilities</b>		
Income tax payable	-	(29,668,271)
Others		
Stamp duty	(9,176,299)	(8,864,053)
Motor insurance guarantee fund	(2,300,366)	(2,254,321)
Workers' compensation fund	(4,159,250)	(4,736,344)
National civil protection authority tax	(1,868,421)	(1,858,028)
Supervisory authority for insurance and pension funds tax	(1,973,701)	(1,806,395)
National medical emergency institute tax	(2,835,823)	(2,570,322)
Social security	(4,864,615)	(6,030,445)
Withholdings	(8,416,369)	(7,261,386)
Other	(7,567,036)	(1,194,854)
	<b>(43,161,880)</b>	<b>(66,244,419)</b>
Deferred tax assets	425,117,177	272,352,158
Deferred tax liabilities	(255,403,004)	(147,128,543)
	<b>169,714,173</b>	<b>125,223,615</b>
<b>Total</b>	<b>132,913,935</b>	<b>60,874,332</b>

At 31 December 2016 and 2015, the balances relating to current income tax assets and liabilities break down as follows:

(amount in euros)

	2016	2015
Income tax estimate recognised as a charge to the income statement	(102,001,211)	(129,882,067)
Income tax estimate recognised as a charge to reserves	3,953,604	7,823,362
Withholding tax	4,427,126	5,966,602
Payments on account	103,471,316	84,809,422
Others	(3,489,194)	1,614,410
	<b>6,361,642</b>	<b>(29,668,271)</b>

At 31 December 2016 and 2015 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 2016 and 2015, 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 2016, 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 2016 and 2015 were:

(amounts in euros)

	2016					Closing balance
	Opening balance	Entry in perimeter	Change in		Others	
			Shareholders' equity	Income statement		
<b>Assets</b>						
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
Other	777,003	-	859,482	853,226	2,318	2,492,029
	<b>272,352,158</b>	<b>-</b>	<b>25,703,001</b>	<b>131,779,068</b>	<b>(4,717,050)</b>	<b>425,117,177</b>
<b>Liabilities</b>						
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)
Other	(5,464,551)	-	-	(6,166,634)	67,994	(11,563,191)
	<b>(147,128,543)</b>	<b>(8,456,149)</b>	<b>(1,336,754)</b>	<b>(99,173,827)</b>	<b>692,269</b>	<b>(255,403,004)</b>
	<b>125,223,615</b>	<b>(8,456,149)</b>	<b>24,366,247</b>	<b>32,605,241</b>	<b>(4,024,781)</b>	<b>169,714,173</b>

(amounts in euros)

	2015			
	Opening balance	Change in		Closing balance
		Shareholders' equity	Income statement	
<b>Assets</b>				
Valuation of available-for-sale investments	1,799,843	62,609,527	-	64,409,370
Properties				
For own use	31,657,201	(17,308,410)	524,841	14,873,632
Investment properties	41,656,349	-	(4,682,013)	36,974,336
Provisions and impairment temporarily not allowed for fiscal purposes	100,440,012	(351,031)	41,763,305	141,852,286
Employee benefits	10,851,649	-	1,476,609	12,328,258
Carry-forward tax losses	(283,080)	-	1,420,353	1,137,273
Other	2,572,438	544,323	(2,339,758)	777,003
	<b>188,694,412</b>	<b>45,494,409</b>	<b>38,163,337</b>	<b>272,352,158</b>
<b>Liabilities</b>				
Devaluation of available-for-sale investments	(114,137,312)	4,890,613	-	(109,246,699)
Properties				
For own use	(32,176,806)	17,423,096	-	(14,753,710)
Investment properties	(15,682,418)	-	(1,981,165)	(17,663,583)
Other	(7,552,448)	-	2,087,897	(5,464,551)
	<b>(169,548,984)</b>	<b>22,313,709</b>	<b>106,732</b>	<b>(147,128,543)</b>
	<b>19,145,428</b>	<b>67,808,118</b>	<b>38,270,069</b>	<b>125,223,615</b>

In 2016 the tax rate was 29.5%, except for the part corresponding to tax losses, where the tax rate was 21% (when applicable).

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)

	2016	2015
<b>Current tax</b>		
Estimated tax for the year	76,434,616	103,149,629
State and municipal surcharge	24,171,986	25,221,055
Autonomous taxation	1,050,404	1,496,211
	<b>101,657,006</b>	<b>129,866,895</b>
Others	344,205	15,173
	<b>102,001,211</b>	<b>129,882,068</b>
<b>Deferred tax</b>	( 32,605,241 )	( 38,270,069 )
Total tax in income statement	69,395,970	91,611,999
Consolidated income before tax and non-controlling interests	291,182,983	392,723,868
Tax burden	23.83%	23.33%

Reconciliation between the nominal tax rate and the effective tax rate in 2016 and 2015 was as follows:

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
Income before tax	0.00%	291,182,983	0.00%	392,723,868
Income tax calculated at nominal rate	25.56%	74,419,434	30.18%	99,494,283
<b>Permanent differences to be deducted</b>				
Dividends from equity instruments	(1.04%)	( 3,027,279 )	(0.99%)	( 3,252,145 )
Real estate fair value adjustments	(2.14%)	( 6,217,942 )	0.00%	-
Capital losses included in the net profit	(13.72%)	( 39,943,394 )	(16.39%)	( 54,040,070 )
Impairment losses non-deductible	0.00%	-	(0.38%)	( 1,239,190 )
Provision not relevant for tax purposes	(1.77%)	( 5,154,587 )	(0.01%)	( 18,209 )
Negative equity variations	0.00%	-	(0.41%)	( 1,340,424 )
Reimbursement of non-deductible tax				
and over estimation of CIT	(0.06%)	( 171,304 )	(0.35%)	( 1,373,698 )
Post-employment benefits and other long term benefits				
to employees	(0.27%)	( 788,548 )	0.00%	-
Adjustments in respect of previous periods	0.00%	-	0.00	-
Others	(2.82%)	( 8,221,691 )	0.00%	-

(continued)

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
<b>Permanent differences to be added</b>				
Provision not relevant for tax purposes	0.18%	532,476	3.00%	9,895,415
Impairment losses non-deductible	6.46%	18,807,906	1.19%	3,931,506
Real estate fair value adjustments	0.00%	-	2.17%	7,152,873
Capital gains (computed in fiscal terms)	13.41%	39,045,828	11.91%	39,280,542
Under estimation of CIT	0.11%	325,615	0.00%	-
Post-employment benefits and other long term benefits				
to employees	0.00%	-	0.30%	1,005,427
Adjustments in respect of previous periods	0.00%	359,646	0.00%	-
Others	0.03%	82,132	0.94%	3,105,926
<b>Tax benefits</b>				
Net job creation	(0.56%)	(1,620,929)	(0.44%)	(1,463,763)
Others	(0.20%)	(581,518)	(0.05%)	(176,986)
Autonomous taxation	0.36%	1,050,404	0.45%	1,496,211
Deferred taxes assets and liabilities - Effect				
of tax rate change	0.17%	499,720	(3.29%)	(10,845,701)
	<b>23.83%</b>	<b>69,395,970</b>	<b>23.33%</b>	<b>91,611,999</b>

The tax authorities have the option of inspecting the four prior years in Portugal. Different interpretations of the legislation could lead to potential adjustments to the taxable profit of past years. Given the nature of any corrections which may be made, it is not possible to quantify these at the present time. However, in the opinion of the Board of Directors of Longrun and of the companies in the Group, it is unlikely that any correction concerning the years referred to above will be significant for the attached financial statements.

## 19. Accruals and Deferrals (Assets)

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accrued income</b>	<b>42,008,986</b>	<b>51,240,539</b>
<b>Deferred expenses</b>		
Commission on the issue of financial products	13,779,734	12,502,337
Insurance	2,156,029	2,125,874
Rents and leases	2,256,756	2,253,684
Assistance for IT equipment	1,750,288	1,326,443
Advertising	412,216	438,495
Portuguese Association of Insurers subscriptions	535,817	323,483
Software licences	590,589	884,708
Other	4,073,888	2,089,989
	<b>67,564,303</b>	<b>73,185,552</b>

At 31 December 2016 and 2015, the heading "Accrued income" includes estimates of the profit commissions receivable from life reinsurers, of EUR 3,070,819 and EUR 3,658,000, 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. Technical Provisions

At 31 December 2016 and 2015, technical provisions for direct insurance and reinsurance accepted were composed as follows:

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,567,236	287,205,152	288,772,388	1,796,858	274,226,048	276,022,906
Mathematical provision for life insurance	1,648,505,455	-	1,648,505,455	1,632,994,332	-	1,632,994,332
Claims provision						
Reported claims	97,246,776	1,558,252,854	1,655,499,630	98,652,055	1,548,736,795	1,647,388,850
Claims incurred but not reported (IBNR)	23,805,280	65,642,180	89,447,460	25,971,059	85,325,681	111,296,740
	<b>121,052,056</b>	<b>1,623,895,034</b>	<b>1,744,947,090</b>	<b>124,623,114</b>	<b>1,634,062,476</b>	<b>1,758,685,590</b>
Provision for profit sharing	68,711,511	314	68,711,825	68,763,675	1,764	68,765,439
Provision for interest rate commitments	7,025,239	-	7,025,239	5,626,534	-	5,626,534
Provision for portfolio stabilisation	21,750,883	-	21,750,883	25,272,158	-	25,272,158
Equalisation provision	-	24,056,289	24,056,289	-	22,471,715	22,471,715
Provision for unexpired risks	-	49,354,458	49,354,458	-	60,944,019	60,944,019
	<b>1,868,612,380</b>	<b>1,984,511,247</b>	<b>3,853,123,627</b>	<b>1,859,076,671</b>	<b>1,991,706,022</b>	<b>3,850,782,693</b>

At 31 December 2016 and 2015, the provision for unearned premiums on direct insurance and reinsurance accepted was as follows:

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>1,567,236</b>	<b>-</b>	<b>1,567,236</b>	<b>1,796,858</b>	<b>-</b>	<b>1,796,858</b>
<b>Non-life insurance</b>						
Workers' compensation	13,986,229	(2,177,246)	11,808,983	13,576,921	(2,254,113)	11,322,808
Personal accidents and passengers	9,313,724	(1,654,211)	7,659,513	7,675,687	(1,316,971)	6,358,716
Health	32,914,617	(6,490,727)	26,423,890	29,838,229	(6,054,164)	23,784,065
Fire and other damage	91,148,439	(16,051,795)	75,096,644	91,305,491	(15,890,424)	75,415,067
Motor	162,493,841	(29,939,033)	132,554,808	158,667,833	(30,153,372)	128,514,461
Marine, aviation and transport	1,854,943	(267,826)	1,587,117	2,087,376	(343,297)	1,744,079
Third party liability	10,647,493	(1,830,900)	8,816,593	9,490,617	(1,443,513)	8,047,104
Credit and suretyship	185,601	(12,841)	172,760	236,469	(16,990)	219,479
Legal protection	2,448,240	(469,509)	1,978,731	2,449,571	(503,137)	1,946,434
Assistance	13,920,506	(2,589,652)	11,330,854	12,644,660	(2,610,774)	10,033,886
Other	12,085,552	(2,310,293)	9,775,259	8,449,692	(1,609,743)	6,839,949
	<b>350,999,185</b>	<b>(63,794,033)</b>	<b>287,205,152</b>	<b>336,422,546</b>	<b>(62,196,498)</b>	<b>274,226,048</b>
	<b>352,566,421</b>	<b>(63,794,033)</b>	<b>288,772,388</b>	<b>338,219,404</b>	<b>(62,196,498)</b>	<b>276,022,906</b>

The movements in the provision for unearned premiums and in the deferred acquisition costs on direct insurance and reinsurance accepted during 2016 and 2015 were as follows:

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>1,796,858</b>	<b>(229,622)</b>	<b>-</b>	<b>1,567,236</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
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
Other	8,449,692	3,635,860	-	12,085,552
	<b>336,422,546</b>	<b>18,126,345</b>	<b>(3,549,706)</b>	<b>350,999,185</b>
<b>Deferred acquisition costs</b>				
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)
Other	(1,609,743)	(700,550)	-	(2,310,293)
	<b>(62,196,498)</b>	<b>(1,359,796)</b>	<b>(237,739)</b>	<b>(63,794,033)</b>
	<b>274,226,048</b>	<b>16,766,549</b>	<b>(3,787,445)</b>	<b>287,205,152</b>
	<b>276,022,906</b>	<b>16,536,927</b>	<b>(3,787,445)</b>	<b>288,772,388</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>1,515,796</b>	<b>281,321</b>	<b>( 259 )</b>	<b>1,796,858</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	13,345,392	185,576	45,953	13,576,921
Personal accidents and passengers	7,036,245	643,009	( 3,567 )	7,675,687
Health	25,921,896	4,789,174	( 872,841 )	29,838,229
Fire and other damage	91,907,877	( 235,138 )	( 367,248 )	91,305,491
Motor	154,767,285	4,391,467	( 490,919 )	158,667,833
Marine, aviation and transport	2,870,575	( 778,980 )	( 4,219 )	2,087,376
Third party liability	9,542,956	( 14,035 )	( 38,304 )	9,490,617
Credit and suretyship	345,451	( 108,163 )	( 819 )	236,469
Legal protection	2,446,658	5,115	( 2,202 )	2,449,571
Assistance	11,441,416	1,156,550	46,694	12,644,660
Other	8,697,796	( 248,105 )	1	8,449,692
	<b>328,323,547</b>	<b>9,786,470</b>	<b>( 1,687,471 )</b>	<b>336,422,546</b>
<b>Deferred acquisition costs</b>				
Workers' compensation	( 2,304,492 )	53,779	( 3,400 )	( 2,254,113 )
Personal accidents and passengers	( 1,366,041 )	49,580	( 510 )	( 1,316,971 )
Health	( 5,643,993 )	( 469,906 )	59,735	( 6,054,164 )
Fire and other damage	( 15,660,706 )	( 243,904 )	14,186	( 15,890,424 )
Motor	( 30,127,098 )	334,220	( 360,494 )	( 30,153,372 )
Marine, aviation and transport	( 306,893 )	( 36,750 )	346	( 343,297 )
Third party liability	( 1,509,460 )	62,464	3,483	( 1,443,513 )
Credit and suretyship	( 23,398 )	6,421	( 13 )	( 16,990 )
Legal protection	( 498,322 )	( 5,164 )	349	( 503,137 )
Assistance	( 2,339,498 )	( 271,344 )	68	( 2,610,774 )
Other	( 1,670,847 )	248,817	( 187,713 )	( 1,609,743 )
	<b>( 61,450,748 )</b>	<b>( 271,787 )</b>	<b>( 473,963 )</b>	<b>( 62,196,498 )</b>
	<b>266,872,799</b>	<b>9,514,683</b>	<b>( 2,161,434 )</b>	<b>274,226,048</b>
	<b>268,388,595</b>	<b>9,796,004</b>	<b>( 2,161,693 )</b>	<b>276,022,906</b>

At 31 December 2016 and 2015, the claims provisions on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016			2015		
	Reported	Non reported	Total	Reported	Non reported	Total
<b>Life insurance</b>	<b>97,246,776</b>	<b>23,805,280</b>	<b>121,052,056</b>	<b>98,652,055</b>	<b>25,971,059</b>	<b>124,623,114</b>
<b>Non-life insurance</b>						
<b>Workers' compensation</b>						
Mathematical provision	574,633,306	1,052,361	575,685,667	565,149,550	934,466	566,084,016
Provision for whole life assistance	163,207,398	7,950,714	171,158,112	160,826,545	7,911,113	168,737,658
Provision for temporary assistance	45,994,825	2,748,705	48,743,530	50,775,800	3,282,815	54,058,615
	<b>783,835,529</b>	<b>11,751,780</b>	<b>795,587,309</b>	<b>776,751,895</b>	<b>12,128,394</b>	<b>788,880,289</b>
<b>Other</b>						
Personal accidents and passengers	21,575,264	421,092	21,996,356	22,226,900	475,506	22,702,406
Health	50,627,774	4,559,005	55,186,779	49,719,967	4,604,924	54,324,891
Fire and other damage	129,510,311	14,370,483	143,880,794	114,995,406	13,406,427	128,401,833
Motor	452,354,028	18,053,505	470,407,533	450,003,508	45,573,615	495,577,123
Marine, aviation and transport	8,587,938	987,915	9,575,853	11,088,308	1,076,856	12,165,164
Third party liability	88,614,349	13,876,011	102,490,360	103,345,420	5,300,845	108,646,265
Credit and suretyship	746,565	65,765	812,330	827,284	74,844	902,128
Legal protection	4,961,894	718,898	5,680,792	5,509,915	948,321	6,458,236
Assistance	8,519,784	52,450	8,572,234	7,812,939	62,887	7,875,826
Other	8,919,418	785,276	9,704,694	6,455,253	1,673,062	8,128,315
	<b>774,417,325</b>	<b>53,890,400</b>	<b>828,307,725</b>	<b>771,984,900</b>	<b>73,197,287</b>	<b>845,182,187</b>
	<b>1,558,252,854</b>	<b>65,642,180</b>	<b>1,623,895,034</b>	<b>1,548,736,795</b>	<b>85,325,681</b>	<b>1,634,062,476</b>
	<b>1,655,499,630</b>	<b>89,447,460</b>	<b>1,744,947,090</b>	<b>1,647,388,850</b>	<b>111,296,740</b>	<b>1,758,685,590</b>

The movement in the claims provisions on direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>124,623,114</b>	<b>263,549,270</b>	<b>(267,119,415)</b>	<b>(913)</b>	<b>121,052,056</b>
<b>Non-life insurance</b>					
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
Other	8,128,315	20,325,936	(18,749,557)	-	9,704,694
	<b>1,634,062,476</b>	<b>832,481,101</b>	<b>(839,202,320)</b>	<b>(3,446,223)</b>	<b>1,623,895,034</b>
	<b>1,758,685,590</b>	<b>1,096,030,371</b>	<b>(1,106,321,735)</b>	<b>(3,447,136)</b>	<b>1,744,947,090</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>123,816,191</b>	<b>285,667,316</b>	<b>(284,860,393)</b>	<b>-</b>	<b>124,623,114</b>
<b>Non-life insurance</b>					
Workers' compensation	786,160,945	117,579,758	(113,790,207)	(1,070,207)	788,880,289
Personal accidents and passengers	15,470,563	15,008,754	(7,776,344)	(567)	22,702,406
Health	47,753,632	181,557,090	(174,504,715)	(481,116)	54,324,891
Fire and other damage	121,447,645	99,299,028	(92,229,387)	(115,453)	128,401,833
Motor	517,240,498	290,014,552	(312,136,573)	458,646	495,577,123
Marine, aviation and transport	14,418,320	3,664,332	(5,912,602)	(4,886)	12,165,164
Third party liability	111,508,672	7,938,006	(10,796,724)	(3,689)	108,646,265
Credit and suretyship	857,875	311,430	(267,177)	-	902,128
Legal protection	7,278,700	(267,030)	(553,434)	-	6,458,236
Assistance	9,542,438	29,338,302	(31,004,914)	-	7,875,826
Other	8,695,002	15,071,056	(15,637,743)	-	8,128,315
	<b>1,640,374,290</b>	<b>759,515,278</b>	<b>(764,609,820)</b>	<b>(1,217,272)</b>	<b>1,634,062,476</b>
	<b>1,764,190,481</b>	<b>1,045,182,594</b>	<b>(1,049,470,213)</b>	<b>(1,217,272)</b>	<b>1,758,685,590</b>

Liabilities originated in the year and the claims paid do not include the costs allocated to claims management and are not deducted from the reimbursements processed by the Group.

At 31 December 2016 and 2015, the provisions for unexpired risks on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016	2015
<b>Non-life insurance</b>		
Workers' compensation	16,283,252	25,114,103
Personal accidents and passengers	230,339	368,105
Health	1,047	3,682,055
Fire and other damage	2,891,055	3,291,533
Motor	23,896,419	21,311,698
Marine, aviation and transport	444	39,286
Third party liability	411,465	1,036,256
Credit and suretyship	15,823	55,297
Assistance	5,583,876	6,009,257
Other	40,738	36,429
	<b>49,354,458</b>	<b>60,944,019</b>

The movement in the provision for unexpired risks in direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
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
Other	36,429	4,309	40,738
	<b>60,944,019</b>	<b>( 11,589,561 )</b>	<b>49,354,458</b>

(amounts in euros)

	2015		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
Workers' compensation	23,277,225	1,836,878	25,114,103
Personal accidents and passengers	252,441	115,664	368,105
Health	3,480,006	202,049	3,682,055
Fire and other damage	5,174,504	(1,882,971)	3,291,533
Motor	19,452,738	1,858,960	21,311,698
Marine, aviation and transport	4,909	34,377	39,286
Third party liability	577,070	459,186	1,036,256
Credit and suretyship	3,082	52,215	55,297
Legal protection	306	(306)	-
Assistance	6,587,924	(578,667)	6,009,257
Other	-	36,429	36,429
	<b>58,810,205</b>	<b>2,133,814</b>	<b>60,944,019</b>

At 31 December 2016 and 2015, the mathematical provision and the provision for profit sharing for life insurance in direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016				Total
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	
<b>Insurance contracts</b>					
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
	<b>243,998,180</b>	<b>(127,525)</b>	<b>243,870,655</b>	<b>32,205,285</b>	<b>276,075,940</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
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
	<b>1,648,673,498</b>	<b>(168,043)</b>	<b>1,648,505,455</b>	<b>68,711,511</b>	<b>1,717,216,966</b>

(amounts in euros)

			2015		Total
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	
<b>Insurance contracts</b>					
Life individual risk	54,341,483	( 3,544 )	54,337,939	15,182,138	69,520,077
Life group risk	156,392,984	-	156,392,984	15,702,383	172,095,367
Life individual capitalisation	22,236,205	( 51,388 )	22,184,817	31,283	22,216,100
Life group capitalisation	2,860,953	-	2,860,953	-	2,860,953
	<b>235,831,625</b>	<b>( 54,932 )</b>	<b>235,776,693</b>	<b>30,915,804</b>	<b>266,692,497</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
Life individual capitalisation	293,471,531	( 15,358 )	293,456,173	13,839,322	307,295,495
Life group capitalisation	283,509,699	-	283,509,699	6,528,762	290,038,461
Life individual PPR	820,287,800	( 36,033 )	820,251,767	17,479,787	837,731,554
	<b>1,397,269,030</b>	<b>( 51,391 )</b>	<b>1,397,217,639</b>	<b>37,847,871</b>	<b>1,435,065,510</b>
	<b>1,633,100,655</b>	<b>( 106,323 )</b>	<b>1,632,994,332</b>	<b>68,763,675</b>	<b>1,701,758,007</b>

The movement in the mathematical provision and in the provision for profit sharing for life insurance in direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

			2016		Others	Income distributed	Closing balance
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs			
<b>Direct insurance and reinsurance accepted</b>							
<b>Mathematical provision</b>							
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
	<b>1,632,994,332</b>	<b>3,148,319</b>	<b>-</b>	<b>( 61,720 )</b>	<b>3,396,418</b>	<b>9,028,106</b>	<b>1,648,505,455</b>
<b>Profit sharing provision</b>							
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
	<b>68,763,675</b>	<b>9,629,810</b>	<b>2,353,632</b>	<b>-</b>	<b>-</b>	<b>( 12,035,606 )</b>	<b>68,711,511</b>
	<b>1,701,758,007</b>	<b>12,778,129</b>	<b>2,353,632</b>	<b>( 61,720 )</b>	<b>3,396,418</b>	<b>( 3,007,500 )</b>	<b>1,717,216,966</b>

(amounts in euros)

	2015						Closing balance
	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	
<b>Direct insurance and reinsurance accepted</b>							
<b>Mathematical provision</b>							
Insurance contracts	227,971,040	7,289,121	-	(4,142)	-	520,674	235,776,693
Investment contracts with a discretionary profit sharing component	1,439,409,242	(52,768,910)	-	14,374	418,385	10,144,548	1,397,217,639
	<b>1,667,380,282</b>	<b>(45,479,789)</b>	<b>-</b>	<b>10,232</b>	<b>418,385</b>	<b>10,665,222</b>	<b>1,632,994,332</b>
<b>Profit sharing provision</b>							
Insurance contracts	31,068,577	8,279,453	(5,056,722)	-	-	(3,375,504)	30,915,804
Investment contracts with a discretionary profit sharing component	78,060,258	33,250,200	(63,318,034)	-	-	(10,144,553)	37,847,871
	<b>109,128,835</b>	<b>41,529,653</b>	<b>(68,374,756)</b>	<b>-</b>	<b>-</b>	<b>(13,520,057)</b>	<b>68,763,675</b>
	<b>1,776,509,117</b>	<b>(3,950,136)</b>	<b>(68,374,756)</b>	<b>10,232</b>	<b>418,385</b>	<b>(2,854,835)</b>	<b>1,701,758,007</b>

The provisions for profit sharing to be allocated and already allocated are accounted for in line with the policy described in note 2.17. f).

## 21. 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 2016 and 2015 is set out below:

(amounts in euros)

	2016					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
<b>Valued at fair value</b>						
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
	<b>573,049,422</b>	<b>36,154,158</b>	<b>(95,894,621)</b>	<b>(220,928)</b>	<b>(110,838)</b>	<b>512,977,193</b>
<b>Valued at amortised cost</b>						
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
	<b>7,502,593,808</b>	<b>2,080,581,893</b>	<b>1,948,389,077</b>	<b>148,712,098</b>	<b>(3,285,580)</b>	<b>7,780,213,142</b>
	<b>8,075,643,230</b>	<b>2,116,736,051</b>	<b>2,044,283,698</b>	<b>148,491,170</b>	<b>(3,396,418)</b>	<b>8,293,190,335</b>

(amounts in euros)

	2015					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	668,648,640	3,464,808	(135,466,571)	7,653,211	-	544,300,088
Unit-linked group capitalisation	668,782	-	-	52,463	-	721,245
Unit-linked PPR	42,346,865	236,479	(14,809,034)	304,589	(50,810)	28,028,089
	<b>711,664,287</b>	<b>3,701,287</b>	<b>(150,275,605)</b>	<b>8,010,263</b>	<b>(50,810)</b>	<b>573,049,422</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	3,728,227,571	1,040,758,751	(353,146,810)	101,718,984	(367,575)	4,517,190,921
Life individual fixed rate	3,246,908,900	1,453,579,399	(1,806,342,000)	85,808,786	-	2,979,955,085
Capitalisation OP. Individual fixed rate	5,429,278	-	(5,347)	23,871	-	5,447,802
	<b>6,980,565,749</b>	<b>2,494,338,150</b>	<b>(2,159,494,157)</b>	<b>187,551,641</b>	<b>(367,575)</b>	<b>7,502,593,808</b>
	<b>7,692,230,036</b>	<b>2,498,039,437</b>	<b>(2,309,769,762)</b>	<b>195,561,904</b>	<b>(418,385)</b>	<b>8,075,643,230</b>

"Other investment contracts" corresponds, for the most part, to liabilities with contracts which guarantee the insured person a fixed yield throughout the whole of the contract, and these are recognised at amortised cost.

## 22. Financial Liabilities Held for Trading and Other Financial Liabilities

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Financial liabilities held for trading</b>		
Fair value hedge (Note 7)	15,072,639	18,448,784
<b>Other financial liabilities</b>		
Hedge derivatives		
Fair value hedge (Note 7)	8,737,700	4,406,362
Cash flow hedge	4,731,582	-
	13,469,282	4,406,362
Deposits received from reinsurers		
Life	4,438,349	4,994,028
Non-life	43,132,406	32,705,269
	<b>47,570,755</b>	<b>37,699,297</b>

(continued)

(amounts in euros)

	2016	2015
Loans obtained		
Bank loans	364,644,345	158,612,609
Commercial paper - Luz Saúde, S.A.	198,242,786	176,010,263
	<b>562,887,131</b>	<b>334,622,872</b>
Other		
Finance leases	28,293,305	21,297,468
	<b>652,220,473</b>	<b>398,025,999</b>
	<b>667,293,112</b>	<b>416,474,783</b>

The heading "Bank loans" at 31 December 2016 includes loans obtained by companies from the Group consolidation perimeter paying interest at an average annual rate of 1.51%.

## 23. Other Creditors for Insurance and Other Operations

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts payable for direct insurance operations</b>		
Brokers	57,533,547	49,069,763
Policyholders	29,921,906	31,711,659
Co-insurers	14,320,583	12,420,369
	<b>101,776,036</b>	<b>93,201,791</b>
<b>Accounts payable for other reinsurance operations</b>		
Reinsurers' current accounts	27,190,892	38,549,445
Insured's current accounts	1,856,811	2,399,286
	<b>29,047,703</b>	<b>40,948,731</b>
<b>Accounts payable for other operations</b>		
Group companies	1,000	9,593
Suppliers of tangible assets	815,276	936,596
Suppliers' current accounts	63,511,927	40,027,251
Employees	41,673	43,808
Consultants, advisors and intermediaries	10,619	1,172,646
Pension funds	386,363	387,227
Other internal regularisation accounts	9,643,328	2,148,676
Advances from clients	18,690,162	9,066,361
Miscellaneous creditors	40,948,218	15,528,386
	<b>134,048,566</b>	<b>69,320,544</b>
	<b>264,872,305</b>	<b>203,471,066</b>

The heading "Other internal regularisation accounts" recognises various transactions made 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).

## 24. Accruals and Deferrals (Liabilities)

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Deferred income</b>		
Rents and leases	16,018,791	30,583,523
Other	301,755	376,456
	<b>16,320,546</b>	<b>30,959,979</b>
<b>Accrued expenses</b>		
Interest payable	204,268	283,720
Holiday and holiday subsidies payable	33,349,541	31,062,729
Insurance	2,124,202	423,310
Variable remuneration payable to employees	7,382,445	8,042,839
Performance bonus	11,010,735	10,981,409
Seniority bonus	690,699	968,543
Other employee costs	155,520	914,659
Provision for finder's fees	395,980	1,136,460
Commissions payable	40,008,232	35,379,128
Deferred payments - marketing	4,879,121	4,972,178
Municipal tax on real estate	1,747,210	1,671,779
Audit	604,241	550,068
Advertising	326,487	466,796
Electricity	306,258	297,278
Invoices pending conferral	4,511,457	3,466,680
Medical fees	17,250,784	13,470,634
Health services	9,540,523	9,831,655
Outsourcing (except accounting and computing)	5,140,544	5,135,381
Other	6,518,405	658,670
	<b>146,146,652</b>	<b>129,713,916</b>
	<b>162,467,198</b>	<b>160,673,895</b>

## 25. Other Provisions

Information on the above account heading movements for 2016 and 2015 is set out below:

(amounts in euros)

	2016							Closing balances
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	
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 34)								
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
	<b>188,589,286</b>	<b>18,975,170</b>	<b>(70,494,422)</b>	<b>(1,214,305)</b>	<b>508,837</b>	<b>1,652,717</b>	<b>2,515,019</b>	<b>140,532,302</b>

(amounts in euros)

	2015						Closing balances
	Opening balances	Increases	Recoveries and cancellations	Uses	Actuarial gains and losses from equity		
Provisions for tax	19,236,567	5,966,316	-	-	-	-	25,202,883
Provisions for the cost of employee benefits (Note 34)							
Health benefits	22,021,108	-	(646,509)	(1,530)	818,320	-	22,191,389
Pension costs	2,915,114	-	(13,356)	(2,364)	147,763	-	3,047,157
Provision for Workers' compensation fund	45,236,302	1,800,000	-	-	-	-	47,036,302
Provision for restructuring	52,338,451	25,100,000	(16,914,149)	-	-	-	60,524,302
Others	70,576,078	-	(39,196,728)	(792,097)	-	-	30,587,253
	<b>212,323,620</b>	<b>32,866,316</b>	<b>(56,770,742)</b>	<b>(795,991)</b>	<b>966,083</b>		<b>188,589,286</b>

The Group set up a provision related to the employee restructuring and rejuvenation program, 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 meet 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 is recognised in the provision for restructuring. 118 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.

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 2016 and 2015, the "Other Provisions" headings include the use of EUR 6,827,043 and EUR 6,516,620, respectively, which are registered under the heading "Impairment Losses (net of reversals)".

The heading "Provisions for costs of employee benefits - Health benefits" represents the liabilities assumed by the Group in relation to employees' health benefits. The heading "Provisions for costs of employee benefits - Pension costs" represents the liabilities assumed by the Group resulting from the complement to the retirement pension granted to some of its employees, and which are not covered by the pension fund set up by the Group to cover liabilities with post-employment benefits in the defined benefit pensions plan (Note 34).

## 26. Paid-In Capital

At 31 December 2016, 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, by the minutes of the General Meeting, the single shareholder made supplementary contributions in the total amount 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.

The income of 2015 and 2014 was applied as indicated below:

(amounts in euros)

	2015	2014
Application of income for the year		
Legal Reserve	19,274,584	16,161,674
Free Reserves	176,738,445	135,103,776
Retained earnings	58,757,282	( 27,568,531 )
	<b>254,770,311</b>	<b>123,696,919</b>

The income per share at 31 December 2016 and 2015 was as follows:

(amounts in euros)

	2016	2015
Net Income for the year	186,274,547	254,770,311
Number of shares (at the end of the year)	50,000	50,000
<b>Income per Share (in Euros)</b>	<b>3,725.49</b>	<b>5,095.41</b>

## 27. Reserves, Retained Earnings and Income for the Year

At 31 December 2016 and 2015, reserves and retained earnings were composed as follows:

(amounts in euros)

	2016	2015
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains (Note 8)	32,410,608	94,666,546
Amount attributable to policyholders	(7,633,508)	(5,042,089)
	<b>24,777,100</b>	<b>89,624,457</b>
Other financial assets	-	1,933,013
	<b>24,777,100</b>	<b>91,557,470</b>
Revaluations of properties for own use (Note 10)	106,470,627	72,992,202
Adjustments in fair value of hedging instruments		
in cash flow hedging	(4,092,767)	(216,027)
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	43,109,385	-
Exchange differences		
Gross gains	17,238,616	84,161,120
Amount attributable to policyholders	-	(237,787)
	<b>17,238,616</b>	<b>83,923,333</b>
	<b>187,502,961</b>	<b>248,256,978</b>
Deferred tax reserve		
Available-for-sale investments	(24,060,373)	(44,819,315)
Properties for own use	(11,379,154)	(9,311,456)
Adjustments in fair value of hedging instruments		
in cash flow hedging	859,481	-
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	(9,406,249)	-
Exchange differences	4,369,976	-
Actuarial gains and losses		
Post-employment benefits	24,733,182	14,339,869
Health benefits	2,976,512	2,374,751
Tax (paid)/deducted from potential capital gains or losses	(6,896,426)	(7,825,551)
	<b>(18,803,051)</b>	<b>(45,241,702)</b>

(continued)

(amounts in euros)

	2016	2015
Other reserves		
Legal reserve	30,226,949	13,845,216
Share premiums	-	-
Actuarial gains and losses		
Post-employment benefits	( 55,266,955 )	( 46,452,308 )
Health benefits	( 6,415,802 )	( 4,253,196 )
Other reserves	( 52,302,590 )	( 206,302,106 )
	<b>( 83,758,398 )</b>	<b>( 243,162,394 )</b>
Retained earnings	67,154,263	( 14,178,243 )
Income for the year	186,274,547	254,770,311
	<b>338,370,322</b>	<b>200,444,950</b>

Under current legislation, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, 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 only used to increase share capital or 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 2016 and 2015:

(amounts in euros)

	2016	2015
<b>Contribution to consolidated net income</b>		
<b>Insurance</b>		
Longrun Portugal, SGPS, S.A.	( 21,017 )	( 171,325 )
Fidelidade - Companhia de Seguros, S.A.	100,420,503	207,862,216
Via Directa - Companhia de Seguros, S.A.	( 3,792,950 )	228,225
Fidelidade - Assistência - Companhia de Seguros, S.A.	1,925,076	7,868,906
Multicare - Seguros de Saúde, S.A.	6,803,404	8,370,408
Companhia Portuguesa de Resseguros, S.A.	350,067	651,804
Universal Seguros, S.A.	1,859,851	2,443,785
Fidelidade Macau - Companhia de Seguros, S.A.	1,880,563	679,711
Garantia - Companhia de Seguros de Cabo Verde, S.A.	1,044,612	966,867
<b>Property</b>		
Fidelidade - Property Europe, S.A.	( 2,958,150 )	7,278,154
Fidelidade - Property International, S.A.	( 40,025,590 )	( 7,845,080 )
Fundo de Investimento Imobiliário Fechado SaudelInvest	10,809,608	5,783,522
Fundo de Investimento Imobiliário Fechado Bonança I	( 896,508 )	( 283,643 )
Highgrove - Investimentos e Participações, SGPS, S.A.		
(Equity accounting method)	( 31,384 )	( 56,142 )

(continued)

(amounts in euros)

	2016	2015
FPI (UK) 1 LIMITED	8,743,061	1,656,438
FPI US 1 LLC	(9,362,576)	(1,381,689)
FPI (AU) 1 PTY LIMITED	7,251,171	1,668,905
FPE (Lux) Holding S.à r.l.	6,309,791	-
Thomas More Square (Lux) Holdings S.à r.l.	(39,287)	-
Thomas More Square (Lux) S.à r.l.	(4,792,663)	-
Thomas More Square (Lux) Investments Limited	(7,180)	-
FPE (IT) Società per Azioni	33,685,905	5,550,271
Madison 30 31 JV LLC (Equity accounting method)	(6,269,579)	(209)
GK Kita Aoyoma Support 2	(43,142)	(47,956)
Higashi Shinagawa Two TMK	18,930,493	15,798,418
Godo Kaisha Praia	7,862,661	-
Godo Kaisha Moana	(66,803)	-
<b>Health</b>		
Luz Saúde, S.A. (consolidated accounts excluding minority interests)	14,512,862	19,803,197
<b>Other sectors</b>		
GEP - Gestão de Peritagens Automóveis, S.A.	112,211	96,909
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	72,736	27,249
Cetra - Centro Técnico de Reparação Automóvel, S.A.	(47,116)	78,058
Fidelidade - Serviços de Assistência, S.A.	269,388	1,130,877
Cares Multiassistance, S.A.	1,046,639	1,395,909
Fidelidade - Consultoria e Gestão de Risco, Lda.	(758)	1,196
Fidelidade - Assistência e Serviços, Lda.	(3,759)	1,730
FCM Beteiligungs GmbH	(3,519,695)	(7,350,750)
FID I (HK) LIMITED	(3,801,405)	24,087,062
FID II (HK) LIMITED	-	1,213,528
FID III (HK) LIMITED	(3,097)	(3,142)
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (Equity accounting method)	886	732,545
Elimination of dividends	(2,309,088)	(5,153,890)
<b>Other consolidation adjustments</b>		
Non - controlling interests (Note 28)	(35,512,466)	(46,341,558)
Elimination of impairment losses (net of reversals)	60,745,076	21,881,322
Property adjustments	(6,862,509)	(88,404)
Hedge accounting	(33,703,136)	-
Correction of results from previous years	987,997	(824,656)
Elimination of exchange differences on intra-group transactions	18,592,932	(11,623,114)
Negative goodwill on the acquisition of Godo Kaisha Praia	24,815,017	-
Other	11,311,895	(1,315,343)
	<b>186,274,547</b>	<b>254,770,311</b>

## 28. 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	2016	2015
<b>Sub-consolidation perimeter Fidelidade Assistance</b>			
Cares Multiassistance, S.A.	49.00%	1,095,044	852,210
<b>Sub-consolidation perimeter Fidelidade</b>			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	1,079,859	1,243,892
Garantia - Companhia de Seguros de Cabo Verde, S.A.	43.65%	4,468,080	4,317,795
Universal Seguros, S.A.	30.43%	3,648,501	3,950,088
FCM Beteiligungs GmbH	49.00%	5,129,549	5,164,557
Luz Saúde, S.A.	1.03%	4,311,980	3,575,449
FPE (IT) Società per Azioni	4.24%	14,064,344	12,635,435
Fidelidade - Assistência e Serviços, Lda.	20.00%	-	424
Fidelidade Macau - Companhia de Seguros, S.A.	0.01%	-	1,193
Higashi Shinagawa Two TMK	3.44%	3,961,812	2,874,922
Godo Kaisha Praia	3.00%	3,950,477	-
Godo Kaisha Moana	3.00%	3,160,090	-
Thomas More Square (Lux) Investments Limited	0.70%	810,915	-
Thomas More Square (Lux) Holdings S.à r.l.	0.70%	28	-
Thomas More Square (Lux) S.à r.l.	0.70%	51,310	-
		<b>44,636,945</b>	<b>33,763,755</b>
<b>Perimeter Longrun</b>			
Fidelidade - Companhia de Seguros, S.A.	15.01%	249,616,439	226,684,742
Fidelidade Assistência - Companhia de Seguros, S.A.	20.00%	5,990,973	5,525,455
Multicare - Seguros de Saúde, S.A.	20.00%	13,015,544	11,448,809
Adjustments between sub perimeters		119,083	( 318,923 )
		<b>268,742,039</b>	<b>243,340,083</b>
		<b>314,474,028</b>	<b>277,956,048</b>

The part of the consolidated profit attributable to minority shareholders in 2016 and 2015 is as follows:

(amounts in euros)

	% Non-controlling interests	2016	2015
<b>Sub-consolidation perimeter Fidelidade Assistance</b>			
Cares Multiassistance, S.A.	49.00%	( 512,853 )	( 683,995 )
<b>Sub-consolidation perimeter Fidelidade</b>			
Fundo de Investimento Imobiliário Fechado Saudeinveste	0.91%	( 98,227 )	( 897,217 )
Garantia - Companhia de Seguros de Cabo Verde, S.A.	43.65%	( 455,955 )	( 426,442 )
Universal Seguros, S.A.	30.43%	( 436,778 )	( 773,503 )
FCM Beteiligungs GmbH	49.00%	1,724,650	3,475,114
Luz Saúde, S.A.	1.03%	218,279	( 457,459 )
FPE (IT) Società per Azioni	4.24%	( 1,428,909 )	( 235,435 )
Fidelidade - Assistência e Serviços, Lda.	20.00%	-	( 346 )
Fidelidade Macau - Companhia de Seguros, S.A.	0.01%	-	( 42 )
Higashi Shinagawa Two TMK	3.44%	( 930,512 )	( 506,239 )
Godo Kaisha Praia	3.00%	( 236,178 )	-
Godo Kaisha Moana	3.00%	2,007	-
Thomas More Square (Lux) Investments Limited	0.70%	50	-
Thomas More Square (Lux) Holdings S.à r.l.	0.70%	275	-
Thomas More Square (Lux) S.à r.l.	0.70%	31,957	-
		<b>( 1,609,341 )</b>	<b>178,431</b>
<b>Perimeter Longrun</b>			
Fidelidade - Companhia de Seguros, S.A.	15.01%	( 31,675,878 )	( 42,984,365 )
Fidelidade Assistência - Companhia de Seguros, S.A.	20.00%	( 345,499 )	( 1,224,136 )
Multicare - Seguros de Saúde, S.A.	20.00%	( 1,360,681 )	( 1,674,082 )
Adjustments between sub perimeters		( 8,214 )	46,589
		<b>( 33,390,272 )</b>	<b>( 45,835,994 )</b>
		<b>( 35,512,466 )</b>	<b>( 46,341,558 )</b>

## 29. Earned Premiums, Net of Reinsurance

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Gross premiums written</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	161,814,697	(13,601,561)	148,213,136	163,307,552	(13,612,421)	149,695,131
Insurance contracts with profit sharing	40,952,059	(1,228,286)	39,723,773	41,084,870	(1,406,524)	39,678,346
Investment contracts with a discretionary profit sharing component	132,874,006	-	132,874,006	92,925,647	-	92,925,647
	<b>335,640,762</b>	<b>(14,829,847)</b>	<b>320,810,915</b>	<b>297,318,069</b>	<b>(15,018,945)</b>	<b>282,299,124</b>
<b>Non-life insurance</b>						
Workers' compensation	160,661,550	(1,291,940)	159,369,610	143,538,096	(3,567,939)	139,970,157
Personal accidents and passengers	30,394,775	(11,628,201)	18,766,574	27,240,284	(7,633,619)	19,606,665
Health	270,771,118	(7,697,693)	263,073,425	233,752,370	(6,467,682)	227,284,688
Fire and other damage	254,940,538	(99,107,625)	155,832,913	245,272,094	(94,365,488)	150,906,606
Motor	428,265,939	(2,814,022)	425,451,917	409,380,024	(2,639,857)	406,740,167
Marine, aviation and transport	18,509,706	(10,842,903)	7,666,803	18,316,668	(10,610,830)	7,705,838
Third party liability	36,860,678	(11,643,785)	25,216,893	34,110,735	(10,611,503)	23,499,232
Credit and suretyship	799,255	(447,359)	351,896	838,070	(445,813)	392,257
Legal protection	5,812,621	(980)	5,811,641	5,780,947	(1,109)	5,779,838
Assistance	34,205,620	(51,181)	34,154,439	30,001,887	(65,958)	29,935,929
Other	37,197,472	(17,851,076)	19,346,396	27,702,466	(9,357,238)	18,345,228
	<b>1,278,419,272</b>	<b>(163,376,765)</b>	<b>1,115,042,507</b>	<b>1,175,933,641</b>	<b>(145,767,036)</b>	<b>1,030,166,605</b>
	<b>1,614,060,034</b>	<b>(178,206,612)</b>	<b>1,435,853,422</b>	<b>1,473,251,710</b>	<b>(160,785,981)</b>	<b>1,312,465,729</b>
<b>Change in provision for unearned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	246,544	18,840	265,384	(362,643)	3,223	(359,420)
Insurance contracts with profit sharing	(10,765)	(4,747)	(15,512)	40,435	(2,341)	38,094
Investment contracts with a discretionary profit sharing component	(6,157)	-	(6,157)	40,887	-	40,887
	<b>229,622</b>	<b>14,093</b>	<b>243,715</b>	<b>(281,321)</b>	<b>882</b>	<b>(280,439)</b>

(continued)

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Non-life insurance</b>						
Workers' compensation	(366,170)	(10,181)	(376,351)	(185,576)	10,181	(175,395)
Personal accidents and passengers	(1,634,448)	(349,926)	(1,984,374)	(643,009)	961,680	318,671
Health	(4,598,694)	984,294	(3,614,400)	(4,789,174)	521,954	(4,267,220)
Fire and other damage	(175,985)	(187,980)	(363,965)	235,138	(1,634,870)	(1,399,732)
Motor	(5,510,100)	(224,229)	(5,734,329)	(4,391,467)	(537,658)	(4,929,125)
Marine, aviation and transport	225,892	34,212	260,104	778,980	(1,625,544)	(846,564)
Third party liability	(1,194,828)	379,959	(814,869)	14,035	(149,238)	(135,203)
Credit and suretyship	50,248	(43,076)	7,172	108,163	(76,684)	31,479
Legal protection	(3,110)	967	(2,143)	(5,115)	2,892	(2,223)
Assistance	(1,283,290)	9,646	(1,273,644)	(1,156,550)	64,435	(1,092,115)
Other	(3,635,860)	770,426	(2,865,434)	248,105	974,545	1,222,650
	<b>(18,126,345)</b>	<b>1,364,112</b>	<b>(16,762,233)</b>	<b>(9,786,470)</b>	<b>(1,488,307)</b>	<b>(11,274,777)</b>
	<b>(17,896,723)</b>	<b>1,378,205</b>	<b>(16,518,518)</b>	<b>(10,067,791)</b>	<b>(1,487,425)</b>	<b>(11,555,216)</b>
<b>Earned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	162,061,241	(13,582,721)	148,478,520	162,944,909	(13,609,198)	149,335,711
Insurance contracts with profit sharing	40,941,294	(1,233,033)	39,708,261	41,125,305	(1,408,865)	39,716,440
Investment contracts with a discretionary profit sharing component	132,867,849	-	132,867,849	92,966,534	-	92,966,534
	<b>335,870,384</b>	<b>(14,815,754)</b>	<b>321,054,630</b>	<b>297,036,748</b>	<b>(15,018,063)</b>	<b>282,018,685</b>
<b>Non-life insurance</b>						
Workers' compensation	160,295,380	(1,302,121)	158,993,259	143,352,520	(3,557,758)	139,794,762
Personal accidents and passengers	28,760,327	(11,978,127)	16,782,200	26,597,275	(6,671,939)	19,925,336
Health	266,172,424	(6,713,399)	259,459,025	228,963,196	(5,945,728)	223,017,468
Fire and other damage	254,764,553	(99,295,605)	155,468,948	245,507,232	(96,000,358)	149,506,874
Motor	422,755,839	(3,038,251)	419,717,588	404,988,557	(3,177,515)	401,811,042
Marine, aviation and transport	18,735,598	(10,808,691)	7,926,907	19,095,648	(12,236,374)	6,859,274
Third party liability	35,665,850	(11,263,826)	24,402,024	34,124,770	(10,760,741)	23,364,029
Credit and suretyship	849,503	(490,435)	359,068	946,233	(522,497)	423,736
Legal protection	5,809,511	(13)	5,809,498	5,775,832	1,783	5,777,615
Assistance	32,922,330	(41,535)	32,880,795	28,845,337	(1,523)	28,843,814
Other	33,561,612	(17,080,650)	16,480,962	27,950,571	(8,382,693)	19,567,878
	<b>1,260,292,927</b>	<b>(162,012,653)</b>	<b>1,098,280,274</b>	<b>1,166,147,171</b>	<b>(147,255,343)</b>	<b>1,018,891,828</b>
	<b>1,596,163,311</b>	<b>(176,828,407)</b>	<b>1,419,334,904</b>	<b>1,463,183,919</b>	<b>(162,273,406)</b>	<b>1,300,910,513</b>

In 2016 and 2015, premiums for life insurance contracts may be broken down as follows:

(amounts in euros)

	2016	2015
<b>Direct insurance gross written premiums</b>	<b>335,640,762</b>	<b>297,254,833</b>
Individual contracts	137,978,212	101,359,123
Group contracts	197,662,550	195,895,710
	<b>335,640,762</b>	<b>297,254,833</b>
Periodic	271,462,555	226,478,377
Non-periodic	64,178,207	70,776,456
	<b>335,640,762</b>	<b>297,254,833</b>
Contracts without profit sharing	161,888,542	163,449,753
Contracts with profit sharing	173,752,220	133,805,080
	<b>335,640,762</b>	<b>297,254,833</b>
<b>Reinsurance accepted gross written premiums</b>	-	<b>63,236</b>
<b>Gross written premiums from direct insurance and reinsurance accepted</b>	<b>335,640,762</b>	<b>297,318,069</b>
<b>Reinsurance balance</b>	<b>( 5,299,406 )</b>	<b>( 2,845,503 )</b>

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

In 2016 and 2015, the commissions received relating to insurance contracts and operations considered for accounting purposes as investment contracts totalled EUR 2,551,811 and EUR 2,306,164 respectively.

## 31. Claims Costs, Net of Reinsurance

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
<b>Life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>	<b>268,902,533</b>	<b>(3,569,348)</b>	<b>265,333,185</b>	<b>288,199,797</b>	<b>784,533</b>	<b>288,984,330</b>
<b>Reinsurance ceded</b>	<b>(8,603,018)</b>	<b>360,641</b>	<b>(8,242,377)</b>	<b>(5,926,533)</b>	<b>(1,740,285)</b>	<b>(7,666,818)</b>
	<b>260,299,515</b>	<b>(3,208,707)</b>	<b>257,090,808</b>	<b>282,273,264</b>	<b>(955,752)</b>	<b>281,317,512</b>
<b>Non-life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>						
Workers' compensation	149,188,958	7,732,394	156,921,352	142,509,975	4,893,339	147,403,314
Personal accidents and passengers	10,882,605	(722,043)	10,160,562	9,191,653	7,423,159	16,614,812
Health	206,648,212	886,578	207,534,790	176,506,405	7,180,678	183,687,083
Fire and other damage	120,688,569	14,028,971	134,717,540	103,001,512	8,202,416	111,203,928
Motor	333,914,547	(30,866,376)	303,048,171	301,145,689	(21,921,067)	279,224,622
Marine, aviation and transport	3,726,557	(2,583,066)	1,143,491	6,280,353	(2,243,795)	4,036,558
Third party liability	13,540,506	(6,052,702)	7,487,804	10,025,424	(2,852,357)	7,173,067
Credit and suretyship	373,172	(73,023)	300,149	685,515	23,167	708,682
Legal protection	1,471,192	(777,444)	693,748	1,438,621	(820,464)	618,157
Assistance	37,692,463	624,077	38,316,540	33,606,003	(1,666,415)	31,939,588
Other	19,381,205	1,570,686	20,951,891	16,504,455	(561,121)	15,943,334
	<b>897,507,986</b>	<b>(16,231,948)</b>	<b>881,276,038</b>	<b>800,895,605</b>	<b>(2,342,460)</b>	<b>798,553,145</b>
<b>Reinsurance ceded</b>						
Workers' compensation	(804,760)	(378,068)	(1,182,828)	(1,416,671)	(163,672)	(1,580,343)
Personal accidents and passengers	(1,764,887)	(5,763,082)	(7,527,969)	(594,827)	(702,163)	(1,296,990)
Health	(3,253,720)	471,123	(2,782,597)	(2,490,908)	(592,873)	(3,083,781)
Fire and other damage	(46,047,669)	(19,393,010)	(65,440,679)	(25,626,807)	(13,544,905)	(39,171,712)
Motor	(1,332,320)	(931,164)	(2,263,484)	(1,782,660)	(336,982)	(2,119,642)
Marine, aviation and transport	(976,427)	2,048,304	1,071,877	(4,185,791)	3,173,327	(1,012,464)
Third party liability	(2,578,503)	5,511,253	2,932,750	(1,171,112)	(325,128)	(1,496,240)
Credit and suretyship	(35,272)	10,017	(25,255)	33,457	76	33,533
Assistance	(6,347)	-	(6,347)	(91)	(1,599)	(1,690)
Other	(12,288,483)	(1,000,270)	(13,288,753)	(9,734,591)	112,310	(9,622,281)
	<b>(69,088,388)</b>	<b>(19,424,897)</b>	<b>(88,513,285)</b>	<b>(46,970,001)</b>	<b>(12,381,609)</b>	<b>(59,351,610)</b>
	<b>828,419,598</b>	<b>(35,656,845)</b>	<b>792,762,753</b>	<b>753,925,604</b>	<b>(14,724,069)</b>	<b>739,201,535</b>
	<b>1,088,719,113</b>	<b>(38,865,552)</b>	<b>1,049,853,561</b>	<b>1,036,198,868</b>	<b>(15,679,821)</b>	<b>1,020,519,047</b>

"Claims paid" includes costs with claims management and refunds processed by the Group.

The following is a breakdown of claims costs and changes in other life insurance technical provisions in 2016 and 2015:

(amounts in euros)

	2016						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
<b>Direct insurance and reinsurance accepted</b>							
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
	<b>268,902,533</b>	<b>(3,569,348)</b>	<b>265,333,185</b>	<b>(2,122,570)</b>	<b>3,148,319</b>	<b>9,629,810</b>	<b>275,988,744</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(8,603,018)	360,641	(8,242,377)	-	1,157,707	-	(7,084,670)
	<b>(8,603,018)</b>	<b>360,641</b>	<b>(8,242,377)</b>	<b>-</b>	<b>1,157,707</b>	<b>-</b>	<b>(7,084,670)</b>
<b>Net</b>							
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
	<b>260,299,515</b>	<b>(3,208,707)</b>	<b>257,090,808</b>	<b>(2,122,570)</b>	<b>4,306,026</b>	<b>9,629,810</b>	<b>268,904,074</b>

(amounts in euros)

	2015						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	103,703,103	747,474	104,450,577	770,000	7,289,121	8,279,453	120,789,151
Investment contracts with a discretionary profit sharing component	184,496,694	37,059	184,533,753	(1,828,216)	(52,768,910)	33,250,200	163,186,827
	<b>288,199,797</b>	<b>784,533</b>	<b>288,984,330</b>	<b>(1,058,216)</b>	<b>(45,479,789)</b>	<b>41,529,653</b>	<b>283,975,978</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(5,926,533)	(1,740,285)	(7,666,818)	-	(1,987,784)	(3,671)	(9,658,273)
	<b>(5,926,533)</b>	<b>(1,740,285)</b>	<b>(7,666,818)</b>	<b>-</b>	<b>(1,987,784)</b>	<b>(3,671)</b>	<b>(9,658,273)</b>
<b>Net</b>							
Insurance contracts	97,776,570	(992,811)	96,783,759	770,000	5,301,337	8,275,782	111,130,878
Investment contracts with a discretionary profit sharing component	184,496,694	37,059	184,533,753	(1,828,216)	(52,768,910)	33,250,200	163,186,827
	<b>282,273,264</b>	<b>(955,752)</b>	<b>281,317,512</b>	<b>(1,058,216)</b>	<b>(47,467,573)</b>	<b>41,525,982</b>	<b>274,317,705</b>

In 2016 and 2015, changes in other technical provisions include the reversal of the provision to stabilise the portfolio of EUR 3,521,275 and the allocation of EUR 770,000, respectively. In 2016 and 2015, this heading also includes the allocation of EUR 1,398,705 and the reversal of EUR 1,828,216 respectively, to the provision for interest rate commitments.

## 32. Net Operating Costs, by Type and Function

In 2016 and 2015, the Group's operating costs, by type, were as follows:

(amounts in euros)

	2016	2015
Employee costs (Note 33)	313,356,149	287,030,180
External supplies and services		
Electricity	7,712,858	7,438,402
Fuel	2,595,418	2,577,546
Water	1,229,060	1,114,932
Printed Material	421,431	480,150
Office Supplies	763,648	898,501
Conservation and repair	15,853,443	14,899,429
Rents and leases	26,258,588	25,314,462
Representation expenses	2,270,407	1,651,815
Communication	8,988,567	11,092,788
Travel and accommodation	5,812,705	5,859,072
Insurance	2,865,847	2,322,126
Expenditure with self-employed workers	69,714,440	62,170,850
Advertising and publicity	14,654,658	14,270,110
Litigation and notary expenses	798,766	773,793
Security and surveillance	3,832,541	3,673,953
Specialist work	80,982,699	67,864,233
Contributions	1,717,952	1,123,963
Cleanliness, hygiene and comfort	2,302,716	2,310,986
Expenses with premium collections	3,221,619	2,231,022
Software licences	5,381,662	4,981,022
Subcontracts	96,470,352	94,057,996
Others	13,199,817	11,549,626
	<b>367,049,194</b>	<b>338,656,777</b>
Taxes and charges	18,294,816	16,322,994
Depreciation and amortisation in the period (Notes 10, 12 and 15)	41,885,453	42,803,014
Other provisions	( 44,692,210 )	( 17,387,806 )
Commissions	25,509,211	8,593,916
Interest paid	10,249,071	8,148,917
	<b>731,651,684</b>	<b>684,167,992</b>

In 2016 and 2015, the balance of reinsurance commissions and profit sharing is as follows:

(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
	<b>27,220,362</b>	<b>8,272,098</b>	<b>35,492,460</b>

(amounts in euros)

	2015		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	905,583	1,612,375	2,517,958
Related to non-life insurance	19,686,157	1,530,364	21,216,521
	<b>20,591,740</b>	<b>3,142,739</b>	<b>23,734,479</b>

In 2016 and 2015 profit and loss statement, these costs were as follows:

(amounts in euros)

	2016			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	6,085,549	134,805,905	-	140,891,454
Technical costs	262,816,984	762,702,081	-	1,025,519,065
	<b>268,902,533</b>	<b>897,507,986</b>	<b>-</b>	<b>1,166,410,519</b>
<b>Acquisition costs</b>				
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
	<b>69,175,248</b>	<b>252,225,640</b>	<b>-</b>	<b>321,400,888</b>
<b>Administrative expenses</b>				
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)
	<b>20,688,607</b>	<b>82,060,746</b>	<b>-</b>	<b>102,749,353</b>
<b>Financial expenses (Note 36)</b>				
Cost allocations	2,693,691	9,481,905	21,114,581	33,290,177
Others	728,156	195,920	81,024	1,005,100
	<b>3,421,847</b>	<b>9,677,825</b>	<b>21,195,605</b>	<b>34,295,277</b>
<b>Other cost allocations (Note 43)</b>	-	-	<b>322,969,604</b>	<b>322,969,604</b>
<b>Total operating costs allocations</b>	<b>58,391,379</b>	<b>329,176,120</b>	<b>344,084,185</b>	<b>731,651,684</b>

(amounts in euros)

	2015			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	6,293,307	113,528,214	-	119,821,521
Technical costs	281,906,490	687,367,391	-	969,273,881
	<b>288,199,797</b>	<b>800,895,605</b>	<b>-</b>	<b>1,089,095,402</b>
<b>Acquisition costs</b>				
Cost allocations	28,555,224	108,343,917	-	136,899,141
Brokerage commissions	46,999,110	122,832,823	-	169,831,933
Others	297,921	912,579	-	1,210,500
	<b>75,852,255</b>	<b>232,089,319</b>	<b>-</b>	<b>307,941,574</b>
<b>Administrative expenses</b>				
Cost allocations	19,878,561	68,714,549	-	88,593,110
Brokerage remuneration	66,937	8,865,980	-	8,932,917
Others	456	43,253	-	43,709
	<b>19,945,954</b>	<b>77,623,782</b>	<b>-</b>	<b>97,569,736</b>
<b>Financial expenses (Note 36)</b>				
Cost allocations	4,112,743	6,279,064	12,841,298	23,233,105
Others	2,396,095	472,716	-	2,868,811
	<b>6,508,838</b>	<b>6,751,780</b>	<b>12,841,298</b>	<b>26,101,916</b>
<b>Other cost allocations (Note 43)</b>	-	-	<b>315,621,115</b>	<b>315,621,115</b>
<b>Total operating costs allocations</b>	<b>58,839,835</b>	<b>296,865,744</b>	<b>328,462,413</b>	<b>684,167,992</b>

### 33. Employee Costs

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Remuneration		
Statutory bodies	8,915,586	7,650,455
Employees	209,937,257	200,612,972
Remuneration expenses	46,573,742	43,506,488
Post-employment benefits	17,652,897	12,248,949
Termination of employment benefits	11,009,321	7,585,099
Mandatory insurance	2,880,525	2,547,688
Social action costs	13,626,653	10,405,965
Other employee costs	2,760,168	2,472,564
	<b>313,356,149</b>	<b>287,030,180</b>

In 2016 and 2015, the costs of post-employment benefits were as follows:

(amounts in euros)

	2016	2015
Post-employment benefits		
Defined benefit plan (Note 34)	15,261,017	10,328,071
Individual retirement plan	1,301,558	1,341,721
Employee transfer	2,735	( 28,295 )
Other costs	1,087,587	607,452
	<b>17,652,897</b>	<b>12,248,949</b>

In 2016 and 2015, the heading "Post-employment benefits - Employee transfer" corresponds to the cost of post-employment benefits for employees of Insurance Group Companies who were assigned to other entities in the Group.

In 2016 and 2015, the number of employees working for the Group, by category, was as follows:

	2016	2015
Senior management	141	125
Line management	431	491
Technical	3,714	3,634
Administrative	4,508	3,818
Ancillary	504	613
	<b>9,298</b>	<b>8,681</b>

In 2016 and 2015, the Group recorded a reversal in the estimate for seniority bonuses of EUR 20,984 and EUR 134,610, respectively. The heading "Accruals and deferred income" includes EUR 690,699 for seniority bonuses.

## 34. Retirement Pensions and Other Long-Term Benefits

At 31 December 2016 and 2015, 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)

	2016	2015
<b>Assets</b>		
Defined benefit plan	8,739,168	14,038,385
<b>Liabilities</b>		
Defined contribution plan	( 439,209 )	( 257,321 )
	<b>8,299,959</b>	<b>13,781,064</b>

Regarding 2016, in the "Defined contribution plan" the Group recorded a cost of EUR 1,176,227, with the payment of EUR 439,209 still pending, which corresponds to December 2016 contributions paid in January 2017.

#### **Defined Contribution Plan**

Within the scope of the new collective employment agreements for the insurance sector, publicised 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 contributions 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 due to disability or old age granted by the Social Security, 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:

<b>Civil Year</b>	<b>IRP Contribution</b>
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 Company 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.

## 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 2016 and 2015, were determined by Fidelidade's life insurance actuarial department.

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

	2016	2015
Actuarial method	Projected Unit Credit	Projected 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%	2.25%
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 2016 and 2015 and the actual amounts:

	2016		2015	
	Assumptions	Real	Assumptions	Real
Salary growth rate	2.00%	1.12%	2.00%	0.91%
Pensions growth rate	0.75%	0.24%	0.75%	0.00%

At 31 December 2016 and 2015, 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)

	2016			2015		
	Fidelidade	Others	Total	Fidelidade	Others	Total
Liabilities for past services						
Active employees	10,217,625	43,477	10,261,102	6,301,565	40,199	6,341,764
Retired and pre-retired	182,184,965	321,169	182,506,134	181,856,040	219,826	182,075,866
	<b>192,402,590</b>	<b>364,646</b>	<b>192,767,236</b>	<b>188,157,605</b>	<b>260,025</b>	<b>188,417,630</b>
Autonomous pension fund	153,835,385	572,475	154,407,860	151,192,163	618,873	151,811,036
Mathematical provisions	47,098,544	-	47,098,544	50,644,979	-	50,644,979
	<b>200,933,929</b>	<b>572,475</b>	<b>201,506,404</b>	<b>201,837,142</b>	<b>618,873</b>	<b>202,456,015</b>
Difference	8,531,339	207,829	8,739,168	13,679,537	358,848	14,038,385
Funding level	104.43%	156.99%	104.53%	107.27%	238.01%	107.45%

Pursuant to Standard No. 5/2007-R, of 27 April, of the ASF, insurance companies must ensure at the end of each year:

- 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
- 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 2016 and 2015, 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 2016 and 2015, the number of beneficiaries was as follows:

	2016	2015
Active employees	1,120	1,109
Retired and pre-retired	2,121	2,090
Annuity holders	541	589
	<b>3,782</b>	<b>3,788</b>

The movements in the pension fund and in the mathematical provisions during 2016 and 2015 were as follows:

(amounts in euros)

	Fidelidade	Others	Total
<b>Balances at 31 December 2014</b>	<b>203,641,129</b>	<b>632,540</b>	<b>204,273,669</b>
Contributions	17,785,176	-	17,785,176
Change in mathematical provisions	(3,466,048)	-	(3,466,048)
Pensions paid	(18,322,837)	(30,209)	(18,353,046)
(Payments)/ Receipts relating to other benefits	(864,970)	-	(864,970)
Net income of pension funds	3,064,692	16,542	3,081,234
<b>Balances at 31 December 2015</b>	<b>201,837,142</b>	<b>618,873</b>	<b>202,456,015</b>
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
<b>Balances at 31 December 2016</b>	<b>200,933,929</b>	<b>572,475</b>	<b>201,506,404</b>

At 31 December 2016 and 2015 the Group's Pension Funds were managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2016 and 2015, the pension fund net assets were composed as follows, according to the respective valuation sources:

(amounts in euros)

	2016								
	Market value			Others			Portfolio value		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Cash and cash</b>									
<b>equivalents</b>	<b>25,177,330</b>	<b>40,211</b>	<b>25,217,541</b>	-	-	-	<b>25,177,330</b>	<b>40,211</b>	<b>25,217,541</b>
<b>Debt instruments</b>									
Public debt	3,811,388	-	3,811,388	-	-	-	3,811,388	-	3,811,388
	<b>3,811,388</b>	<b>-</b>	<b>3,811,388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,811,388</b>	<b>-</b>	<b>3,811,388</b>
<b>Investment funds</b>									
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
	<b>122,554,453</b>	<b>381,253</b>	<b>122,935,706</b>	<b>2,281,180</b>	<b>-</b>	<b>2,281,180</b>	<b>124,835,634</b>	<b>381,253</b>	<b>125,216,887</b>
Others	11,033	151,011	162,044	-	-	-	11,033	151,011	162,044
	<b>151,554,204</b>	<b>572,475</b>	<b>152,126,679</b>	<b>2,281,180</b>	<b>-</b>	<b>2,281,180</b>	<b>153,835,385</b>	<b>572,475</b>	<b>154,407,860</b>

(amounts in euros)

	Market value			2015			Portfolio value		
	Fidelidade	Others	Total	Others		Total	Fidelidade	Others	Total
				Fidelidade	Others				
<b>Cash and cash</b>									
<b>equivalents</b>	<b>40,783,467</b>	<b>47,139</b>	<b>40,830,606</b>	-	-	-	<b>40,783,467</b>	<b>47,139</b>	<b>40,830,606</b>
<b>Debt instruments</b>									
Public debt	4,295,171	-	4,295,171	-	-	-	4,295,171	-	4,295,171
	<b>4,295,171</b>	<b>-</b>	<b>4,295,171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,295,171</b>	<b>-</b>	<b>4,295,171</b>
<b>Investment funds</b>									
National shares	597,855	-	597,855	-	-	-	597,855	-	597,855
European shares	2,614,507	55,282	2,669,789	-	-	-	2,614,507	55,282	2,669,789
Real Estate	12,682,271	28,211	12,710,482	2,299,686	15,345	2,315,031	14,981,957	43,556	15,025,513
Debt instruments									
Public debt	19,573,182	106,589	19,679,771	-	-	-	19,573,182	106,589	19,679,771
Other issuers	67,738,200	208,722	67,946,922	-	-	-	67,738,200	208,722	67,946,922
Hedge funds	576,717	5,715	582,432	-	-	-	576,717	5,715	582,432
	<b>103,782,732</b>	<b>404,519</b>	<b>104,187,251</b>	<b>2,299,686</b>	<b>15,345</b>	<b>2,315,031</b>	<b>106,082,418</b>	<b>419,864</b>	<b>106,502,282</b>
Others	31,107	151,870	182,977	-	-	-	31,107	151,870	182,977
	<b>148,892,477</b>	<b>603,528</b>	<b>149,496,005</b>	<b>2,299,686</b>	<b>15,345</b>	<b>2,315,031</b>	<b>151,192,163</b>	<b>618,873</b>	<b>151,811,036</b>

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

(amounts in euros)

	2016			2015		
	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Cash and cash equivalents</b>	<b>24,603,410</b>	<b>40,211</b>	<b>24,643,621</b>	<b>31,906,566</b>	<b>47,139</b>	<b>31,953,705</b>
<b>Investment funds</b>						
National shares	657,727	-	657,727	597,855	-	597,855
Real Estate	2,281,180	15,221	2,296,401	2,299,684	15,345	2,315,029
Debt instruments						
Other issuers	14,626,113	127,150	14,753,263	12,767,171	140,464	12,907,635
Treasury	-	990	990	-	-	-
	<b>17,565,020</b>	<b>143,361</b>	<b>17,708,381</b>	<b>15,664,710</b>	<b>155,809</b>	<b>15,820,519</b>
	<b>42,168,430</b>	<b>183,572</b>	<b>42,352,002</b>	<b>47,571,275</b>	<b>202,948</b>	<b>47,774,223</b>

The change in the difference between the Group's liabilities for past services and the respective cover, and the corresponding impact on the financial statements at 31 December 2016 and 2015, can be demonstrated as follows:

(amounts in euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Position at</b>									
<b>31 December 2014</b>	<b>193,434,487</b>	<b>289,047</b>	<b>193,723,534</b>	<b>203,641,129</b>	<b>632,540</b>	<b>204,273,670</b>	<b>10,206,642</b>	<b>343,493</b>	<b>10,550,136</b>
Current services									
expenses	107,997	1,136	109,133	-	-	-	(107,997)	(1,136)	(109,133)
Net defined benefit									
interest	3,254,051	7,183	3,261,234	3,509,216	16,176	3,525,392	255,165	8,993	264,158
Normal cost for the year	3,362,048	8,319	3,370,367	3,509,216	16,176	3,525,392	147,168	7,857	155,025
Increased liabilities									
for early retirements	9,618,124	-	9,618,124	-	-	-	(9,618,124)	-	(9,618,124)
Other changes in									
the income statement	-	-	-	(864,972)	-	(864,972)	(864,972)	-	(864,972)
<b>Changes having an</b>									
<b>  impact in the income</b>									
<b>  statement (Note 33)</b>	<b>12,980,172</b>	<b>8,319</b>	<b>12,988,491</b>	<b>2,644,244</b>	<b>16,176</b>	<b>2,660,420</b>	<b>(10,335,928)</b>	<b>7,857</b>	<b>(10,328,071)</b>
Actuarial gains and losses									
return on plan assets,									
not included									
in interest income	-	-	-	(444,522)	365	(444,157)	(444,522)	365	(444,158)
resulting from									
changes in financial									
assumptions	3,033,125	5,435	3,038,560	-	-	-	(3,033,125)	(5,435)	(3,038,560)
resulting from									
differences between									
assumptions and									
actual amounts	498,706	(12,568)	486,138	-	-	-	(498,706)	12,568	(486,138)
<b>Changes with an impact</b>									
<b>  on shareholders' equity</b>	<b>3,531,831</b>	<b>(7,133)</b>	<b>3,524,698</b>	<b>(444,522)</b>	<b>365</b>	<b>(444,157)</b>	<b>(3,976,353)</b>	<b>7,498</b>	<b>(3,968,856)</b>
Contributions to the									
plan paid by entity	-	-	-	17,785,176	-	17,785,176	17,785,176	-	17,785,176
Change in mathematical									
provisions	(3,466,048)	-	(3,466,048)	(3,466,048)	-	(3,466,048)	-	-	-
Payments made by the									
plan pensions paid	(18,322,837)	(30,208)	(18,353,045)	(18,322,837)	(30,208)	(18,353,045)	-	-	-

(continued)

(amounts in euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Position at</b>									
<b>31 December 2015</b>	<b>188,157,605</b>	<b>260,025</b>	<b>188,417,630</b>	<b>201,837,142</b>	<b>618,873</b>	<b>202,456,015</b>	<b>13,679,537</b>	<b>358,848</b>	<b>14,038,385</b>
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	3,197,216	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)	-	(581,429)	(581,429)	-	(581,429)
<b>Changes having an impact in the income statement (Note 33)</b>	<b>17,756,479</b>	<b>120,325</b>	<b>17,876,804</b>	<b>2,611,632</b>	<b>4,155</b>	<b>2,615,787</b>	<b>(15,144,847)</b>	<b>(116,170)</b>	<b>(15,261,017)</b>
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)
<b>Changes with an impact on shareholders' equity</b>	<b>8,591,614</b>	<b>36,205</b>	<b>8,627,819</b>	<b>166,327</b>	<b>1,356</b>	<b>167,683</b>	<b>(8,425,287)</b>	<b>(34,849)</b>	<b>(8,460,136)</b>
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)	-	-	-
<b>Position at</b>									
<b>31 December 2016</b>	<b>192,402,590</b>	<b>364,646</b>	<b>192,767,236</b>	<b>200,933,929</b>	<b>572,475</b>	<b>201,506,404</b>	<b>8,531,339</b>	<b>207,829</b>	<b>8,739,168</b>

## Medical assistance

The Group contributes part of the cost of health insurance provided for its retired and pre-retired employees. In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

At 31 December 2016 and 2015, these liabilities totalled EUR 23,637,281 and EUR 22,191,389, respectively, and were covered by provisions (Note 25). The actuarial deviations determined at 31 December 2016 and 2015 relating to this benefit amounted to EUR 2,162,605 and EUR 818,320, 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 2016, 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	2016	A	B	C
<b>Financial Assumptions</b>				
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%
<b>Demographic Assumptions</b>				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in euros)

Liabilities at 31 December 2016		2016	A	B	C
Scenarios					
Retirees	Old age	59,254,966	60,492,116	58,061,599	63,848,248
	Early retirement	15,243,729	15,602,394	14,898,248	16,408,415
	Disability	12,145,007	12,557,522	11,753,357	12,472,152
Pensioners	Widowhood	3,955,739	4,045,662	3,869,392	3,971,076
	Orphanhood	158,661	165,865	151,944	159,701
Pre-Retirees	Pension up to INR	34,800,980	35,042,182	34,563,017	34,849,193
	Charges up to INR	5,776,708	5,818,296	5,735,691	5,798,598
	Pension after INR				
	> Pension plan	3,491,452	3,613,107	3,375,438	3,700,592
	> Complementary plan	259,179	270,157	248,784	263,720
Active employees	Pension plan	6,838,701	7,270,128	6,437,766	7,224,304
	Complementary plan	3,378,924	3,619,242	3,156,955	3,574,616
<b>Total</b>		<b>145,304,046</b>	<b>148,496,671</b>	<b>142,252,191</b>	<b>152,270,615</b>

The information in the above table was prepared based on the method used to calculate the liabilities for accounting purposes, not including mathematical provisions, of EUR 47,098,544.

## 35. Income

In 2016 and 2015, the investment income headings were composed as follows:

(amounts in euros)

	2016				2015			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments allocated to technical provisions for life insurance</b>								
Properties	-	-	21,222	21,222	-	-	803	803
Financial assets initially recognised at fair value								
through profit or loss	497,344	-	-	497,344	73,033	-	-	73,033
Available-for-sale investments	46,086,045	991,200	-	47,077,245	44,841,108	7,068,334	-	51,909,442
Loans and accounts receivable	3,815,150	-	-	3,815,150	6,536,175	-	-	6,536,175
Sight deposits	27,148	-	-	27,148	74,933	-	-	74,933
	<b>50,425,687</b>	<b>991,200</b>	<b>21,222</b>	<b>51,438,109</b>	<b>51,525,249</b>	<b>7,068,334</b>	<b>803</b>	<b>58,594,386</b>

(continued)

(amounts in euros)

	2016				2015			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments related</b>								
<b>to contracts considered</b>								
<b>for accounting purposes</b>								
<b>as investment contracts</b>								
Financial assets held for trading	(1,491,921)	-	-	(1,491,921)	(1,393,936)	-	-	(1,393,936)
Financial assets initially								
recognised at fair value								
through profit or loss	22,264,680	155,370	-	22,420,050	28,004,652	181,991	-	28,186,643
Available-for-sale investments	174,077,687	9,298,064	-	183,375,751	206,931,597	24,235,683	-	231,167,280
Loans and accounts receivable	3,144,985	-	-	3,144,985	4,225,264	-	-	4,225,264
Sight deposits	119,041	-	-	119,041	179,335	-	-	179,335
	<b>198,114,472</b>	<b>9,453,434</b>	<b>-</b>	<b>207,567,906</b>	<b>237,946,912</b>	<b>24,417,674</b>	<b>-</b>	<b>262,364,586</b>
	<b>248,540,159</b>	<b>10,444,634</b>	<b>21,222</b>	<b>259,006,015</b>	<b>289,472,161</b>	<b>31,486,008</b>	<b>803</b>	<b>320,958,972</b>
<b>Investments allocated</b>								
<b>to technical provisions</b>								
<b>for non-life insurance</b>								
Properties	-	-	18,611,017	18,611,017	-	-	18,172,208	18,172,208
Financial assets initially								
recognised at fair value								
through profit or loss	1,557,746	-	-	1,557,746	1,445,450	41,049	-	1,486,499
Available-for-sale investments	28,091,291	9,010,309	-	37,101,600	31,976,697	11,039,749	-	43,016,446
Loans and accounts receivable	3,042,900	-	-	3,042,900	3,462,927	-	-	3,462,927
Sight deposits	-	-	-	-	10,342	-	-	10,342
	<b>32,691,937</b>	<b>9,010,309</b>	<b>18,611,017</b>	<b>60,313,263</b>	<b>36,895,416</b>	<b>11,080,798</b>	<b>18,172,208</b>	<b>66,148,422</b>
<b>Investments not allocated</b>								
Properties	-	-	72,103,514	72,103,514	-	-	34,638,972	34,638,972
Financial assets held for trading	(460)	-	-	(460)	(1,128)	-	-	(1,128)
Financial assets initially								
recognised at fair value								
through profit or loss	215	-	-	215	56,160	46,813	-	102,973
Available-for-sale investments	593,222	5,249	-	598,471	4,289,970	1,117,647	-	5,407,617
Loans and accounts receivable	875,547	-	-	875,547	1,319,824	-	-	1,319,824
Sight deposits	(51,350)	-	-	(51,350)	3,574	-	-	3,574
	<b>1,417,174</b>	<b>5,249</b>	<b>72,103,514</b>	<b>73,525,937</b>	<b>5,668,400</b>	<b>1,164,460</b>	<b>34,638,972</b>	<b>41,471,832</b>
	<b>282,649,270</b>	<b>19,460,192</b>	<b>90,735,753</b>	<b>392,845,215</b>	<b>332,035,977</b>	<b>43,731,266</b>	<b>52,811,983</b>	<b>428,579,226</b>

## 36. Financial Expenses

In 2016 and 2015, the financial expenses headings were composed as follows:

(amounts in euros)

	2016				2015			
	Life technical account	Non life technical account	Non technical account	Total	Life technical account	Non life technical account	Non technical account	Total
<b>Investment Expenses (Note 32)</b>								
Costs allocated	2,693,690	9,481,905	21,114,581	33,290,176	4,112,743	6,279,064	12,841,298	23,233,105
Other Investment expenses	728,157	195,920	81,024	1,005,101	2,396,095	472,716	-	2,868,811
	<b>3,421,847</b>	<b>9,677,825</b>	<b>21,195,605</b>	<b>34,295,277</b>	<b>6,508,838</b>	<b>6,751,780</b>	<b>12,841,298</b>	<b>26,101,916</b>

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

In 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Available-for-sale investments	31,669,603	(12,469,189)	19,200,414	69,102,039	(3,139,736)	65,962,303
	<b>31,669,603</b>	<b>(12,469,189)</b>	<b>19,200,414</b>	<b>69,102,039</b>	<b>(3,139,736)</b>	<b>65,962,303</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Available-for-sale investments	152,637,370	(15,075,270)	137,562,100	344,052,783	(109,071,621)	234,981,162
Loans and accounts receivable	-	(83,484)	(83,484)	-	-	-
Financial liabilities at amortised cost	342	(148,712,440)	(148,712,098)	108,274	(187,659,915)	(187,551,641)
	152,637,712	(163,871,194)	(11,233,482)	344,161,057	(296,731,536)	47,429,521
	<b>184,307,315</b>	<b>(176,340,383)</b>	<b>7,966,932</b>	<b>413,263,096</b>	<b>(299,871,272)</b>	<b>113,391,824</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Available-for-sale investments	51,843,041	(3,158,862)	48,684,179	57,250,550	(8,606,123)	48,644,427
	<b>51,843,041</b>	<b>(3,158,862)</b>	<b>48,684,179</b>	<b>57,250,550</b>	<b>(8,606,123)</b>	<b>48,644,427</b>
<b>Investments not allocated</b>						
Investments in subsidiaries, associates and joint ventures	-	-	-	-	(1,314,215)	(1,314,215)
Available-for-sale investments	7,811,392	(1,496,133)	6,315,259	4,882,744	(136,190)	4,746,554
	<b>7,811,392</b>	<b>(1,496,133)</b>	<b>6,315,259</b>	<b>4,882,744</b>	<b>(1,450,405)</b>	<b>3,432,339</b>
	<b>243,961,748</b>	<b>(180,995,378)</b>	<b>62,966,370</b>	<b>475,396,390</b>	<b>(309,927,800)</b>	<b>165,468,590</b>

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

In 2016 and 2015, these headings were composed as follows:

(amounts in euros)

Realised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	-	(26,311,206)	(26,311,206)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	1,182,238	(525,056)	657,182	-	(17,931)	(17,931)
	<b>1,182,238</b>	<b>(26,836,262)</b>	<b>(25,654,024)</b>	<b>-</b>	<b>(17,931)</b>	<b>(17,931)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	83,278	(74,903,075)	(74,819,797)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	38,470,125	(3,031,295)	35,438,830	6,460,844	(4,720,254)	1,740,590
	<b>38,553,403</b>	<b>(77,934,370)</b>	<b>(39,380,967)</b>	<b>6,460,844</b>	<b>(4,720,254)</b>	<b>1,740,590</b>
	<b>39,735,641</b>	<b>(104,770,632)</b>	<b>(65,034,991)</b>	<b>6,460,844</b>	<b>(4,738,185)</b>	<b>1,722,659</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	-	(13,384,795)	(13,384,795)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	3,095,895	(6,963,274)	(3,867,379)	9,514,553	(78,366)	9,436,187
	<b>3,095,895</b>	<b>(20,348,069)</b>	<b>(17,252,174)</b>	<b>9,514,553</b>	<b>(78,366)</b>	<b>9,436,187</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	-	(9,054,831)	(9,054,831)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	12,292	(19,358)	(7,066)	147,350	(834)	146,516
	<b>12,292</b>	<b>(9,074,189)</b>	<b>(9,061,897)</b>	<b>147,350</b>	<b>(834)</b>	<b>146,516</b>
	<b>42,843,828</b>	<b>(134,192,890)</b>	<b>(91,349,062)</b>	<b>16,122,747</b>	<b>(4,817,385)</b>	<b>11,305,362</b>

(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(98,715,172)	7,962,725	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value through profit or loss	1,134,621	(1,915,217)	(780,596)	-	(396,363)	(396,363)
Other	4,594,622	(5,731,919)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>112,407,140</b>	<b>(106,362,308)</b>	<b>6,044,832</b>	<b>10,802,510</b>	<b>(17,676,966)</b>	<b>(6,874,456)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,117,079	(233,451,677)	37,665,402	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value through profit or loss	9,216,071	(37,080,944)	(27,864,873)	21,824,451	(17,729,182)	4,095,269
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>639,721,988</b>	<b>(628,491,615)</b>	<b>11,230,373</b>	<b>269,346,258</b>	<b>(292,520,064)</b>	<b>(23,173,806)</b>
	<b>752,129,128</b>	<b>(734,853,923)</b>	<b>17,275,205</b>	<b>280,148,768</b>	<b>(310,197,030)</b>	<b>(30,048,262)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,696	(73,444,296)	(3,998,600)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value through profit or loss	3,099,839	(6,450,568)	(3,350,729)	3,195,098	(1,392,707)	1,802,391
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,002	(68,266,228)	1,073,774
	<b>202,936,130</b>	<b>(215,229,701)</b>	<b>(12,293,571)</b>	<b>75,446,794</b>	<b>(73,774,677)</b>	<b>1,672,117</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	52,840,588	(47,819,767)	5,020,821	1,630	(4,353)	(2,723)
Financial assets and liabilities initially recognised at fair value through profit or loss	43,555	(25,592)	17,963	218,995	(188,953)	30,042
	<b>52,884,143</b>	<b>(47,845,359)</b>	<b>5,038,784</b>	<b>220,625</b>	<b>(193,306)</b>	<b>27,319</b>
	<b>1,007,949,401</b>	<b>(997,928,983)</b>	<b>10,020,418</b>	<b>355,816,187</b>	<b>(384,165,013)</b>	<b>(28,348,826)</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(125,026,378)	(18,348,481)	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value through profit or loss	2,316,859	(2,440,273)	(123,414)	-	(414,294)	(414,294)
Other	4,594,622	(5,731,919)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>113,589,378</b>	<b>(133,198,570)</b>	<b>(19,609,192)</b>	<b>10,802,510</b>	<b>(17,694,897)</b>	<b>(6,892,387)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,200,357	(308,354,752)	(37,154,395)	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value through profit or loss	47,686,196	(40,112,239)	7,573,957	28,285,295	(22,449,436)	5,835,859
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>678,275,391</b>	<b>(706,425,985)</b>	<b>(28,150,594)</b>	<b>275,807,102</b>	<b>(297,240,318)</b>	<b>(21,433,216)</b>
	<b>791,864,769</b>	<b>(839,624,555)</b>	<b>(47,759,786)</b>	<b>286,609,612</b>	<b>(314,935,215)</b>	<b>(28,325,603)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,696	(86,829,091)	(17,383,395)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value through profit or loss	6,195,734	(13,413,842)	(7,218,108)	12,709,651	(1,471,073)	11,238,578
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,002	(68,266,228)	1,073,774
	<b>206,032,025</b>	<b>(235,577,770)</b>	<b>(29,545,745)</b>	<b>84,961,347</b>	<b>(73,853,043)</b>	<b>11,108,304</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	52,840,588	(56,874,598)	(4,034,010)	1,630	(4,353)	(2,723)
Financial assets and liabilities initially recognised at fair value through profit or loss	55,847	(44,950)	10,897	366,345	(189,787)	176,558
	<b>52,896,435</b>	<b>(56,919,548)</b>	<b>(4,023,113)</b>	<b>367,975</b>	<b>(194,140)</b>	<b>173,835</b>
	<b>1,050,793,229</b>	<b>(1,132,121,873)</b>	<b>(81,328,644)</b>	<b>371,938,934</b>	<b>(388,982,398)</b>	<b>(17,043,464)</b>

## 39. Exchange Differences

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Investments allocated to technical provisions for life insurance</b>		
Financial assets held for trading	( 1,735,182 )	-
Financial assets initially recognised at fair value		
through profit or loss	1,446,002	( 255,290 )
Available-for-sale investments	14,290,983	6,112,499
Loans and accounts receivable	1,544,633	2,262,421
Sight Deposits	( 1,256,939 )	1,244,251
Others	( 44,556 )	629
	<b>14,244,941</b>	<b>9,364,510</b>
<b>Investments related to contracts considered</b>		
<b>for accounting purposes as investment contracts</b>		
Financial assets held for trading	( 3,968,620 )	-
Financial assets initially recognised at fair value		
through profit or loss	716,302	12,784,221
Available-for-sale investments	19,590,088	19,367,695
Loans and accounts receivable	946,368	955,274
Sight Deposits	( 432,336 )	3,048,332
Others	( 3,580,468 )	107
	<b>13,271,334</b>	<b>36,155,629</b>
	<b>27,516,275</b>	<b>45,520,139</b>
<b>Investments allocated to technical provisions for non-life insurance</b>		
Financial assets held for trading	( 1,096,369 )	-
Financial assets initially recognised at fair value		
through profit or loss	5,343,074	2,738,194
Available-for-sale investments	572,871	4,198,551
Loans and accounts receivable	3,247,659	1,580,987
Sight Deposits	4,604,595	( 155,176 )
Others	( 1,315,736 )	532
	<b>11,356,094</b>	<b>8,363,088</b>
<b>Investments not allocated</b>		
Financial assets held for trading	( 147,686 )	-
Financial assets initially recognised at fair value		
through profit or loss	( 1,332 )	146,797
Available-for-sale investments	( 603 )	( 1,737,982 )
Loans and accounts receivable	( 731,132 )	-
Sight Deposits	3,225,960	( 7,967,969 )
Others	2	41
	<b>2,345,209</b>	<b>( 9,559,113 )</b>
	<b>41,217,578</b>	<b>44,324,114</b>

## 40. 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 2016 and 2015, this heading was composed as follows:

(amounts in euros)

Realised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	-	-	-	3,496	-	3,496
Investment properties	55,493	(62,642)	(7,149)	1,474,910	-	1,474,910
	<b>55,493</b>	<b>(62,642)</b>	<b>(7,149)</b>	<b>1,478,406</b>	-	<b>1,478,406</b>
<b>Investments not allocated</b>						
Investment properties	25,026,539	-	25,026,539	590,000	-	590,000
Investments in associates and joint ventures	-	-	-	12,319,429	-	12,319,429
	<b>25,026,539</b>	-	<b>25,026,539</b>	<b>12,909,429</b>	-	<b>12,909,429</b>
	<b>25,082,032</b>	<b>(62,642)</b>	<b>25,019,390</b>	<b>14,387,835</b>	-	<b>14,387,835</b>

(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net (Note 10)	Gains	Losses	Net (Note 10)
<b>Investments allocated to technical provisions for non-life insurance</b>						
Investment properties	21,220,121	(8,994,229)	12,225,892	34,358,007	(15,757,828)	18,600,179
	<b>21,220,121</b>	<b>(8,994,229)</b>	<b>12,225,892</b>	<b>34,358,007</b>	<b>(15,757,828)</b>	<b>18,600,179</b>
<b>Investments not allocated</b>						
Investment properties	59,891,204	(18,213,617)	41,677,587	25,801,335	(8,049,073)	17,752,262
	<b>59,891,204</b>	<b>(18,213,617)</b>	<b>41,677,587</b>	<b>25,801,335</b>	<b>(8,049,073)</b>	<b>17,752,262</b>
	<b>81,111,325</b>	<b>(27,207,846)</b>	<b>53,903,479</b>	<b>60,159,342</b>	<b>(23,806,901)</b>	<b>36,352,441</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	-	-	-	3,496	-	3,496
Investment properties	21,275,614	(9,056,871)	12,218,743	35,699,217	(15,757,828)	20,075,089
	<b>21,275,614</b>	<b>(9,056,871)</b>	<b>12,218,743</b>	<b>35,702,713</b>	<b>(15,757,828)</b>	<b>20,078,585</b>
<b>Investments not allocated</b>						
Investment properties	84,917,743	(18,213,617)	66,704,126	26,391,335	(8,049,073)	18,342,262
Investments in associates and joint ventures	-	-	-	12,319,429	-	12,319,429
	<b>84,917,743</b>	<b>(18,213,617)</b>	<b>66,704,126</b>	<b>38,710,764</b>	<b>(8,049,073)</b>	<b>30,661,691</b>
	<b>106,193,357</b>	<b>(27,270,488)</b>	<b>78,922,869</b>	<b>74,413,477</b>	<b>(23,806,901)</b>	<b>50,740,276</b>

## 41. Impairment Losses (Net of Reversals)

Information on impairment loss movements in 2016 and 2015 is set out below:

(amounts in euros)

	2016					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Use	Others	
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
	<b>404,478,388</b>	<b>204,353,980</b>	<b>(12,796,925)</b>	<b>(29,407,213)</b>	<b>1,191,493</b>	<b>567,819,723</b>

(amounts in euros)

	2015					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Use	Others	
Impairment of available-for-sale investments (Note 8)						
Debt instruments	47,978,713	70,808,429	(1,023)	-	-	118,786,119
Equity instruments	55,332,562	148,643,747	-	(54,306,689)	-	149,669,620
Other instruments	71,626,364	4,082,354	-	(12,752,141)	-	62,956,577
Impairment of loans and accounts receivable (Note 9)	2,589,054	-	(496,540)	(653,899)	-	1,438,615
Impairment of property for own use (Note 10)	11,834,376	2,680,675	(1,410,390)	(1,974,893)	-	11,129,768
Impairment of inventories (Note 13)	3,507	-	(164)	-	-	3,343
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	13,272,359	1,660,898	-	(612,900)	-	14,320,357
Value adjustments - IFAP (Note 17)	650,826	-	(226,191)	-	-	424,635
Adjustments for doubtful debts (Note 17)	81,033,071	-	(34,439,491)	(1,801,227)	-	44,792,353
	<b>285,277,833</b>	<b>227,876,103</b>	<b>(36,573,799)</b>	<b>(72,101,749)</b>		<b>404,478,388</b>

In 2016 and 2015, the account heading "Impairment losses (net of reversals)" included uses and allocations of "Other provisions" (Note 25), of EUR 6,827,043 and EUR 6,516,620, respectively.

## 42. Other Technical Income/Expenses, Net of Reinsurance

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
<b>Related to life insurance</b>						
Co-insurance management commissions	12,610	(21,730)	(9,120)	15,513	(19,710)	(4,197)
Pension fund management commissions	516,727	-	516,727	534,654	-	534,654
Other	21,047	(4,900)	16,147	13,183	(10,954)	2,229
	<b>550,384</b>	<b>(26,630)</b>	<b>523,754</b>	<b>563,350</b>	<b>(30,664)</b>	<b>532,686</b>
<b>Related to non-life insurance</b>						
Co-insurance management commissions	721,084	(235,923)	485,161	837,706	(432,272)	405,434
Other	482,721	(35,789)	446,932	2,029,269	(425,172)	1,604,097
	<b>1,203,805</b>	<b>(271,712)</b>	<b>932,093</b>	<b>2,866,975</b>	<b>(857,444)</b>	<b>2,009,531</b>
	<b>1,754,189</b>	<b>(298,342)</b>	<b>1,455,847</b>	<b>3,430,325</b>	<b>(888,108)</b>	<b>2,542,217</b>

## 43. Other Income/Expenses

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Non-current income and gains</b>		
Tax rebates	1,042,425	4,854,826
Other	2,105,210	1,046,983
	<b>3,147,635</b>	<b>5,901,809</b>
<b>Financial income and gains</b>		
Interest obtained	307,737	404,234
Exchange rate gains	30,622,285	5,917,342
Cash discounts	770,697	442,638
Other	887,865	129,760
	<b>32,588,584</b>	<b>6,893,974</b>
<b>Income from other assets</b>		
Gains on other tangible assets	168,771	110,033
	<b>168,771</b>	<b>110,033</b>

(continued)

(amounts in euros)

	2016	2015
<b>Gains with pensions plans</b>		
Pension funds management fees (Macao Branch Life)	13,388	12,657
	<b>13,388</b>	<b>12,657</b>
<b>Other non-technical income</b>		
Adjustments to balances	101,672	228,912
Provisions of services	422,556,162	406,133,209
	<b>422,657,834</b>	<b>406,362,121</b>
<b>Non-current expenses and losses</b>		
Donations	(163,345)	(140,738)
Sponsorship	(661,038)	(521,867)
Gifts to clients	(49,731)	(114,924)
Fines and penalties	(54,373)	(47,518)
Miscellaneous contributions	(216,191)	(172,387)
Insufficient tax estimate	(3,221,601)	(2,120,012)
Corrections to previous years	(614,195)	(281,630)
Bad debts	(4,357,474)	(1,721,811)
Adjustments to balances	(534,421)	52,551
Other	(1,369,435)	(1,061,575)
	<b>(11,241,804)</b>	<b>(6,129,911)</b>
<b>Financial expenses and losses</b>		
Interest paid	(28,209)	75,082
Exchange rate losses	(34,703,827)	(5,473,267)
Banking services	(557,477)	(1,025,769)
Other	(2,764,136)	(733,695)
	<b>(38,053,649)</b>	<b>(7,157,649)</b>
<b>Losses in other assets</b>		
Losses on intangible assets	-	(9,361)
Losses in other tangible assets	(203,016)	(109,903)
	<b>(203,016)</b>	<b>(119,264)</b>
<b>Other non-technical expenses</b>		
Allocation of non-technical expenses (Note 32)		
Employee costs	(112,082,992)	(104,070,843)
External supplies and services	(179,757,327)	(176,613,771)
Depreciation for the year	(25,120,139)	(25,008,413)
Interest	(4,328,174)	(5,999,432)
Other	(1,680,972)	(3,928,656)
	<b>(322,969,604)</b>	<b>(315,621,115)</b>
<b>Cost of goods sold</b>	<b>(73,501,198)</b>	<b>(67,767,747)</b>
	<b>12,606,941</b>	<b>22,484,908</b>

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

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A.	886	732,545
Highgrove - Investimentos e Participações, SGPS, S.A.	( 33,752 )	( 57,322 )
Genomed - Diagnósticos de Medicina Molecular, S.A.	38,973	25,591
Madison 30 31 JV LLC	( 6,269,580 )	( 226 )
FID II (HK) LIMITED	-	1,213,528
	<b>( 6,263,473 )</b>	<b>1,914,116</b>

The amount related to FID II (HK) LIMITED reflects the sale of 100% of the stake held, in May 2015.

## 45. 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 "Insurer". In the insurer sector it has chosen the following sub-segments:

Sub-segment:	Sub-segment areas:
<b>Life</b>	
Risk	Risk
Capitalisation with profit sharing	Capitalisation with profit sharing
Financial liabilities	Financial liabilities
<b>Non-Life</b>	
Workers' compensation	Workers' compensation
Health	Health
Property	Fire and other damage
	Credit
	Suretyship
	Miscellaneous pecuniary losses on property
Motor	Passengers
	Land vehicles
	Third party liability for land motor vehicles
	Miscellaneous pecuniary losses related to motor
	Legal protection for motor
	Motor assistance
Transported goods	Transported goods
	Marine and transport
	Aviation
Third party liability	Third party liability
Other	Personal accidents
	Legal protection - other
	Assistance - other
	Miscellaneous insurance

For reporting by geographical segment, the Group selected the following:

- Portugal
- Rest of the European Union
- Rest of the World

The distribution of income by lines of business and geographical markets in 2016 and 2015 was as follows:

	Insurance segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
<b>Gains and losses</b>						
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)
	<b>55,861,916</b>	<b>39,968,361</b>	<b>54,005,084</b>	<b>14,915,510</b>	<b>21,523,676</b>	<b>186,274,547</b>
<b>Assets</b>						
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
	<b>11,378,384,626</b>	<b>3,259,940,580</b>	<b>6,158,972,085</b>	<b>667,346,027</b>	<b>(5,145,433,364)</b>	<b>16,319,209,954</b>
<b>Liabilities</b>						
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
	<b>10,329,322,676</b>	<b>2,588,545,473</b>	<b>1,244,677,968</b>	<b>395,974,148</b>	<b>(490,954,660)</b>	<b>14,067,565,605</b>
<b>Total segments</b>						<b>2,065,369,802</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>2,065,369,802</b>

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
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	-	-	-	-
	<b>66,656,050</b>	<b>(2,629,703)</b>	<b>(8,164,431)</b>	<b>55,861,916</b>
<b>Assets</b>				
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
	<b>514,263,950</b>	<b>1,701,196,043</b>	<b>9,162,924,633</b>	<b>11,378,384,626</b>
<b>Liabilities</b>				
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	-	-	-	-
	<b>390,927,609</b>	<b>1,527,215,120</b>	<b>8,411,179,947</b>	<b>10,329,322,676</b>

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
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	-	-	-	-	-	-	-	-
	<b>(23,635,973)</b>	<b>11,624,755</b>	<b>25,794,611</b>	<b>7,251,741</b>	<b>3,905,498</b>	<b>6,652,398</b>	<b>8,375,331</b>	<b>39,968,361</b>
<b>Assets</b>								
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
	<b>1,054,853,923</b>	<b>373,139,136</b>	<b>512,158,861</b>	<b>1,013,671,133</b>	<b>28,567,928</b>	<b>151,131,583</b>	<b>126,418,016</b>	<b>3,259,940,580</b>
<b>Liabilities</b>								
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	-	-	-	-	-	-	-	-
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
	<b>977,727,942</b>	<b>276,885,555</b>	<b>344,580,004</b>	<b>744,373,992</b>	<b>24,867,643</b>	<b>127,099,278</b>	<b>93,011,059</b>	<b>2,588,545,473</b>

	Insurance segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
<b>Gains and losses</b>						
Earned premiums net of reinsurance	281,906,576	1,014,735,416	-	-	4,268,521	1,300,910,513
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,306,164	-	-	-	-	2,306,164
Claims costs, net of reinsurance	(281,323,066)	(776,874,133)	(16,710)	(22,644,276)	60,339,138	(1,020,519,047)
Other technical provisions, net of reinsurance	1,058,216	(3,600,050)	-	-	-	(2,541,834)
Mathematical provision for life insurance and profit sharing, net of reinsurance	5,941,591	(3,731,178)	-	-	3,750,552	5,960,965
Operating costs and expenses, net	(93,399,062)	(281,845,081)	(119,077)	-	(6,152,056)	(381,515,276)
Financial income	321,691,444	69,814,689	47,982,433	276,723	(11,186,063)	428,579,226
Financial expenses and net income on financial assets and liabilities	124,076,459	87,972,838	2,272,923	532	3,064,848	217,387,600
Impairment losses (net of reversals)	(177,161,417)	(44,964,226)	24,932,849	(134,539)	12,541,649	(184,785,684)
Other income/expenses and negative goodwill	458,319	36,959,206	10,542,626	49,315,748	(70,334,658)	26,941,241
Current income tax	(37,594,504)	(43,820,959)	(3,152,711)	(7,010,990)	(32,835)	(91,611,999)
Non-controlling interests	-	-	-	(187,162)	(46,154,396)	(46,341,558)
	<b>147,960,720</b>	<b>54,646,522</b>	<b>82,442,333</b>	<b>19,616,036</b>	<b>(49,895,300)</b>	<b>254,770,311</b>
<b>Assets</b>						
Cash and cash equivalents and sight deposits	1,317,949,712	231,817,281	513,961,343	28,526,837	-	2,092,255,173
Investments in associates and joint ventures	1,005,714,678	191,911,628	2,367,091,219	296,063	(3,494,911,947)	70,101,641
Financial assets held for trading	957,920	-	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	822,588,087	65,287,322	675,983	-	-	888,551,392
Hedge derivatives	1,285,939	-	-	-	-	1,285,939
Available-for-sale assets	7,194,153,872	1,359,833,375	228,436,316	125,611	(123,232,163)	8,659,317,011
Loans and accounts receivable	586,887,014	155,376,647	105,924,695	919,397	(162,146,817)	686,960,936
Properties	146,070	354,406,946	870,265,634	263,614,970	(242,393)	1,488,191,227
Other tangible and intangible assets	6,069,529	25,968,985	724,942	37,705,464	-	70,468,920
Goodwill	-	-	-	94,481,384	334,263,995	428,745,379
Technical provisions for reinsurance ceded	22,961,900	235,327,683	-	-	(94,932,086)	163,357,497
Asset for post-employment and other long-term benefits	-	-	14,038,385	-	-	14,038,385
Other debtors for insurance and other operations	34,741,900	160,229,510	238,162,660	89,637,392	(175,030,347)	347,741,115
Tax assets	141,613,941	84,476,281	43,954,368	6,670,714	(1,042,466)	275,672,838
Accruals and deferrals	13,180,811	3,734,022	5,597,911	51,008,384	(335,576)	73,185,552
	<b>11,148,251,373</b>	<b>2,868,369,680</b>	<b>4,388,833,456</b>	<b>572,986,216</b>	<b>(3,717,609,800)</b>	<b>15,260,830,925</b>
<b>Liabilities</b>						
Provision for unearned premiums	1,796,858	316,444,201	-	-	(42,218,153)	276,022,906
Mathematical provision for life insurance	1,632,994,332	-	-	-	-	1,632,994,332
Claims provision	124,623,115	1,694,165,824	-	-	(60,103,349)	1,758,685,590
Provision for profit sharing	68,763,676	1,763	-	-	-	68,765,439
Provision for interest rate commitments	5,626,534	-	-	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	-	-	25,272,158
Equalisation provision	-	22,471,715	-	-	-	22,471,715
Provision for unexpired risks	-	60,944,019	-	-	-	60,944,019
Financial liabilities	8,100,730,635	106,702,179	139,371,474	216,887,450	(71,573,725)	8,492,118,013
Liabilities for post-employment and other long-term benefits	-	167,200	90,121	-	-	257,321
Other creditors for insurance and other operations	33,860,134	130,130,030	329,374,695	42,009,106	(258,963,753)	276,410,212
Tax liabilities	100,895,593	71,308,399	28,386,626	20,141,947	(5,934,058)	214,798,507
Accruals and deferrals	31,498,812	49,978,955	29,836,525	50,912,759	(1,553,156)	160,673,895
Other provisions	-	71,028,087	109,966,842	7,594,357	-	188,589,286
	<b>10,126,061,847</b>	<b>2,523,342,372</b>	<b>637,026,283</b>	<b>337,545,619</b>	<b>(440,346,194)</b>	<b>13,183,629,927</b>
<b>Total segments</b>						<b>1,822,430,687</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>1,822,430,687</b>

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	182,532,643	99,373,933	-	281,906,576
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	2,306,164	2,306,164
Claims costs, net of reinsurance	(92,944,382)	(188,378,684)	-	(281,323,066)
Other technical provisions, net of reinsurance	(770,000)	1,828,216	-	1,058,216
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,552,689)	14,494,280	-	5,941,591
Operating costs and expenses, net	(29,285,635)	(9,623,678)	(54,489,749)	(93,399,062)
Financial income	9,852,082	48,742,304	263,097,058	321,691,444
Financial expenses and net income on financial assets and liabilities	38,850,491	27,700,969	57,524,999	124,076,459
Impairment losses (net of reversals)	(3,825,264)	(4,832,066)	(168,504,087)	(177,161,417)
Other income/expenses and negative goodwill	532,328	(73,739)	(270)	458,319
Current income tax	(17,331,697)	(144,456)	(20,118,351)	(37,594,504)
Non-controlling interests	-	-	-	-
	<b>79,057,877</b>	<b>(10,912,921)</b>	<b>79,815,764</b>	<b>147,960,720</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	33,064,995	120,261,980	1,164,622,737	1,317,949,712
Investments in associates and joint ventures	34,731,423	-	970,983,255	1,005,714,678
Financial assets held for trading	642,969	-	314,951	957,920
Financial assets initially recognised at fair value through profit or loss	23,342,557	10,246,641	788,998,889	822,588,087
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale assets	247,130,212	1,267,848,329	5,679,175,331	7,194,153,872
Loans and accounts receivable	67,696,430	271,359,846	247,830,738	586,887,014
Properties	13,217	132,853	-	146,070
Other tangible and intangible assets	2,514,790	944,051	2,610,688	6,069,529
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	22,961,900	-	-	22,961,900
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	6,668,964	2,698,110	25,374,826	34,741,900
Tax assets	15,062,144	1,744,264	124,807,533	141,613,941
Accruals and deferrals	251,679	310,808	12,618,324	13,180,811
	<b>454,081,280</b>	<b>1,675,546,882</b>	<b>9,018,623,211</b>	<b>11,148,251,373</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,784,898	11,960	-	1,796,858
Mathematical provision for life insurance	210,730,919	1,422,263,413	-	1,632,994,332
Claims provision	104,465,270	20,157,845	-	124,623,115
Provision for profit sharing	30,884,520	37,879,156	-	68,763,676
Provision for interest rate commitments	-	5,626,534	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	25,272,158
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	5,050,621	2,672,231	8,093,007,783	8,100,730,635
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	9,737,364	7,593,114	16,529,656	33,860,134
Tax liabilities	11,224,355	3,185,654	86,485,584	100,895,593
Accruals and deferrals	4,334,832	2,743,109	24,420,871	31,498,812
Other provisions	-	-	-	-
	<b>403,484,937</b>	<b>1,502,133,016</b>	<b>8,220,443,894</b>	<b>10,126,061,847</b>

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	135,538,433	217,971,227	160,727,157	408,368,611	6,887,709	23,418,530	61,823,749	1,014,735,416
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(152,069,355)	(180,926,626)	(85,700,834)	(300,710,078)	(3,315,959)	(5,674,406)	(48,476,875)	(776,874,133)
Other technical provisions, net of reinsurance	(1,836,881)	(189,903)	281,959	(1,245,218)	(34,373)	(460,945)	(114,689)	(3,600,050)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,177)	(3,729)	(10,742)	(2,470)	-	(8,094)	(3,697,966)	(3,731,178)
Operating costs and expenses, net	(34,740,326)	(39,966,013)	(65,865,661)	(118,854,693)	(2,384,941)	(9,778,317)	(10,255,130)	(281,845,081)
Financial income	24,293,264	4,374,503	7,652,905	22,718,016	1,398,437	4,017,304	5,360,260	69,814,689
Financial expenses and net income on financial assets and liabilities	33,818,709	2,683,775	11,101,477	31,369,346	2,175,636	5,924,708	899,187	87,972,838
Impairment losses (net of reversals)	(17,584,020)	(1,761,037)	(5,830,518)	(14,982,690)	(1,138,764)	(3,011,657)	(655,540)	(44,964,226)
Other income/expenses and negative goodwill	274,528	1,140,135	12,379,041	21,658,970	(3,129)	99,270	1,410,391	36,959,206
Current income tax	(2,881,170)	(4,397,704)	(12,069,233)	(18,270,581)	(931,218)	(3,068,706)	(2,202,347)	(43,820,959)
Non-controlling interests	-	-	-	-	-	-	-	-
	<b>(15,194,995)</b>	<b>(1,075,372)</b>	<b>22,665,551</b>	<b>30,049,213</b>	<b>2,653,398</b>	<b>11,457,687</b>	<b>4,091,040</b>	<b>54,646,522</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	61,503,323	40,199,457	30,362,021	70,229,250	675,392	5,422,257	23,425,581	231,817,281
Investments in associates and joint ventures	78,942,486	8,402,736	21,140,392	68,881,956	1,371,024	10,156,932	3,016,102	191,911,628
Financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	31,007,686	2,475,583	6,458,379	20,806,576	412,372	3,109,191	1,017,535	65,287,322
Hedge derivatives	-	-	-	-	-	-	-	-
Available-for-sale assets	612,043,004	69,790,351	133,543,729	432,233,890	8,003,877	62,216,684	42,001,840	1,359,833,375
Loans and accounts receivable	17,543,795	77,672,929	16,138,482	26,491,963	285,792	2,558,827	14,684,859	155,376,647
Properties	86,528,455	18,883,267	46,064,491	170,429,961	3,285,480	24,247,522	4,967,770	354,406,946
Other tangible and intangible assets	2,786,703	2,561,142	5,464,355	12,700,727	168,243	1,118,866	1,168,949	25,968,985
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	1,966,859	72,755,490	93,162,094	26,452,904	6,376,302	24,469,262	10,144,772	235,327,683
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	23,358,065	29,025,648	48,038,464	43,720,864	2,083,746	6,703,177	7,299,546	160,229,510
Tax assets	24,399,614	4,018,358	15,604,424	32,783,534	1,016,205	5,357,830	1,296,316	84,476,281
Accruals and deferrals	340,607	473,651	1,002,647	1,640,538	18,920	84,408	173,251	3,734,022
	<b>940,420,597</b>	<b>326,258,612</b>	<b>416,979,478</b>	<b>906,372,163</b>	<b>23,697,353</b>	<b>145,444,956</b>	<b>109,196,521</b>	<b>2,868,369,680</b>

(continued)

(amounts in euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Liabilities</b>								
Provision for unearned premiums	11,322,808	45,998,845	81,107,258	143,130,216	1,789,448	8,123,795	24,971,831	316,444,201
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	794,186,561	102,827,319	138,822,038	500,161,517	12,469,079	108,906,528	36,792,782	1,694,165,824
Provision for profit sharing	-	-	-	-	-	-	1,763	1,763
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	22,372,504	37,530	-	61,681	-	22,471,715
Provision for unexpired risks	25,114,103	3,669,909	3,224,661	27,583,358	39,286	1,036,256	276,446	60,944,019
Financial liabilities	1,946,637	70,524,190	17,801,333	5,217,543	1,461,935	1,219,561	8,530,980	106,702,179
Liabilities for post-employment and other long-term benefits	-	6,446	-	2,756	-	-	157,998	167,200
Other creditors for insurance and other operations	14,835,523	28,429,106	36,795,951	28,939,370	2,085,403	7,268,532	11,776,145	130,130,030
Tax liabilities	21,518,806	5,096,373	12,409,684	27,786,648	646,619	2,892,545	957,724	71,308,399
Accruals and deferrals	6,983,286	6,171,754	11,630,239	20,578,790	590,829	1,549,087	2,474,970	49,978,955
Other provisions	69,380,184	1,116,496	-	231,540	-	-	299,867	71,028,087
	<b>945,287,908</b>	<b>263,840,438</b>	<b>324,163,668</b>	<b>753,669,268</b>	<b>19,082,599</b>	<b>131,057,985</b>	<b>86,240,506</b>	<b>2,523,342,372</b>

## Geographical markets

2016

(amounts in euros)

	Geographical segment				Total
	Portugal	Rest of European Union	Rest of World	Consolidation adjustments	
<b>Gains and losses</b>					
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)
	<b>92,584,449</b>	<b>37,206,715</b>	<b>34,959,707</b>	<b>21,523,676</b>	<b>186,274,547</b>
<b>Assets</b>					
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
	<b>18,020,969,142</b>	<b>2,055,541,394</b>	<b>1,293,026,161</b>	<b>5,145,433,364</b>	<b>16,224,103,333</b>
<b>Liabilities</b>					
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
	<b>12,891,687,203</b>	<b>874,176,495</b>	<b>697,549,946</b>	<b>(490,954,660)</b>	<b>13,972,458,984</b>
<b>Total Segments</b>					<b>2,065,369,802</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>					<b>2,065,369,802</b>

	Geographical segment				Total
	Portugal	Rest of European Union	Rest of World	Consolidation adjustments	
<b>Gains and losses</b>					
Earned premiums net of reinsurance	1,174,643,187	61,369,308	60,629,497	4,268,521	1,300,910,513
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,262,057	44,107	-	-	2,306,164
Claims costs, net of reinsurance	(1,003,826,041)	(42,502,387)	(34,529,757)	60,339,138	(1,020,519,047)
Other technical provisions, net of reinsurance	(3,037,631)	611,009	(115,212)	-	(2,541,834)
Mathematical provision for life insurance and profit sharing, net of reinsurance	22,311,400	(15,203,985)	(4,897,002)	3,750,552	5,960,965
Operating costs and expenses, net	(334,568,887)	(22,253,769)	(18,540,564)	(6,152,056)	(381,515,276)
Financial income	400,713,347	21,288,025	17,763,917	(11,186,063)	428,579,226
Financial expenses and net income on financial assets and liabilities	192,914,707	6,773,847	14,634,198	3,064,848	217,387,600
Impairment losses (net of reversals)	(183,440,414)	(12,978,599)	(908,320)	12,541,649	(184,785,684)
Other income/expenses and negative goodwill	85,916,506	869,862	10,489,531	(70,334,658)	26,941,241
Current income tax	(90,966,849)	(127,860)	(484,455)	(32,835)	(91,611,999)
Non-controlling interests	(187,162)	-	-	(46,154,396)	(46,341,558)
	<b>262,734,220</b>	<b>(2,110,442)</b>	<b>44,041,833</b>	<b>(49,895,300)</b>	<b>254,770,311</b>
<b>Assets</b>					
Cash and cash equivalents and sight deposits	1,924,029,541	39,262,801	128,962,830	-	2,092,255,172
Investments in associates and joint ventures	3,429,165,309	43,391,886	92,456,392	3,494,911,947	70,101,640
Financial assets held for trading	957,920	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	882,228,487	6,322,905	-	-	888,551,392
Hedge derivatives	1,285,939	-	-	-	1,285,939
Available-for-sale assets	8,350,303,033	428,958,672	3,287,468	(123,232,163)	8,659,317,011
Loans and accounts receivable	655,526,261	120,166,176	73,415,316	(162,146,817)	686,960,936
Properties	872,362,227	321,564,460	294,506,933	(242,393)	1,488,191,227
Other tangible and intangible assets	66,958,783	1,368,479	2,141,658	-	70,468,920
Goodwill	94,481,384	-	-	334,263,995	428,745,379
Technical provisions for reinsurance ceded	188,325,760	33,328,887	36,634,936	(94,932,086)	163,357,497
Asset for post-employment and other long-term benefits	14,038,385	-	-	-	14,038,385
Other debtors for insurance and other operations	252,903,346	143,444,713	142,202,217	(175,030,347)	363,519,930
Tax assets	262,068,061	5,531,766	8,125,046	(1,042,466)	274,682,407
Accruals and deferrals	71,740,797	882,243	898,088	(335,576)	73,185,552
	<b>17,066,375,233</b>	<b>1,144,222,988</b>	<b>782,630,885</b>	<b>3,717,609,800</b>	<b>15,275,619,306</b>
<b>Liabilities</b>					
Provision for unearned premiums	284,239,104	9,369,448	24,632,507	(42,218,153)	276,022,906
Mathematical provision for life insurance	1,295,650,361	314,046,651	23,297,320	-	1,632,994,332
Claims provision	1,728,258,075	37,259,771	53,271,093	(60,103,349)	1,758,685,590
Provision for profit sharing	63,303,685	5,430,473	31,281	-	68,765,439
Provision for interest rate commitments	5,626,534	-	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	-	25,272,158
Equalisation provision	22,455,088	8,003	8,624	-	22,471,715
Provision for unexpired risks	59,631,778	1,045,798	266,443	-	60,944,019
Financial liabilities	8,393,058,553	53,152,013	117,481,172	(71,573,725)	8,492,118,013
Liabilities for post-employment and other long-term benefits	257,321	-	-	-	257,321
Other creditors for insurance and other operations	156,870,915	125,164,406	269,117,458	(258,963,753)	292,189,026
Tax liabilities	199,311,861	5,868,342	14,561,929	(5,934,058)	213,808,074
Accruals and deferrals	134,501,920	24,757,354	2,967,777	(1,553,156)	160,673,895
Other provisions	165,556,070	102,737	22,930,479	-	188,589,286
	<b>12,533,993,423</b>	<b>576,204,996</b>	<b>528,566,083</b>	<b>(440,346,194)</b>	<b>13,198,418,308</b>
<b>Total Segments</b>					<b>1,822,430,687</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>					<b>1,822,430,687</b>

The headings "Other debtors for insurance and other operations" and "Tax assets" are broken down differently between Assets and Liabilities, when compared to the Financial Statements due to the fact that the process of allocation by segments leads to a different breakdown of balances.

## 46. 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 2016 and 2015 the Group's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2016 (amounts in euros)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Holding Gaillon II (5)	Peak Reinsurance Company (5)
<b>Assets</b>				
Cash and cash equivalents	241,107,006	-	-	-
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	-	-	-
<b>Liabilities</b>				
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	-	-	-
<b>Gains and Losses</b>				
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)	-	-	-

(continued)

(amounts in euros)

	Xingtao Assets Limited (5)	BHF (ex. RHJ International, S.A.) (5)	Others	Total
<b>Assets</b>				
Cash and cash equivalents	-	-	-	241,107,006
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
<b>Liabilities</b>				
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
<b>Gains and Losses</b>				
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)

	Caixa Geral de Depósitos, S.A. (5)	Tom Tailor, GmbH (5)	Holding Gailon II (5)	Peak Reinsurance Company (5)
<b>Assets</b>				
Cash and cash equivalents	1,768,630,529	-	-	-
Financial assets initially recognised at fair value through profit or loss	62,366,492	-	-	-
Available-for-sale investments	487,700,214	31,436,281	142,205,008	-
Loans and accounts receivable	90,002,315	-	-	-
Technical provisions on reinsurance ceded	-	-	-	4,618
Accounts receivable for direct insurance operations	2,598,733	-	-	-
Accounts receivable for other operations	24,422	-	-	-
Accruals and deferrals	20,533	-	-	-
<b>Liabilities</b>				
Other financial liabilities	33,125,988	-	-	732,222
Accounts payable for direct insurance operations	5,067,344	-	-	-
Accounts payable for other reinsurance operations	-	-	-	1,681,438
Accounts payable for other operations	76,784,170	-	-	-
Accruals and deferrals	13,766,364	-	-	-
<b>Gains and Losses</b>				
Reinsurance ceded premiums	-	-	-	(5,015,387)
Claims costs, net of reinsurance	(390,775)	-	-	384,441
Operating costs and expenses, net	(44,664,985)	-	-	577,679
Financial income	23,040,732	-	6,631,484	-
Financial expenses	(3,010,801)	-	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	12,435,839	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	(696,602)	-	-	-
Exchange differences	1,557,141	-	-	-
Impairment losses (net of reversals)	-	(29,281,498)	-	-
Other income/expenses	993,150	-	-	-

(continued)

(amounts in euros)

	Xingtao Assets Limited (5)	Bona Film Group Ltd (5)	BHF (ex. RHJ International, S.A.) (5)	Others	Total
<b>Assets</b>					
Cash and cash equivalents	-	-	-	-	1,768,630,529
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	62,366,492
Available-for-sale investments	669,756,750	-	66,079,133	-	1,397,177,386
Loans and accounts receivable	-	-	-	30,100	90,032,415
Technical provisions on reinsurance ceded	-	-	-	-	4,618
Accounts receivable for direct insurance operations	-	-	-	-	2,598,733
Accounts receivable for other operations	-	-	-	156,891	181,313
Accruals and deferrals	-	-	-	-	20,533
<b>Liabilities</b>					
Other financial liabilities	-	-	-	-	33,858,210
Accounts payable for direct insurance operations	-	-	-	-	5,067,344
Accounts payable for other reinsurance operations	-	-	-	-	1,681,438
Accounts payable for other operations	-	-	-	18,947	76,803,117
Accruals and deferrals	-	-	-	-	13,766,364
<b>Gains and Losses</b>					
Reinsurance ceded premiums	-	-	-	-	(5,015,387)
Claims costs, net of reinsurance	-	-	-	(399,445)	(405,779)
Operating costs and expenses, net	-	-	-	(266,001)	(44,353,307)
Financial income	32,085,859	-	-	678,359	62,436,434
Financial expenses	-	-	-	(2,153)	(3,012,954)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	(155,680)	58,770,367	-	-	71,050,526
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	(696,602)
Exchange differences	-	8,543,466	-	-	10,100,607
Impairment losses (net of reversals)	-	-	-	-	(29,281,498)
Other income/expenses	-	-	-	(1,199)	991,951

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.

In 2016, no remuneration or benefits were paid to the members of the Corporate Bodies.

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, related to 2016, amount to EUR 1,365,073, EUR 1,165,573 of which are related to the Statutory Audit, EUR 174,500 to compliance and assurance services and EUR 25,000 to other services.

## 47. Disclosures Relating to Financial Instruments

### STATEMENTS OF FINANCIAL POSITION

At 31 December 2016 and 2015, the financial instruments had the following balance sheet value:

(amounts in euros)

	2016		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
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
	<b>9,871,337,539</b>	<b>2,380,464,913</b>	<b>12,251,802,452</b>
<b>Liabilities</b>			
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
	<b>541,519,115</b>	<b>9,954,422,871</b>	<b>10,495,941,986</b>

(amounts in euros)

	2015		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	2,092,255,173	2,092,255,173
Investments in associates and joint ventures	-	70,101,641	70,101,641
Financial assets held for trading	957,920	-	957,920
Financial assets initially recognised at fair value through profit or loss	888,551,392	-	888,551,392
Hedge derivatives	1,285,939	-	1,285,939
Available-for-sale investments	8,605,222,739	54,094,272	8,659,317,011
Loans and accounts receivable	-	686,960,936	686,960,936
Other debtors	-	157,750,836	157,750,836
	<b>9,496,017,990</b>	<b>3,061,162,858</b>	<b>12,557,180,848</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,397,217,639	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	573,049,422	7,502,593,808	8,075,643,230
Financial liabilities held for trading	18,448,784	-	18,448,784
Hedge derivatives	4,406,362	-	4,406,362
Deposits received from reinsurers	-	37,699,297	37,699,297
Other financial liabilities	-	355,920,340	355,920,340
Other creditors	-	134,150,522	134,150,522
	<b>595,904,568</b>	<b>9,427,581,606</b>	<b>10,023,486,174</b>

The amount in the heading "Mathematical provision for life insurance" corresponds to the value of the mathematical provisions of capitalisation products in the life insurance business with profit sharing.

The amount considered in the headings "Other debtors" and "Other creditors" essentially corresponds to the balances receivable and payable from and to insured persons, reinsurers, reinsured persons, brokers, agents and other external entities.

## GAINS AND LOSSES

In the years ended on 31 December 2016 and 2015, the net gains and losses on financial instruments had the following breakdown:

(amounts in euros)

	2016			2015		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Earned premiums net of reinsurance	132,867,849	-	132,867,849	92,966,534	-	92,966,534
Claims costs , net of reinsurance	(171,989,545)	-	(171,989,545)	(184,533,753)	-	(184,533,753)
Mathematical provision for life insurance, net of reinsurance	4,814,998	-	4,814,998	52,768,910	-	52,768,910
Income from financial instruments						
Assets held for trading	(1,492,381)	-	(1,492,381)	(1,395,064)	-	(1,395,064)
Financial assets at fair value through profit or loss	24,475,355	-	24,475,355	29,849,148	-	29,849,148
Available-for-sale investments	268,153,067	-	268,153,067	331,500,785	-	331,500,785
Loans and accounts receivable	10,878,582	-	10,878,582	15,544,190	-	15,544,190
Sight deposits	94,839	-	94,839	268,184	-	268,184
Net gains from financial assets and liabilities not recognised at fair value through profit or loss						
Available-for-sale investments	211,761,952	(77,322,429)	134,439,523	354,334,446	(311,313,222)	43,021,224
Loans and accounts receivable	(83,484)	-	(83,484)	-	-	-
Financial liabilities at amortised cost	(148,712,098)	-	(148,712,098)	(187,551,641)	-	(187,551,641)
Other	-	-	-	(1,314,215)	-	(1,314,215)
Net gains from financial assets and liabilities recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	(76,920,281)	-	(76,920,281)	(37,314,963)	-	(37,314,963)
Financial assets and liabilities initially recognised at fair value through profit or loss	243,332	-	243,332	16,836,701	-	16,836,701
Other	(4,651,695)	-	(4,651,695)	3,434,798	-	3,434,798
Exchange differences	41,217,578	-	41,217,578	44,324,114	-	44,324,114
Impairment losses (net of reversals)						
Available-for-sale investments	(189,736,698)	-	(189,736,698)	(223,533,507)	-	(223,533,507)
Loans and accounts receivable at amortised cost	199,651	-	199,651	496,540	-	496,540
Interest from deposits received from reinsurers	(1,472,691)	-	(1,472,691)	(417,269)	-	(417,269)
	<b>99,648,330</b>	<b>(77,322,429)</b>	<b>22,325,901</b>	<b>306,263,938</b>	<b>(311,313,222)</b>	<b>(5,049,284)</b>

In the years ending on 31 December 2016 and 2015, 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)

	2016	2015
<b>Assets</b>		
Available-for-sale investments	248,848,245	288,039,372
Loans and accounts receivable	10,878,582	15,544,190
Sight deposits	94,839	268,184
	<b>259,821,666</b>	<b>303,851,746</b>
<b>Liabilities</b>		
Mathematical provision for life insurance	( 29,945,814 )	( 32,296,814 )
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	( 148,712,098 )	( 187,551,641 )
Deposits received from reinsurers	( 1,472,691 )	( 417,269 )
	<b>( 180,130,603 )</b>	<b>( 220,265,724 )</b>

## OTHER DISCLOSURES

### Fair Value of Financial Instruments

At 31 December 2016 and 2015, 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)

	2016			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
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
	<b>7,259,255,058</b>	<b>1,777,092,988</b>	<b>834,989,493</b>	<b>2,380,464,913</b>	<b>12,251,802,452</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,404,634,798	1,404,634,798
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
	<b>16,645,944</b>	<b>524,873,171</b>	<b>-</b>	<b>9,954,422,869</b>	<b>10,495,941,984</b>
	<b>7,242,609,114</b>	<b>1,252,219,817</b>	<b>834,989,493</b>	<b>(7,573,957,9568)</b>	<b>1,755,860,468</b>

(amounts in euros)

	2015			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	2,092,255,173	2,092,255,173
Investments in associates and joint ventures	-	-	-	70,101,641	70,101,641
Financial assets held for trading	957,920	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	411,966,885	468,656,402	7,928,105	-	888,551,392
Hedge derivatives	1,285,939	-	-	-	1,285,939
Available-for-sale investments	5,217,893,284	1,781,256,741	1,606,072,714	54,094,272	8,659,317,011
Loans and accounts receivable	-	-	-	686,960,936	686,960,936
Other debtors	-	-	-	157,750,836	157,750,836
	<b>5,632,104,028</b>	<b>2,249,913,143</b>	<b>1,614,000,819</b>	<b>3,061,162,858</b>	<b>12,557,180,848</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,397,217,639	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	573,049,425	-	7,502,593,805	8,075,643,230
Financial liabilities held for trading	10,822,796	7,625,988	-	-	18,448,784
Hedge derivatives	4,155,656	250,706	-	-	4,406,362
Deposits received from reinsurers	-	-	-	37,699,297	37,699,297
Other financial liabilities	-	-	-	355,920,340	355,920,340
Other creditors	-	-	-	134,150,522	134,150,522
	<b>14,978,452</b>	<b>580,926,119</b>	<b>-</b>	<b>9,427,581,603</b>	<b>10,023,486,174</b>
	<b>5,617,125,576</b>	<b>1,668,987,024</b>	<b>1,614,000,819</b>	<b>(6,366,418,745)</b>	<b>2,533,694,674</b>

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 – “Fair Value Measurement”, of the financial instruments held by the Group at 31 December 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.

The movement in 2015 and 2016 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
<b>Balances at 31 December 2014</b>	<b>847,439,156</b>	<b>28,767,190</b>
Acquisitions	153,437,295	-
Revaluations		
- as a charge to the income statement	15,400,757	( 135,306 )
- as a charge to shareholders' equity	( 1,330,250 )	-
Increase / reversal of impairment in the year	( 987,740 )	-
Transfers from		
from level 2 to level 3	689,243,417	-
Disposals	( 97,129,921 )	( 20,703,779 )
<b>Balances at 31 December 2015</b>	<b>1,606,072,714</b>	<b>7,928,105</b>
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 )
<b>Balances at 31 December 2016</b>	<b>834,919,104</b>	<b>70,389</b>

At 31 December 2016 and 2015, 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)

	Balance sheet value	2016 Fair value	Difference
<b>Assets</b>			
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	-
	<b>2,263,458,096</b>	<b>2,263,458,096</b>	<b>-</b>

(amounts in euros)

	2015		Difference
	Balance sheet value	Fair value	
<b>Assets</b>			
Cash and cash equivalents	2,092,255,173	2,092,255,173	-
Available-for-sale investments	54,094,272	54,094,272	-
Loans and accounts receivable	686,960,936	686,960,936	-
Other debtors	157,750,836	157,750,836	-
	<b>2,991,061,217</b>	<b>2,991,061,217</b>	<b>-</b>

The main assumptions used to calculate the fair value of these assets were:

- The fair value of the financial applications recognised in "Cash and cash equivalents" is the same as their balance sheet value, as essentially they correspond to short-term deposits;
- The heading "Loans and accounts receivable" includes:
  - i) Term deposits – fair value is the same as their balance sheet value, as essentially they correspond to short-term deposits;
  - ii) Mortgage loans – fair value has not been calculated, given the intangible nature of the value and the fact that these are loans given to employees, with real guarantees.

#### **Management policies on financial risks inherent to the Group's activity**

The Group's objectives, rules and procedures on market risk management are governed by the Investments Policy defined on the basis of guidelines approved by the Executive Committee. This Policy is regularly updated and undergoes mandatory review every three years.

The Investments Policy defines the guiding principles for managing investments and provides support for the Group's entire investment process, including asset and liability management (ALM), strategic asset allocation (SAA), tactical asset allocation (TAA), dynamic management of the investment portfolio and control and reporting activities regarding investment activity. The Investments Policy aims to ensure alignment with the objectives and respective investment strategy, and to enable an effective process for accompanying and supervising the activity.

The investment process which the Group follows is based on best governance practice in order to enable rational and substantiated decisions when selecting assets and an appropriate risk-return ratio.

The Group's investment activity follows a structured process containing 5 key steps:

- **Identification of the opportunity:** identification, by the team or body with responsibility for assets management, of investment opportunities which fit within the Investments Policy and the guidelines approved by the Investment Committee and which have an appropriate risk-profitability ratio for the Group;
- **Assessment of the opportunity:** the assessment is also performed by the team or body with responsibility for assets management, taking into account both qualitative aspects (e.g. expected trend for a given class of asset, industry or geographical location) and quantitative aspects (e.g. expected return, credit risk);
- **Investment proposal:** the proposal written by the team or body with responsibility for assets management should be submitted for the consideration of the person in charge of taking the respective decision, the head of the Investment Division or the head of Fidelidade Property, according to the delegation of competence, in accordance with the following guidelines:
  - a. Operations have to be documented and validated by the person responsible for approving the operation, in a simple format describing the operation, its rationale, amount, date and the signature of the person responsible for the approval. To the extent possible, and so as not to create additional complexity in the investment process, this process should be computerised;
  - b. For operations which exceed the delegated authority of the related structural body, an investment proposal should be submitted to the Executive Committee.
- **Performance of the transaction:** if the investment proposal receives a favourable opinion, the body responsible for supervising it should authorise and confirm the completion of the operation, including performance and payment, through the bodies with responsibility for the process;
- **Control:** effective control of the investment should be ensured by the Risk Management Division, which guarantees compliance with the regulations in force and coherence with the levels of risk and return defined by the Group.

The following items are also decisive within the scope of the investment activity:

#### 1. Definition of the portfolio objective

The primary objective of the investments portfolio is to generate income for the Group, restricted by the risks and other constraints defined by the Asset and Liability Management Strategic and Tactical Committees.

From an operational point of view, the main objective of the activity is to create value by selecting assets with the best risk and return profile. Specifically, the Group's asset management activity seeks to:

- Support generation of financial income;
- Guarantee the competitiveness of the insurance offer;
- Ensure mitigation of risk in the insurance activity;
- Comply with the regulations in force in the Group and in the ASF regarding the activity.

## 2. Definition of classes of assets and respective investment universe

The classes of assets eligible for investment by the Group, and the respective investment universes, are:

- Treasury: instruments essentially geared to short-term liquidity management;
- Fixed income: medium or long-term debt instruments;
- Variable income: instruments which provide variable gains and which must be quoted on the stock market and are subject to regulation and supervision;
- Real estate: category of investments linked to the real estate market;
- Alternative investments:
  - Private Equity: category of investments in private venture capital funds;
  - Infrastructures: investment category exclusively for funds with a focus on investment in infrastructures;
  - Hedge Funds: category of investments in hedge funds;
  - Commodities: investment in assets linked to the evolution of the value of commodities, for example, precious metals or cereals;
  - Funds which cannot be allocated to a single class of assets: this category includes funds of funds and funds which cover several classes of assets and for which there is no monthly “look through” of the fund;
  - Other similar instruments approved by the Executive Committee.

## 3. Definition of exposure limits in asset risk management

The investment portfolio of financial assets and real estate should establish a balanced exposure to different classes of assets, always considering the return versus risk ratio. In order to ensure adequate risk management and a balanced portfolio, it is essential to define the maximum limits of portfolio exposure, and the mechanisms which allow for adequate control and management of the levels of risk and potential losses. Here the importance of ensuring compliance with the applicable legal rules of the ASF should be noted.

Consequently, maximum exposure limits have been defined for the Group's portfolio, at any given point in time, based on 5 specific criteria:

- Class of asset;
- Rating level;
- Sector of activity;
- Geographical location;
- Concentration by position.

## 4. Definition of the risk management and control process

- **Asset risk management** - Limits are defined regarding the exposure to different classes of assets, considering the risk versus return ratio, which enable adequate risk management and a balanced portfolio. Mechanisms have also been established to enable management and control of the levels of risk and potential losses.

- **Risk management and control process** - The Risk Management Division monitors the limits of exposure to different classes of assets, in periodic reports for the activity. In this context, situations of real or potential non-compliance are identified. In the first case non-compliance is due to the established limit being broken, while in the second relevant observation of the assets portfolio is close to the defined maximum limit defined for it. For both real and potential non-compliance, a process of identification, approval and application of corrective measures has been established.

- **Asset losses control mechanisms** - Control mechanisms have been set up for losses in the Group's investment activity resulting from variations in market conditions, in order to set in motion actions to limit the loss. Accordingly, when the loss limit is reached, procedures are triggered similar to those provided for non-compliance with exposure limits. Loss limits which restrict the investment activity's impact on the solvency ratio, measured as part of Solvency II, have also been determined. The Risk Management Division regularly checks the loss limits, in order to enable a preventive reaction to fluctuations.

- **Reporting and monitoring of the investment activity** - A regular process of reporting has been set up for the various levels of the Group involved in asset management activities, in order to enable adequate supervision of the investment activity, and the activation of risk mitigation management mechanisms. Accordingly, the information which should be produced has been defined, considering the recipient, the type of report, its content, its frequency and the body responsible for producing it.

## Credit risk

At 31 December 2016 and 2015, the Group's exposure to credit risk was as follows:

(amounts in euros)

	2016			2015		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	994,694,474	-	994,694,474	2,088,545,878	-	2,088,545,878
Financial assets initially recognised						
at fair value through profit or loss	649,367,421	-	649,367,421	867,623,316	-	867,623,316
Available-for-sale investments	7,750,825,278	(160,681,702)	7,590,143,576	6,676,266,292	(118,786,119)	6,557,480,173
Loans and accounts receivable	1,012,409,654	(1,238,964)	1,011,170,690	688,399,551	(1,438,615)	686,960,936
Other debtors	230,778,808	(33,863,913)	196,914,895	191,186,344	(33,435,508)	157,750,836
<b>Maximum exposure to credit risk</b>	<b>10,638,075,635</b>	<b>(195,784,579)</b>	<b>10,442,291,056</b>	<b>10,512,021,381</b>	<b>(153,660,242)</b>	<b>10,358,361,139</b>

In 2016 and 2015, the net book value of the available-for-sale investments presented in the table includes shares with credit risk, of EUR 15,915 and EUR 16,675, 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 2016 and 2015, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in euros)

Class of asset	2016			
	Country of origin			Total
	Portugal	Rest of European Union	Other	
Deposits in credit Institutions				
AA- to 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
	<b>978,226,070</b>	<b>668,230,685</b>	<b>302,643,396</b>	<b>1,949,100,151</b>
Deposits in ceding companies				
Not rated	26,416	819,974	29,230	875,620
	<b>26,416</b>	<b>819,974</b>	<b>29,230</b>	<b>875,620</b>
<b>Total</b>	<b>978,252,486</b>	<b>669,050,659</b>	<b>302,672,626</b>	<b>1,949,975,771</b>

(amounts in euros)

Class of asset	2015			
	Country of origin			Total
	Portugal	Rest of European Union	Other	
Deposits in credit Institutions				
A- to A+	440,505,668	2,787,209	1,489,066	444,781,943
BBB- to BBB+	-	120,731,993	1,432	120,733,425
BB- to BB+	2,011,134,312	51,793,678	21,925,825	2,084,853,815
B- to B+	24,258,534	33,382	39,012,207	63,304,123
Not rated	2,037,636	4,904,958	34,249,276	41,191,870
	<b>2,477,936,150</b>	<b>180,251,220</b>	<b>96,677,806</b>	<b>2,754,865,176</b>
Deposits in ceding companies				
Not rated	948,511	-	-	948,511
	<b>948,511</b>	<b>-</b>	<b>-</b>	<b>948,511</b>
<b>Total</b>	<b>2,478,884,661</b>	<b>180,251,220</b>	<b>96,677,806</b>	<b>2,755,813,687</b>

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 954,405,677 and EUR 666,319,298, in 2016 and 2015, respectively.

At 31 December 2016 and 2015, 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	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
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
	<b>198,468</b>	<b>71,101,064</b>	<b>918,326</b>	<b>136,111,347</b>	<b>208,329,205</b>
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- up to AA+	-	4,430,571	-	-	4,430,571
BBB- up to BBB+	-	5,194,071	-	-	5,194,071
BB- up to BB+	340,390,253	-	-	-	340,390,253
	<b>340,390,253</b>	<b>12,646,763</b>	<b>-</b>	<b>-</b>	<b>353,037,016</b>
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- up to AA+	-	401,844	-	122,943	524,787
A- up to A+	104,694	2,406,087	150,331	57,457	2,718,569
BBB- up to BBB+	572,605	866,375	399,258	-	1,838,238
B- up to B+	49,920,215	-	-	-	49,920,215
	<b>50,597,514</b>	<b>4,095,418</b>	<b>549,589</b>	<b>180,400</b>	<b>55,422,921</b>
Other issuers					
A- up to A+	-	31,193,510	-	-	31,193,510
BBB- up to BBB+	19,556	-	-	-	19,556
BB- up to BB+	1,365,213	-	-	-	1,365,213
	<b>1,384,769</b>	<b>31,193,510</b>	<b>-</b>	<b>-</b>	<b>32,578,279</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>392,571,004</b>	<b>119,036,755</b>	<b>1,467,915</b>	<b>136,291,747</b>	<b>649,367,421</b>

(amounts in euros)

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

(amounts in euros)

Class of asset	2015				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
Corporate					
AA- up to AA+	-	2,693,958	868,985	-	3,562,943
A- up to A+	-	1,499,730	337,539	-	1,837,269
BBB- up to BBB+	-	1,335,526	299,999	-	1,635,525
BB- up to BB+	-	2,003,138	-	60,416,747	62,419,885
Not rated	-	15,770,185	-	278,034,438	293,804,623
	-	<b>23,302,537</b>	<b>1,506,523</b>	<b>338,451,185</b>	<b>363,260,245</b>
Governments and other local authorities					
AAA	-	2,502,873	-	-	2,502,873
AA- up to AA+	-	4,739,835	-	-	4,739,835
BBB- up to BBB+	-	6,042,880	-	-	6,042,880
BB- up to BB+	375,369,102	-	-	-	375,369,102
	<b>375,369,102</b>	<b>13,285,588</b>	-	-	<b>388,654,690</b>
Financial Institutions					
AAA	-	221,375	-	-	221,375
AA- up to AA+	-	604,336	175,233	122,057	901,626
A- up to A+	-	2,961,525	199,059	57,623	3,218,207
BBB- up to BBB+	2,927,391	9,789,720	572,793	-	13,289,904
B- up to B+	52,432,843	7,807,269	-	-	60,240,112
	<b>55,360,234</b>	<b>21,384,225</b>	<b>947,085</b>	<b>179,680</b>	<b>77,871,224</b>
Other issuers					
A- up to A+	-	36,408,186	-	-	36,408,186
BBB- up to BBB+	68,259	-	-	-	68,259
BB- up to BB+	1,360,017	-	-	-	1,360,017
Not rated	-	695	-	-	695
	<b>1,428,276</b>	<b>36,408,881</b>	-	-	<b>37,837,157</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>432,157,612</b>	<b>94,381,231</b>	<b>2,453,608</b>	<b>338,630,865</b>	<b>867,623,316</b>

(amounts in euros)

Class of asset	2015				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AAA	-	-	58,896	-	58,896
AA- up to AA+	-	6,256,243	2,153	-	6,258,396
A- up to A+	-	30,429,755	1,337,559	2,928,662	34,695,976
BBB- up to BBB+	60,334,451	73,523,369	30,630,403	120,218,644	284,706,867
BB- up to BB+	4,833,521	211,229,842	25,992,173	141,492,872	383,548,408
B- up to B+	-	72,456,570	35,124,110	85,415,405	192,996,085
Less than B-	-	23,392,829	8,120,774	23,454,046	54,967,649
Not rated	148,333,396	89,014,928	-	870,524,939	1,107,873,263
	<b>213,501,368</b>	<b>506,303,536</b>	<b>101,266,068</b>	<b>1,244,034,568</b>	<b>2,065,105,540</b>
Governments and other local authorities					
AAA	-	28,389,259	-	-	28,389,259
AA- up to AA+	-	45,658,555	-	-	45,658,555
BBB- up to BBB+	-	67,492,964	-	61,634,918	129,127,882
BB- up to BB+	3,220,729,915	-	-	43,259,650	3,263,989,565
Not rated	-	-	-	226,317	226,317
	<b>3,220,729,915</b>	<b>141,540,778</b>	<b>-</b>	<b>105,120,885</b>	<b>3,467,391,578</b>
Financial Institutions					
AAA	-	12,568,036	-	11,444,702	24,012,738
AA- up to AA+	-	20,870,613	-	11,323,606	32,194,219
A- up to A+	-	118,203,961	16,184,312	-	134,388,273
BBB- up to BBB+	6,062,100	103,643,301	51,918,355	50,508,917	212,132,673
BB- up to BB+	55,303,202	22,657,269	-	37,610,741	115,571,212
B- up to B+	392,149,650	61,087,560	-	8,930,663	462,167,873
Less than B-	8,671,530	-	-	92,769	8,764,299
Not rated	-	-	-	7,446,547	7,446,547
	<b>462,186,482</b>	<b>339,030,740</b>	<b>68,102,667</b>	<b>127,357,945</b>	<b>996,677,834</b>
Other issuers					
AAA	-	-	-	17,579,420	17,579,420
AA- up to AA+	-	66,908	-	-	66,908
A- up to A+	-	252,275	-	-	252,275
BBB- up to BBB+	10,170,633	-	-	-	10,170,633
BB- up to BB+	-	235,985	-	-	235,985
	<b>10,170,633</b>	<b>555,168</b>	<b>-</b>	<b>17,579,420</b>	<b>28,305,221</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>3,906,588,398</b>	<b>987,430,222</b>	<b>169,368,735</b>	<b>1,494,092,818</b>	<b>6,557,480,173</b>

The Group periodically undertakes a collective analysis of the debt recovery risk of premiums pending collection recognised in the balance sheet, in order to identify and quantify impairment losses to be recognised as "Adjustments for premiums pending collection" (Note 41). At 31 December 2016 and 2015, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in euros)

	2016						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
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
<b>Non-life insurance</b>							
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
Other (includes personal accidents)	4,218,576	5,810,973	1,324,307	569,981	558,825	(706,737)	11,775,925
	<b>42,992,744</b>	<b>27,488,267</b>	<b>14,734,011</b>	<b>8,612,571</b>	<b>7,210,582</b>	<b>(17,109,499)</b>	<b>83,928,676</b>

(amounts in euros)

	2015						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	5,315,128	355,132	288,698	264,799	30,885	(94,815)	6,159,827
Life risk products	408,453	906,204	741,106	1,006,613	1,943,566	(2,128,218)	2,877,724
<b>Non-life insurance</b>							
Motor	9,597,110	11,493,613	1,462,289	781,069	766,026	(5,041,856)	19,058,251
Workers' compensation	2,104,390	4,541,166	399,986	2,031,277	1,086,466	(1,875,469)	8,287,816
Health	2,314,690	6,740,144	562,360	241,458	190,186	(1,348,052)	8,700,786
Fire and other damage	6,250,360	4,025,036	1,232,901	2,640,739	583,575	(1,980,885)	12,751,726
Transports	785,409	421,240	95,456	138,503	222,130	(435,456)	1,227,282
Third party liability	828,108	634,389	383,497	363,774	94,742	(511,398)	1,793,112
Other (includes personal accidents)	2,860,746	2,377,208	595,943	932,918	671,330	(904,208)	6,533,937
	<b>30,464,394</b>	<b>31,494,132</b>	<b>5,762,236</b>	<b>8,401,150</b>	<b>5,588,906</b>	<b>(14,320,357)</b>	<b>67,390,461</b>

## Liquidity risk

At 31 December 2016 and 2015, the estimated undiscounted cash-flows of the financial instruments, according to the respective contractual maturity, were as follows:

(amounts in euros)

	2016									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
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
	<b>1,788,247,743</b>	<b>880,584,475</b>	<b>582,309,459</b>	<b>1,484,410,084</b>	<b>1,810,637,362</b>	<b>1,665,499,489</b>	<b>3,615,920,905</b>	<b>144,749,500</b>	<b>1,805,820,701</b>	<b>13,778,179,718</b>
<b>Liabilities</b>										
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
	<b>287,581,601</b>	<b>294,601,514</b>	<b>240,380,588</b>	<b>1,038,314,355</b>	<b>2,973,913,410</b>	<b>2,963,700,564</b>	<b>2,392,696,576</b>	<b>1,032,881,910</b>	<b>26,262,412</b>	<b>11,250,332,930</b>

(amounts in euros)

	2015									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	2,092,255,173	-	-	-	-	-	-	-	-	2,092,255,173
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	70,101,641	70,101,641
Financial assets held for trading	-	-	-	-	-	-	-	-	957,920	957,920
Financial assets initially recognised at fair value through profit or loss	464,479	22,789,216	13,790,540	171,288,653	586,434,339	94,219,635	8,584,790	1,283,576	20,928,076	919,783,304
Hedge derivatives	-	-	-	-	-	-	-	-	1,285,939	1,285,939
Available-for-sale investments	94,742,225	521,208,834	304,788,607	1,113,666,718	1,352,677,575	874,084,564	3,627,799,004	143,597,534	2,102,066,280	10,134,631,341
Loans and accounts receivable	4,702,023	525,200,048	18,935,696	30,909,829	139,530,978	2,037,577	2,334,409	182,348	1,522,865	725,355,773
Other debtors	157,750,836	-	-	-	-	-	-	-	-	157,750,836
	<b>2,349,914,736</b>	<b>1,069,198,098</b>	<b>337,514,843</b>	<b>1,315,865,200</b>	<b>2,078,642,892</b>	<b>970,341,776</b>	<b>3,638,718,203</b>	<b>145,063,458</b>	<b>2,196,862,721</b>	<b>14,102,121,927</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	18,906,447	18,131,552	29,194,259	114,815,915	313,858,262	272,610,603	296,527,095	262,947,204	24,447,238	1,351,438,575
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	202,567,306	316,818,662	381,412,507	726,684,822	2,639,287,973	1,954,294,091	1,968,549,843	470,787,709	4,040,053	8,664,442,966
Financial liabilities held for trading	-	715,400	(7,016)	725,289	2,867,346	2,867,346	1,439,419	-	10,822,796	19,430,580
Hedge derivatives	-	-	-	-	-	-	-	-	4,406,362	4,406,362
Other financial liabilities	1,494,658	747,791	35,121,701	11,417,852	52,588,848	248,718,363	34,781,310	-	-	384,870,523
Deposits received from reinsurers	39,270	78,540	117,810	37,934,918	-	-	-	-	-	38,170,538
Other creditors	134,150,522	-	-	-	-	-	-	-	-	134,150,522
	<b>357,158,203</b>	<b>336,491,945</b>	<b>445,839,261</b>	<b>891,578,796</b>	<b>3,008,602,429</b>	<b>2,478,490,403</b>	<b>2,301,297,667</b>	<b>733,734,913</b>	<b>43,716,449</b>	<b>10,596,910,066</b>

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 2015.

## Market risk

At 31 December 2016 and 2015, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

(amounts in euros)

	2016			Total
	Exposure to Fixed rate	Exposure to Variable rate	Not subject to Interest rate risk	
<b>Assets</b>				
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
	<b>7,949,072,389</b>	<b>2,296,267,168</b>	<b>2,006,462,895</b>	<b>12,251,802,452</b>
<b>Liabilities</b>				
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
Other financial liabilities	119,643	7,044,752	7,908,244	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
	<b>7,780,332,784</b>	<b>2,563,407,937</b>	<b>152,201,265</b>	<b>10,495,941,986</b>

(amounts in euros)

	2015			
	Exposure to		Not subject to Interest rate risk	Total
	Fixed rate	Variable rate		
<b>Assets</b>				
Cash and cash equivalents	-	2,088,545,878	3,709,295	2,092,255,173
Investments in associates and joint ventures	-	-	70,101,641	70,101,641
Financial assets held for trading	-	-	957,920	957,920
Financial assets initially recognised at fair value through profit or loss	767,747,193	99,876,123	20,928,076	888,551,392
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale investments	6,243,501,039	313,749,692	2,102,066,280	8,659,317,011
Loans and accounts receivable	-	686,357,468	603,468	686,960,936
Other debtors	-	-	157,750,836	157,750,836
	<b>7,011,248,232</b>	<b>3,188,529,161</b>	<b>2,357,403,455</b>	<b>12,557,180,848</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,397,217,639	-	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	7,502,593,805	573,049,425	-	8,075,643,230
Financial liabilities held for trading	134,708	7,491,280	10,822,796	18,448,784
Hedge derivatives	250,706	-	4,155,656	4,406,362
Deposits received from reinsurers	-	37,699,297	-	37,699,297
Other financial liabilities	-	355,920,340	-	355,920,340
Other creditors	-	-	134,150,522	134,150,522
	<b>7,502,979,219</b>	<b>2,371,377,981</b>	<b>149,128,974</b>	<b>10,023,486,174</b>

At 31 December 2016 and 2015, 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)

	2016					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
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
	<b>(593,654,952)</b>	<b>(307,628,408)</b>	<b>(156,648,356)</b>	<b>162,607,235</b>	<b>331,484,202</b>	<b>689,404,337</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	<b>(3,884)</b>	<b>(1,970)</b>	<b>(992)</b>	<b>1,007</b>	<b>2,030</b>	<b>4,125</b>

(amounts in euros)

	2015					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised						
at fair value through profit or loss	(24,193,455)	(12,381,495)	(6,264,063)	6,415,130	12,985,929	26,613,767
Available-for-sale investments	(601,180,527)	(313,122,230)	(159,863,109)	166,834,659	341,034,710	713,253,191
Loans and accounts receivable	(2,907,635)	(1,469,800)	(738,974)	747,285	1,503,051	3,040,711
	<b>(628,281,617)</b>	<b>(326,973,525)</b>	<b>(166,866,146)</b>	<b>173,997,074</b>	<b>355,523,690</b>	<b>742,907,669</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(4,108)	(2,090)	(1,054)	1,074	2,167	4,418
	<b>(4,108)</b>	<b>(2,090)</b>	<b>(1,054)</b>	<b>1,074</b>	<b>2,167</b>	<b>4,418</b>

The sensitivity of the fair value of the financial assets and technical liabilities was calculated by considering the future cash-flows discounted at the respective YTM, with positive and negative changes of 50, 100 and 200 bps, in the respective yields.

At 31 December 2016 and 2015, the breakdown of financial instruments by currency was as follows:

(amounts in euros)

	2016				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
<b>Assets</b>					
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
	<b>8,946,220,034</b>	<b>2,050,279,692</b>	<b>681,829,060</b>	<b>571,329,897</b>	<b>12,255,122,049</b>
<b>Liabilities</b>					
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
	<b>10,114,314,886</b>	<b>19,715,160</b>	<b>2,664,181</b>	<b>362,567,356</b>	<b>10,499,261,583</b>

(amounts in euros)

	2015				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
<b>Assets</b>					
Cash and cash equivalents	1,737,038,702	195,448,927	83,852,789	75,914,755	2,092,255,173
Investments in associates and joint ventures	1,942,120	68,159,521	-	-	70,101,641
Financial assets held for trading	-	957,920	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	533,937,744	350,910,816	3,320,494	382,338	888,551,392
Hedge derivatives	-	1,285,939	-	-	1,285,939
Available-for-sale investments	6,088,301,671	1,693,980,436	627,249,387	249,785,517	8,659,317,011
Loans and accounts receivable	467,377,078	66,826,479	12,251,939	140,505,440	686,960,936
Other debtors	115,228,413	37,361,026	22,780	13,631,804	166,244,023
	<b>8,943,825,728</b>	<b>2,414,931,064</b>	<b>726,697,389</b>	<b>480,219,854</b>	<b>12,565,674,035</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,394,623,905	-	-	2,593,734	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,075,643,230	-	-	-	8,075,643,230
Financial liabilities held for trading	7,625,988	10,822,796	-	-	18,448,784
Hedge derivatives	250,706	4,155,656	-	-	4,406,362
Deposits received from reinsurers	33,979,523	1,769,136	-	1,950,638	37,699,297
Other financial liabilities	242,158,942	-	-	113,761,398	355,920,340
Other creditors	94,099,203	14,313,797	2,533,205	31,697,503	142,643,708
	<b>9,848,381,497</b>	<b>31,061,385</b>	<b>2,533,205</b>	<b>150,003,273</b>	<b>10,031,979,360</b>

The headings "Other debtors" and "Other creditors" are broken down differently between Assets and Liabilities, when compared with the Financial Statements due to the fact that the allocation by currency leads to a different breakdown of balances.

## 48. Disclosures Related to Insurance Contract Risks

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

### 48.1. 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 Company, 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.

## **48.2. 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.

## **48.3. 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)

	2016			2015		
	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	177,009,518	1.15	1.14	157,544,162	1.35	1.34
Health	235,163,325	0.88	0.87	204,581,671	0.93	0.92
Fire and other damage	232,500,910	0.88	0.87	224,880,622	0.76	0.74
Motor	364,502,656	1.01	1.00	342,372,648	0.99	0.97
Marine	4,215,745	0.32	0.31	3,601,197	0.58	0.57
Aviation	6,086,809	-0.19	-0.21	7,380,193	-0.01	-0.02
Transported goods	7,079,288	0.45	0.43	6,761,309	0.57	0.55
Third party liability	32,496,223	0.57	0.56	31,209,992	0.55	0.53
Other lines of business (Credit and Suretyship and Other)	66,525,720	0.76	0.76	57,392,626	0.68	0.67

Note: Ratios for the years of occurrence 2016 and 2015.

In the last 12 months some variations in the post-investment claims/expenses ratio were seen. Marine, Transported Goods, Accidents and Health saw a decrease in the ratio of 46.3%, 21.3%, 14.5% and 5.7% respectively.

In the lines of Aviation, Fire and Other Damage, Other Lines of Business, Third Party Liability and Motor the ratio tended to increase.

An analysis of the above table reveals that in the last 12 months premiums in the Accidents line of business were not sufficient to meet the liabilities.

Fidelidade Portugal's pre-tax technical results for non-life were positive in December 2016, reaching over EUR 49 million.

#### **Premiums sufficiency and creation of a provision for unexpired risks**

##### **Direct insurance**

Fidelidade's direct non-life insurance premiums for accidents were insufficient to meet the liabilities associated with claims, operating costs and investments. A reduction of 12.5% in the costs would be needed to eliminate the premiums shortfall recognised in this line of business. This insufficiency is due to Workers' Compensation.

For the remaining groups of business the premiums acquired were sufficient to meet the assumed liabilities.

In overall terms, the operating income in non-life direct insurance, in the last 12 months, was sufficient to meet the liabilities associated with its operation.

##### **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 2016, 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 2015.

##### **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 2016.

## Distribution of Reinsurers by Rating

Rating	% Reinsurers	
	2016	2015
A -	14.3%	11.1%
A	25.0%	33.3%
A +	25.0%	27.8%
AA -	25.0%	19.4%
AA	3.6%	2.8%
AA+	3.6%	2.8%
No Rating	3.6%	2.8%

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 2015 totalled EUR 1,548 million. During 2016, EUR 310,485,264 were paid for claims which occurred in 2015 and previous years.

In December 2016, natural consumption would lead to a provision of EUR 1,238,208,222. However, there was a negative readjustment of over EUR 38 million, and the provision at the end of December 2015 was EUR 1,200,035,019.

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 40 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 2015 (1)	Claims Paid in the Year * (2)	Claims Provision at 31 December 2016 * (3)	Readjustments (3)+(2)-(1)
Accidents and Health	853,657,761	135,360,428	729,215,228	10,917,895
Fire and other damage	104,331,630	42,703,351	53,169,902	( 8,458,377 )
Motor	461,484,693	111,023,493	310,289,660	( 40,171,540 )
Marine and Transport	3,774,810	430,809	3,141,969	( 202,032 )
Aviation	2,828,990	313,889	1,037,633	( 1,477,468 )
Transported Goods	5,703,382	1,316,836	2,935,644	( 1,450,902 )
Third party liability	108,073,081	8,539,103	93,006,601	( 6,527,377 )
Credit and Suretyship	584,138	91,594	492,365	( 179 )
Legal protection	23,863	401	1,479	( 21,983 )
Assistance	102,821	1,605	6,715	( 94,501 )
Other	8,128,317	10,703,755	6,737,823	9,313,261
<b>Total</b>	<b>1,548,693,486</b>	<b>310,485,264</b>	<b>1,200,035,019</b>	<b>( 38,173,203 )</b>

\* Claims occurred in the year 2015 and previous years.

### Insurance Risks

The Insurer underwrites contracts in all the non-life lines of business, the most significant risks of which are:

- Changes in the longevity of pensioners in the Workers' Compensation line of business and in income rates associated with assets allocated to the respective mathematical provisions;
- Climate change and natural disasters;
- Inflation risk, in the lines of business in which claims take longer to be fully settled;
- In health insurance, the most significant risks are the result of changes in lifestyle and scientific and technological developments.

Exposure to risks is mitigated by the diversification obtained due to the size of the insurer's portfolio of policies and the extent of the risks underwritten in all non-life lines of business. Variability of the risks is improved by the selection of risks to be underwritten and the implementation of underwriting strategies and policies which are defined so as to ensure that the risks are diversified in terms of the type of risk and the level of guarantees taken out.

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out.

Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The insurer carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

In relation to whole life provisions in the Workers' Compensation line of business, the mortality table applied is regularly assessed, in order to reflect the real longevity of the beneficiaries of these covers.

The Insurer also limits its exposure to risk by both imposing maximum amounts of indemnifiable damage in most contracts and using reinsurance programmes which limit its exposure in particular to catastrophic events.

Regular studies are carried out on the risk profile of portfolios, by class of capital/liabilities assumed, by activities and objects insured and by covers. These studies produce indicators which allow an estimate to be made of the impact of any possible changes to covers, as well as an assessment of the impact of any changes to reinsurance treaties and to the Group's retention policy. In some cases, specific studies are carried out to assess those impacts.

These studies also focus on specific coverage, in a geographical area, on the type of liabilities assumed or on the type of object insured, enabling the maximum risks by class to be determined and quantified, and an assessment to be made of the impact of catastrophic claims scenarios in the portfolio.

The assessment of exposure to seismic risk is studied by the insurer's reinsurers, and their conclusions are considered when the reinsurance treaties are acquired and renewed.

## **Risk Assessment Assumptions**

### **Non-life lines of business, except annuities**

The main assumption for estimating the insurer's liabilities is that future development of claims and indemnities will follow a similar pattern to known past experience for those variables. These assumptions include probabilities relating to the average cost of claims, claims management costs, inflation and the number of claims per year.

Qualitative judgements are also used to assess the adequacy of the past trends and whether they can be applied in the future or not, for example:

- Changes in market conditions, such as clients' attitudes regarding reporting claims;
- Economic conditions;
- Internal factors, such as the composition of the portfolios of policies, policy guarantees, and procedures, and greater or lesser speed in managing claims;
- External factors, namely changes to legislation or rules and court decisions and relevant regulations or legislation that may affect the cost estimate.

#### **Annuities and whole life assistance in the Workers' Compensation line of business**

For whole life liabilities in the Workers' Compensation line of business, assumptions are adopted regarding the longevity of the beneficiaries of these provisions, discount rates and the costs of their management.

The table below shows the impact on the insurer's liabilities of changes which are reasonably possible in the assumptions indicated. All the others remain constant.

<b>Assumption</b>	<b>Factor</b>	<b>Increase in Liability</b>
Longevity	+ 20%	5.20%
Expense	+ 10%	0.80%
Revision	4%	2.1%
Interest Rate	-1%	12.08%

#### **48.4. 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 Company 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-".

## 48.5. Life Insurance

In the Life Insurance Line of Business there are three major groups of insurance contracts, covered by IFRS 4, in relation to which the nature of risks covered is characterised as follows:

### Risk products

With regard to these products, the greatest risk factor is mortality, and there are a large number of contracts which also have an associated disability risk, with a significant part of these being transferred to reinsurers.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

### Annuity products

The greatest risk factor for these products is longevity.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

### Capitalisation products

The greatest risk factor for these products is interest rate risk.

Only the contracts with profit sharing are covered by IFRS 4, so the income awarded to the insured persons has a fixed component and a variable component which depends on the profitability of a given portfolio of assets partially dependent on the Group's discretion.

Profit sharing typically follows a technical/financial account, such as:

(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)

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2017	153,454,465	112,097,998	0	14,906,603	20,340,612	183,003,475
2018	125,996,491	93,416,508	0	14,082,327	18,117,145	148,594,511
2019	117,168,474	86,157,865	0	13,269,645	16,147,734	161,021,051

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

(amounts in euros)

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2017	149,834,305	109,774,572	0	14,906,603	19,823,380	232,113,377
2018	116,350,417	87,306,965	0	14,082,327	16,750,376	182,733,543
2019	102,411,776	76,907,012	0	13,269,645	14,165,737	179,155,331

## 49. Capital Management

The capital management objectives of the Group comply with the following general principles:

- To comply with the legal requirements imposed on the Group by the Supervisory Authorities, namely the ASF;
- To produce sufficient profits for the Group to create value for the shareholder and provide it with a return on capital applied;
- To sustain the development of the operations which the Group is legally authorised to perform, maintaining a solid capital structure, sufficient to respond to growth in the activity and to the risks resulting from it.

In order to achieve these objectives, the Group draws up a plan of its short and medium-term capital needs, with a view to financing its activity, above all using self-financing.

From 1 January 2016, the new solvency regime (Solvency II), approved by Directive 2009/138/EC of the European Parliament and of the Council of 25 November, is applicable to the insurance sector.

Thus, Law 147/2015 of 9 September was published, which transposes this Directive into national law and which introduces very significant changes to the legal framework on the taking-up and pursuit of the business of insurance (RJASR) as well as making some changes to both the insurance contract rules and the rules for pension funds, among others.

The Solvency II rules are divided into three pillars.

### **Pillar I (quantitative requirements)**

The Solvency II rules defined 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 Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Group's compliance with its liabilities. The SCR is calculated taking into account all the risks that the Group 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 a Group may be exposed.

In the terms set out in the RJASR, if the Group detects 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)**

The Solvency II rules defined 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 Group must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The subsequent report must be sent to the supervisor.

### **Pillar III (prudential reporting and public disclosures)**

Pillar III establishes new obligations regarding the disclosure of public information and to the supervisor. Within this scope, the Group reported the Solvency II opening information (1 January 2016) to the ASF and sends quarterly reports. In addition, the Group's "Solvency and Financial Condition Report", which must be certified by the Statutory Auditor and by the Group's Chief Actuary, will now be published annually, in the second quarter of each year.

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 Group demonstrates compliance with the capital requirements considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

In order to analyse and ensure compliance with the legal and prudency requirements to which it is subject, the Group has several bodies which perform key functions in the area of Risk Management and Internal Control:

- a. Risk Management Division (DGR);
- b. Compliance Office (GC);
- c. Audit Division (DAU);
- d. Risk Committee;
- e. Underwriting Policy Acceptance and Supervision Committee;
- f. Life and Non-Life Products Committee.

### **Risk Management Division**

The DGR is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its mission is based on defining, implementing and maintaining a risk management system which enables identification, measuring, monitoring and communication of risks, individually or collectively, including risks not contemplated in the capital solvency requirements, enabling the Executive Committee and the various Divisions involved to incorporate this knowledge into their decision-making process.

DGR's main functions are:

a. Ensuring and controlling the adequacy of the information provided as support for decision-making;

b. Managing the Internal Control and Risk Management Systems:

- Assessing and monitoring the current and future solvency situation, and risk mitigation instruments;
- Monitoring compliance with the level of liquidity and cover for the estimated payments from the estimated receipts, in relation to that which is defined;
- Identifying, assessing and monitoring the market risks and counterparty credit risks, underwriting risks and credit risks of the respective mitigation instruments;
- Identifying, assessing and monitoring operating risks incurred, as well as identifying and characterising the existing control tools;
- Drawing up, proposing and revising the Provisions Policy, the Asset and Liability Management Policy, and the Capital Management Policy, including the medium-term Capital Management Plan and the respective Contingency Plans;
- Cooperating on the drawing up and revision of the Investment and Liquidity Policies, and on the Underwriting and Reinsurance Policies.

c. Undertaking actuarial assessment of the Life and Non-life portfolios.

#### **Compliance Office**

The GC is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its main mission is to contribute to ensuring that the management bodies, the management structure and the employees comply with the legislation, rules, codes and standards in force, both internally and externally, in order to avoid situations which harm the Company's image and its reputation in the market, as well as any potential financial losses.

GC's main functions are:

##### **a. Prevention of Money-Laundering**

Ensuring coordination of the prevention and detection of money laundering activities and the funding of terrorism, guaranteeing that internal procedures are carried out regarding this issue.

##### **b. Compliance**

Ensuring management of the compliance function, in the order to comply with legislation and other regulations as well as policies and procedures aimed at avoiding legal or regulatory sanctions and financial or reputational losses.

### **Audit Division**

The DAU is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its mission is to guarantee assessment and monitoring of the Company's risk management and internal control systems, and to confirm compliance with the internal rules and the legislation in force. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the efficacy and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

Performing a key role in risk management and internal control, DAU carries out the following functions:

- a. Drawing up and carrying out an annual audit which focuses on assessing the efficacy of the internal control and risk management systems;
- b. Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of efficacy;
- c. Confirming compliance with the laws and regulations which govern the activity;
- d. Drawing up a report to be presented to the Executive Committee and to the Supervisory Bodies at least once a year on Auditing Issues, with a summary of the main deficiencies detected in the auditing actions and which identifies the recommendations that were followed.

### **Risk Committee**

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

### **Underwriting Policy Acceptance and Supervision Committee**

The main functions of the Underwriting Policy Acceptance and Supervision Committee are the acceptance of risks which exceed the competence of the Technical Divisions, supervision of the quotation processes which require their intervention and analysis of the competitiveness and profitability indices of the various lines of business and segments.

### **Life and Non-Life Products Committees**

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

Accordingly, the measures adopted during the preparatory phase for applying the new Solvency II rules, and the activities, which are still ongoing, aimed at its consolidation, place the Group at a comfortable level of compliance with these new rules.

## 50. 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 Ministry of Health 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) is settled over the course of the following financial year.

## 51. Managed Pension Funds

At 31 December 2016 and 2015, the Macao branch, of Fidelidade - Companhia de Seguros, S.A., was managing seven pension funds. In these periods, the pension fund portfolio contained the following assets:

	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
<b>Amounts in Patacas</b>							
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
Other	(20,049)	(318,112)	(174,828)	(43,055)	(53,486)	(93,521)	(68,720)
	<b>160,392,742</b>	<b>605,610,050</b>	<b>33,980,129</b>	<b>5,199,756</b>	<b>6,173,429</b>	<b>11,367,783</b>	<b>8,275,459</b>
<b>Amounts in Euros</b>							
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
Other	(2,381)	(37,779)	(20,762)	(5,113)	(6,352)	(11,106)	(8,161)
	<b>19,048,115</b>	<b>71,921,767</b>	<b>4,035,454</b>	<b>617,520</b>	<b>733,152</b>	<b>1,350,029</b>	<b>982,787</b>

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

	2015						
	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
<b>Amounts in Patacas</b>							
Cash and deposits	29,379,892	33,533,911	19,024,486	145,066	276,413	296,111	161,614
Debt instruments	119,581,696	341,211,575	-	2,911,298	2,197,092	3,913,697	2,426,652
Equity instruments	13,880,493	150,483,532	-	951,536	3,295,957	5,971,497	4,373,318
Other	(98,635)	(275,745)	(140,720)	(37,375)	(53,373)	(95,060)	(70,591)
	<b>162,743,446</b>	<b>524,953,273</b>	<b>18,883,766</b>	<b>3,970,525</b>	<b>5,716,089</b>	<b>10,086,245</b>	<b>6,890,993</b>
<b>Amounts in Euros</b>							
Cash and deposits	3,380,613	3,858,597	2,189,063	16,692	31,806	34,072	18,596
Debt instruments	13,759,731	39,261,691	-	334,990	252,810	450,332	279,224
Equity instruments	1,597,166	17,315,467	-	109,489	379,251	687,113	503,218
Other	(11,349)	(31,729)	(16,192)	(4,301)	(6,141)	(10,938)	(8,123)
	<b>18,726,161</b>	<b>60,404,026</b>	<b>2,172,871</b>	<b>456,870</b>	<b>657,726</b>	<b>1,160,579</b>	<b>792,915</b>

Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 8.6907 MOP.

## 52. 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 OF  
THE BOARD  
OF DIRECTORS  
SEPARATE  
ACCOUNTS**

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# **CORPORATE BODIES**

## LONGRUN PORTUGAL, SGPS, S.A.

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### Board of Directors

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Chairman	Guoqi Ding
Member	Xuetang Qin

### Supervisory Board

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Chairman	Xiaolei HU
Member	Lijun SHAO Xiao Lei CHI
Alternate	Pei YU

### Statutory Auditors

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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. (hereinafter "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 1,660 million, corresponding mainly to the value of the aforementioned shareholdings.

Longrun obtained a negative individual statutory income of EUR 21,017.

# OUTLOOK

## a. Macroeconomic Development

In 2016, the Portuguese economy continued to display some of the key features that have characterised the economic recovery in progress since 2013, although the rhythm of economic growth was lower than in previous economic cycles.

Accordingly, there was a slowing of the annual Gross Domestic Product (GDP) growth from 1.6% in 2015 to 1.2% in 2016. This figure was lower than the ECB estimate for the euro area (1.7%), and mostly reflected the contraction in investment (-1.7%), in particular in the public and residential components.

On the other hand, the unemployment declined by 1.3 pp compared to 2015, to 11.1%, having benefited from a boost in certain activities, namely those connected with tourism.

The forecasts available for 2017 indicate that the trends described above will continue, although with greater GDP growth (1.4%), reflecting higher investment (with expected growth of 4.4%). On the other hand, there should be some moderation in private consumption, which is expected to increase by 1.3%, slightly lower than GDP growth, resulting from lower consumption of consumer durables.

The unemployment rate is expected to fall once again to 10.1%, with the economy continuing to benefit from boosts in exports, in particular in the tourism sector.

Lastly, although the forecast pattern of growth includes a range of characteristics which should lead to a more sustained recovery of the Portuguese economy, several structural constraints to growth will persist, namely the high level of indebtedness in the public and private sectors, adverse demographic evolution and a high level of long-term unemployment.

## b. Prospects for the Insurance Market in 2017

Considering that Longrun holds participations in insurance companies, reference should be made to the prospects for this sector.

The insurance market must be analysed separately for the two major business segments, the Life segment, heavily influenced by the behaviour of financial products, and the Non-Life segment, the evolution of which is closely linked to economic activity.

In 2016, the area associated with financial products saw a decrease of 23%, reflecting continuing low interest rates (which discourage long-term saving) and competition from new savings products launched by the State.

On the other hand, the Non-Life segment intensified its growth to 5.0% in 2016, the highest annual growth rate since 2003, the main drivers of which were the Health and Workers' Compensation lines of business, with growth of 9.6% and 12.2%, respectively.

For 2017, Life Financial premiums should maintain the downward trend of the last two years, reflecting the environment of low interest rates, pressure from competition from State financial products and the new regulatory framework in force which, in terms of solvency, penalises this type of products.

In the Non-Life segment, the growth trend will continue, in line with the Portuguese economy, with some of the more dynamic lines of business, such as Health and Personal Accidents, also benefiting from this.

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 and for the unemployment rate.

In short, 2017 will certainly be a challenging year, in which it is likely that the environment of moderate growth of the economy and pressure from competition will continue to condition the evolution of the Non-Life segment, and in which the global dimension of the Life segment will decline, in particular due to regression in the Life Financial segment.



# **PROPOSAL FOR THE APPLICATION OF INCOME**

The individual net income for 2016 was € -21 016,71.

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

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Retained Earnings	€ -21 016,71
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# **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 interest.

Lisbon, 5 may 2017

**THE BOARD OF DIRECTORS**

Lan KANG – Chairman

Wai Lam William MAK – Member

# **SEPARATE FINANCIAL STATEMENTS**

# Separate Statements of Financial Position as at 31 december 2016 and 2015

Tax no. 510 999 018

(amounts in euros)

ASSETS	Notes	2016			2015
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	3	28,084	-	28,084	28,245
Investments in subsidiaries	4	1,598,784,859	-	1,598,784,859	1,598,784,859
Other debtors for insurance and other operations		61,608,156	-	61,608,156	2,912
Accounts receivable for other operations	5	61,608,156	-	61,608,156	2,912
Tax assets		45,552	-	45,552	45,552
Deferred tax assets	6	45,552	-	45,552	45,552
<b>TOTAL ASSETS</b>		<b>1,660,466,651</b>	<b>-</b>	<b>1,660,466,651</b>	<b>1,598,861,568</b>

# Separate Statements of Financial Position as at 31 december 2016 and 2015

Tax no. 510 999 018

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2016	2015
<b>LIABILITIES</b>			
Other creditors for insurance and other operations		4,714,113	71,093
Accounts payable for other operations	7	4,714,113	71,093
Tax liabilities		57,096,234	-
Tax payable liabilities	6	57,096,234	-
Accruals and deferrals	8	45,606	158,760
<b>TOTAL LIABILITIES</b>		<b>61,855,953</b>	<b>229,853</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in-Capital	9	50,000	50,000
Other Capital Instruments		1,598,750,000	1,598,750,000
Other reserves	10	3,040	3,040
Retained earnings	10	( 171,325 )	-
Net income for the year	10	( 21,017 )	( 171,325 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,598,610,698</b>	<b>1,598,631,715</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,660,466,651</b>	<b>1,598,861,568</b>

Lisbon, 5 May 2017

**Chief Accounting Officer**  
Ana Paula Bailão Rodrigues

**Certified public accountant**  
Filipa Jesus Martins Pires

**On Behalf of the Board of Directors**

Wai Lam William Mak  
**Member**

# Separate Income Statement for the years ended as at 31 december 2016 and 2015

Tax no. 510 999 018

(amounts in euros)

STATEMENT OF PROFIT AND LOSS	Notes	2016	2015
Financial income		-	(148)
From Interest on financial assets not recognised at fair value through profit or loss	13	-	(148)
Financial expenses		(27,540)	(216,178)
Other	11	(27,540)	(216,178)
Other income/expenses	14	936	(551)
<b>NET INCOME BEFORE TAX</b>		<b>(26,604)</b>	<b>(216,877)</b>
Income tax for the year - current taxes	6	5,587	-
Income tax for the year - deferred taxes	6	-	45,552
<b>NET INCOME FOR THE YEAR</b>		<b>(21,017)</b>	<b>(171,325)</b>

Lisbon, 5 May 2017

**Chief Accounting Officer**  
Ana Paula Bailão Rodrigues

**Certified public accountant**  
Filipa Jesus Martins Pires

**On Behalf of the Board of Directors**

Wai Lam William Mak  
**Member**

## Separate Statement of Changes for the 2016 and 2015 Financial years

Tax no. 510 999 018

(amounts in euros)

	Notes	Paid-in-capital and other capital instruments	Legal Reserve	Other reserves	Retained earnings	Net income for the year	Total
<b>Balance at 31 December 2014</b>		<b>1,037,850,000</b>	-	-	-	<b>3,040</b>	<b>1,037,853,040</b>
Appropriation of net income	10	-	305	2,735	-	(3,040)	-
Supplementary contributions	9	560,950,000	-	-	-	-	560,950,000
Net income for the year	10	-	-	-	-	(171,325)	(171,325)
<b>Balance at 31 December 2015</b>		<b>1,598,800,000</b>	<b>305</b>	<b>2,735</b>	-	<b>(171,325)</b>	<b>1,598,631,715</b>
Appropriation of net income	10	-	-	-	(171,325)	171,325	-
Net income for the year	10	-	-	-	-	(21,017)	(21,017)
<b>Balance at 31 December 2016</b>		<b>1,598,800,000</b>	<b>305</b>	<b>2,735</b>	<b>(171,325)</b>	<b>(21,017)</b>	<b>1,598,610,698</b>

# Separate Statements of Cash Flows for the 2016 and 2015 Financial years

Tax no. 510 999 018

(amounts in euros)

	2016	2015
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating flows prior to changes in assets and liabilities		
Payments to suppliers	( 83,959 )	( 2,512 )
Others	935	( 551 )
	<b>( 83,024 )</b>	<b>( 3,063 )</b>
(Increases) / decreases in operating assets		
Debtors - other operations	( 61,605,244 )	( 1,843 )
	<b>( 61,605,244 )</b>	<b>( 1,843 )</b>
(Increases) / decreases in operating liabilities		
Creditors - other operations	4,586,286	5,611
Other liabilities	57,101,821	( 246 )
	<b>61,688,107</b>	<b>5,365</b>
Net cash from operating activities before tax	( 161 )	459
Payments of income tax	-	2,887
<b>Net cash from operating activities</b>	<b>( 161 )</b>	<b>3,346</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Payments on the acquisition or origination of		
Others	-	148
	-	<b>148</b>
Business combinations		
Acquisition of subsidiaries, associates and joint ventures	-	( 561,131,213 )
<b>Net cash from investing activities</b>	-	<b>( 561,131,065 )</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Supplementary contributions	-	560,950,000
<b>Net cash from financing activities</b>	-	<b>560,950,000</b>
Increase (decrease) net of cash and equivalents	( 161 )	( 178,016 )
Cash and equivalents at start of the year	28,245	206,260
Cash and equivalents at end of the year	28,084	28,245

# **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"), Universal Seguros, S.A. ("Universal"), Multicare - Seguros de Saúde, S.A. ("Multicare"), Fidelidade Assistência - Companhia de Seguros, S.A. ("Fidelidade Assistência") and Fidelidade Macau - Companhia de Seguros, S.A. ("Fidelidade Macau").

Longrun's financial statements at 31 December 2016 were approved by the Board of Directors on 5 May 2017.

## 2. Accounting Policies

### 2.1. Basis of presentation

The financial statements at 31 December 2016 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 2016 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 2015 and 2016, was 24.5% and 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.

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 2016 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	E.U. Regulation	Applicable to accounting periods beginning on or after
IAS 1 - Clarification on disclosure in financial reporting (Amendments to the Standard)	2406/2015	01-01-2016
IAS 34 - Interim Financial Reporting (Annual Improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016

## 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	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 15 - Revenue from Contracts with Customers	1905/2016	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	Applicable to accounting periods beginning on or after
IFRS 14 - Regulated Assets	01-01-2016
IAS 7 - Statement of Cash Flows	01-01-2017
IAS 12 - Income Taxes	01-01-2017

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 2016.

## 3. Cash and Cash Equivalents

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Sight deposits		
Domestic currency	28,084	28,245
	<b>28,084</b>	<b>28,245</b>

## 4. Investments in Subsidiaries

The balances of investments in subsidiaries at 31 December 2016 and 2015 were as follows:

(amounts in euros)

	2016		2015	
	Effective Share (%)	Balance Sheet Value	Effective Share (%)	Balance Sheet Value
<b>Valued at acquisition cost</b>				
Equity instruments in Group companies				
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
		<b>1,598,784,859</b>		<b>1,598,784,859</b>

The financial data for the main subsidiaries at 31 December 2016 and 2015 were as follows:

(amounts in euros)

Operating sector/entity	2016					
	Effective Share (%)	Assets	Liabilities	Shareholders' Equity (a)	Net income	Total Revenue
<b>Insurance</b>						
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

(amounts in euros)

Operating sector/entity	2015					
	Effective Share (%)	Assets	Liabilities	Shareholders' Equity (a)	Net income	Total Revenue
<b>Insurance</b>						
Fidelidade – Companhia de Seguros, S.A.	84.99%	14,217,045,038	12,446,347,244	1,770,697,794	207,862,217	2,226,166,634
Multicare – Seguros de Saúde, S.A.	80.00%	130,656,784	73,412,739	57,244,045	8,370,408	202,213,318
Fidelidade Assistência – Companhia de Seguros, S.A.	80.00%	60,430,268	34,825,110	25,605,158	7,868,906	47,985,840

(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, n.º 53, was set up on 9 March 2007, with the corporate purpose of exercising the insurance and reinsurance activity, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related with insurance and reinsurance. The company is focused on the management of health insurance.

**Fidelidade Assistência - Companhia de Seguros, S.A. (formerly Cares - Companhia de Seguros, S.A.)**, with its head office in Lisbon, at Avenida José Malhoa n.º 13 - 7.º, was set up on 17 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 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts receivable for other operations</b>		
Group companies	61,607,087	1,843
Others	1,069	1,069
	<b>61,608,156</b>	<b>2,912</b>

## 6. Tax Assets and Liabilities

The balances for tax assets and liabilities at 31 December 2016 and 2015 were as follows:

(amounts in euros)

	2016	2015
<b>Current tax liabilities</b>		
Income tax payable	( 57,096,234 )	-
	<b>( 57,096,234 )</b>	<b>-</b>
Deferred tax assets	45,552	45,552
	<b>45,552</b>	<b>45,552</b>
<b>Total</b>	<b>( 57,050,682 )</b>	<b>45,552</b>

At 31 December 2016 and 2015, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in euros)

	2016	2015
Income tax estimate recognised as a charge to the income statement	( 5,587 )	-
	<b>( 5,587 )</b>	-

Reconciliation between the nominal tax rate and the effective tax rate in 2016 and 2015 was as follows:

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
Income before tax		( 216,877 )		( 216,877 )
Income tax calculated at nominal rate - Tax losses	21.00%	( 5,588 )	0.00%	-
Deferred tax assets - Tax losses	0.00%	-	21.00%	( 45,552 )
Effective tax rate	21.00%	( 5,588 )	21.00%	( 45,552 )

In 2016 the Company presented tax losses of EUR 26,604. However, no deferred tax asset was registered, since as part of the SRTCG this tax loss is consumed in 2016 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.

The Company has reportable tax losses of EUR 45,552 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 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts payable for other operations</b>		
Group companies	4,657,380	9,593
Suppliers' current accounts	56,733	61,500
	<b>4,714,113</b>	<b>71,093</b>

## 8. Accruals and Deferrals

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accrued expenses</b>		
Commissions payable	-	10
Audit	9,840	61,500
Others	35,766	97,250
	<b>45,606</b>	<b>158,760</b>

## 9. Paid-In Capital

At 31 December 2016, 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.

## 10. Reserves, Retained Earnings and Income for Year

At 31 December 2016 and 2015, reserves and retained earnings were as follows:

(amounts in euros)

	2016	2015
Other reserves		
Legal reserve	305	305
Other reserves	2,735	2,735
	<b>3,040</b>	<b>3,040</b>
Retained earnings	(171,325)	-
Net income for the year	(21,017)	(171,325)
	<b>(189,302)</b>	<b>(168,285)</b>

The amount of legal reserve and other reserves result from appropriation of income of 2014.

Under current legislation, a percentage of not less than 5% of the Net Income must be transferred to the legal reserve, until it reaches the amount of 20% share capital. The legal reserve may not be distributed, but only used to increase share capital or offset accumulated losses.

## 11. Financial Expenses

In 2016 and 2015, the Company operating costs, by type, are as follows:

(amounts in euros)

	2016	2015
Employee costs (Note 12)	-	(1,593)
External supplies and services		
Expenditure with self-employed workers	-	62
Consultancy	92,250	92,250
Auditors	123,000	123,000
Other specialist work	(187,791)	2,459
Others	81	-
	<b>27,540</b>	<b>216,178</b>

In 2016 and 2015 profit and loss statements, these costs were as follows:

(amounts in euros)

	2016	2015
<b>Non technical account</b>		
Financial expenses	27,540	216,178
<b>Total operating costs allocations</b>	<b>27,540</b>	<b>216,178</b>

## 12. Employee Costs

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Remuneration expenses	-	(1,593)
	-	<b>(1,593)</b>

In 2015, estimates to cover costs of the Single Social Security Contribution (TSU) were cancelled, since the members of the company's management and supervisory bodies are not remunerated.

## 13. Income

In 2016 and 2015, the investment income headings were composed as follows:

(amounts in euros)

	2016	2015
<b>Investment not allocated</b>		
Sight deposits in credit institutions	-	(148)
	-	<b>(148)</b>

## 14. Other Income / Expenses

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Financial income and gains</b>		
Exchange rate gains	3,420	1,447
	<b>3,420</b>	<b>1,447</b>
<b>Non-current expenses and losses</b>		
Other expenses		
Insufficient tax estimate	-	37
	<b>-</b>	<b>37</b>
<b>Financial expenses and losses</b>		
Interest paid	-	(1)
Exchange rate losses	(1,834)	(1,447)
Banking services	(650)	(587)
	<b>(2,484)</b>	<b>(2,035)</b>
	<b>936</b>	<b>(551)</b>

## 15. 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 2016 and 2015 the Company's financial statements include the following balances and transactions with related parties, excluding the management bodies:

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)
<b>Assets</b>								
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	-
<b>Liabilities</b>								
Accounts payable for other operations	151,113	-	-	840,682	-	481,180	-	-
<b>Gains and Losses</b>								
Other income/expenses	(149)	-	-	-	-	-	-	(356)

(continued)

(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
<b>Assets</b>								
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
<b>Liabilities</b>								
Accounts payable for other operations	-	3,183,405	-	-	-	-	1,000	4,657,379
<b>Gains and Losses</b>								
Other income/expenses	-	-	-	-	-	149	-	(356)

2015

(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)	Caixa Geral de Depósitos, S.A. (5)	Fosun International Ltd (1)	Total
<b>Assets</b>						
Cash and cash equivalents	-	-	-	78	-	78
Investments in subsidiaries	1,541,964,100	39,420,236	17,400,523	-	-	1,598,784,859
Accounts receivable for other operations	1,842	-	-	-	-	1,842
<b>Liabilities</b>						
Accounts payable for other operations	-	-	-	-	8,593	8,593
<b>Gains and Losses</b>						
Other income/expenses	149	-	-	(422)	(149)	(422)

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.

In 2016, no remuneration or benefits were paid to the members of the Corporate Bodies.

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, related to 2016, amount to EUR 67,500, EUR 50,000 of which are related to the Statutory Audit and EUR 17,500 to compliance and assurance services.

## 16. 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.

# **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 make public its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2016 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 the nominal value of 1 euro each, which are fully subscribed and paid up. All the shares grant 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 2016, 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 to the number of votes which 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 2016, 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
Millennium 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 2016, the members of the management and supervisory bodies did not hold 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.

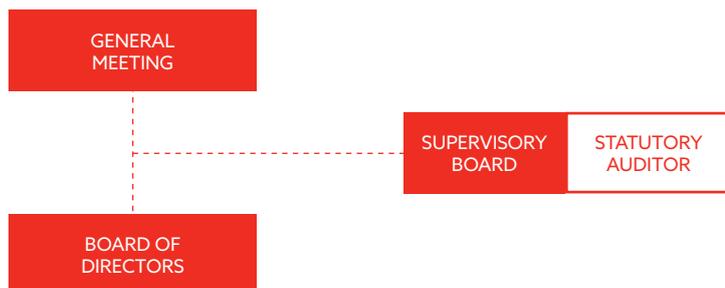
## **14. Composition of the board of directors, with an indication of the articles of association's minimum and maximum number of members, duration of the mandate, number of effective members, date when first appointed and duration of the mandate of each member**

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 2016, the Board of Directors was composed of:

<b>Members of the Board of Directors (BD)</b>	<b>Position</b>	<b>Date of Appointment to Mandate</b>	<b>Duration of Mandate</b>	<b>Observations</b>
Guoqi Ding	Chairman	13-02-2014	2014/2016	Executive
Xuetang Qin	Member	13-02-2014	2014/2016	Executive

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



#### **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 charged 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 2014-2016.

The Company's Articles of Association establish 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 2016:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Xiaolei Hu	Chairman	26-09-2014	2014/2016
Lijun Shao	Member	26-09-2014	2014/2016
Xiao Lei Chi	Member	29-05-2015	2014/2016
Pei Yu	Replacement	26-09-2014	2014/2016

## 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.

## C. INTERNAL ORGANISATION

### I. Articles of Association

#### 19. 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

#### 20. 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**

#### **21. 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.

Accordingly, key functions across the Group are defined in the areas of risk management, internal audit, actuarial and compliance, as part of the risk management and internal control systems, which are ensured by the Risk Management Division, the Internal Audit Division and the Compliance Office.

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.

These new rules introduced significant, wide-ranging changes related to the assessment and management of risk, the governance system and reporting requirements.

As part of the preparation for their application, which began on 1 January 2014, a global risk management system was developed, to meet the planned requirements.

The implementation of this system, besides complying with the rules applicable to the insurance activity, was always regarded as an opportunity to improve the procedures for the assessment and management of risk, thereby contributing to maintaining the solidity and stability of the insurance group.

The Fidelidade Group headed by Longrun 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.

Regarding the reporting requirements set out in the new solvency rules, as part of the initial reporting, with the reference date of 1 January 2016, the Company sent annual information contained in the quantitative report templates – QRT – and the respective qualitative information, which was subject to certification by the statutory auditor and by the chief actuary, pursuant to the regulations issued by the ASF, namely Regulatory Standard No. 5/2016 –R, of 12 May.

Quarterly quantitative reporting under Solvency II also began in 2016.

The annual own risk and solvency assessment (ORSA) was conducted and the results reported to the ASF in the respective supervision report.

The measures adopted during the preparatory phase of application of the new Solvency II rules, and the activities, which are still ongoing, to consolidate their application, ensures that Longrun currently complies comfortably with these new rules.

## **22. 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.

## **23. 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 2016 Management Report, in particular in the Notes to the Financial Statements.

# **IV. Internet Site and Provision of Information on the Company**

## **24. Address(es)**

The Company does not have an Internet site.

## **25. 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.

## **26. 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.

## **27. 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.

## **28. 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 with 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 available at the Company's Head Office.

# **D. REMUNERATION**

## **I. Competence to determine**

### **29. 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**

### **30. 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 these come into existence in the future, will be 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.

Given the above, it is not necessary to assess the level of compliance with the recommendations contained in Circular No. 6/2010, of 1 April, from the then Portuguese Insurance Institute, now the Supervisory Authority for Insurance and Pension Funds, regarding the remuneration policy.

### **III. Disclosure of Remunerations**

#### **31. 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.

#### **32. Compensation paid or owed to former executive directors concerning contract termination during the year**

No executive director terminated their functions during the year.

#### **33. 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 members of Supervisory Bodies do not receive remuneration for the performance of their functions.

#### **34. 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**

#### **35. Reference to the existence and description, with an indication of the sums involved, of agreements between the company and members of the management body, which provide for compensation in the event of resignation or unfair dismissal or termination of the employment following a change in the control of the company (article 245-A, (1) I)**

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the company.

## **V. Share allocation or stock option plans**

### **36. Identification of the plan and respective recipients**

There are no plans with these characteristics.

### **37. Stock options for employees and company staff**

There are no stock options for employees.

## **E. RELATED PARTY TRANSACTIONS**

### **I. Control mechanisms and procedures**

#### **38. 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.

#### **39. Indication of the transactions which were subject to control in the year in question**

All transactions with related parties were subject to control.

#### **40. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of prior assessment of the business to be conducted between the company and holders of qualifying shares or entities which are in any kind of relationship with them, pursuant to article 20 of the securities code**

Operations to be performed between the Company and holders of qualifying shares or entities which are in any kind of relationship with them are subject to assessment and a decision of the Board of Directors, and these operations, like all others performed by the Company, are subject to supervision by the Supervisory Board.

### **II. Information on the transactions**

#### **41. Indication of the location of accounting information including information on transactions with related parties**

Information on transactions with related parties is included in the financial statements.

