FIDELIDADE
COMPANHIA DE SEGUROS, S.A.

Solvency and Financial Condition Report

2019

Certified by the Statutory Auditor and Responsible Actuary

Summary

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

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

The quantitative information[1] to be disclosed together with this report is laid down in Articles 4 and 5 of Commission Implementing Regulation (EU) No. 2015/2452, of 2 December 2015, amended and rectified by Commission Implementing Regulation (EU) No. 2017/2190, of 24 November 2017.

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

Business and performance

The Fidelidade Group operates in the Portuguese market through its different insurance companies (Fidelidade, Via Directa and Companhia Portuguesa de Resseguro). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia, Fidelidade Macao (Non-Life segment), the La Positiva Group and Fid Chile.

Fidelidade also maintains close ties with other insurance companies that have a similar shareholder structure, Multicare and Fidelidade Assistência. In both cases, these insurers operate in a fully coordinated manner with Fidelidade in order to guarantee a robust offer of products and services.

The Fidelidade Group also has strategic shares in companies providing related services, for example Luz Saúde (the leading healthcare provider group in Portugal).

In 2019, Fidelidade held its position as market leader in both the Life and Non-Life segments, recording an overall market share of 25.0%, although this corresponds to a decrease of 9.3 pp compared to the previous year, originating from the financial products component.

In the Life segment, which is heavily influenced, as a whole, by the behaviour of financial products, it is important to highlight that Fidelidade increased its market share for Life Risk products.

In the Non-Life segment, Fidelidade's commercial performance in the Portuguese market surpassed the positive trend of the market as a whole, with the Company strengthening its market share by 0.4 pp to 26.7%.

In 2019, Fidelidade reported a net profit of EUR 144 million, which represented a decrease of 48% when compared to previous year, influenced by a fall in investment income. This was directly related with the evolution of capital gains made on investments, since, in 2018, a real estate portfolio restructuring programme was completed, leading to the sale of a number of investment properties.

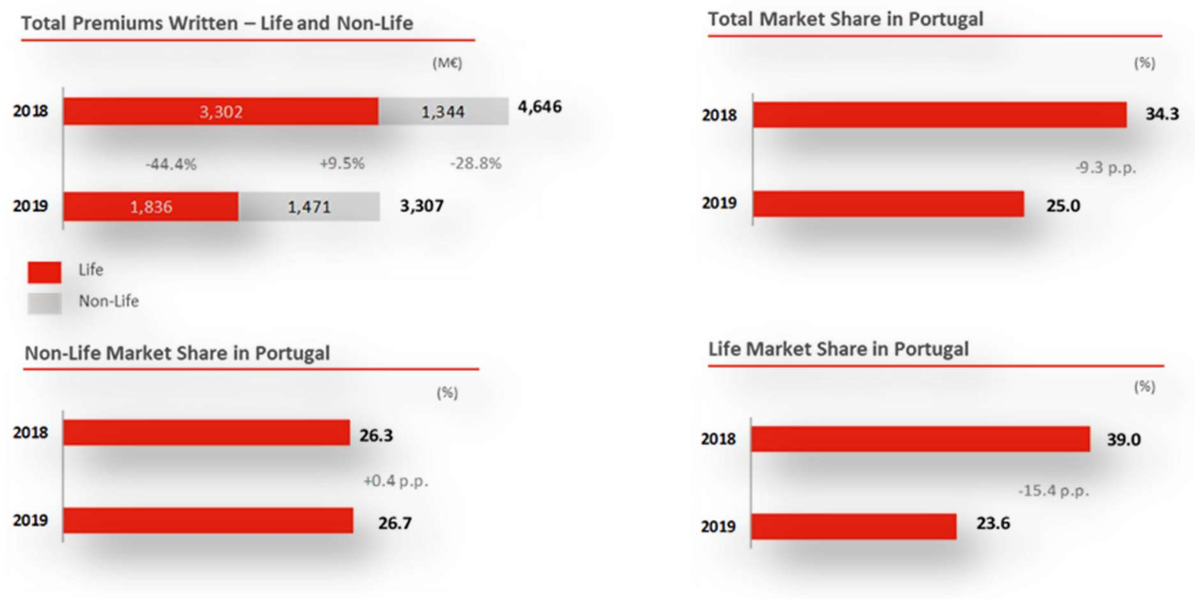
The combined ratio was 96.7% in 2019, 2.1 pp lower than in the previous year, influenced by positive development of the claims ratio, reflecting cautious claims management together with a strict underwriting policy.

[1] Quantitative information on monetary amounts is presented in thousands of euros, and in some circumstances the tables and graphs may present totals which do not correspond precisely to the sum of the parts, due to rounding up or down of those parts.

Key indicators in 2019 are:

In 2019, a year marked by the trends previously referred to, Fidelidade had positive performance, recording total premiums written of EUR 3,307 million.

Regarding the activity in Portugal, Fidelidade registered EUR 3,056 million, which represented a decrease of 31.3% compared to previous year, originating from the Life segment and thus following the general trend in the market. This figure for total premiums equated to a total market share of 25.0%, allowing Fidelidade to maintain its position as clear market leader.

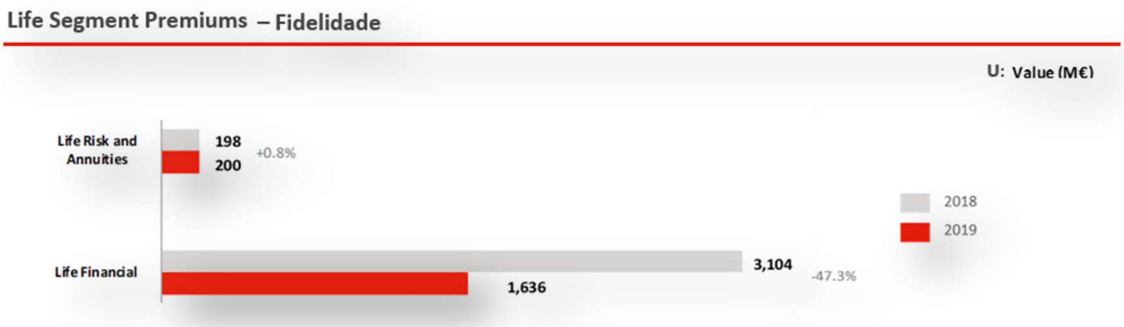


<u>Life Segment</u>

In 2019, Fidelidade saw a decrease in premiums in the Life segment, reflecting, on one hand, market conditions for financial products and the climate of low interest rates, and, on the other, the fact that in 2018 Fidelidade recorded particularly high premiums, enabling it to achieve a market share of almost 40%.

Overall, Fidelidade attained premiums of EUR 1,836 million, a decrease of 44.4% compared to 2018, as a result of the business in Portugal, also reflecting the general decrease in the market.

Despite the fall in premiums, Fidelidade is the clear leader in the Portuguese market, with a market of share of 23.6%.

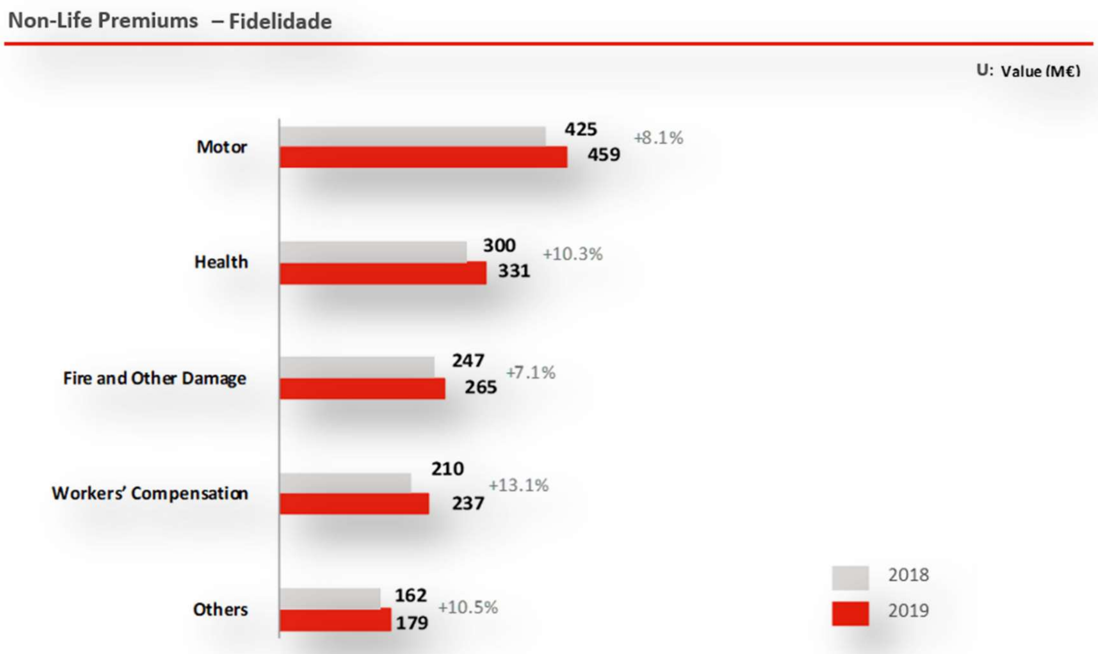


Non-Life Segment

In 2019, Fidelidade's performance was notable in the Non-Life segment, with growth of 9.5% compared to the previous year, totalling EUR 1,471 million in premiums written.

Fidelidade's commercial performance in Portugal exceeded the positive trend of the market in general, enabling it to strengthen its leadership position, increasing its market share by 0.4 pp to 26.7%.

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



International

Fidelidade operates internationally through branches in Spain, France, Luxembourg, Macao and Mozambique.

In 2019, the total direct insurance premiums of the Fidelidade branches reached EUR 251.7 million, up 29.3% compared to the previous year. This evolution reflects growth across most of the branches, but the Macao branch did particularly well, recording growth in Life premiums of around 129%, an increase of EUR 48.4 million compared to the previous year, continuing to benefit from the highly positive performance in Life Financial sales.

In addition, there was significant growth in Non-Life premiums at the Mozambique branch (up around 37% to EUR 8.7 million).

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

System of governance

The Company has well-defined corporate governance and internal governance structures which are appropriate to its business strategy and operations. There is clear delegation of responsibilities, reporting lines and allocation of functions.

Key functions of risk management, internal audit, actuarial and compliance are defined as part of the risk management and internal control systems.

The Remuneration Policy applicable to Fidelidade's corporate bodies is based on principles which promote the Company's long-term sustainability, effective management and control of the risks it has assumed, and alignment with the Company's own interests and those of its shareholders, policyholders, insured persons, participants and beneficiaries.

The Company has processes to assess the fit and proper requirements of the people who effectively run the company, supervise it, are its managers or perform key functions within it.

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

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

The Company's ORSA Policy, reviewed in 2019 (and unaltered), aims to establish general principles for the own risk and solvency assessment. The ORSA plays a critical role in company management, and the results obtained from it are taken into consideration in the company's Risk Management, in Capital Management and in Decision Making.

The rules and principles that the Company's internal audit function must comply with are established in the Internal Audit Policy.

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

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

The Company has an Assets and Liabilities Management Committee (ALCO). The main objectives of this Committee are to supervise the asset / liability situation, the investments portfolio and market risks.

During 2019, a consolidated effort was made to review Fidelidade's international governance model. Emphasis was placed on developing an agile corporate platform which can take advantage of existing knowledge and experience within Fidelidade, by means of a corporate model focused on supporting international operations. This model naturally involves both technical and functional areas, and ensures greater proximity, but above all greater alignment between the activity in the branches and the strategy defined by Fidelidade.

There were no material changes in the Company's governance during the period covered by this report.

However, the following aspects which are mentioned throughout this report should be highlighted:

- In August, the Executive Committee approved the Reinsurance Policy;
- In December, the Executive Committee approved a review of the Investments Policy;
- In December, the Executive Committee approved a review of the Asset and Liability and Liquidity Risk Management Policy;
- In December, the Executive Committee approved the Internal Audit Policy.

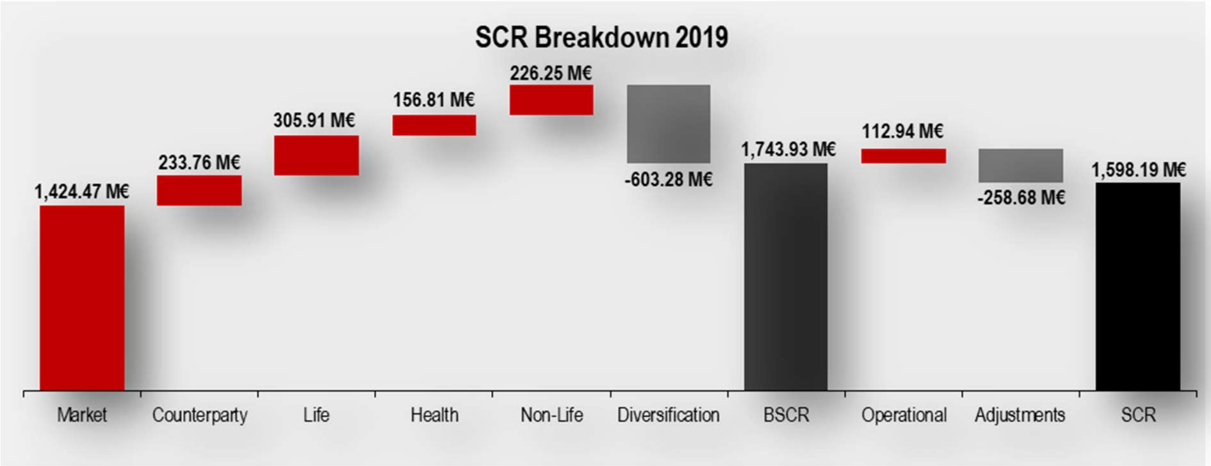
Risk profile

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

Accordingly, to outline its risk profile, the Company identifies the various risks to which it is exposed and then assesses these.

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

Hence, the calculation of the Company's solvency capital requirement (SCR) as at 31 December 2019 was as follows:



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

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

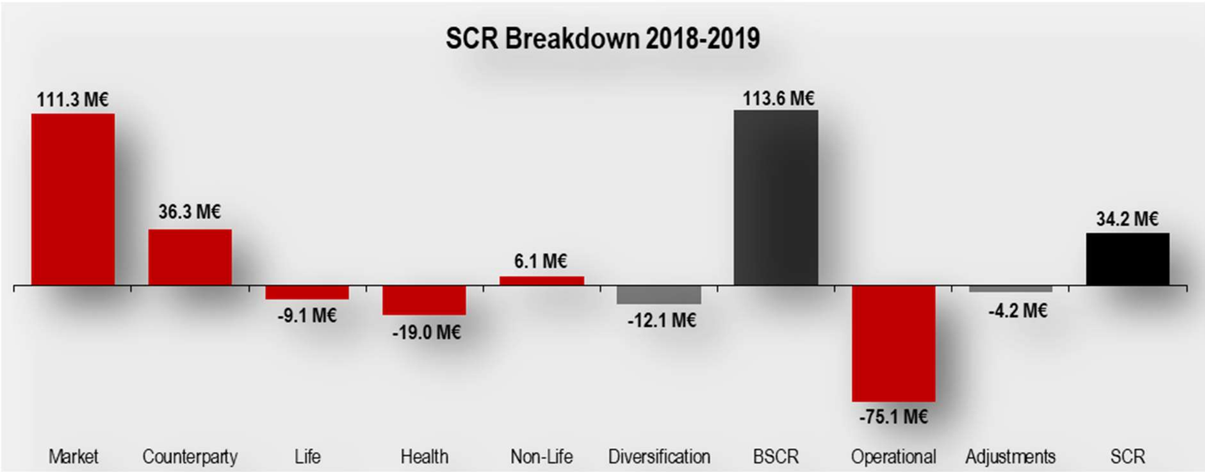
Risks which do not fall within the standard formula are identified as part of the ORSA process.

The Company recognises the following risks as potentially material risks: reputational risk, strategic risk, business (continuity) risk and legal risk.

Since 2018, the Company has recognised adjustment for the loss-absorbing capacity of deferred taxes, not only relating to the impact on deferred tax liabilities, but also the impact on deferred tax assets, in this case using exclusively the effect deriving from temporary differences and not the recovery of tax losses.

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

During the period covered by this report, there was an increase in the Company's risk profile, consolidated in an increase in the solvency capital requirement (SCR) of around EUR 34.2 million, when compared with the figure at 31 December 2018.



This increase was mostly due to the evolution of the market risk.

The fall in the equity risk is largely explained by the fact that the Company began to apply a transparency-based approach to two significant exposures, namely Fidelidade Property Europe and Fidelidade Property International, as a result of the amendments recently made to the Delegated Regulation that extended the scope of application of this mechanism. This also explains much of the substantial increase in the real estate risk, since these two entities manage the Company's real estate investments, and the majority of their assets are properties.

<u>Valuation for solvency purposes</u>

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

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference	Solvency II previous year
Financial assets	15,075,688	15,207,381	**(131,693)**	**14,170,944**
Real estate assets	424,024	422,506	**1,518**	**434,373**
Other assets	968,882	965,644	**3,238**	**1,356,807**
Reinsurance recoverables	172,224	266,113	**(93,889)**	**213,853**
Total	**16,640,818**	**16,861,644**	**(220,826)**	**16,175,977**

In financial assets, the main difference is in the following class of asset:

Holdings in related undertakings, including participations

This results from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM) (net, the total value of these holdings for solvency purposes fell by EUR 143,822 thousand).

The total difference includes the impact of valuation of Luz Saúde using the Adjusted Equity Method (AEM) (the value of this holding for solvency purposes decreased by EUR 161,708 thousand).

In the reinsurance recoverables class, the differences result from the method applied to calculate the best estimate, which uses assumptions that are not considered in the financial statements, such as:

- Probability of counterparty default;
- Consideration of the effects of inflation;
- Discounting of estimated liabilities;
- Method for calculating the provision for premiums

The differences between the amounts for solvency purposes in 2018 and those in 2019 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the assets for solvency purposes.

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

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

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life	11,080,763	11,393,034	**(312,271)**	**10,891,113**
Non-Life	690,381	968,878	**(278,497)**	**722,579**
Health – SLT	1,044,836	890,011	**154,825**	**898,998**
Health – NSLT	191,549	213,367	**(21,818)**	**188,818**
Total	**13,007,529**	**13,465,290**	**(457,761)**	**12,701,508**

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

The differences between the amounts for solvency purposes in 2018 and those in 2019 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the technical provisions for solvency purposes.

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the Company applied the transitional deduction to technical provisions on the first day of 2019. The table below shows the amount of that deduction at 31 December 2019:

Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Transitional Deduction			Recalculation 1/1/2019	Difference
		Amount at 1/1/2016	Decrease	Amount at 31/12/2018		
29 and 33	Life insurance liabilities - Health – SLT	325,545	(40,693)	**284,852**	256,882	**(27,970)**
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	(25,689)	**179,819**	137,145	**(42,674)**
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	(49,224)	**344,568**	192,764	**(151,804)**
Total		**924,845**	**(115,606)**	**809,239**	**586,791**	**(222,448)**

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

Amounts in thousand euros

Liabilities	Solvency II	Financial statements	Difference	Solvency II previous year
Contingent liabilities	0	0	**0**	**0**
Provisions other than technical provisions	61,648	61,648	**0**	**47,063**
Pension benefit obligations	85	85	**0**	**83**
Deposits from reinsurers	126,008	126,008	**0**	**130,779**
Deferred tax liabilities	340,560	120,469	**220,091**	**346,364**
Derivatives	102,856	104,020	**(1,164)**	**52,237**
Debts owed to credit institutions	938	47	**891**	**2,025**
Financial liabilities other than debts owed to credit institutions	37,559	37,559	**0**	**0**
Insurance and intermediaries payables	80,773	87,197	**(6,424)**	**62,134**
Reinsurance payables	62,502	75,045	**(12,543)**	**46,024**
Payables (trade, not insurance)	61,060	61,060	**0**	**72,454**
Subordinated liabilities	0	0	**0**	**0**
Any other liabilities, not elsewhere shown	117,929	117,929	**0**	**105,673**
Total	**991,918**	**791,067**	**200,851**	**864,836**

The main difference, by class of liabilities, is:

Deferred tax liabilities

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

The differences between the amounts for solvency purposes in 2018 and those in 2019 reflect the evolution of the Company's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

Capital management

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

Amounts in thousand euros

	Solvency II	Financial statements	Difference	Solvency II previous year
Assets	16,640,818	16,861,644	**(220,826)**	**16,175,977**
Technical Provisions	13,007,529	13,465,290	**(457,761)**	**12,701,508**
Other liabilities	991,918	791,067	**200,851**	**864,836**
Excess of assets over liabilities	**2,641,371**	**2,605,287**	**36,084**	**2,609,633**

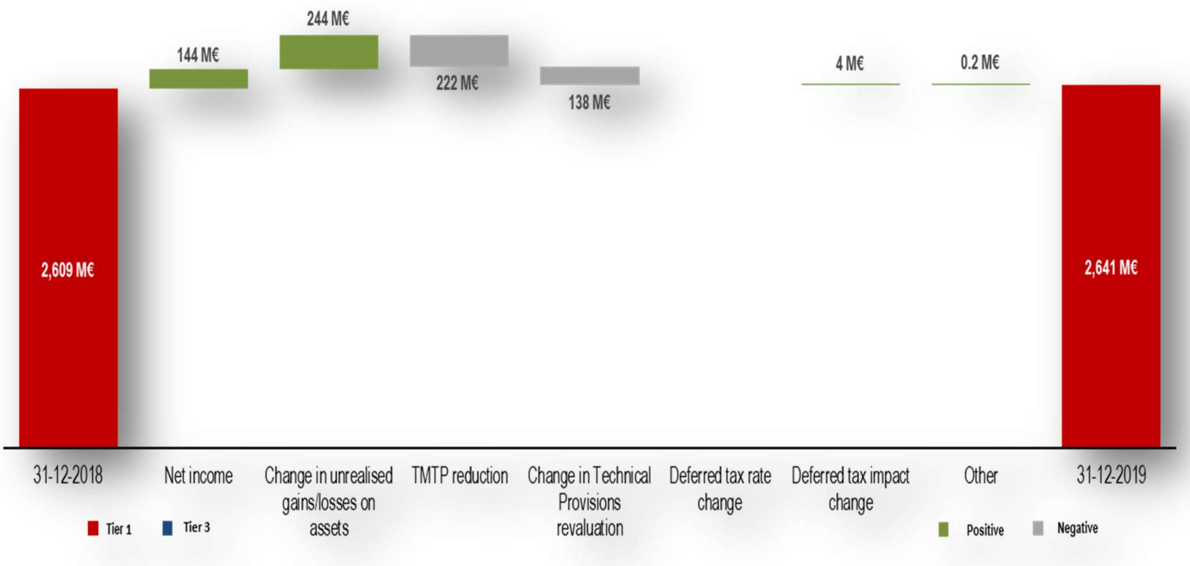
Regarding the structure, amount and tiering of basic own funds, the Company does not have any ancillary own funds and all the basic own funds are classified as Tier 1.

The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31 December 2019 and 31 December 2018:

Amounts in thousand euros

	Available own funds to meet				Eligible own funds to meet			
	SCR	SCR previous year	MCR	MCR previous year	SCR	SCR previous year	MCR	MCR previous year
Tier1	2,641,222	**2,609,484**	2,641,222	**2,609,484**	2,641,222	**2,609,484**	2,641,222	**2,609,484**
Tier 2	0	**0**	0	**0**	0	**0**	0	**0**
Tier 3	0	**0**	0	**0**	0	**0**	0	**0**
Total	**2,641,222**	**2,609,484**	**2,641,222**	**2,609,484**	**2,641,222**	**2,609,484**	**2,641,222**	**2,609,484**

The graph below shows the main changes to the Company's available own funds during the period covered by this report:



TMTP – Transitional measure on technical provisions

When calculating the Solvency Capital Requirement (SCR), the Company uses the standard formula and does not apply any internal model.

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

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

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

When calculating the Solvency Capital Requirement (SCR), the Company uses the standard formula set out in Articles 119 to 129 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, and does not use simplified calculations or undertaking specific parameters.

The minimum capital requirement was calculated in line with that set out in Article 147 of the above Framework.

The solvency capital requirement (SCR) and the minimum capital requirement (MCR), and the respective coverage ratios, relating to 31 December 2019 and 31 December 2018 were:

Amounts in thousand euros

	Capital Requirements	Capital Requirements previous year	Coverage Ratio	Coverage Ratio previous year
SCR	1,598,187	1,564,023	165.26%	166.84%
MCR	463,647	442,420	569.66%	589.82%

The SCR coverage ratio fell slightly as the small increase in the available own funds was proportionally lower than the increase in capital requirements.

Lastly, it should be stressed that if the Company did not apply the transitional deduction to technical provisions, the solvency capital requirement (SCR) and the minimum capital requirement (MCR) would be 129.86% and 445.10%, respectively.

Fidelidade has been following the effect of the Coronavirus / COVID-19 pandemic on its solvency ratio, and the most recent analyses indicate that the Company has Eligible Own Funds comfortably above the Solvency Capital Requirement.

A. Business and Performance

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

Notwithstanding, comparisons with the information included in the 2018 report are presented throughout this chapter.

A.1. Business

A.1.1. Name and legal form of the Company

Fidelidade - Companhia de Seguros, S.A. (“Fidelidade” or “Company”), with its head office in Lisbon, at Largo do Calhariz, 30, is a public limited liability company, resulting from the merger by incorporation of Império Bonança - Companhia de Seguros, S.A. in Companhia de Seguros Fidelidade-Mundial, S.A., in accordance with the public deed dated 31 May 2012, which produced accounting effects with reference to 1 January 2012. The operation was authorised by the Portuguese insurance regulator (”Autoridade de Supervisão de Seguros e Fundos de Pensões” or “ASF”) by a resolution of its Board of Directors dated 23 February 2012. From 15 May 2014, with the initial acquisition of Fidelidade share capital, the Fidelidade Group, through Longrun Portugal, SGPS, S.A., became part of Fosun International Holdings Ltd.

The Company’s corporate purpose is the performance of the insurance and reinsurance business in all technical lines of business, pursuant to the respective statute governing its activity.

A.1.2. Supervisory authority responsible for financial supervision of the Company

The Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF, the Portuguese Insurance and Pension Funds Supervisory Authority), with its head office at Av. da República, 76, 1600-205 Lisbon, is the national authority responsible for the regulation and supervision of insurance, reinsurance, pension funds and respective management companies and insurance mediation companies, from both a prudential and a market conduct point of view.

For the purposes of supervision of Insurance Groups, the ASF is also the supervisor of the group to which the Company belongs.

A.1.3. The Company’s Statutory Auditor

The Statutory Auditor, at 31 December 2019, is Ernst & Young Audit & Associados – SROC, S.A., represented by its partner Ricardo Nuno Lopes Pinto, Statutory Auditor no. 1579 and registered with the Portuguese Securities Market Commission under license no. 20161189.

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

Besides the required statutory audit work, Ernst & Young Audit & Associados – SROC, S.A. provide the following services required by law:

- Certification of the Solvency and Financial Condition Annual Report pursuant to Regulation No. 2/2017-R, of 24 March;
- Review of the Annual Report on the Organisational Structure and Risk Management and Internal Control Systems pursuant to Circular No. 1/2017 of the ASF.

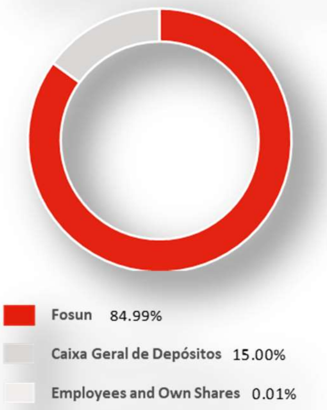
Besides the services above-mentioned, Ernst & Young Audit & Associados – SROC, S.A. does not provide other type of services on a recurring basis to the Company, or the companies controlled by it.

However, when these other services are provided, this is in strict compliance with the procedures defined in law, namely in Law No. 140/2015, of 7 September.

A.1.4. Holders of qualifying holdings

Fidelidade's current shareholder structure is the result of the privatisation process which took place in 2014. Fosun now holds approximately 84.99% of the capital, and CGD holds a 15.00% share. The complementary relationship and ambition of these two key shareholders provide a guarantee of the stability and dynamism of the Company's operations.

Shareholder Structure



Description of the Major Shareholders

Fosun
Chinese investment conglomerate of global dimension, focused on the insurance industry and present in several different business sectors.

Caixa Geral de Depósitos
Portuguese state bank, considered the largest financial institution in Portugal, with approx. 4 million clients and with presence in more than 20 countries

The qualifying shares in Fidelidade's share capital, at 31 December 2019, are set out in the following table.

Shareholder	Number of Shares	% Share Capital	% Voting Rights
Longrun Portugal, SGPS, S.A.	123,403,140	84.9884%	84.9884%
Caixa Geral de Depósitos, S.A.	21,780,000	15%	15%
Total	**145,183,140**	**99.9884%**	**99.9884%**

At 31 December 2019, the members of the management and supervisory bodies did not hold shares in the Company.

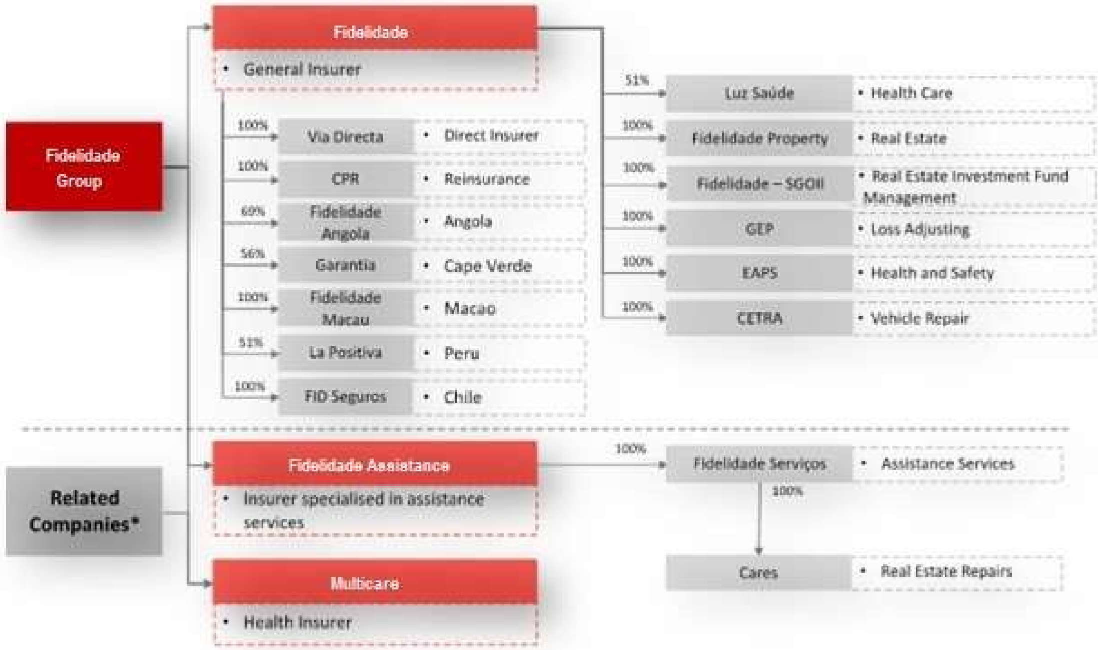
A.1.5. Position of the Company within the insurance group structure to which it belongs

The Fidelidade Group operates in the Portuguese market through its different insurance companies (Fidelidade, Via Directa and Companhia Portuguesa de Resseguro). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia, Fidelidade Macao (Non-Life segment), the La Positiva Group and Fid Chile.

Fidelidade also maintains close ties with other insurance companies that have a similar shareholder structure, Multicare and Fidelidade Assistência. In both cases, these insurers operate in a fully coordinated manner with Fidelidade in order to guarantee a robust offer of products and services.

Lastly, the Fidelidade Group also has strategic shares in companies providing related services, for example Luz Saúde (the leading healthcare provider group in Portugal).

These interests are in line with an approach of vertical integration in the insurance sector and fit within the 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.



* Partner companies with a similar shareholder structure (Fosun: 80% and CGD: 20%), but not owned by Fidelidade

A.1.6. Company Business

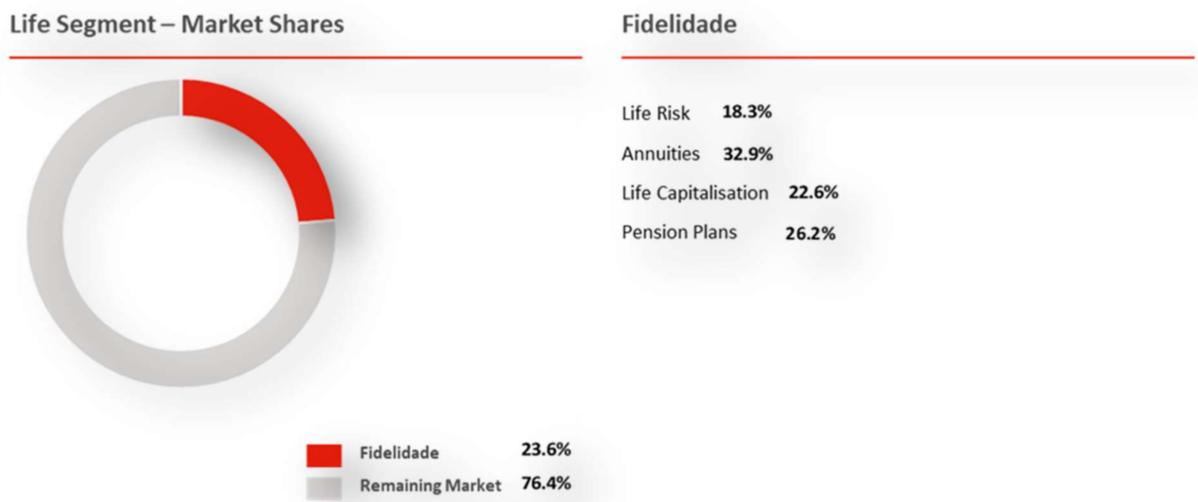
Fidelidade acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, including increasing growth of remote channels.

Key indicators in 2019 are:

In 2019, Fidelidade held its position as market leader in both the Life and Non-Life segments, recording an overall market share of 25.0%, although this corresponds to a decrease of 9.3 pp compared to the previous year, originating from the financial products component.

In the Life segment, which is heavily influenced, as a whole, by the behaviour of financial products, it is important to highlight that Fidelidade increased its market share for Life Risk products.

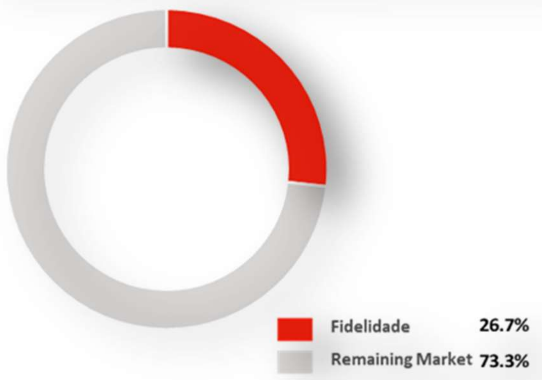
In fact, the success recorded for Life Risk products reflects not only the recent evolution in mortgages, but also the success of the focus on new solutions adapted to the current social and economic context. 2019 saw further consolidation of the success of both the *Proteção Vital da Família* product, an innovative life insurance that accompanies families throughout their life cycle, and the *Proteção Vital 65+* product, an insurance dedicated to the needs of the over-65s and that aims to remove the burden on families of bearing funeral costs and managing tasks associated with funeral services, while also providing peace of mind on this subject.



In the Non-Life segment, Fidelidade's commercial performance in the Portuguese market surpassed the positive trend of the market as a whole, with the Company strengthening its market share by 0.4 pp to 26.7%.

This evolution reflects the positive performance of virtually all the lines of businesses. Of particular note was the increase in share in some highly competitive lines of business, in particular Workers' Compensation (0.3 pp), Motor (0.3 pp) and Health (0.5 pp).

Non-Life Segment – Market Shares



Fidelidade

Motor **25.6%**

Workers' Compensation **26.4%**

Personal Accidents **14.0%**

Health **36.6%**

Home Insurance **22.5%**

Commercial and Industrial Property **28.8%**

Other Fire and Other Damage **37.4%**

Third Party Liability **26.0%**

Transports **34.3%**

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

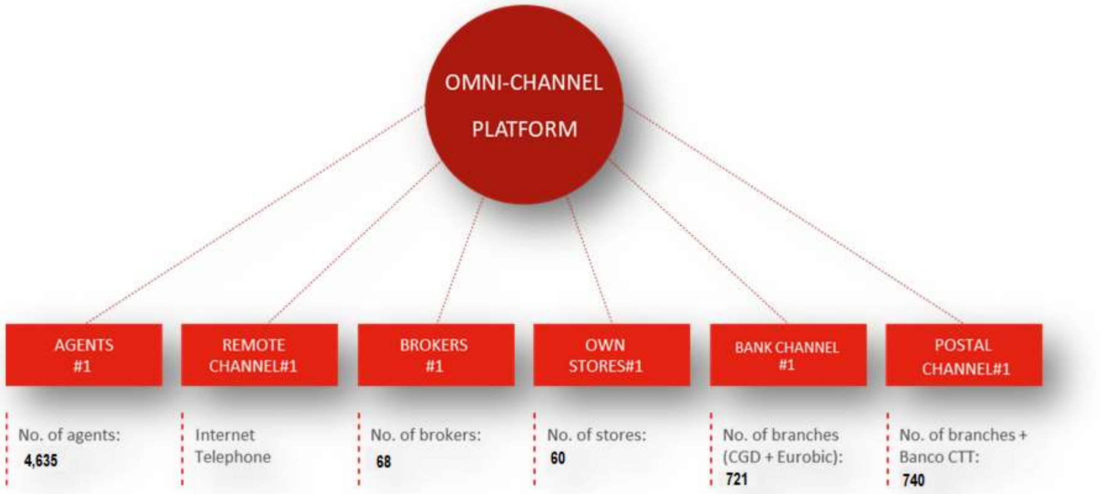
Fidelidade has a wide range of products and services available to its clients, resulting from its vast accumulated experience and from the constant search for insurance innovations.

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

The 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.

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

Capitalising on its strong presence in the various distribution channels, Fidelidade 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 international business is an important means of sustained growth and pursuit of medium and long-term goals. The Company has a direct presence, through local branches, in three continents and five countries.

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


PORTUGAL
• Head office and main centre of operations
• Market leader with global share of 25.5%
SPAIN
FRANCE/
LUXEMBOURG
• Focus on the Portuguese community and their descendants.
MACAO LIFE/
MACAO NON-LIFE
• Fidelidade's presence in Asia
• 4th largest company in Life
CAPE VERDE
• Majority share in Garantia, market leader with approximately 60% of global share
PERU
and Bolivia
CHILE
• Operation launched in December 2019 through the insurance company
ANGOLA
• Majority share in Fidelidade Angola
MOZAMBIQUE
• Operation launched in December 2014 for the Life and Non-Life segments
Portugal
International

A.1.7. Events summary 2019

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

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

A.2. Underwriting performance

A.2.1. Evolution of the Portuguese insurance market

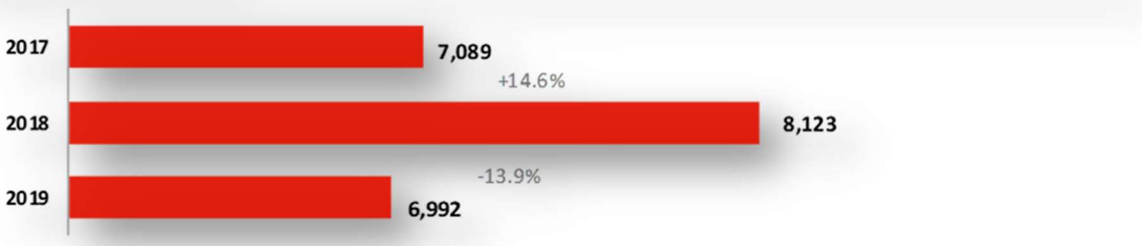
In 2019, the Life segment recorded a drop in direct insurance premiums of 13.9% compared to the previous year, which represents a decrease in premiums of around EUR 1.1 billion to EUR 7.0 billion. The performance of financial products was the main cause for this decline in total premiums for this segment.

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

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

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

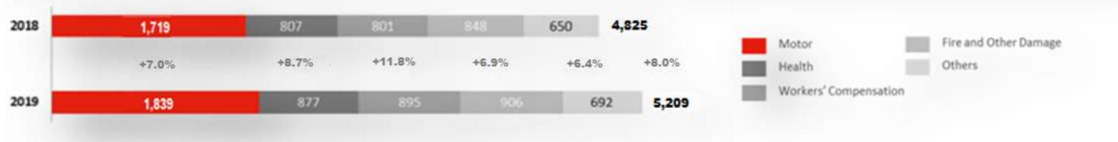
Life Insurance Premiums



Unit: M€
Source: ASF

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

Non-Life Insurance Premiums



Unit: M€
Source: ASF

In 2019, the Workers' Compensation line of business continued to display double-digit growth (+11.8%), reflecting the effect of growth in economic activity, with a positive impact on the wage bill and a decrease in the unemployment rate, as well as tariff adjustments that the Companies have been implementing in recent years to rebalance the technical results. This important development in recent years has meant that this line of business is now the second most important in the Non-Life segment (overtaking the Health line of business).

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

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

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

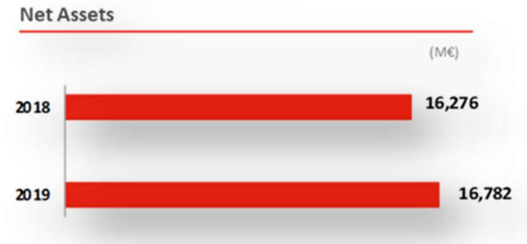
The Fire and Other Damage line of business, where Home Insurance products are particularly significant, displayed robust growth of 6.9%, with total premiums of EUR 906 million. Increases in business investment and buoyancy in residential construction in 2019 were important factors in this evolution.

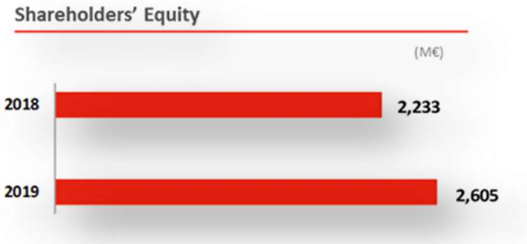
The other less significant lines of business in the Non-Life segment also grew when compared to the previous year. Their aggregate increased 6.4%, totalling EUR 692 million.

A.2.2. Fidelidade's Performance

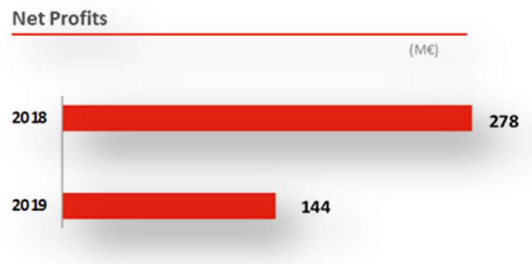
In 2019, Fidelidade reported a net profit of EUR 144 million, which represented a decrease of 48% when compared to 2018, influenced by a fall in investment income. This was directly related with the evolution of capital gains made on investments, since, in 2018, a real estate portfolio restructuring programme was completed, leading to the sale of a number of investment properties.

The combined ratio was 96.7% in 2019, 2.1 pp lower than in the previous year, influenced by positive development of the claims ratio, reflecting cautious claims management together with a strict underwriting policy.



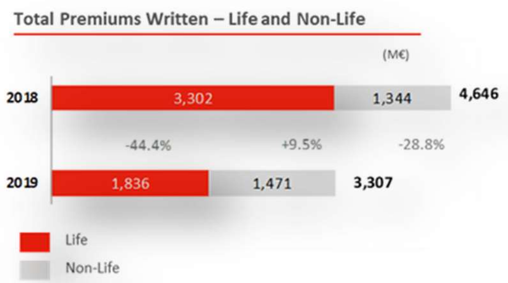


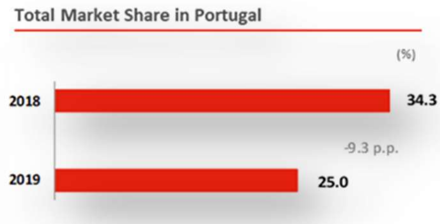
* Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

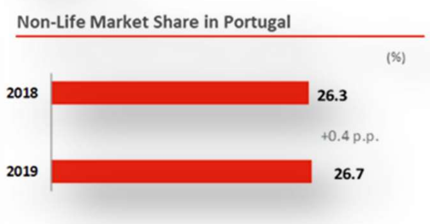


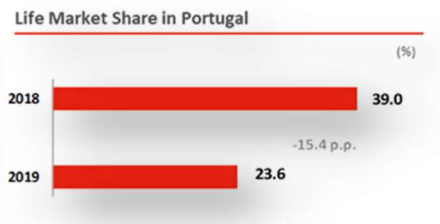
In 2019, a year marked by the trends previously referred to, Fidelidade had positive performance, recording total premiums written of EUR 3,307 million.

Regarding the activity in Portugal, Fidelidade registered EUR 3,056 million, which represented a decrease of 31.3% compared to 2018, originating from the Life segment and thus following the general trend in the market. This figure for total premiums equated to a total market share of 25.0%, allowing Fidelidade to maintain its position as clear market leader.









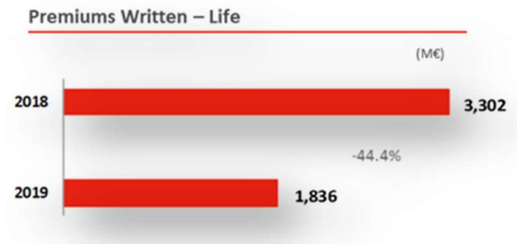
Life Segment

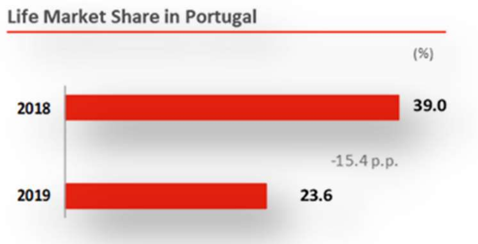
Key business indicators – Life Segment

In 2019, Fidelidade saw a decrease in premiums in the Life segment, reflecting, on one hand, market conditions for financial products and the climate of low interest rates, and, on the other, the fact that in 2018 Fidelidade recorded particularly high premiums, enabling it to achieve a market share of almost 40%.

Overall, Fidelidade attained premiums of EUR 1,836 million, a decrease of 44.4% compared to 2018, as a result of the business in Portugal, also reflecting the general decrease in the market.

Despite the fall in premiums, Fidelidade is the clear leader in the Portuguese market, with a market of share of 23.6%.





Evolution of the Life segment by line of business

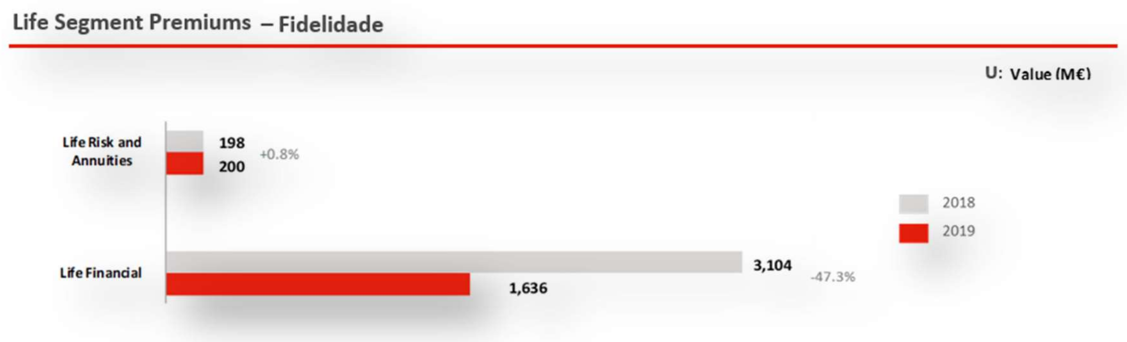
The Life segment is composed of Life Risk and Annuities products and Life Financial products, with the latter being responsible for the great majority of premiums, representing over 90% of the total.

In 2019, growth in the Life Financial segment was undoubtedly the main catalyst for overall growth in the Life segment.

In an environment dominated by low interest rates and a low rate of savings by families, Fidelidade's performance was in line with the general trend in the market, with a decline of 47.3% in this segment. However, 2019 was marked by the process of adapting the product mix to current market needs, with the launch of "Flexi-Mais" and Fidelidade Savings.

On the other hand, of note this year is the positive performance in Life Risk and Annuities products, which grew 0.8% compared to 2018, to a total of EUR 200 million. The evolution in this segment reflects the success of "Proteção Vital 65+", a new product launched in 2019 that added to the product range in this line of business.

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



Evolution of the Life segment by distribution channel

The banking and postal channels continue to be the most significant for Life segment products. Together, they represented around 85% of Life premiums. Compared to the previous year, these channels recorded a decrease of around 50%, following the general trend of falling premiums in the Life segment.

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

On the other hand, there was consolidated growth in the traditional channels of around 38% compared to the previous year, to a total of EUR 183 million.

Life Segment

U: Value (M€)

Distribution Channel	2019	2018	Change
Traditional	247	378	-34.5%
Bank and Postal	1,406	2,792	-49.6%
Fidelidade in Portugal	**1,653**	**3,169**	**-47.8%**
International	183	132	38.2%
Fidelidade	**1,836**	**3,302**	**-44.4%**
Portuguese Market	**6,992**	**8,123**	**-13.9%**

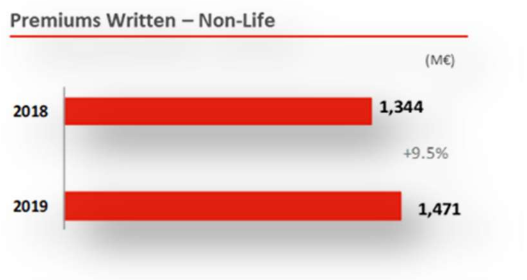
Non-Life Segment

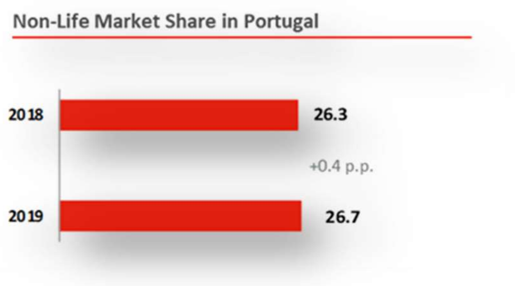
Key business indicators – Non-Life Segment

In 2019, Fidelidade's performance was notable in the Non-Life segment, with growth of 9.5% compared to the previous year, totalling EUR 1,471 million in premiums written.

Fidelidade's commercial performance in Portugal exceeded the positive trend of the market in general, enabling it to strengthen its leadership position, increasing its market share by 0.4 pp to 26.7%.

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





Evolution of the Non-Life segment by line of business

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

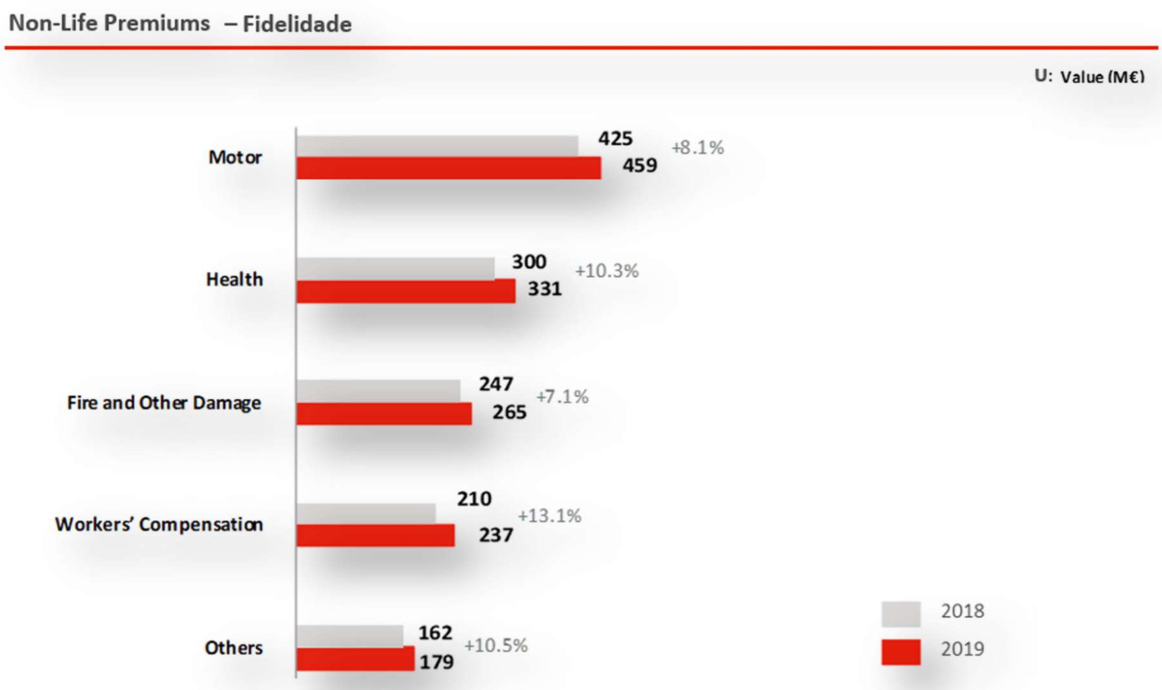
Most of the Non-Life lines of business displayed positive performance throughout 2019, but particularly significant was the performance of Workers' Compensation, which grew by 10%.

With total premiums of EUR 237 million, Workers' Compensation displayed double-digit growth for the fifth year in a row, reflecting a buoyant economy and tariff adjustments aimed at rebalancing the technical results and also Fidelidade's competitive position regarding capacity to respond, service levels, product quality and reputation.

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing around 30% of the segment total. Performance in this highly competitive line of business was particularly positive, with Fidelidade's premiums written growing 8.1%. This positive development is explained both by the improved structure of vehicle ownership, based on the increase in vehicle numbers and their improved quality, and by Fidelidade's capacity to launch new products and value propositions for its clients.

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

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



Evolution of the Non-Life segment by distribution channel

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

The traditional channels (agents, own stores and brokers) continued to present the greatest share of product sales in the segment, representing around 88% of the total sales. Although the digitalisation process ensures proximity and immediate feedback from clients, Fidelidade has always continued to place emphasis on improving the skills of its partners in the traditional channel, which explains this considerable growth compared to the previous year (9.5%).

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

Non-Life Segment

U: Value (M€)

Distribution Channel	2019	2018	Change
Traditional	1,283	1,171	9.5%
Bank and Postal	119	109	9.0%
Fidelidade in Portugal	**1,402**	**1,281**	**9.5%**
International	69	63	9.4%
Fidelidade	**1,471**	**1,344**	**9.5%**
Portuguese Market	**5,209**	**4,825**	**8.0%**

<u>International Business</u>

Fidelidade operates internationally through branches in Spain, France, Luxembourg, Macao and Mozambique.

In 2019, the total direct insurance premiums of the Fidelidade branches reached EUR 251.7 million, up 29.3% compared to the previous year. This evolution reflects growth across most of the branches, but the Macao branch did particularly well, recording growth in Life premiums of around 129%, an increase of EUR 48.4 million compared to the previous year, continuing to benefit from the highly positive performance in Life Financial sales.

In addition, there was significant growth in Non-Life premiums at the Mozambique branch (up around 37% to EUR 8.7 million).

Amounts in million euros

International business (Direct insurance premiums)	2019		2018	
	Value (M€)	Change (%)	Value (M€)	Change (%)
Spain				
Life (Insurance and Investment Contracts)	70.1	(1.8%)	71.4	49.9%
Non-Life	12.9	5.6%	12.3	22.1%
Total	**83.0**	**(0.7%)**	**83.7**	**32.0%**
France				
Life (Insurance and Investment Contracts)	26.2	16.5%	22.4	(15.2%)
Non-Life	47.2	7.1%	44.1	12.7%
Total	**73.4**	**10.3%**	**66.5**	**1.5%**
Luxembourg				
Life (Insurance and Investment Contracts)	0.3	102.3%	0.1	(13.8%)
Non-Life				
Total	**0.3**	**102.3%**	**0.1**	**(13.8%)**
Macao				
Life (Insurance and Investment Contracts)	86.1	128.6%	37.7	390.7%
Total	**86.1**	**128.6%**	**37.7**	**390.7%**
Mozambique				
Life (Insurance and Investment Contracts)	0.2	(37.6%)	0.3	56.1%
Non-Life	8.7	(37.0%)	6.4	128.5%
Total	**8.9**	**34.1%**	**6.6**	**124.4%**
International Business – Total				
Life (Insurance and Investment Contracts)	182.8	38.6%	131.9	60.7%
Non-Life	68.9	9.8%	62.7	8.8%
Total	**251.7**	**29.3%**	**194.6**	**39.3%**

A.2.3. Premiums, claims and expenses by line of business

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

Amounts in thousand euros

Life Line of business	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Life reinsurance	Total	Previous year
Premiums written						
Gross	532,592	100,798	1,202,473	212	**1,836,075**	**3,301,641**
Reinsurers' share	1,059	0	18,794	42	**19,895**	**15,363**
Net	**531,533**	**100,798**	**1,183,679**	**170**	**1,816,180**	**3,286,278**
Premiums earned						
Gross	532,652	100,798	1,202,425	212	**1,836,087**	**3,301,549**
Reinsurers' share	1,044	0	19,432	42	**20,518**	**14,674**
Net	**531,608**	**100,798**	**1,182,993**	**170**	**1,815,569**	**3,286,875**
Claims incurred						
Gross	208,141	4,665	1,628,036	608	**1,841,450**	**2,052,912**
Reinsurers' share	3	0	5,017	294	**5,314**	**7,079**
Net	**208,138**	**4,665**	**1,623,019**	**314**	**1,836,136**	**2,045,833**
Changes in other technical provisions						
Gross	361,078	0	10,634	0	**371,712**	**155,795**
Reinsurers' share	8	0	2,707	0	**2,715**	**1,898**
Net	**361,070**	**0**	**7,927**	**0**	**368,997**	**153,897**
Expenses incurred						
Expenses incurred	**19,509**	**(245)**	**98,689**	**175**	**118,128**	**119,150**

Amounts in thousand euros

Health – SLT Line of business	Health insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Total	Previous year
Premiums written						
Gross	0	0	0	0	**0**	**0**
Reinsurers' share	0	0	0	0	**0**	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**
Premiums earned						
Gross	0	0	0	0	**0**	**0**
Reinsurers' share	0	0	0	0	**0**	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**
Claims incurred						
Gross	0	99,168	0	0	**99,168**	**103,848**
Reinsurers' share	0	0	0	0	**0**	**0**
Net	**0**	**99,168**	**0**	**0**	**99,168**	**103,848**
Changes in other technical provisions						
Gross	0	0	0	0	**0**	**0**
Reinsurers' share	0	0	0	0	**0**	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred						
Net	**0**	**2,172**	**0**	**0**	**2,172**	**2,124**

Amounts in thousand euros

Line of business Health – NSLT	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Total	Previous year
Premiums written					
Gross - Direct business	330,621	31,488	236,888	**598,997**	**538,996**
Gross - Proportional reinsurance accepted	365	149	571	**1,085**	**1,266**
Gross - Non-proportional reinsurance accepted	0	0	0	**0**	**0**
Reinsurers' share	322,829	8,448	7,508	**338,785**	**309,220**
Net	**8,157**	**23,189**	**229,951**	**261,297**	**231,042**
Premiums earned					
Gross - Direct business	329,907	31,462	235,470	**596,839**	**535,328**
Gross - Proportional reinsurance accepted	365	143	563	**1,071**	**1,256**
Gross - Non-proportional reinsurance accepted	0	0	0	**0**	**0**
Reinsurers' share	322,248	8,448	7,500	**338,196**	**307,301**
Net	**8,024**	**23,157**	**228,533**	**259,714**	**229,283**
Claims incurred					
Gross - Direct business	256,556	12,249	95,525	**364,330**	**333,813**
Gross - Proportional reinsurance accepted	659	87	666	**1,412**	**841**
Gross - Non-proportional reinsurance accepted	0	0	0	**0**	**0**
Reinsurers' share	249,519	266	1,345	**251,130**	**230,889**
Net	**7,696**	**12,070**	**94,846**	**114,612**	**103,765**
Changes in other technical provisions					
Gross - Direct business	1,169	372	(331)	**1,210**	**(1,313)**
Gross - Proportional reinsurance accepted	0	0	0	**0**	**0**
Gross - Non-proportional reinsurance accepted	0	0	0	**0**	**0**
Reinsurers' share	0	0	0	**0**	**0**
Net	**1,169**	**372**	**(331)**	**1,210**	**(1,313)**
Expenses incurred					
Net	**9,148**	**14,493**	**62,162**	**85,803**	**76,409**

Amounts in thousand euros

Line of business Non-Life	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total	Previous year
Premiums written											
Gross - Direct business	281,093	176,537	19,781	257,918	46,856	526	5,227	41,240	32,586	**861,764**	**794,920**
Gross - Proportional reinsurance accepted	655	1,035	372	6,714	747	0	0	0	36	**9,559**	**8,692**
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	**0**	**0**
Reinsurers' share	1,418	630	12,112	104,575	15,518	394	3,833	32,859	11,217	**182,556**	**166,059**
Net	**280,330**	**176,942**	**8,041**	**160,057**	**32,085**	**132**	**1,394**	**8,381**	**21,405**	**688,767**	**637,553**
Premiums earned											
Gross - Direct business	277,107	171,997	19,569	251,520	43,613	518	5,169	40,210	33,131	**842,834**	**783,399**
Gross - Proportional reinsurance accepted	667	1,061	375	6,340	632	0	0	0	35	**9,110**	**9,311**
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	**0**	**0**
Reinsurers' share	1,429	658	11,997	101,651	13,259	376	3,833	32,850	11,459	**177,512**	**169,109**
Net	**276,345**	**172,400**	**7,947**	**156,209**	**30,986**	**142**	**1,336**	**7,360**	**21,707**	**674,432**	**623,601**
Claims incurred											
Gross - Direct business	196,741	96,022	3,113	96,923	13,743	(365)	1	69	6,721	**412,968**	**427,278**
Gross - Proportional reinsurance accepted	2,102	711	129	(717)	665	0	0	0	(7)	**2,883**	**(177)**
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	**0**	**0**
Reinsurers' share	5,491	451	(189)	24,353	2,871	(12)	0	37	(2,410)	**30,592**	**61,394**
Net	**193,352**	**96,282**	**3,431**	**71,853**	**11,537**	**(353)**	**1**	**32**	**9,124**	**385,259**	**365,707**
Changes in other technical provisions											
Gross - Direct business	(5,220)	(133)	(190)	2,648	632	(61)	158	(1,508)	178	**(3,496)**	**(9,080)**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	**0**	**(6)**
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	**0**	**0**
Reinsurers' share	0	0	0	0	0	0	0	0	0	**0**	**0**
Net	**(5,220)**	**(133)**	**(190)**	**2,648**	**632**	**(61)**	**158**	**(1,508)**	**178**	**(3,496)**	**(9,086)**
Expenses incurred											
Net	**96,411**	**50,385**	**2,304**	**68,655**	**19,376**	**43**	**1,765**	**12,473**	**9,168**	**260,580**	**240,874**

A.3. Investment performance

A.3.1. Income and expenses from investments

At 31 December 2019, the allocation of investments and other assets to insurance contracts and other operations classified as investment contracts is as follows (amounts for solvency purposes):

Amounts in thousand euros

Investments and other assets	Life	Non-Life	Not allocated	Total	Previous year
Property, plant and equipment held for own use	0	35,791	58,788	**94,579**	**97,366**
Property (other than for own use)	0	56,125	13,703	**69,828**	**82,711**
Holdings in related undertakings, including participations	1,433,105	718,709	127,009	**2,278,823**	**1,742,301**
Equities - listed	442,701	293,468	793	**736,962**	**989,389**
Equities - unlisted	0	0	1,563	**1,563**	**3,774**
Government bonds	4,549,467	60,013	188	**4,609,668**	**4,787,027**
Corporate bonds	4,507,472	581,028	43,986	**5,132,486**	**4,540,153**
Structured notes	45,065	79,750	0	**124,815**	**87,336**
Collateralised securities	0	0	0	**0**	**0**
Collective investment undertakings	841,620	208,776	27,869	**1,078,265**	**349,449**
Derivatives	11,485	4,150	27,706	**43,341**	**50,920**
Deposits other than cash equivalents	1,054,617	42,316	93,784	**1,190,717**	**1,834,598**
Assets held for index-linked and unit-linked contracts	138,665	0	0	**138,665**	**40,294**
Loans and mortgages	0	0	3,209	**3,209**	**31,864**
Cash and cash equivalents	0	0	412,548	**412,548**	**653,015**
Total	**13,024,197**	**2,080,126**	**811,146**	**15,915,469**	**15,290,197**

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

Amounts in thousand euros

Investments allocated to unit-linked contracts	Total	Previous year
Group companies debt instruments	0	0
Public debt instrument - domestic issuers	489	621
Public debt instrument - foreign issuers	14,105	9,322
Debt instrument - other domestic issuers	4,346	99
Debt instrument - other foreign issuers	63,894	4,277
Equity instruments - domestic issuers	35,274	7,586
Equity instruments - foreign issuers	9,230	7,507
Receivables	0	0
Transactions to be settled	(527)	(205)
Derivatives	192	28
Sight deposits	11,419	10,752
Term deposits	300	300
Total	**138,722**	**40,287**

In 2019, the following income was gained from investments:

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total	Previous year
Investments allocated to technical provisions - life segment					
Government bonds	0	65,389	0	65,389	94,777
Corporate bonds	0	108,423	0	108,423	125,890
Equities	45,475	0	0	45,475	79,279
Collective investment undertakings	14,076	0	0	14,076	6,345
Structured notes	0	5,303	0	5,303	84
Collateralised securities	0	0	0	0	0
Cash and cash equivalents	0	4,877	0	4,877	2,296
Loans and mortgages	0	1,267	0	1,267	1,210
Property	0	0	0	0	0
Derivatives	0	(4,861)	0	(4,861)	(1,482)
Subtotal	**59,551**	**180,398**	**0**	**239,949**	**308,399**
Investments allocated to technical provisions - non-life segment					
Government bonds	0	1,292	0	1,292	3,785
Corporate bonds	0	23,060	0	23,060	16,968
Equities	21,095	0	0	21,095	6,601
Collective investment undertakings	3,240	0	0	3,240	850
Structured notes	0	92	0	92	2
Collateralised securities	0	0	0	0	0
Cash and cash equivalents	0	380	0	380	399
Loans and mortgages	0	0	0	0	0
Property	0	0	9,933	9,933	10,795
Derivatives	0	0	0	0	0
Subtotal	**24,335**	**24,824**	**9,933**	**59,092**	**39,400**

Investments not allocated					
Government bonds	0	36	0	36	1,293
Corporate bonds	0	1,548	0	1,548	15,173
Equities	2,358	0	0	2,358	10,901
Collective investment undertakings	0	0	0	0	889
Structured notes	0	0	0	0	35
Collateralised securities	0	0	0	0	0
Cash and cash equivalents	0	3,665	0	3,665	2,436
Loans and mortgages	0	222	0	222	719
Property	0	0	3,003	3,003	2,655
Derivatives	0	(1,558)	0	(1,558)	(115)
Subtotal	**2,358**	**3,913**	**3,003**	**9,274**	**33,986**
Total	**86,244**	**209,135**	**12,936**	**308,315**	**381,785**

In 2019, the financial expenses resulting from investments were as follows:

Amounts in thousand euros

Investment expenses	Life	Non-Life	Not allocated	Total	Previous year
Costs allocated	10,880	9,941	52,517	73,338	56,337
Other investment expenses	872	182	244	1,298	835
Total	**11,752**	**10,123**	**52,761**	**74,636**	**57,172**

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

In 2019, the net gains and losses in financial instruments were as follows:

Amounts in thousand euros

Investments	As a charge to		Total	Previous year
	Income statement	Shareholders' equity		
Investments allocated to technical provisions - life segment				
Government bonds	118,207	26,692	144,899	199,320
Corporate bonds	123,058	101,572	224,630	244,924
Equities	40,562	24,115	64,677	319,096
Collective investment undertakings	24,630	936	25,566	7,878
Structured notes	6,435	1,671	8,106	1,480
Collateralised securities	0	0	0	0
Cash and cash equivalents	4,867	8,202	13,069	1,094
Loans and mortgages	1,267	0	1,267	1,210
Property	0	0	0	0
Derivatives	(4,545)	(202,613)	(207,158)	(268,318)
Others	0	(5)	(5)	0
Subtotal	314,481	-39,425	275,056	506,684
Investments allocated to technical provisions - non-life segment				
Government bonds	1,346	(31)	1,315	4,642
Corporate bonds	16,824	13,640	30,464	28,714
Equities	4,930	32,741	37,671	88,385
Collective investment undertakings	3,277	692	3,969	5,420
Structured notes	92	0	92	2
Collateralised securities	0	0	0	0
Cash and cash equivalents	380	667	1,047	1,109
Loans and mortgages	0	0	0	0
Property	48,020	3,205	51,225	12,276
Derivatives	91	(33,146)	(33,055)	(42,949)
Others	(1)	(4)	(5)	0
Subtotal	74,960	17,768	92,728	97,599
Investments not allocated				
Government bonds	141	0	141	1,290
Corporate bonds	9,189	7,735	16,924	19,593
Equities	3,838	(142,201)	(138,363)	6,130
Collective investment undertakings	108	(319)	(211)	1,238
Structured notes	0	0	0	36
Collateralised securities	0	0	0	0
Cash and cash equivalents	10,468	(1,743)	8,725	6,969
Loans and mortgages	1,326	(1,171)	155	719
Property	14,876	967	15,843	3,676
Derivatives	8,817	(42,330)	(33,513)	(33,816)
Others	1	0	1	(3)
Subtotal	48,764	(179,062)	(130,298)	5,832
Total	438,205	(200,719)	237,486	610,115

A.3.3. Information on investment in securitisations

At 31 December 2019, the value of investment in securitisations is immaterial, and no information is therefore included in this chapter.

A.4. Performance of other activities

There are no other activities performed by the Company with material relevance for the purposes of disclosure in this report.

A.5. Any other information

There is no other material information relating to the Company's business and performance.

B. System of Governance

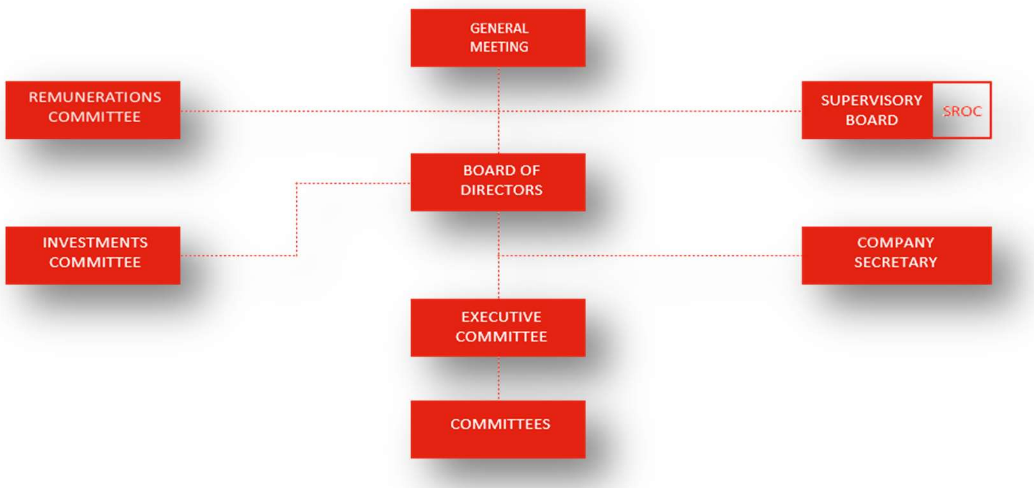
B.1. General information on the system of governance

B.1.1. Corporate governance structure

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

The Company adopts a unitary corporate governance model with a Board of Directors which includes an Executive Committee.

The following table represents the Company's Corporate Governance structure during 2019.



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

General Meeting

Resolutions concerning any amendments to the Company's Articles of Association, and the appointment of the company's supervisory body and the respective external auditor when this is not one of the four largest international auditing companies, may only be approved if a vote in favour is achieved with a majority of at least 95% of the voting rights representing the entire share capital.

Board of Directors

The Board of Directors is composed of at least five and at most seventeen members, elected for mandates of three years, which are renewable.

As one of the Company's corporate bodies, the Board of Directors has the broadest of powers to manage and represent the company. Pursuant to Article 15(1) of the Company's Articles of Association, in addition to the general powers given to it by law, the Board of Directors is responsible for:

- Managing the company business and performing all the acts and operations related to the corporate purpose which do not fall within the competence of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to withdraw, settle and accept liability in any proceedings, and also entering into arbitration agreements;
- Acquiring, selling or otherwise disposing of or encumbering movable and immovable rights and property;
- Setting up companies, subscribing, acquiring, pledging and disposing of shares;
- Establishing the technical and administrative organisation of the company and the rules of internal operation, namely regarding employees and their remuneration;
- Appointing legal representatives, with the powers it deems appropriate, including those of delegation.

Executive Committee

Without prejudice to the possibility of rescinding powers delegated to the Executive Committee, the Board of Directors has delegated the day-to-day management of the Company to this committee, which includes:

- All insurance and reinsurance operations and operations which are connected or complementary to insurance and reinsurance operations, including those which relate to acts and contracts regarding salvage, the rebuilding and repair of real estate, vehicle repair, and the application of provisions, reserves and capital;
- Representation of the Company before the supervisory authorities and associations for the sector;
- Acquisition of services;
- Employee admissions, definition of levels, categories, remuneration conditions and other benefits, and appointment to management positions;
- Exercise of disciplinary powers and the application of any sanctions;
- Representation of the Company before any bodies representing the employees;
- Opening and closing of branches or agencies;
- Nomination of the person representing the Company at the general meetings of companies in which it holds shares, with determination of how the vote is to be cast;
- Nomination of the persons who will take up company positions for which the Company is elected, and the persons that the Company will indicate to take up company positions in companies in which it holds a share;
- Issuing of instructions which are binding on the companies which are in a group relationship with the Company involving full control;
- Representation of the Company in and out of court, actively and passively, including initiating and defending any judicial or arbitration proceedings, and accepting liability in, withdrawing from or settling any actions, and assuming arbitration commitments;
- Appointment of legal representatives, with or without power of attorney, to perform certain acts, or categories of acts, with definition of the scope of the respective mandates.

Investments Committee

All the Company's investment decisions are subject to supervision by the Investments Committee, and the Executive Committee is required to report the transactions carried out to the Investments Committee.

Remunerations Committee

The Remunerations Committee is responsible for establishing the remuneration of the members of the Company's corporate bodies.

The mandate of the members of the Remunerations Committee coincides with that of the Board of Directors.

Supervisory Board and Statutory Auditor

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

The company's Articles of Association establish the duties of the Supervisory Board as those provided for in law.

The members of the Supervisory Board comply with the independence requirements set out in Article 414(5) of the Code of Commercial Companies, as they are not associated with any specific interest group in the Company and there are no circumstances which might affect their impartiality when analysing or taking decisions.

Company Secretary

The Company Secretary is a Corporate Body, appointed by the Board of Directors, which, besides ensuring the legal functions of Company Secretary in the companies where appointed to do so, coordinates, in the role of Corporate Body, the corporate governance function of all the companies in the Fidelidade Group.

Committees

The specific committees operate according to competences delegated by the Executive Committee, without prejudice to the subsequent ratification of their decisions by the management body.

The specific committees are, therefore, structures which report to the Executive Committee, which delegates competences to them, and are intermediary decision-making bodies.

Accordingly, the specific committees are decision-making bodies set up to assess and decide on proposals regarding different areas of the day-to-day management.

Furthermore, the competence delegated to each of the specific committees is limited exclusively to acts of day-to-day management regarding matters which are the responsibility of the structural bodies which include each of the committees, as permanent members.

B.1.2. Internal governance

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

The Company guarantees an adequate separation of functions and delegation of responsibilities, by approving each structural body's organic and functional structure, defining its scope and general aims, the related organisational chart and main functions, and appointing its heads.

Means of internal communication are defined for transmitting decisions and resolutions of the Executive Committee, for presenting decision-making proposals and for communication between the structural bodies.

To guarantee an adequate connection between corporate governance, personified in the Executive Committee, and the organisational structure, which ensures the greatest consistency and implementation of the Company's executive management, the members of the Executive Committee are given areas of governance, so that each of them is responsible for monitoring a group of structural bodies.

B.1.3. Key functions

The key functions established within the risk management and internal control systems are given to the following bodies:

Divisions	**Risk Management Division**	**Audit Division**	**Compliance Division**
Key functions	**Risk Management Function** **Actuarial Function**	**Internal Audit Function**	**Compliance Function**

The following functions are defined for these bodies:

B.1.3.1. Risk Management Function

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

B.1.3.2. Actuarial Function

- Monitoring the accounting Technical Provisions, assessing their level of prudence;
- Undertaking an actuarial assessment of the portfolios, including calculation of the fair value of liabilities of a technical nature;
- Ensuring consultancy and actuarial technical assistance to the bodies and institutions which request it, as part of contracts for the provision of actuarial-type services, in particular, on the subject of pension funds, benefits plans or any other private pension plan frameworks;
- Drawing up, proposing and revising the Provisioning Policies;
- Coordinating calculation of the technical provisions;
- Assessing the adequacy and quality of the data used in the technical provisions calculation;
- Ensuring that appropriate methodologies, basic models and assumptions are used in the technical provisions calculation;
- Comparing the technical provisions best estimate with the actual amounts;
- Informing the management body of the level of reliability and adequacy of the technical provisions calculation;
- Supervising the technical provisions calculation whenever the insurer does not have sufficient data and with the quality needed to apply a reliable actuarial method and, for that reason, if approximate values are used;
- Issuing an opinion on the global underwriting policy;
- Issuing an opinion on the adequacy of reinsurance agreements;
- Contributing to the effective application of the risk management system, particularly regarding the risk modelling on which the solvency capital requirement and minimum capital requirement are based, and also regarding the own risk and solvency assessment.

B.1.3.3. Internal Audit Function

- Drawing up, implementing and maintaining an Annual Audit Plan based on a methodical analysis of risk, covering all significant activities and the governance system of the Insurers in the Fidelidade Portugal Group, including planned developments regarding activities and innovations;
- Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of effectiveness;
- Carrying out audit actions based on a specific methodology which, since it always has risk assessment in mind, can help to determine the probability of the risks occurring and the impact they may have on the Fidelidade Group;
- By means of an IT application, presenting the Executive Committee with audit reports produced, demonstrating the conclusions obtained and recommendations issued;
- Drawing up the Annual Audit Report, with a summary of the main deficiencies detected in the audit actions, and presenting it to the Executive Committee and the Supervisory Bodies;
- Analysing the level of implementation of recommendations issued;
- Aiding the Executive Committee, when requested by the latter, in uncovering the facts relating to potential disciplinary breaches by employees and irregularities performed by agents or service providers;
- Performing ad hoc audits, as requested by the Executive Committee or another Structural Body;
- Working with the External Audit and with the Statutory Auditor.

B.1.3.4. Compliance Function

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

B.1.4. Committees

The management of the risk management and internal control systems is also ensured by the following committees.

Risk Committee

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

Underwriting Policy Acceptance and Supervision Committee

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

Products Committee (Life and Non-Life)

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

Assets and Liabilities Management Committee

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

B.1.5. Remuneration Policy

The Remuneration Policy applicable to Fidelidade's corporate bodies is based on the following guidelines:

- It encourages effective risk management and control, avoiding excessive exposure to risk and potential conflicts of interest and ensuring coherence with Fidelidade's long-term objectives, values and interests;
- It is structured in a manner which is clear and transparent in terms of its definition, implementation and monitoring;
- It ensures total remuneration which is competitive and fair, aligned with national and European trends, in particular with Fidelidade's peers;

- It includes a fixed component, adjusted to the functions and responsibility of the directors, which is adequately balanced with a variable component with a short-term portion and a medium-term portion, both subject to the performance of the individual and of the organisation, in line with the achievement of specific objectives, which are quantifiable and aligned with the interests of Fidelidade, its shareholders and also policyholders, insured persons, participants and beneficiaries.

Accordingly, the remuneration of the executive members of the management body comprises a fixed component and a variable component. The variable component is composed of a portion which seeks to remunerate short-term performance and a portion aimed at remunerating medium-term performance. The latter is awarded after the accounts for each financial year have been approved and after fulfilment of the predefined objectives has been confirmed.

The fixed component is a sufficiently sizeable proportion of the total remuneration, and the short and medium-term variable components are flexible proportions of the annual fixed remuneration. The executive members of the management body may not enter into contracts aimed at mitigating the risk inherent to the variable nature of their remuneration.

A range of non-remuneratory benefits are provided for the executive members of the management body, with the same conditions as those applicable to Fidelidade employees.

The complementary pensions and early retirement rules applicable to the members of the management body and other holders of key functions follow the same conditions as those applicable to Fidelidade employees.

Besides those described above, there are no other remuneration mechanisms, and no other payments are provided for in the event of any removal of a director. In the event of termination of functions by agreement, the amounts involved must be approved by the Remunerations Committee.

In line with the Remuneration Policy, the members of the Supervisory Board only receive fixed remuneration. Non-executive members of the Board of Directors do not receive any kind of remuneration for the functions performed.

The members of the Company's management and supervisory bodies do not benefit from any share allocation or stock option plans.

The remuneration policy applicable to Fidelidade's employees, as defined by the company's Executive Committee, is based on the following guidelines:

- It is structured in terms of its definition, implementation and monitoring;
- It ensures total remuneration aligned with national and European trends, in particular with Fidelidade's peers;
- It includes a fixed component, adjusted to the functions and responsibility of each employee, which is adequately balanced with a short-term variable component, subject to the performance of the individual and of the organisation, in line with the achievement of objectives which are aligned with Fidelidade's strategic objectives.

Accordingly, the employees' remuneration comprises a fixed component and a variable component, based on a Job Families model**.**

The short-term variable component seeks to remunerate individual performance. It is awarded after the accounts for each financial year have been approved and after fulfilment of the predefined objectives has been confirmed.

In 2019 the Company began a process of revising the remuneration models for employees, in both the fixed and variable components. This process will culminate in the development of a new remunerations policy adjusted to the Company's current needs.

A range of general non-remuneratory benefits are provided for employees, such as family support mechanisms, meal tickets, special conditions for insurance, and protocols providing access to special conditions at several service providers.

The complementary pensions and early retirement rules in force in the Company are applicable to all employees in general terms.

Besides those described above, there are no other remuneration mechanisms, and no other payments are provided for.

Employee resignation or termination of employment by the employer is subject to the regulatory mechanisms applicable at any given time.

The variable component of the remuneration of employees involved in performing tasks associated with key functions is determined in accordance with the objectives associated with their functions and not in relation to the Company's financial performance.

B.1.6. Transactions with related parties

Fidelidade has adopted a set of transparent and objective rules which are applicable to transactions with related parties, which are subject to specific approval mechanisms.

All transactions with related parties were subject to control.

Operations to be performed between the Company and holders of qualifying shares or entities which are in any kind of relationship with them are subject to assessment and a decision of the Board of Directors, and these operations, like all others performed by the Company, are subject to supervision by the Supervisory Board.

Information on business with related parties is in the Notes to the Separate Financial Statements (Note 43) and the Notes to the Consolidated Financial Statements (Note 48).

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

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

B.2. Fit and proper requirements

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

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

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

Professional qualification is assessed in the light of academic qualifications, specialist training and professional experience.

When assessing academic qualifications and specialist training, value is particularly given to knowledge obtained in the fields of insurance and general finance or in any other area which is relevant for the activity to be performed.

When assessing professional experience, the nature, size and complexity of activities previously performed is compared to those that will be performed in the future.

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

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

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

In line with the Fit and Proper Policy, the scope of application of which is singular, covering the various insurance companies within the Longrun, SGPS, S.A., universe and Longrun itself, persons who effectively run the company, supervise it, are its managers or perform key functions within it must possess and demonstrate the capacity to at all times guarantee sound and prudent management of the insurance company, with a view, in particular, to safeguarding the interests of policyholders, insured persons and beneficiaries.

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

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

The following persons are also subject to the assessment: persons who perform other functions which give them significant influence over the management of the Companies, Top-Level Managers, persons who are responsible for or perform risk management, compliance, internal audit and actuarial functions, representatives of the Companies' branches and, where key functions are outsourced, the internal interlocutor for those functions.

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

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

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

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

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

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

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

B.3.1. Risk Management Function

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

The mission of the risk management function is based on defining, implementing and maintaining a risk management system which enables identification, measuring, monitoring and reporting of risks, individually or collectively, including risks not contemplated in the solvency capital requirement, enabling the Executive Committee and the various Divisions involved to incorporate this knowledge into their decision-making process.

The activities carried out by the Risk Management Division, in 2019, were fundamentally based on the enhancement and consolidation of several matters related with the three solvency pillars, and technical aspects and certification of information produced within this scope.

The following activities can be highlighted:

- Conducting the annual own risk and solvency assessment (ORSA) and reporting the results to the ASF in the respective supervisory report;
- Preparing and sending annual information, with reference to 31 December 2018, incorporated in the Quantitative Reporting Templates (QRT), which has been subject to certification by the statutory auditor and the responsible actuary pursuant to the regulations issued by the ASF, and also the Regular Supervisory Report;
- Reporting to the ASF and publicly disclosing the Solvency and Financial Condition Report relating to 31 December 2018, accompanied by certification by the statutory auditor and the responsible actuary;
- Preparing and sending the quarterly quantitative reporting under Solvency II.

It is also important to mention the activities related with the review of the system of governance, namely, the review and maintenance of policies and the review of processes and data quality, with the implementation of capital optimisation measures, namely improvements in the ALM process and recognition of adjustment for the loss-absorbing capacity of deferred taxes, and the conducting of the ROCI Cycle – 2019.

B.3.2. Risk management processes

The following sub-paragraphs describe the Company's risk management processes for each category of risk, including how these are identified, monitored and managed.

B.3.2.1. Strategic Risk

The Company's strategy is attained by means of a chain of responsibilities beginning with the Executive Committee, which defines the high-level strategic objectives, passing to the heads of each Division, who are responsible for outlining plans to achieve those objectives, and ending with the Company's employees, who seek to achieve the proposed objectives on a daily basis within the scope of their functions.

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

B.3.2.2. Underwriting Risk – Product Design and Pricing

The Business Divisions are responsible for managing and assessing this risk. The Business Divisions ensure the technical development of new products, or reformulation of existing ones, by defining their technical characteristics and technical documentation, and by establishing their prices, rules for delegation of powers and underwriting policies, and by drawing up technical information to support the sales activity.

For each product, there is a process of identifying the needs which are intended to be met and defining the Company's strategic objectives which are intended to be achieved with its launch / reformulation.

The launch of new products, reformulation of existing ones and pricing updates are approved in advance by the Product Committee (Life and Non-Life).

When a new product is launched, or when significant changes are made to the characteristics of existing products, training programmes and communication plans are scheduled with the aim of introducing the product to the commercial networks, emphasising, in particular, its characteristics and the underwriting policies that have been defined.

Analyses are periodically undertaken of products/prices, and also of the composition and behaviour of the respective portfolios, with the purpose of assessing how adequate they are in terms of contractual conditions versus profitability.

B.3.2.3. Underwriting Risk – Underwriting

The Business Divisions are responsible for managing and assessing the risks associated with underwriting the Company's products, and the power to give discounts is delegated to the sales areas only in situations where knowledge of the risk is high and the technical risk is low.

The aim of the Company's Underwriting Policy is to classify the risks according to the level of exposure to and knowledge of the risk. This policy takes the form of underwriting rules and delegation of available competences.

The Company has an Underwriting Policy Acceptance and Supervision Committee, the mission of which is to analyse and accept risks the acceptance of which, as defined in the Underwriting Policy, is not delegated to the Business Divisions.

The Business Divisions are responsible for underwriting risks the acceptance of which is not delegated.

In order to guarantee that the underwriting policies are adequately followed, in the products' sales phase, the Operations and Quality Division and the Corporate Business Division, in the case of Non-Life products, and the Life Business Division, in the case of Life products, check compliance with the underwriting rules defined. Besides this check, the Business Divisions and the Statistics and Technical Studies Division, in the case of Non-Life products, regularly monitor the adequacy of the underwriting policies, by means of statistical indicators of the portfolio's development, the drawing up of risk profiles and occasional analyses of contracts.

There is a system of Portfolio Selection and Checking which occurs monthly, aimed at checking and monitoring clients in the portfolio, in order to safeguard profitability of the business.

There is also a process to monitor underwriting quality, which seeks, on one hand, to identify situations of false declarations or omission of declarations in the issue of contracts and, on the other, to rectify these situations, ensuring articulation between all those involved: the Business Divisions, Commercial Divisions and Operations and Quality Division. This monitoring process, which seeks to assess irregular types of behaviour, is performed weekly and is mainly supported by cross-referencing with sources of external or internal historical data and identifying anomalous patterns.

B.3.2.4. Underwriting Risk – Reserving

The Company's Provisioning Policy establishes the methodologies for calculating provisions, broken down by line of business and in accordance with the liabilities to be estimated. Accordingly, different provisions methodologies are defined for each line of business, based on recognised actuarial methods.

In order to guarantee the reliability of the information used in the process for establishing provisions for the Company's obligations, the quality of the information is validated by reconciling the accounting information with the operational information.

Alongside this process, an analysis is conducted, for the Life segment, of the provisions set up, considering the methodologies used for calculating the provisions and the insurer's historical experience relating to each of the obligations, and compliance with the rules in force regarding the calculation of provisions is also validated. Forecasts are made annually of the technical results for the different lines of business with the aim of assessing the adequacy of the technical bases in force.

For the Non-Life segment, the Company also regularly assesses compliance of the provisions by analysing the responsibilities in terms of uncertainty, length of contract, nature of claims and expenses with settlement of claims. Compliance with the rules in force regarding the calculation of provisions is also validated. In addition, a range of micro and macro-economic scenarios are used to confirm the adequacy of the amount of the provision.

B.3.2.5. Underwriting Risk – Claims Management Processes

The Business Divisions are the main players in the management and assessment of risk associated with the Company's claims processes.

The Company's Claims Management Policy is formalised in procedures manuals of the divisions responsible for its management, namely, the Business Divisions.

In order to promote better following up of claims management, regarding claims which are slow or complex to resolve, time limits are defined for settlement. If these are exceeded, the claims are sent for analysis by specialised sectors.

Regular statistical information is prepared on this matter to ensure control of the time limits for settling claims and supervision of those which are covered by reinsurance treaties.

B.3.2.6. Underwriting Risk – Reinsurance and Alternative Risk Transfer

The Reinsurance Division negotiates and manages reinsurance treaties, closely accompanied by the Executive Committee, which approves the conditions negotiated prior to their acceptance.

In terms of the Company's Reinsurance Policy, the Reinsurance Division operates in line with the objectives and strategic guidelines defined in conjunction with the Executive Committee and based on an analysis of business needs conducted with the technical and actuarial areas.

The Reinsurance Policy is implemented by the Reinsurance Division, with the drawing-up of proposals, negotiation of treaty conditions, approval of these and their signing and renewal, and monitoring and follow-up of the various reinsurance contracts existing in the Company.

As part of the monitoring of this risk, the Reinsurance Division carries out constant follow-up of the treaties, manages the run-off portfolio, controls risk peaks and periodically analyses the technical results by treaty. In order to study annual and multi-annual trends, these analyses include a comparison with the information relating to previous years (minimum 5 years), thus allowing the evolution of the reinsurance technical results to be monitored. This information is used for subsequent negotiations with the reinsurers.

B.3.2.7. Market Risk

The Company's objectives, rules and procedures on market risk management are governed by means of its Investments Policy, which was revised in December 2019.

The Investments Policy defines:

- the main guidelines for managing investments and how the Company assesses, approves, implements, controls and monitors its investment activities and the risks resulting from those activities;
- activities related to the Company's investment process, including Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA), the decision-making process and control and reporting activities;
- the duties and responsibilities of those involved in the investment process.

The Investments Policy aims to ensure alignment between the portfolio objectives and the investment strategy, and to encourage effective and continual monitoring. It is the cornerstone of the Company's investment process.

Considering these aspects, the Company's investment management cycle is composed of the following critical activities:

- Defining – Defining and approving the general investment management cycle, including the global investment strategy, investment policies, asset and liability and liquidity management, and strategic asset allocation (SAA);
- Investing – Performing all investment activities, in line with the strategies and policies defined (identifying, assessing and approving investment opportunities, and placing, settling and allocating investments);
- Monitoring – Monitoring the evolution of the assets portfolio in terms of performance, liquidity and credit quality;

- Managing – Reviewing the strategies, policies, benchmarks and limits in line with current and future market conditions/expectations and internal risk capacity;
- Controlling – Ensuring compliance with all the strategies, policies, procedures and responsibilities assigned.

B.3.2.8. Counterparty Default Risk

The Company is essentially exposed to Counterparty Default Risk when selecting and accompanying investments in the different classes of assets and also reinsurers.

Securities issuers are assessed in order to measure their credit quality. This assessment uses information on their rating (among others) and evaluates the portfolio's compliance with the limits of exposure to this issuer defined in the Investments Policy.

However, the risk is constantly monitored, and an effort is made to follow the opinions / outlooks of the international ratings agencies so as to prevent a decline in the rating of the securities held. On the other hand, establishing internal limits by class of asset, rating, duration, industry, geography and currency, and not authorising situations of risk accumulation, means that proper spreading of risk can be guaranteed over time.

Regarding reinsurance, decisions concerning the selection of reinsurers are taken in line with the Reinsurance Policy, which only authorises contracts with reinsurers with a minimum credit rating of "A-".

B.3.2.9. Concentration Risk

Management of this risk is connected with the processes for managing other risks, since it is transversal to the different areas.

In order to follow the portfolio's level of exposure to the various sources of concentration risk mentioned, the Business Divisions conduct periodic qualitative analyses of the portfolio.

As part of the Company's underwriting policies, procedures are defined which aim to mitigate Concentration Risk, in particular, when situations are detected in which there are two or more policies which cover risks situated at a location considered to be a common risk, these are classified as situations of risk accumulation and require a specific analysis.

Regarding the Concentration Risk associated with investments, as previously stated, the Investments Policy in force defines different exposure limits namely by industry and geography. These limits are revised periodically and amended when necessary.

Management of this risk associated with reinsurance requires the Reinsurance Division to produce an annual report with a summary of the Company's reinsurance objectives for the following year. The report also includes a summary of the conditions of the reinsurance treaties in force and the percentages of exposure to each reinsurer, organised by lines of business, in accordance with the Reinsurance Policy.

B.3.2.10. Liquidity risk

In a short-term perspective, responsibility for managing investments liquidity is given to the Investments Division.

The company's aim in terms of liquidity is a treasury capable of managing all of the Company's funding needs (cash outflows) in an appropriate timeframe, without resorting to credit or unplanned selling off of assets, and particularly the capacity to generate significant liquidity in a short space of time.

In a medium / long-term perspective, the Company conducts a monthly ALM analysis of the liabilities and assets linked to the Life and Non-Life segments.

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

This analysis also includes a comparison between the liquidity-generating capacity and the estimated cash flow.

The articulation between functions related to investment, asset and liability management and liquidity is established in the Company's Investments Policy.

In relation, specifically, to Asset and Liability and Liquidity Management processes, in 2019 the Company approved a review of the Asset and Liability and Liquidity Risk Management Policy (the ALM and Liquidity Policy).

Together with the Investments Policy, this Policy describes the strategy for managing financial risks, insurance risks and liquidity risks, in the short, medium and long term, in a context of asset and liability management.

In this way, the ALM and Liquidity Policy seeks to guarantee alignment between assets and liabilities, with a particular focus on maximising return and minimising interest rate risk and liquidity risk.

Taking these aspects into consideration, asset and liability management must be performed, on the one hand, as a risk mitigation exercise and, on the other, as part of the Company's decision-making structure, formulating strategies related with its assets and liabilities. It is therefore composed of the following critical activities:

- Defining – Defining and approving the asset and liability and liquidity management strategy;
- Monitoring – Monitoring the evolution of cash flow matching and different metrics associated with asset and liability management, producing monthly and annual reports;
- Managing – Reviewing the objectives and limits set out in the ALM and Liquidity Policy in line with current and future market conditions/expectations and internal risk capacity;
- Controlling – Ensuring compliance with the asset and liability management strategy, limits, procedures and responsibilities assigned.

B.3.2.11. Reputational risk

Management of the Company's Reputational Risk is fundamentally based on:

- The existence of a function responsible for corporate communication and media relations;
- The existence of a brand communication function;
- The function of clients' complaints management, which includes providing management information to the heads of the different Company Areas and the Executive Committee;
- Planning and monitoring of the Company's Human Resources;
- The Corporate Social Responsibility programme.

In recent years, Fidelidade is proud to have been recognised by the Portuguese on several occasions as a brand of reference. It is the insurance company which has won the most awards in Portugal. These awards are the result of the path that Fidelidade has followed, in choosing to be an insurance company made up of people thinking about people.

SUPERBRANDS PORTUGAL 2019
Fidelidade and Multicare attained the status of Superbrands 2019

MARKTEST 2019
Brand with the Best Reputation in the Insurance category (Fidelidade)

MARKTEST 2019
Brand with the Best Reputation in the Health Insurance category (Multicare)

ESCOLHA DO CONSUMIDOR 2019
Fidelidade was the consumers' choice in the Insurance category

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

MARCA DE CONFIANÇA 2019
The Portuguese voted Fidelidade a Trusted Brand in 2019

PRÉMIOS MARKETEER
The Fidelidade brand received the most votes in the Insurance category

PORTUGAL DIGITAL AWARDS 2019
The "Smart Drive" project, a partnership between Fidelidade and Brisa, was distinguished in the Best Digital Product & CX category

B.3.2.12. Operational Risk

Procedures are implemented specifically for managing both operational risk and internal control, namely:

- Documentation and classification of existing control activities, linking them to the risks previously identified in the business processes;
- Decentralised recording of events and subsequent losses, including near misses, resulting from risks associated with the business processes, and also own assessment of risks and control activities.

This risk is discussed further in Chapter B.4.1. Information on the internal control system.

B.3.3. Own risk and solvency assessment

The Company has an ORSA Policy with the aim of establishing the general principles for the own risk and solvency assessment regarding:

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

According to the Policy, the ORSA aims to provide a level of security which is acceptable to the Company's Executive Committee regarding compliance with the strategic objectives, within the framework of the risk appetite established.

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

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

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

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

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

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

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

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

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

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

Also within the scope of the ORSA process, continual assessment is carried out of the regulatory capital requirements and the requirements applicable to the technical provisions. This consists of the production of a monthly report containing the estimated Solvency II position, adjusted by the effect of capital optimisation measures in progress or being studied.

The ORSA plays a key role in the Company's management, and the results obtained from it are taken into consideration in the Company's Risk Management, in Capital Management and in Decision Making.

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

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

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

The ORSA also provides support for the main activities related with Capital Management, namely:

- Assessing, together with risk management, the risk appetite structure in relation to the business strategy and capital management strategy;
- Contributing to the commencement of the strategic planning process, through the performance of a capital adequacy assessment in the most recent period, involving both regulatory capital and economic capita;
- Monitoring capital adequacy.

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

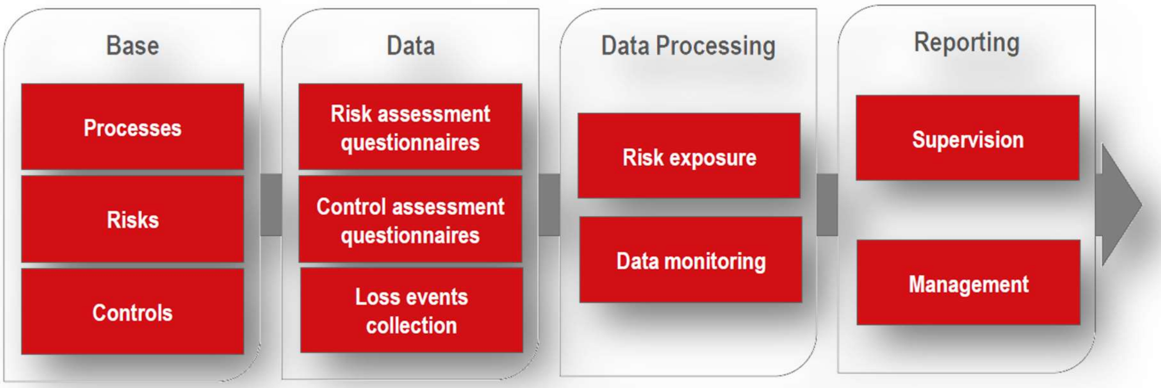
B.4. Internal control system

B.4.1. Information on the internal control system

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

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

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



Business processes

All the Company's business processes are documented considering a pre-defined "tree" of processes containing three levels (macroprocess; process; sub-process) that represent the activities of an insurance company.

Documentation and updating of the Company's business processes are a requirement for the risk management and internal control systems.

Risks and Controls

For the documented business processes, the significant risks to which they are exposed are identified, classified in line with a pre-defined risk matrix. Existing mitigation mechanisms (controls) are identified for these risks.

The risks and controls existing in the Company are thus documented and characterised.

Assessment

To assess the Company's operational risk, quantitative information is collected on the risks previously identified by means of own assessment of risk questionnaires and the recording of loss events and subsequent losses.

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

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

B.4.2. Information on activities performed by the Compliance Function

The Compliance Division performs functions related to management of compliance risks, and prevention of money laundering and combatting terrorist financing, and also personal data protection. The Compliance Division is a structural body, with functional independence, which performs key functions within the system of Risk Management and Internal Control.

The Compliance Division's main mission is to contribute so that the management bodies, management structure and staff of the Group Companies comply with the legislation, rules, codes and standards in force at a given time, both externally and internally, in order to avoid situations of non-conformity that may harm the Group companies' image and their reputation in the market, and/or that may give rise to financial losses.

Among the compliance function's processes and controls, carried out by the Compliance Division throughout 2019, the following can be highlighted:

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

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

B.5. Internal Audit Function

As stated above, the internal audit function is given to the Audit Division, which 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. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the effectiveness and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

The rules and principles that the internal audit function must obey are established in the Internal Audit Policy, approved in December 2019.

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

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

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

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

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

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

In terms of reporting, principles are set out which must govern the drawing up of the reports, their minimum content, the persons to whom they are addressed and the type of reports (preliminary report and final report). There are also provisions on internal audit's monitoring of the application of any improvement actions proposed, with the production of follow-up reports whenever justified.

Lastly, the Audit function is responsible for producing the Annual Audit Report, which contains an analysis of compliance with the Annual Audit Plan, identifies the work undertaken and provides a summary of the conclusions obtained and recommendations issued. The Annual Audit Report is submitted to the Executive Committee for analysis and approval.

B.6. Actuarial Function

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

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

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

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

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

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

The actuarial function reports regularly to the Executive Committee on the results obtained from monitoring the provisions levels.

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

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

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

There is a policy for designing and approving new products and for reformulating existing ones, which sets out the actuarial function's articulation with the business and marketing areas which are responsible for proposals for new products and respective specifications. The same applies to changes to existing products, where the actuarial function intervenes by giving its opinion on the proposed changes.

The actuarial function provides support to the reinsurance area in the negotiation of reinsurance treaties, providing information with risk and profitability metrics and sensitivity analyses and portfolio statistics, and monitoring the evolution of the reinsurance treaties, including their conditions in the actuarial analyses conducted. The adequacy of the treaties for the Company's obligations is subject to actuarial analysis.

B.7. Outsourcing

B.7.1. Outsourcing Policy

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

Insofar as the Companies maintain full responsibility for any functions or activities which may be outsourced, definitions are provided of the main aspects to be implemented related with the monitoring inherent to the outsourced function or activity, and the responsibilities of each of the participants are identified, both in the outsourcing process and in the subsequent monitoring of the service provider.

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

B.7.2. Outsourced critical or important functions or activities

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

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

B.8. Any other information

There is no other material information relating to the Company's system of governance.

C. Risk Profile

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

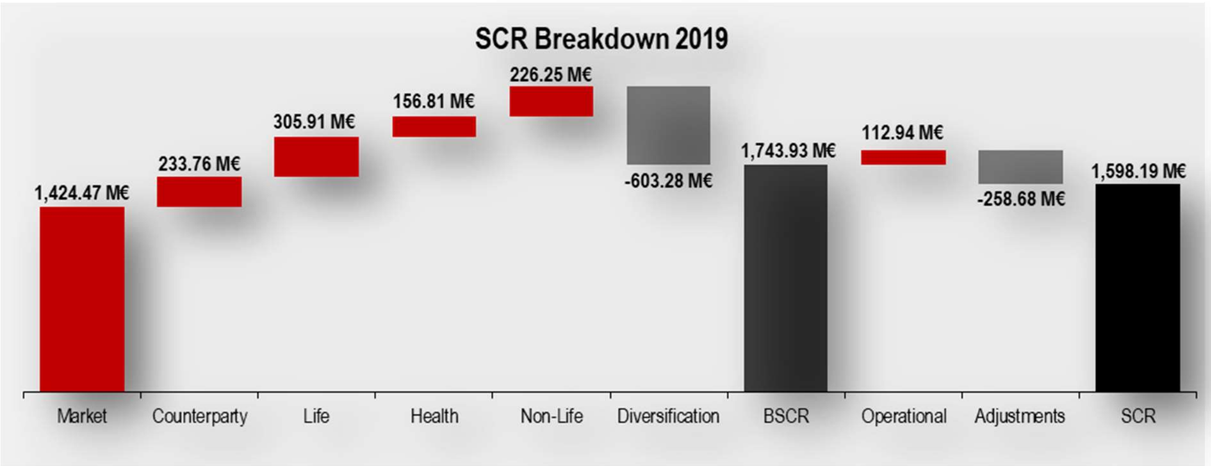
On the other hand, this integrated approach ensures value creation via the identification of adequate balance between risk and return, simultaneously guaranteeing the Company's obligations to its stakeholders.

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

Accordingly, to outline its risk profile, the Company identifies the various risks to which it is exposed and then assesses these.

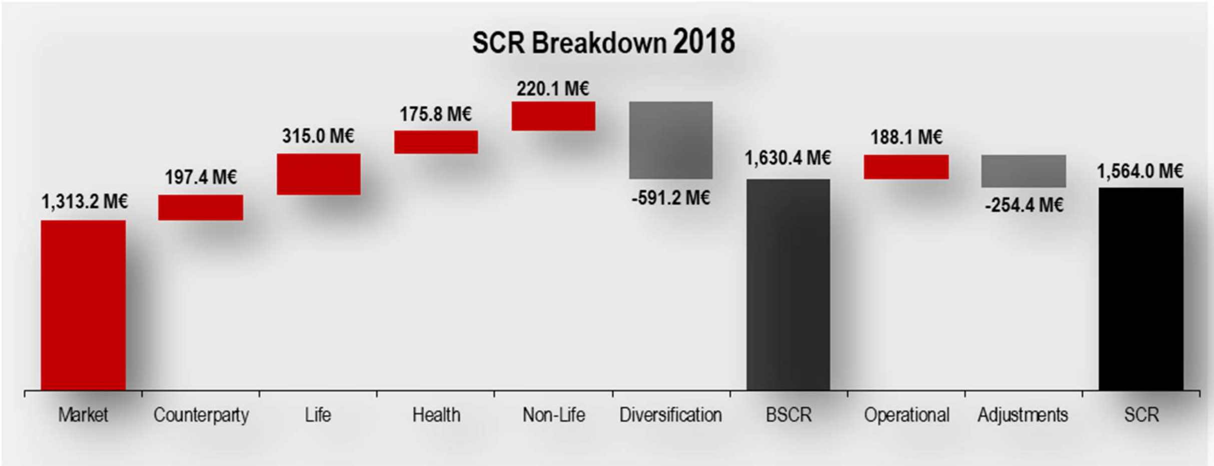
The risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the Company has opted to use a qualitative analysis to classify the foreseeable impact on its capital needs.

Hence, the calculation of the Company's solvency capital requirement (SCR) with reference to 31 December 2019 was as follows:

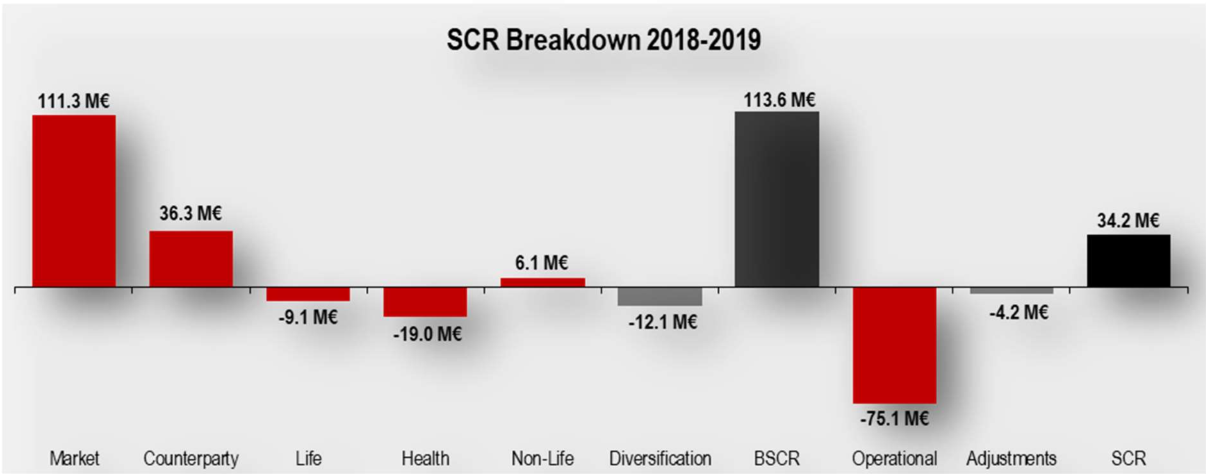


The market risk is clearly prominent in this requirement, followed by the Life, Counterparty Default and Non-Life underwriting risks, which are much lower.

The same calculation relating to 31 December 2018 was as follows.



The difference, of EUR 34.2 million, is shown in the graph below.



The following elements can be highlighted in this evolution:

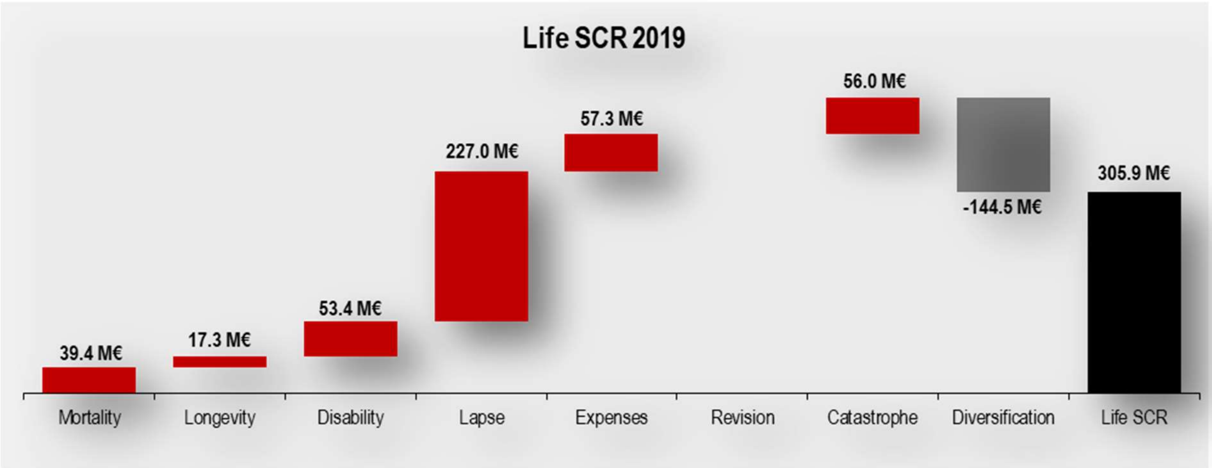
- the increase in market risk, as detailed in Chapter C.2.;
- the increase in counterparty default risk, presented in Chapter C.3.; and
- the decrease in operational risk, explained in Chapter C.5.

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

C.1. Underwriting risks

C.1.1. Life underwriting risk

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



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

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

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

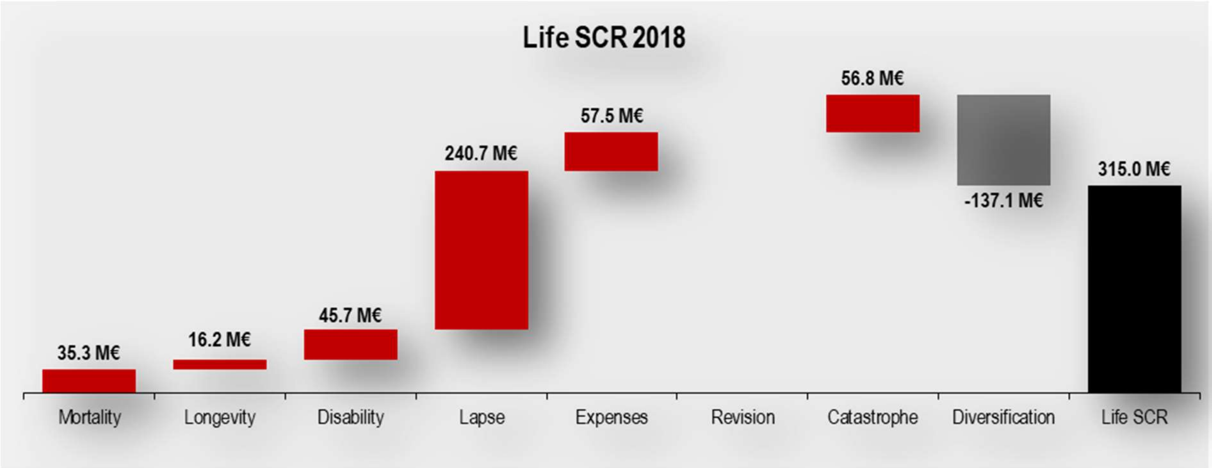
The next risk is the catastrophe risk. This risk is significantly related with the mortality risk which results from the significant weight in sums insured associated with life risk contracts.

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

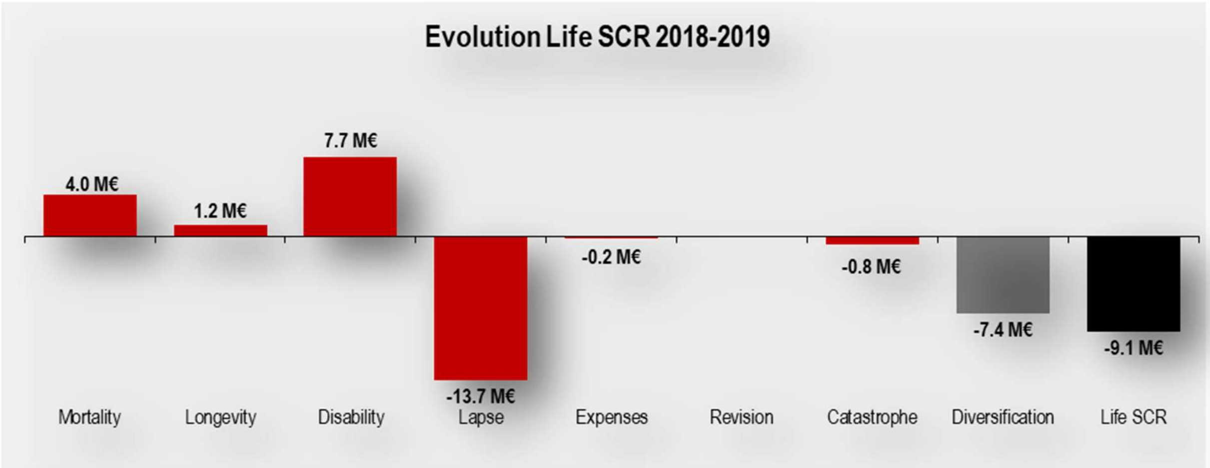
Lastly, there is the longevity risk, the significance of which is relatively low in this risk module, since the Companies' Annuities portfolio is small.

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

The Life SCR at 31 December 2018 was:



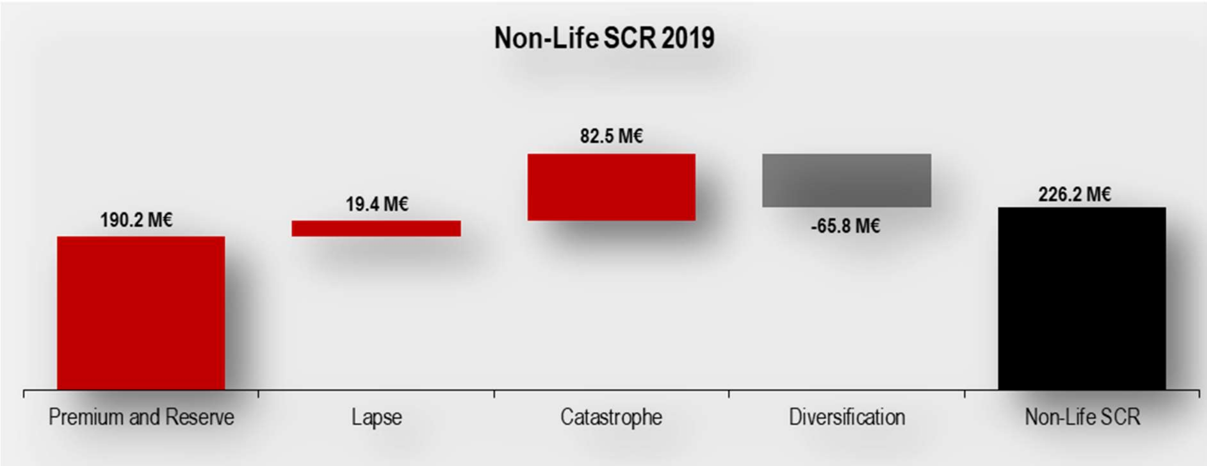
The decrease of EUR 9.1 million is shown in the graph below.



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

C.1.2. Non-Life underwriting risk

The non-life underwriting risk is the fourth most significant for the Company.



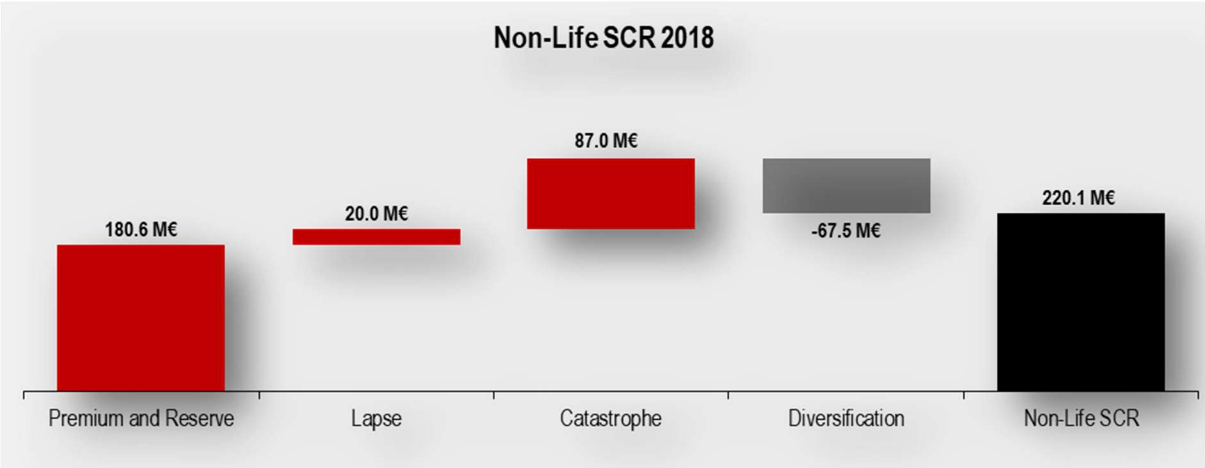
Within this sub-module, the premium and reserve risk is the most important.

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

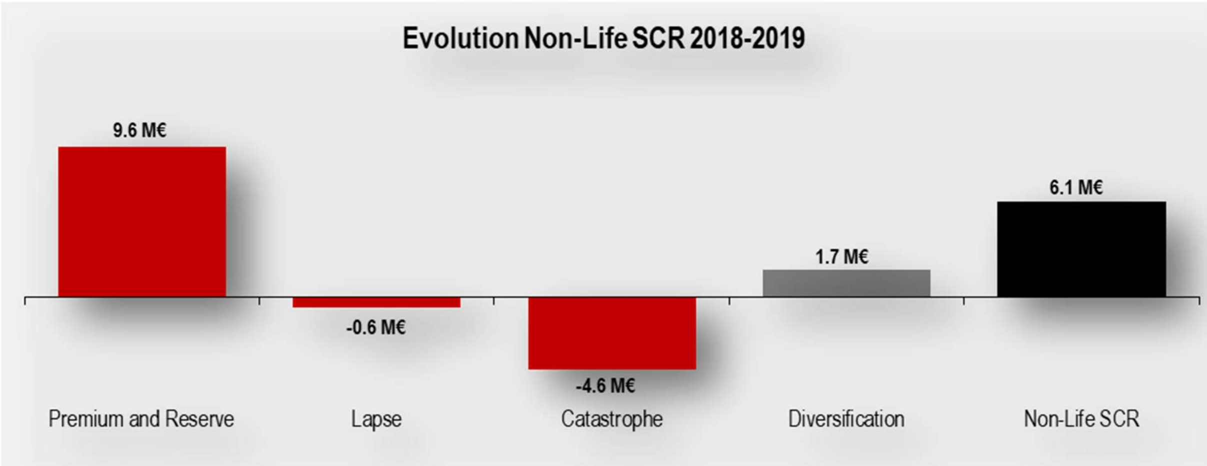
With a much lower figure, there is the catastrophe risk, which basically arises from the significant amount of sums insured with seismic phenomena coverage. However, in the event of a seismic phenomenon, because of the existing reinsurance contracts only a part of the liability will be assumed by the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

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

The Non-Life SCR at 31 December 2018 was:



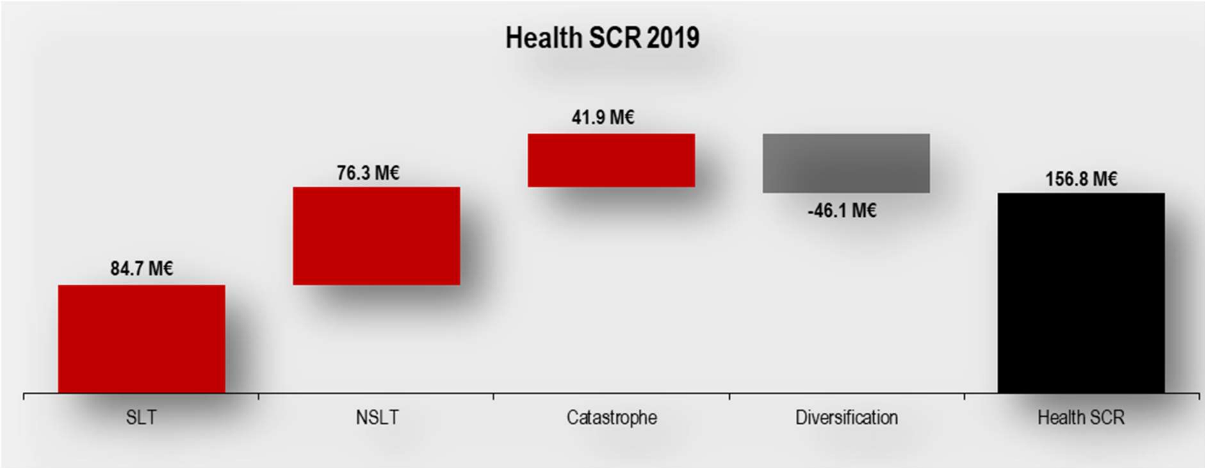
The difference of EUR 6.1 million is shown in the graph below.



The decrease in this risk results from the Premium and Reserve sub-module, due to an increase in business.

C.1.3. Health underwriting risk

In terms of weight, this is the fifth risk for the Company, and of the three underwriting risks it is the risk with the lowest weight.



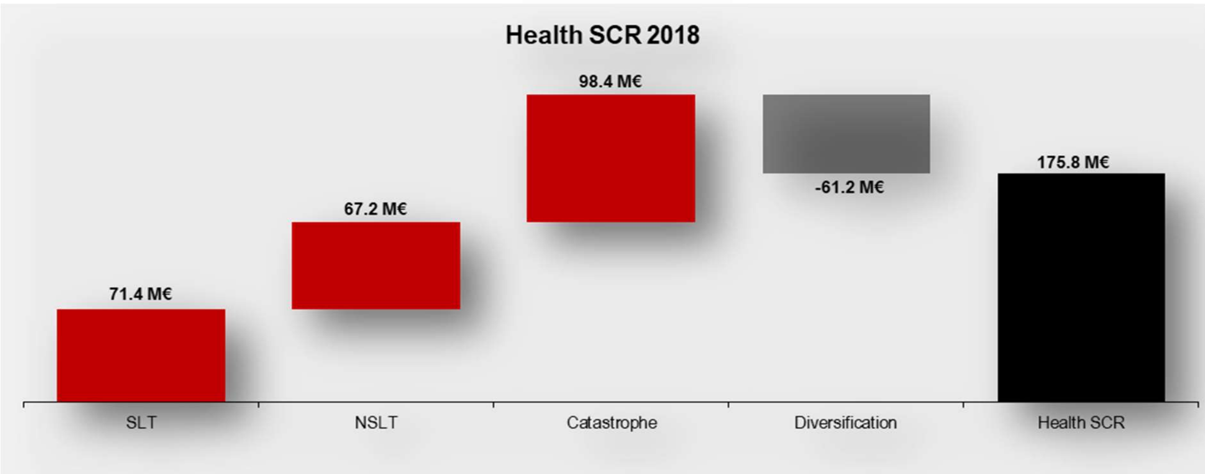
The SCR SLT and SCR NSLT risks are the most significant sub-modules.

The SLT (similar to life techniques) health sub-module is basically composed of longevity risk resulting from pensions and permanent assistance expenses in the workers' compensation line of business.

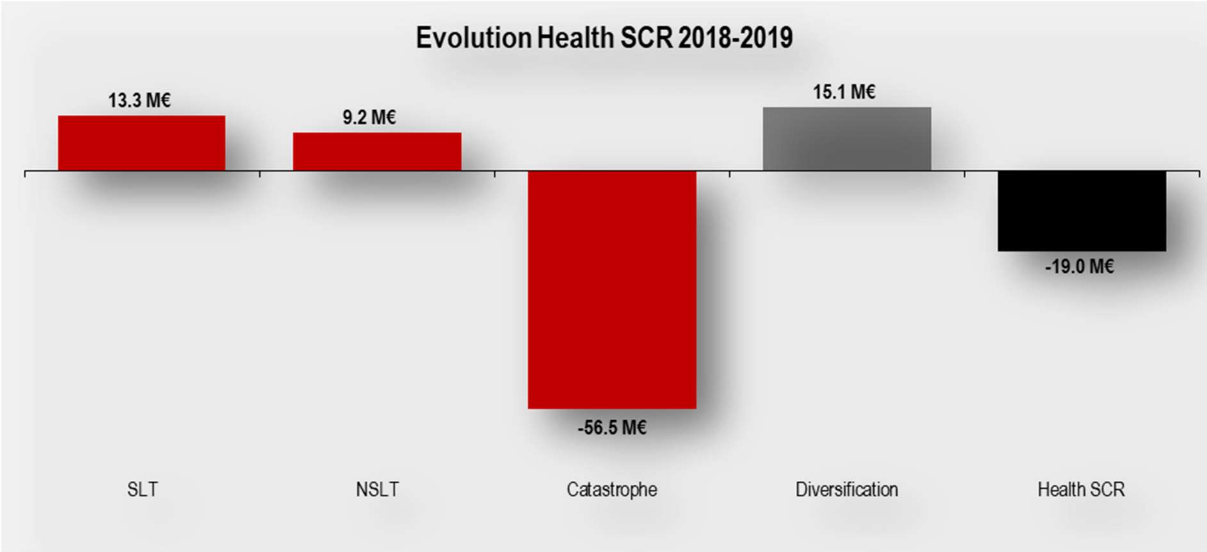
The NSLT (not similar to life techniques) health sub-module, originates from the premium and reserve risk in the workers' compensation and personal accidents lines of business, given that health insurance is 100% reinsured with Multicare.

With a lower figure is the catastrophe risk sub-module, mainly as a result of the concentration of accidents, given the sums insured involved.

The Health SCR at 31 December 2018, was:



The fall, of EUR 19 million, is shown in the graph below.



The evolution in this module is basically due to the catastrophe risk, resulting from the significant reduction in persons exposed to risk in the scenario established for calculating concentration risk.

C.1.4. Mitigation measures – underwriting risk

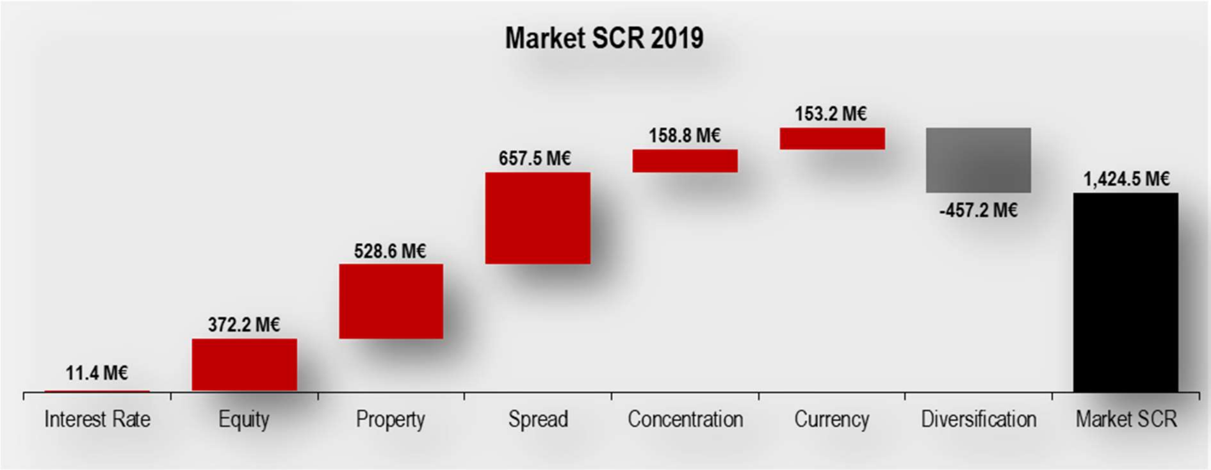
For a number of lines of business, the Company uses reinsurance contracts which guarantee mitigation of underwriting risks for life, non-life and health. This mitigation is taken into account when calculating the respective capital requirements.

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

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

C.2. Market risk

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



Within this module, the most important sub-module is the spread risk, which is a result of the Company's high exposure to fixed income financial instruments, other than European government bonds.

The second most important market risk sub-module is the property risk, reflecting the investment strategy that the Company is pursuing, where there is significant exposure to the real estate market.

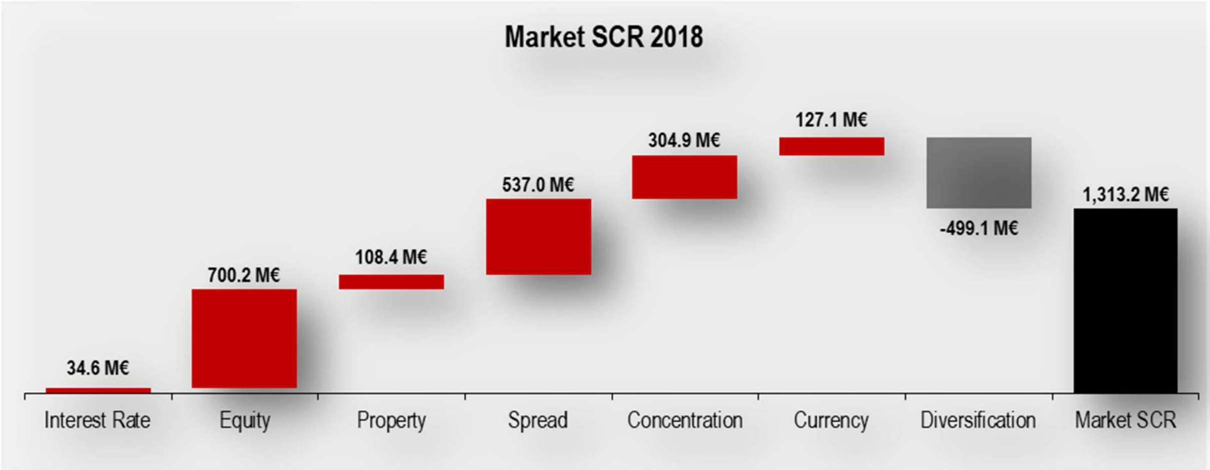
The third most important sub-module is equity risk, as a result of the Company's significant exposure to equity markets.

Concentration risk is the fourth most important sub-module in the market risk module. The greatest exposures in this risk are to the Fosun International Limited economic group (influenced by direct participations of Fidelidade), to HSBC and to Santander.

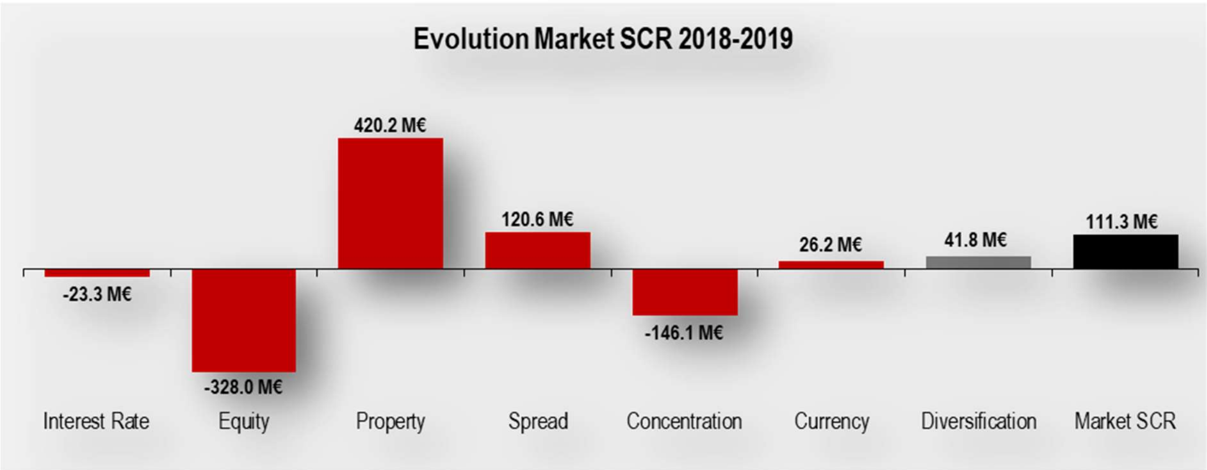
The currency risk has a slightly lower value, which reflects the hedging for the most significant exposures to foreign currency.

In the case of interest rate risk, its low value is a result of the Asset and Liability management monitoring of the duration gap.

The Market Risk SCR at 31 December 2018 was:



The difference, of EUR 111.3 million, is shown in the graph below.



The fall in the equity risk is largely explained by the fact that the Company began to apply a transparency-based approach to two significant exposures, namely Fidelidade Property Europe and Fidelidade Property International, as a result of the amendments recently made to the Delegated Regulation that extended the scope of application of this mechanism. This also explains much of the substantial increase in the real estate risk, since these two entities manage the Company's real estate investments, and the majority of their assets are properties.

The Company's greater exposure to corporate debt, as against a lower exposure to sovereign debt of EU member states, and other similar debt, which has zero shock, largely explains the increase in the spread risk.

The decrease in concentration risk is explained predominantly by the decrease in exposure to Caixa Geral de Depósitos and the Fosun Group.

The interest rate risk remained practically unchanged. There was a small increase in the currency risk, mostly explained by the increased exposure to foreign currency for which there is no currency hedging.

C.2.1. Mitigation measures – market risk

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

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

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

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

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

The entire process falls within the Company's general investment guidelines.

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

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

Market Risk - Currency

Using futures, forwards and swaps contracts the Company hedges the currency exposure of its directly or indirectly held assets:

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

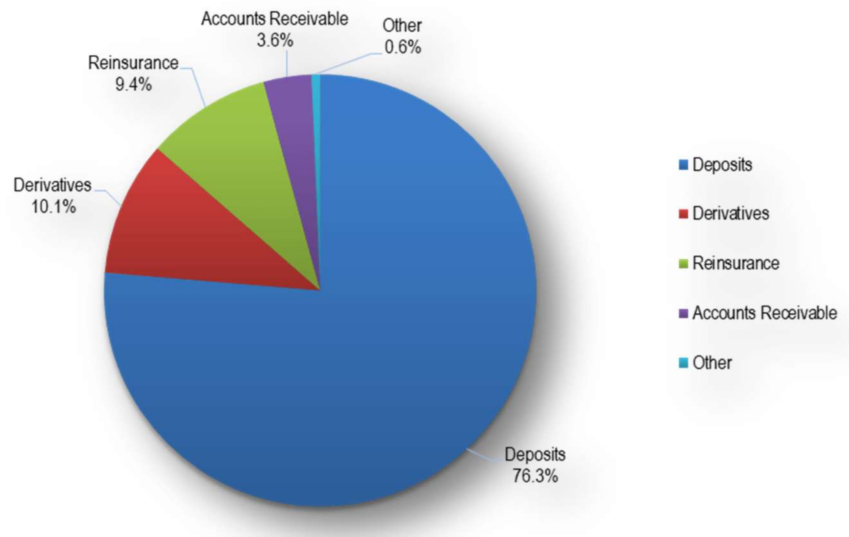
The futures contracts in question have a duration of three months, and the Company intends to replace them with similar contracts, at the end of that period.

C.3. Counterparty Default risk

The counterparty default risk module is the third highest of all the risks assessed by the Company.

The breakdown of this risk by counterparty type is:

Counterparty Default Risk Breakdown



The solvency capital requirement for the counterparty default risk results essentially from the component relating to deposits, in which exposure to Caixa Geral de Depósitos carries significant weight. Of the remaining exposures, the most significant relate to exposures to counterparties to which the Company transfers risks: through reinsurance contracts for underwriting risks and through financial risk mitigation techniques for market risk (derivatives).

C.4. Liquidity risk

This risk is managed in the Company so that there is always capacity to meet its obligations and liabilities.

Accordingly, the Company prepares a monthly ALM analysis of the assets and liabilities.

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

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

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

Given the above, the Company considers that there is adequate mitigation of this risk, which allows it to conclude that this risk is low.

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

The EPIFP, at 31 December 2019, was:

Amount in thousand euros

Expected profits included in future premiums	555,292
Total	**555,292**

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

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

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

C.5. Operational risk

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

This is the risk module with the least weight of all the risks assessed by the Company. Its decrease reflects the evolution of the Company’s business in the life segment.

In its management of operational risk and internal control, the Company identifies, within its processes, the most significant operational risks to which each of these are exposed (based on a pre-defined risk matrix) and it documents the controls which exist to mitigate these.

Additionally, to assess the Company’s operational risk, quantitative information is collected on the risks previously identified and an assessment is carried out of the internal control system, supported by a process of own assessment of the control activities documented.

C.6. Other material risks

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

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

C.6.1. Reputational risk

Management of the Company's Reputational Risk is fundamentally based on:

- The existence of a function responsible for corporate communication and media relations;
- The existence of a brand communication function;
- The function of clients' complaints management, which includes providing management information to the heads of the different Company Areas and the Executive Committee;
- Planning and monitoring of the Company's Human Resources;
- The Corporate Social Responsibility programme.

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

Actions carried out in this area have had an impact, as can be seen from the many awards given for excellent service/client satisfaction[2]. This risk is therefore considered to be adequately mitigated and is therefore classified as low.

C.6.2. Strategic risk

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

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

C.6.3. Business (continuity) risk

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

[2] A full list of all of Fidelidade's awards can be consulted at https://www.fidelidade.pt/PT/a-fidelidade/NossaMarca/marca/Paginas/Premios.aspx.

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

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

C.6.4. Legal risk

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

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

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

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

In addition, the Company is exposed to compliance risks during the normal course of its operations. One example of this risk is the recent decision by the Competition Authority (AdC), on 28 December 2018, in an ongoing case against several insurance companies. In this decision, the AdC concluded that contacts established between different insurance companies in the past, in relation to the renewal of certain corporate policies that are characterised by heavy deficits, in some lines of business, are contrary to competition law, and a global penalty of EUR 12 million was set. No individuals were subject to sanctions.

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

C.7. Any other information

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

Since 2018, the Company has recognised adjustment for the loss-absorbing capacity of deferred taxes not only relating to the impact on deferred tax liabilities, but also the impact on deferred tax assets, in this case using exclusively the effect deriving from temporary differences and not the recovery of tax losses.

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

C.7.2. Risk sensitivity

The sensitivity of the solvency ratio, at 31 December 2019, to the main risks to which the Company is exposed, expressed as an absolute impact on that ratio (in percentage points), is presented in the table below:

Risk Type	Effect of changes on:		Total effect
	Eligible funds	Capital Requirement	
Value of equity -20%	(10.0)	+3.6	(6.6)
Value of property -10%	(9.1)	+0.4	(8.7)
Spread +100bps	(17.0)	(5.6)	(22.0)
Interest rate – 100 bps increase	+0.4	+1.2	+1.6
Interest rate – 50 bps decrease	(2.7)	+0.1	(2.5)

At 31 December 2018, the solvency sensitivity ratio was:

Risk Type	Effect of changes on:		Total effect
	Eligible funds	Capital Requirement	
Value of equity -20%	(24.7)	(5.1)	(29.1)
Value of property -10%	(1.9)	(0.6)	(2.5)
Spread +100bps	(15.1)	(7.9)	(22.2)
Interest rate – 100 bps increase	+0.7	+0.8	+1.5
Interest rate – 50 bps decrease	(1.3)	(1.5)	(2.7)

Explanation of the Solvency II sensitivity analyses:

Risk	Scenario
Equity	Impact of a 20% decrease in the value of equity, including equity funds.
Property	Impact of a 10% decrease in the value of property, including Real Estate Funds.
Spread	Impact of a 100 bps (basis points) increase in debt securities.
Interest rate	Impact of a parallel increase of 100 bps (basis points) along the curve.
	Impact of a parallel decrease of 50 bps (basis points) along the curve.

D. Valuation for Solvency Purposes

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

The same information, for solvency purposes, is presented in relation to 31 December 2018.

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

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

Amounts in thousand euros

		Solvency II	Financial statements	Difference	Solvency II previous year
Assets					
D.1	**Total Assets**	**16,640,818**	**16,861,644**	**(220,826)**	**16,175,977**
Liabilities					
D.2	Technical Provisions	13,007,529	13,465,290	**(457,761)**	**12,701,508**
D.3	Other liabilities	991,918	791,067	**200,851**	**864,836**
Total Liabilities		**13,999,447**	**14,256,357**	**(256,910)**	**13,566,344**
Excess of assets over liabilities		**2,641,371**	**2,605,287**	**36,084**	**2,609,633**

D.1. Assets

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

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

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

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference	Solvency II previous year
Financial assets	15,075,688	15,207,381	**(131,693)**	**14,170,944**
Real estate assets	424,024	422,506	**1,518**	**434,373**
Other assets	968,882	965,644	**3,238**	**1,356,807**
Reinsurance recoverables	172,224	266,113	**(93,889)**	**213,853**
Total	**16,640,818**	**16,861,644**	**(220,826)**	**16,175,977**

D.1.1. Financial assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II previous year
Holdings in related undertakings, including participations	2,278,822	1,742,301
Equities — listed	736,962	989,389
Equities — unlisted	1,563	3,774
Government bonds	4,609,668	4,787,027
Corporate bonds	5,132,487	4,540,153
Structured notes	124,815	87,336
Collateralised securities	0	0
Collective investment undertakings	818,648	95,152
Derivatives	43,341	50,920
Deposits other than cash equivalents	1,190,717	1,834,598
Other investments	0	0
Assets held for index-linked and unit-linked contracts	138,665	40,294
Total	**15,075,688**	**14,170,944**

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

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

Within the scope of the Solvency II rules, to determine the fair value of financial instruments, assets are classified according to the fair value hierarchy criteria defined as part of IFRS 13 (Fair Value Measurement) in the following categories:

QMP - Quoted market price in active markets for the same assets

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

QMPS - Quoted market price in active markets for similar assets

In this category, fair value is determined by considering the prices obtained from the market maker. The Company's portfolio assets in this situation are essentially private placements.

AVM - Alternative valuation methods

The Company does not make valuations from financial models.

AEM - Adjusted equity method

Assets considered in this category are initially recognised at cost and are periodically subjected to revaluation in line with the financial statements disclosure.

IEM - IFRS equity methods

Not currently applicable.

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Holdings in related undertakings, including participations	2,278,822	2,422,644	**(143,822)**
Equities — listed	736,962	736,962	**0**
Equities — unlisted	1,563	1,525	**38**
Government bonds	4,609,668	4,583,133	**26,535**
Corporate bonds	5,132,487	5,132,485	**2**
Structured notes	124,815	124,815	**0**
Collateralised securities	0	0	**0**
Collective investment undertakings	818,648	815,064	**3,584**
Derivatives	43,341	44,427	**(1,086)**
Deposits other than cash equivalents	1,190,717	1,190,715	**2**
Other investments	0	16,888	**(16,888)**
Assets held for index-linked and unit-linked contracts	138,665	138,723	**(58)**
Total	**15,075,688**	**15,207,381**	**(131,693)**

The differences, by class of asset, are:

Holdings in related undertakings, including participations

This results from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM), (net, the total value of these holdings for solvency purposes fell by EUR 143,822 thousand).

The total difference includes, among others, the impacts of valuation of Luz Saúde S.A. (fall in the value of the holding by EUR 161,708 thousand), of FID Peru, S.A. (fall of EUR 137,216 thousand) and of Fidelidade Property Europe, S.A. (increase of EUR 141,978).

Equities - unlisted

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

Government bonds

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

Corporate bonds

This results from valuation differences in investments from Fidelidade Macau. The main difference is specifically the applied exchange rate, given that some investment information is received in USD and converted into EUR at different times for the statutory financial statements and for Solvency II, sometimes leading to differences, albeit minimal ones.

Collective investment undertakings

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

Derivatives

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

Deposits other than cash equivalents

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

Other investments

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

Assets held for index-linked and unit-linked contracts

This results from the closing quoted prices at 31 December 2019 being obtained at different times. In the financial statements the valuation at 31 December 2019 was made some hours before the close of some financial markets which have an extended operation. For Solvency II it was possible to consider the final value after the close of all financial markets.

D.1.2. Real estate assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II previous year
Property, plant and equipment held for own use	94,579	97,366
Property (other than for own use)	69,828	82,711
Collective investment undertakings	259,617	254,296
Total	**424,024**	**434,373**

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

The Company's real estate assets are accounted for at their Market Value, which is the price for which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, it being implied that: i) the asset is put up for sale on the market; ii) the conditions of sale permit a regular sale; iii) the period for negotiating the sale is normal, considering the nature of the property.

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

Market Approach

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

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

Cost Approach

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

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

Income Approach

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

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

In order to comply with the regulations applicable to the Portuguese insurance sector, the following method is applied to value the real estate assets of Fidelidade and its subsidiaries:

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

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Property, plant and equipment held for own use	94,579	94,579	**0**
Property (other than for own use)	69,828	69,828	**0**
Collective investment undertakings	259,617	258,099	**1,518**
Total	**424,024**	**422,506**	**1,518**

[3] Or transitional regime, when applicable.

The differences, by class of assets, are:

Collective investment undertakings

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

D.1.3. Other Assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II previous year
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	293,798	327,711
Pension benefit surplus	4,131	7,112
Loans and mortgages to individuals	3	26
Other loans and mortgages	2,055	30,684
Loans on policies	1,151	1,154
Deposits to cedants	515	885
Insurance and intermediaries receivables	100,931	115,743
Reinsurance recoverables	23,023	25,172
Receivables (trade, not insurance)	111,942	172,813
Own shares (held directly)	149	149
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	412,548	653,015
Any other assets, not elsewhere shown	18,636	22,343
Total	**968,882**	**1,356,807**

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference
Goodwill	0	0	**0**
Deferred acquisition costs	0	70,495	**(70,495)**
Intangible assets	0	23,863	**(23,863)**
Deferred tax assets	293,798	164,229	**129,569**
Pension benefit surplus	4,131	4,131	**0**
Loans and mortgages to individuals	3	3	**0**
Other loans and mortgages	2,055	2,055	**0**
Loans on policies	1,151	1,151	**0**
Deposits to cedants	515	515	**0**
Insurance and intermediaries receivables	100,931	133,642	**(32,711)**
Reinsurance recoverables	23,023	23,023	**0**
Receivables (trade, not insurance)	111,942	111,942	**0**
Own shares (held directly)	149	149	**0**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	**0**
Cash and cash equivalents	412,548	411,810	**738**
Any other assets, not elsewhere shown	18,636	18,636	**0**
Total	**968,882**	**965,644**	**3,238**

The differences, by class of asset, are:

Deferred acquisition costs

The value of these assets for solvency purposes is zero.

Intangible assets

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

Deferred tax assets

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

Insurance and intermediaries receivables

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

Cash and cash equivalents

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

D.1.4. Reinsurance and special purpose vehicles recoverables

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

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life and accidents and health similar to life, excluding accidents and health insurance and index-linked and unit-linked	14,113	23,766	(9,653)	17,470
Life, index-linked and unit-linked	0	0	0	0
Non-Life, excluding accidents and health insurance	75,610	128,753	(53,143)	119,710
Accidents and Health similar to life	0	0	0	0
Accidents and Health similar to non-life	82,501	113,594	(31,093)	76,673
Total	**172,224**	**266,113**	**(93,889)**	**213,853**

The differences result from the method applied to calculate the best estimate, which uses assumptions that are not considered in the financial statements, such as:

- Probability of counterparty default;
- Consideration of the effects of inflation;
- Discounting of estimated liabilities;
- Method for calculating the provision for premiums

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

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

- In the Non-Life, Health SLT and Health NSLT lines of business, with the exception of medical expense, when calculating the claims provision, the value of the accounting provisions was assumed as the base value, which was distributed in annual future cash flows calculated on the basis of the future pattern of payments obtained for direct insurance in each of the lines of business;

- In the medical expense component of the Health NSLT line of business, since there is a 100% ceding treaty, the weight that the value of the reinsurance ceded accounting provision represents in the direct insurance of the line of business was applied to the best estimate of claims direct insurance;

- The component of the provision for premiums in the Non-Life and Health NSLT lines of business was calculated as described in points D.2.2. and D.2.4.

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

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

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

D.2. Technical provisions

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

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

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

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference	Solvency II previous year
Life	11,080,763	11,393,034	**(312,271)**	**10,891,113**
Non-Life	690,381	968,878	**(278,497)**	**722,579**
Health – SLT	1,044,836	890,011	**154,825**	**898,998**
Health – NSLT	191,549	213,367	**(21,818)**	**188,818**
Total	**13,007,529**	**13,465,290**	**(457,761)**	**12,701,508**

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

However, this degree of uncertainty is lower due to the Company not using simplifications when calculating the technical provisions.

D.2.1. Life

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

Amounts in thousand euros

Line of Business	Best estimate	Risk Margin	TMTP	Technical Provisions	Technical Provisions previous year
Index-linked and unit-linked insurance					
Contracts without options or guarantees	130,106	1,873	0	131,979	36,279
Contracts with options or guarantees	2,308	0	0	2,308	2,971
Capital redemption					
Contracts with profit sharing	2,320,867	13,424	(137,145)	2,197,146	1,728,580
Contracts without profit sharing	8,969,982	9,495	(192,764)	8,786,713	9,197,208
Risk					
Contracts with profit sharing	37,167	266	0	37,433	40,747
Contracts without profit sharing	(454,002)	128,494	0	(325,508)	(356,498)
Annuities					
Contracts with profit sharing	129,398	7,444	0	136,842	136,886
Contracts without profit sharing	108,846	4,372	0	113,218	104,793
Reinsurance accepted					
Reinsurance accepted	632	0	0	632	147
Total	**11,245,304**	**165,368**	**(329,909)**	**11,080,763**	**10,891,113**

The Life technical provisions result from the sum of the best estimate and the risk margin less the transitional measure on technical provisions (TMTP).

The best estimate corresponds to the current value of future projected cash flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rate term structures (see point D.2.6). Stochastic techniques were used when determining the time value of the options and guarantees.

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

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

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

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

The value of the claims provision corresponds to the value reported in the financial statements, at 31 December 2019, since the average payment time is very low so that any reduction caused by the discount effect would be minimal.

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

Income to calculate profit sharing, included in the claims estimates, was determined on the basis of assets held in portfolio at 31 December 2019 and their potential gains at that date. For such purpose, a “risk neutral” projection was made, in which different securities were subject to the reference interest rates curve (see point D.2.6), added to the recognition of potential gains at that date.

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

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

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

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

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

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

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

The following calculation assumptions were used:

Decreases by Death and Disability

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

Decreases by Redemption and Cancellation

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

Technical Management Costs

Since these come into play in determining the economic value of the existing business, the acquisition costs were removed from the total expenses charged to the Life Line of Business, at 31 December 2019. The total expenses were divided by the seven different classes of products: Individual Risk, Group Risk, Individual Annuities, Group Annuities, Unit Linked, Capital Redemption with Profit Sharing and Capital Redemption without Profit Sharing.

Premiums

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

Commissions

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

Future management measures

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

Policyholders' behaviour

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

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

Risk margin

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

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

Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference
Index-linked and unit-linked insurance			
Contracts without options or guarantees	131,979	136,415	**(4,436)**
Contracts with options or guarantees	2,308	2,308	**0**
Capital redemption			
Contracts with profit sharing	2,197,146	2,155,372	**41,774**
Contracts without profit sharing	8,786,713	8,729,197	**57,516**
Risk			
Contracts with profit sharing	37,433	38,355	**(922)**
Contracts without profit sharing	(325,508)	138,819	**(464,327)**
Annuities			
Contracts with profit sharing	136,842	92,049	**44,793**
Contracts without profit sharing	113,218	99,887	**13,331**
Reinsurance accepted			
Reinsurance accepted	632	632	**0**
Total	**11,080,763**	**11,393,034**	**(312,271)**

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

On the other hand, the difference stems from the fact that the contract boundaries of a series of temporary annual renewable (TAR) group life insurance contracts linked to mortgages are linked to the maturity of the underlying mortgage contract, as described in point D.5.1. This change to the contract boundaries has a positive impact on the Company's solvency capital requirement coverage ratio of around 19 pp.

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

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

D.2.2. Non-Life

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

Amounts in thousand euros

Line of Business	Best estimate	Risk Margin	Technical Provisions	Technical Provisions previous year
Motor vehicle liability insurance	342,720	10,696	**353,416**	**340,184**
Other motor insurance	63,064	4,296	**67,360**	**66,362**
Marine, aviation and transport insurance	7,869	441	**8,310**	**10,525**
Fire and other damage to property insurance	152,303	3,925	**156,228**	**200,146**
General liability insurance	85,628	2,670	**88,298**	**85,045**
Credit and suretyship insurance	407	24	**431**	**1,277**
Legal expenses insurance	306	26	**332**	**298**
Assistance	(1,825)	204	**(1,621)**	**(1,363)**
Miscellaneous financial loss	16,484	1,143	**17,627**	**20,105**
Non-proportional reinsurance accepted	0	0	**0**	**0**
Total	**666,956**	**23,425**	**690,381**	**722,579**

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

The best estimate of the provisions corresponds to the current value of future projected cash flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted using the relevant interest rate term structures (see point D.2.6).

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

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

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

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

Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference
Motor vehicle liability insurance	353,416	459,264	**(105,848)**
Other motor insurance	67,360	93,769	**(26,409)**
Marine, aviation and transport insurance	8,310	12,567	**(4,257)**
Fire and other damage to property insurance	156,228	218,075	**(61,847)**
General liability insurance	88,298	115,410	**(27,112)**
Credit and suretyship insurance	431	554	**(123)**
Legal expenses insurance	332	2,329	**(1,997)**
Assistance	(1,621)	18,165	**(19,786)**
Miscellaneous financial loss	17,627	19,725	**(2,098)**
Non-proportional reinsurance accepted	0	0	**0**
Other technical provisions	0	29,020	**(29,020)**
Total	**690,381**	**968,878**	**(278,497)**

The main differences identified result from:

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled “insurance and intermediaries receivables” in point D.1.3.;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
  - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
  - The estimate of payables not discounted.

The heading Other technical provisions, which only appears in the financial statements with the value of EUR 29,020 thousand, mostly corresponds to amounts allocated to the equalisation provision.

D.2.3. Health - SLT

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

Amounts in thousand euros

Line of Business	Best estimate	Risk Margin	TMTP	Technical Provisions	Technical Provisions previous year
Health insurance (direct insurance)					
Contracts without options or guarantees	0	0	0	**0**	**0**
Contracts with options or guarantees	0	0	0	**0**	**0**
Health insurance (reinsurance accepted)					
Health insurance (reinsurance accepted)	0	0	0	**0**	**0**
Annual payments resulting from non-life insurance contracts					
related with health insurance obligations	1,196,336	105,382	(256,882)	**1,044,836**	**898,998**
related with insurance obligations other than health	0	0	0	**0**	**0**
Total	**1,196,336**	**105,382**	**(256,882)**	**1,044,836**	**898,998**

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

The best estimate of the provisions corresponds to the current value of future projected cash flows related to insurance contracts, including claims and expenses, discounted using the relevant interest rate term structures (see point D.2.6.).

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

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

In this method capital corresponds to the solvency capital requirement of the Health - SLT Underwriting Risk and Operational Risk (in the part corresponding to the Health - SLT segment).

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

Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference
Health insurance (direct insurance)			
Contracts without options or guarantees	0	0	**0**
Contracts with options or guarantees	0	0	**0**
Health insurance (reinsurance accepted)			
Health insurance (reinsurance accepted)	0	0	**0**
Annual payments resulting from non-life insurance contracts			
related with health insurance obligations	1,044,836	890,011	**154,825**
related with insurance obligations other than health	0	0	**0**
Total	**1,044,836**	**890,011**	**154,825**

Considering the adjustment of the transitional measure on technical provisions, the impact of revaluing the provisions results fundamentally from the evolution of the interest rates term structure referred to in point D.2.6.

D.2.4. Health- NSLT

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

Amounts in thousand euros

Line of Business	Best estimate	Risk Margin	Technical Provisions	Technical Provisions previous year
Medical expense insurance	72,843	148	**72,991**	**66,372**
Income protection insurance	36,523	704	**37,227**	**38,396**
Workers' compensation insurance	77,071	4,260	**81,331**	**84,050**
Total	**186,437**	**5,112**	**191,549**	**188,818**

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

The best estimate of the provisions corresponds to the current value of future projected cash flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted using the relevant interest rates term structures (see point D.2.6.).

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

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

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

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

Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference
Medical expense insurance	72,991	97,143	**(24,152)**
Income protection insurance	37,227	39,857	**(2,630)**
Workers' compensation insurance	81,331	76,367	**4,964**
Total	**191,549**	**213,367**	**(21,818)**

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

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled "insurance and intermediaries receivables" in point D.1.3.;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
    - Provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
    - The estimate of payables not discounted.

D.2.5. Inflation rate

The harmonised index of prices, three-year forecast, disclosed by Banco de Portugal in December 2019 is used to calculate the best estimate.

In the best estimate projections, 0.9% was considered in 2020, 1.2% in 2021 and 1.4% in subsequent years.

D.2.6. Reference interest rates

When valuing the technical provisions, the Company used the relevant risk-free interest rate structures established in Commission Implementing Regulation (EU) 2020/193, of 12 February 2020, without volatility adjustment.

D.3. Other liabilities

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

Amounts in thousand euros

Liabilities	Solvency II	Financial statements	Difference	Solvency II previous year
Contingent liabilities	0	0	0	0
Provisions other than technical provisions	61,648	61,648	0	47,063
Pension benefit obligations	85	85	0	83
Deposits from reinsurers	126,008	126,008	0	130,779
Deferred tax liabilities	340,560	120,469	220,091	346,364
Derivatives	102,856	104,020	(1,164)	52,237
Debts owed to credit institutions	938	47	891	2,025
Financial liabilities other than debts owed to credit institutions	37,559	37,559	0	0
Insurance and intermediaries payables	80,773	87,197	(6,424)	62,134
Reinsurance payables	62,502	75,045	(12,543)	46,024
Payables (trade, not insurance)	61,060	61,060	0	72,454
Subordinated liabilities	0	0	0	0
Any other liabilities, not elsewhere shown	117,929	117,929	0	105,673
Total	**991,918**	**791,067**	**200,851**	**864,836**

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

The differences, by class of liability, are:

<u>Deferred tax liabilities</u>

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

<u>Derivatives</u>

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

<u>Debts owed to credit institutions</u>

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

Insurance and intermediaries payables

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

Reinsurance payables

The difference relates to reinsurance ceded payables for reimbursement of amounts paid out in direct insurance claims. For solvency purposes these payables are included in the Health – NSLT technical provisions (EUR 6,697thousand), the valuation of which was net of these.

D.4. Alternative valuation methods

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

D.5. Any other information

D.5.1. Changing the contractual limits of temporary annual renewable insurance contracts.

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

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

D.5.2. Application of the transitional deduction to technical provisions

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

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

ASF ruled that for 2019 the transitional deduction to technical provisions must be recalculated, based on 31 December 2018 information, and the reduction resulting from that calculation (if greater than the normal gradual reduction) must be reported on the first day of 2019.

Accordingly, the following table contains the respective amounts of the gross technical provisions and of the reinsurance recoverables, for solvency purposes, with the reference date of 1/1/2019[4], and in the financial statements, with the reference date of 31 December 2018. The initial amount of the transitional deduction applied is also shown:

Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Gross Technical Provisions			Reinsurance recoverables		Transitional Deduction
		Financial statements	Solvency II		Financial statements	Solvency II	
			Best Estimate	Risk Margin			
29 and 33	Life insurance liabilities - Health – SLT	699,747	881,404	75,225	0	0	256,882
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	1,254,522	1,382,107	9,559	0	0	137,145
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	5,087,284	5,268,160	11,889	0	0	192.764
Total		**7,041,553**	**7,531,671**	**96,673**	**0**	**0**	**586,791**

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the Company applied the transitional deduction to technical provisions on the first day of 2019. The table below shows the amount of that deduction at 31 December 2019:

Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Transitional Deduction			Recalculation 1/1/2019	Difference
		Amount at 1/1/2016	Decrease	Amount at 31/12/2018		
29 and 33	Life insurance liabilities - Health – SLT	325,545	(40,693)	**284,852**	256,882	**(27,970)**
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	(25,689)	**179,819**	137,145	**(42,674)**
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	(49,224)	**344,568**	192,764	**(151,804)**
Total		**924,845**	**(115,606)**	**809,239**	**586,791**	**(222,448)**

The following table quantifies the impact on the Company's financial condition, at 31 December 2019, of not applying this transitional deduction, namely the impact on the amount of the technical provisions, solvency capital requirement, minimum capital requirement, basic own funds and eligible own funds to meet the minimum capital requirement and the solvency capital requirement.

[4] Pursuant to Article 25 of Law No. 147/2015, of 9 September 2015, the ASF requested all insurance companies covered by the transitional rules to recalculate the transitional deduction, using information relating to 31 December 2018 as the basis for recalculation and with an effective date of 1 January 2019.

Amounts in thousand euros

	Transitional measure on technical provisions		
	Amount with the transitional measure	Amount without the transitional measure	Impact of the transitional measure
Technical provisions	**13,007,529**	**13,594,320**	**(586,791)**
Basic own funds			
Excess of assets over liabilities	2,641,371	2,239,419	401,952
Eligible own funds to meet SCR	**2,641,222**	**2,239,270**	**401,952**
Solvency Capital Requirement (SCR)	**1,598,187**	**1,724,386**	**(126,200)**
SCR coverage ratio	**165.26%**	**129.86%**	
Eligible own funds to meet MCR	**2,641,222**	**2,101,192**	**540,030**
Minimum Capital Requirement (MCR)	**463,647**	**472,074**	**(8,426)**
MCR coverage ratio	**569.66%**	**445.10%**	

The impact of the decrease in the transitional deduction to technical provisions, due to recalculation of the transitional deduction to technical provisions, on the first day of 2019, is approximately 0.32% of the total amount of the Company's technical provisions and 1.8% of its SCR, and the effects on the solvency position are therefore immaterial.

E. Capital Management

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

The changes which occurred in 2019, both in the Company's own funds and in its solvency capital requirement are explained in this chapter.

E.1. Own funds

E.1.1. Management of own funds

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

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

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

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

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

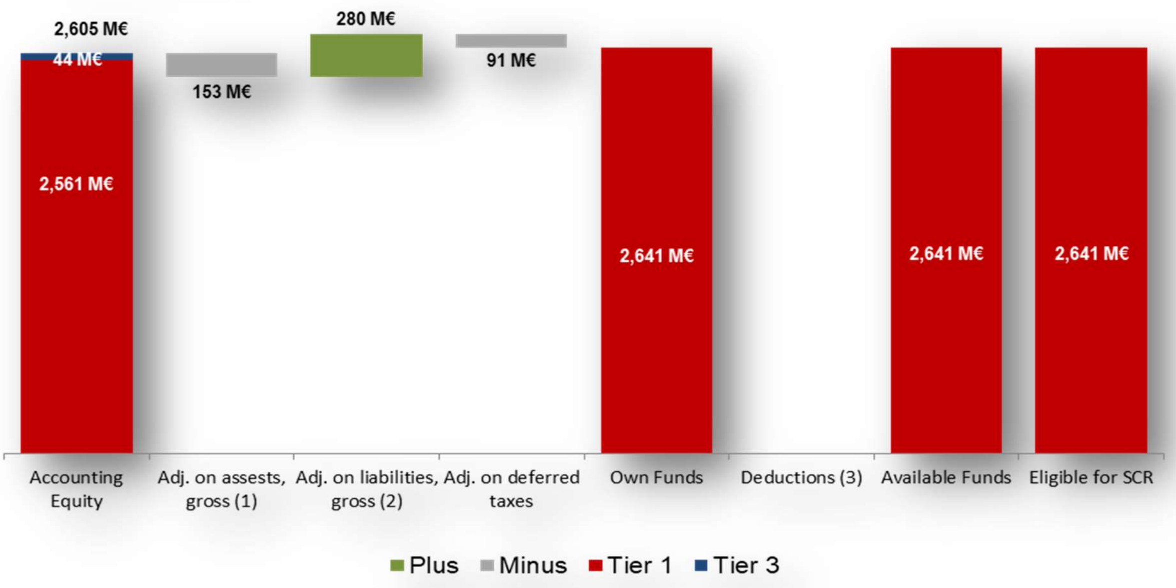
E.1.2. Structure, amount and tiering of own funds

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

Amounts in thousand euros

	Solvency II	Financial statements	Difference	Solvency II previous year
Assets	16,640,818	16,861,644	**(220,826)**	**16,175,977**
Technical Provisions	13,007,529	13,465,290	**(457,761)**	**12,701,508**
Other liabilities	991,918	791,067	**200,851**	**864,836**
Excess of assets over liabilities	**2,641,371**	**2,605,287**	**36,084**	**2,609,633**

The difference is explained in the graph below.



(1) Own Funds difference between market value and book value of assets
(2) Impact on own funds resulting from the difference between fair value plus risk margin and the transitional measure applicable to technical provisions, and the book value of liabilities (net of reinsurance, deferred acquisition costs and reimbursement of amounts paid in claims)
(3) Deductions from own funds resulting from participation in credit and financial institutions

The following table provides information on the structure, amount and quality of the basic own funds and ancillary own funds, at 31 December 2019 and 31 December 2018.

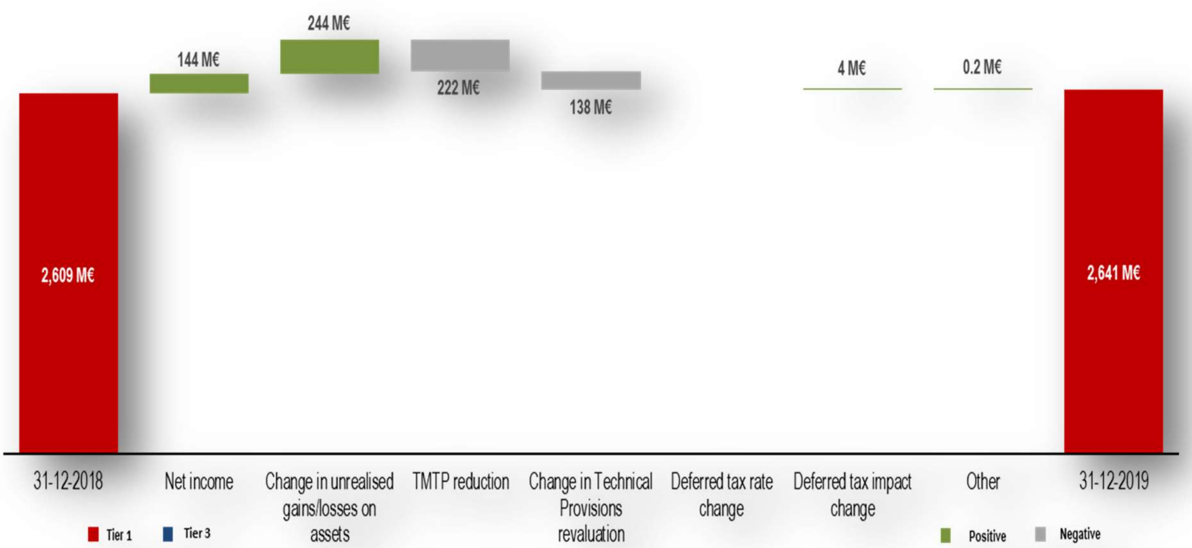
Amounts in thousand euros

	Own Funds - Structure	Amount	Tier	Amount previous year	Tier previous year
Basic own funds	Ordinary share capital (gross of own shares)	457,380	1	457,380	1
	Share premium account related to ordinary share capital	182,379	1	182,379	1
	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0		0	
	Subordinated mutual members accounts	0		0	
	Surplus funds	0		0	
	Preference shares	0		0	
	Share premium account related to preference shares	0		0	
	Reconciliation reserve	1,623,443	1	1,591,705	1
	Subordinated liabilities	0		0	
	An amount equal to the value of net deferred tax assets	0		0	
	Other items approved by the supervisory authority as basic own funds not specified above	378,020	1	378,020	1
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0		0	
	Deductions for participations in financial and credit institutions	0		0	
Total basic own funds		**2,641,222**		**2,609,484**	

Amounts in thousand euros

Own Funds - Structure		Amount	Tier	Amount previous year	Tier previous year
Ancillary own funds	Unpaid and uncalled ordinary share capital callable on demand	0		0	
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand	0		0	
	Unpaid and uncalled preference shares callable on demand	0		0	
	A legally binding commitment to subscribe and pay for subordinated liabilities	0		0	
	Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0		0	
	Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	0		0	
	Supplementary members calls under first subparagraph of Article 96(3) of Directive 2009/138/EC	0		0	
	Supplementary members calls other than under first subparagraph of Article 96(3) of Directive 2009/138/EC	0		0	
	Other ancillary own funds	0		0	
Total ancillary own funds		**0**		**0**	
Total available own funds		**2,641,222**		**2,609,484**	
Own shares (held directly and indirectly)		149		149	
Excess of assets over liabilities		**2,641,371**		**2,609,633**	

The graph below shows the main changes to the Company's available own funds during the period covered by this report.



TMTP – Transitional measure on technical provisions

The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31 December 2019 and 31 December 2018.

Amounts in thousand euros

	Available own funds to meet				Eligible own funds to meet			
	SCR	SCR previous year	MCR	MCR previous year	SCR	SCR previous year	MCR	MCR previous year
Tier1	2,641,222	2,609,484	2,641,222	2,609,484	2,641,222	2,609,484	2,641,222	2,609,484
Tier 2	0	0	0	0	0	0	0	0
Tier 3	0	0	0	0	0	0	0	0
Total	2,641,222	2,609,484	2,641,222	2,609,484	2,641,222	2,609,484	2,641,222	2,609,484

No restrictions were identified which affect the availability and transferability of the company's own funds.

E.2. Solvency capital requirement and minimum capital requirement

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

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

Information is presented below on the solvency capital requirement (SCR) and the minimum capital requirement (MCR) and also the respective coverage ratio, at 31 December 2019 and 31 December 2018.

Amounts in thousand euros

	Capital Requirements	Capital Requirements previous year	Coverage Ratio	Coverage Ratio previous year
SCR	1,598,187	1,564,023	165.26%	166.84%
MCR	463,647	442,420	569.66%	589.82%

The table below provides a breakdown of the SCR by risk modules, with reference to 31 December 2019 and 31 December 2018, focusing, in particular, on the breakdown of the BSCR and the adjustments for the loss-absorbing capacity of the technical provisions and of deferred taxes.

Amounts in thousand euros

	SCR Breakdown	SCR Breakdown previous year
Market risk	1,424,474	1,313,196
Counterparty default risk	233,764	197,447
Life underwriting risk	305,912	315,014
Health underwriting risk	156,811	175,803
Non-life underwriting risk	226,249	220,143
Diversification	(603,278)	(591,222)
Intangible asset risk	0	0
Basic Solvency Capital Requirement	**1,743,932**	**1,630,381**
Operational risk	112,937	188,078
Loss-absorbing capacity of technical provisions	(2,024)	(1,180)
Loss-absorbing capacity of deferred taxes	(256,658)	(253,256)
Solvency Capital Requirement	**1,598,187**	**1,564,023**

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

E.3. Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

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

E.4. Differences between the standard formula and any internal model used

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

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

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

E.6. Information on deferred taxes

On its 2019 balance sheet the Company recognised EUR 293,798,248 for deferred tax assets.

This amount corresponds in its entirety to deferred tax assets recognised on the basis of the existence of deductible temporary differences. The Company did not recognise deferred tax assets that can be utilised against probable future taxable profit.

There are no basic own-fund items available relating to net deferred tax assets.

E.7. Any other information

E.7.1. Transitional measure on equity risk

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

E.7.2. Futures and forwards contracts

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

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

E.7.3. Optional additional information

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), which appeared in January 2020, the prevention and control of COVID-19 has been taking place on a global scale and throughout the country. The Company will strictly implement the requirements and guidelines of the General Directorate of Health and all indications of the government and regulatory authorities and will increase its support for the prevention and control of epidemics.

COVID-19 has economic impacts at the national and global level and there have already been significant losses in the global markets that may affect the quality or the income from the Company's credit and investment assets and the extent of the impact depends on the state measures to prevent the epidemic, its duration and the implementation of regulatory policies. This is a non-adjustable subsequent event and the Company has been following the pandemic's effect on its solvency ratio, the full impact of which is still being assessed. However, the most recent analyses indicate that the Company has Eligible Own Funds comfortably above the Solvency Capital Requirement. The Company will continue to pay close attention to the COVID-19 situation and will assess and actively respond to its impacts on the solvency ratio.

Annexes

Annex – Quantitative information*

* Amounts in thousand euros

S.02.01.02
Balance sheet

		Solvency II Value
		C0010
ASSETS		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	293,798
Pension benefit surplus	R0050	4,131
Property, plant and equipment held for own use	R0060	94,579
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	15,266,468
Property (other than for own use)	R0080	69,828
Holdings in related undertakings, including participations	R0090	2,278,822
Equities	R0100	738,525
Equities — listed	R0110	736,962
Equities — unlisted	R0120	1,563
Bonds	R0130	9,866,970
Government bonds	R0140	4,609,668
Corporate bonds	R0150	5,132,487
Structured notes	R0160	124,815
Collateralised securities	R0170	0
Collective investment undertakings	R0180	1,078,265
Derivatives	R0190	43,341
Deposits other than cash equivalents	R0200	1,190,717
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	138,665
Loans and mortgages	R0230	3,209
Loans on policies	R0240	1,151
Loans and mortgages to individuals	R0250	3
Other loans and mortgages	R0260	2,055
Reinsurance recoverables from:	R0270	172,223
Non-life and health similar to non-life	R0280	158,111
Non-life, excluding health	R0290	75,610
Health similar to non-life	R0300	82,501
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	14,113
Health similar to life	R0320	0
Life, excluding health and index-linked and unit-linked	R0330	14,113
Life, index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	515
Insurance and intermediaries receivables	R0360	100,931
Reinsurance recoverables	R0370	23,023
Receivables (trade, not insurance)	R0380	111,942
Own shares (held directly)	R0390	149
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	412,548
Any other assets, not elsewhere shown	R0420	18,636
TOTAL ASSETS	R0500	**16,640,818**

S.02.01.02
Balance sheet

		Solvency II Value
		C0010
LIABILITIES		
Technical provisions — non-life	R0510	881,929
Technical provisions — non-life (excluding health)	R0520	690,380
TP calculated as a whole	R0530	0
Best Estimate	R0540	666,955
Risk margin	R0550	23,425
Technical provisions — health (similar to non-life)	R0560	191,549
TP calculated as a whole	R0570	0
Best Estimate	R0580	186,437
Risk margin	R0590	5,112
Technical provisions — life (excluding index-linked and unit-linked)	R0600	11,991,313
Technical provisions — health (similar to life)	R0610	1,044,835
TP calculated as a whole	R0620	0
Best Estimate	R0630	939,453
Risk margin	R0640	105,382
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	10,946,478
TP calculated as a whole	R0660	0
Best Estimate	R0670	10,782,982
Risk margin	R0680	163,496
Technical provisions — index-linked and unit-linked	R0690	134,287
TP calculated as a whole	R0700	136,415
Best Estimate	R0710	(4,001)
Risk margin	R0720	1,873
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	61,648
Pension benefit obligations	R0760	85
Deposits from reinsurers	R0770	126,008
Deferred tax liabilities	R0780	340,560
Derivatives	R0790	102,856
Debts owed to credit institutions	R0800	939
Financial liabilities other than debts owed to credit institutions	R0810	37,559
Insurance and intermediaries payables	R0820	80,773
Reinsurance payables	R0830	62,501
Payables (trade, not insurance)	R0840	61,060
Subordinated liabilities	R0850	0
Subordinated liabilities not in basic own funds (BOF)	R0860	0
Subordinated liabilities in basic own funds (BOF)	R0870	0
Any other liabilities, not elsewhere shown	R0880	117,929
TOTAL LIABILITIES	R0900	**13,999,447**

EXCESS OF ASSETS OVER LIABILITIES	R1000	**2,641,371**

S.05.01.02
Premiums, claims and expenses by line of business

		Line of business: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct business	R0110	330,621	31,488	236,888	281,093	176,537	19,781	257,918	46,856	526	5,227	41,240	32,586					**1,460,760**
Gross — Proportional reinsurance accepted	R0120	365	149	571	655	1,035	372	6,714	747				36					**10,643**
Gross — Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	322,829	8,448	7,508	1,418	630	12,112	104,575	15,518	394	3,833	32,859	11,217					**521,340**
Net	R0200	8,158	23,189	229,950	280,331	176,941	8,041	160,056	32,085	132	1,394	8,381	21,405					**950,063**
Premiums earned																		
Gross - Direct business	R0210	329,907	31,462	235,470	277,107	171,997	19,569	251,520	43,613	518	5,169	40,210	33,131					**1,439,675**
Gross — Proportional reinsurance accepted	R0220	365	143	563	667	1,061	375	6,340	632	0	0	0	35					**10,180**
Gross — Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	322,248	8,448	7,500	1,429	658	11,997	101,651	13,259	376	3,833	32,850	11,459					**515,707**
Net	R0300	8,025	23,157	228,533	276,345	172,400	7,947	156,209	30,986	142	1,336	7,361	21,707					**934,148**
Claims incurred																		
Gross - Direct business	R0310	256,556	12,249	95,525	196,741	96,022	3,113	96,923	13,743	(365)	1	69	6,721					**777,299**
Gross — Proportional reinsurance accepted	R0320	659	87	666	2,102	711	129	(717)	665				(7)					**4,294**
Gross — Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	249,519	266	1,345	5,491	451	(189)	24,353	2,871	(12)		37	(2,410)					**281,721**
Net	R0400	7,697	12,071	94,846	193,352	96,282	3,431	71,853	11,536	(353)	1	32	9,124					**499,872**
Changes in other technical provisions																		
Gross - Direct business	R0410	1,169	372	(331)	(5,220)	(133)	(190)	2,648	632	(61)	158	(1,508)	178					**(2,286)**
Gross — Proportional reinsurance accepted	R0420						0	0	0									
Gross — Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440											0						**0**
Net	R0500	1,169	372	(331)	(5,220)	(133)	(190)	2,648	632	(61)	158	(1,508)	178					**(2,286)**
Expenses incurred	R0550	9,148	14,493	62,162	96,411	50,385	2,304	68,655	19,376	43	1,765	12,473	9,168					**346,382**
Other expenses	R1200																	**33,889**
Total expenses	R1300																	**380,272**

S.05.01.02

Premiums, claims and expenses by line of business

		Line of business: Life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		532,592	100,798	1,202,473				212	**1,836,075**
Reinsurers' share	R1420		1,059		18,794				42	**19,895**
Net	R1500		531,533	100,798	1,183,679				171	**1,816,180**
Premiums earned										
Gross	R1510		532,652	100,798	1,202,425				212	**1,836,087**
Reinsurers' share	R1520		1,044		19,432				42	**20,517**
Net	R1600		531,608	100,798	1,182,993				171	**1,815,570**
Claims incurred										
Gross	R1610		208,141	4,665	1,628,036	99,168			608	**1,940,617**
Reinsurers' share	R1620		3		5,017				294	**5,315**
Net	R1700		208,137	4,665	1,623,019	99,168			313	**1,935,302**
Changes in other technical provisions										
Gross	R1710		361,078		10,634					**371,711**
Reinsurers' share	R1720		8		2,707					**2,716**
Net	R1800		361,069		7,926				0	**368,996**
Expenses incurred	R1900		19,509	(245)	98,689	2,172			175	**120,300**
Other expenses	R2500									**161**
Total expenses	R2600									**120,461**

S.12.01.02
Life and Health STL Technical Provisions

		Insurance with profit sharing	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Reinsurance accepted	Total (Life other than health, including unit-linked)	Health insurance (direct insurance)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health insurance (reinsurance accepted)	Total (Health similar to life)
				Contracts without options or guarantees	Contracts with options or guarantees		Contracts without options or guarantees	Contracts with options or guarantees					Contracts without options or guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	0	136,415			0			0	0	**136,415**	0			0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0			0	0	**0**	0			0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	2,487,432		(6,309)	2,308		(345,156)	8,969,982	0	632	**11,108,890**		0	0	1,196,336	0	**1,196,336**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	134		0	0		13,663	0	0	316	**14,113**		0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	R0090	2,487,299		(6,309)	2,308		(358,819)	8,969,982	0	316	**11,094,777**		0	0	1,196,336	0	**1,196,336**
Risk Margin	R0100	21,134	1,873			142,362			0	0	**165,369**	0			105,382	0	**105,382**
Amount of the transitional measures on technical provisions																	
Technical provisions calculated as a whole	R0110	0	0			0			0	0	**0**	0			0	0	**0**
Best estimate	R0120	(137,145)		0	0		0	(192,764)	0	0	**(329,909)**		0	0	(256,882)	0	**(256,882)**
Risk Margin	R0130	0	0			0			0	0	**0**	0			0	0	**0**
Technical Provisions - Total	R0200	**2,371,422**	**134,287**			**8,574,424**			**0**	**632**	**######**	**0**			**1,044,835**	**0**	**1,044,835**

S.17.01.02
Non-Life Technical Provisions

		Direct insurance and accepted proportional reinsurance												Non-proportional reinsurance accepted				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life Obligations**
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																		
Best Estimate																		
Provisions for premiums																		
Gross	R0060	16,539	5,278	19,862	91,710	39,725	(3,651)	46,171	6,659	9	281	(2,058)	4,595	0	0	0	0	**225,120**
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	7,644	(215)	28	51	119	(1,285)	3,505	170	13	(2,344)	(20,691)	751	0	0	0	0	**(12,254)**
Net Best Estimate of provisions for premiums	R0150	8,895	5,493	19,834	91,659	39,606	(2,366)	42,666	6,488	(4)	2,625	18,633	3,844	0	0	0	0	**237,374**
Claims provisions																		
Gross	R0160	56,303	31,244	57,209	251,010	23,339	11,520	106,133	78,969	398	25	232	11,889	0	0	0	0	**628,272**
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	52,601	18,141	4,301	10,311	147	6,285	57,361	16,141	0	0	32	5,044	0	0	0	0	**170,364**
Net Best Estimate of claims provisions	R0250	3,702	13,104	52,908	240,699	23,192	5,235	48,772	62,828	398	25	200	6,845	0	0	0	0	**457,908**
Best estimate total — gross	R0260	72,843	36,523	77,071	342,720	63,064	7,869	152,303	85,628	407	306	(1,825)	16,484	0	0	0	0	**853,392**
Best estimate total — net	R0270	12,597	18,597	72,742	332,359	62,798	2,869	91,438	69,316	394	2,650	18,833	10,689	0	0	0	0	**695,282**
Risk Margin	R0280	148	704	4,260	10,696	4,296	441	3,925	2,670	24	26	204	1,143	0	0	0	0	**28,537**
Amount of the transitional measures on technical provisions																		
Technical provisions calculated as a whole	R0290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	R0300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk Margin	R0310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
TECHNICAL PROVISIONS - TOTAL																		
Technical provisions - Total	R0320	72,991	37,227	81,331	353,417	67,360	8,310	156,229	88,297	431	332	(1,622)	17,627	0	0	0	0	**881,929**
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	60,245	17,926	4,329	10,362	265	5,000	60,866	16,311	13	(2,344)	(20,658)	5,795	0	0	0	0	**158,111**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340	12,745	19,301	77,002	343,055	67,094	3,310	95,363	71,986	418	2,676	19,036	11,832	0	0	0	0	**723,819**

S.19.01.21
Non-life insurance claims information

Total non-life business

Accident year/Underwriting year	Z0020	1

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year												In current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											8,758	R0100	8,758	8,758
N-9	R0160	425,459	177,294	27,767	13,412	9,562	5,638	3,057	2,938	1,679	2,389		R0160	2,389	669,195
N-8	R0170	411,504	147,373	22,294	16,245	5,058	5,209	5,115	3,271	2,264			R0170	2,264	618,332
N-7	R0180	387,157	155,538	18,696	10,774	8,303	5,751	4,896	1,809				R0180	1,809	592,924
N-6	R0190	401,326	149,235	25,063	16,957	9,614	5,745	3,908					R0190	3,908	611,849
N-5	R0200	385,547	147,663	31,670	14,600	7,492	4,647						R0200	4,647	591,618
N-4	R0210	398,873	167,655	30,993	13,161	8,886							R0210	8,886	619,568
N-3	R0220	450,539	181,255	68,519	34,633								R0220	34,633	734,945
N-2	R0230	494,920	211,911	40,079									R0230	40,079	746,911
N-1	R0240	535,184	213,164										R0240	213,164	748,348
N	R0250	549,651											R0250	549,651	549,651
												Total	R0260	**870,187**	**6,492,099**

(absolute amount) **Gross Undiscounted Best Estimate Claims Provisions**

	Year	Development year												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											62,759	R0100	62,957
N-9	R0160								9,338	7,715	5,226		R0160	5,262
N-8	R0170							17,580	11,093	7,890			R0170	7,947
N-7	R0180						18,149	13,204	8,280				R0180	8,332
N-6	R0190					27,648	17,267	11,781					R0190	11,857
N-5	R0200				36,414	25,184	19,538						R0200	19,655
N-4	R0210			45,476	30,586	22,584							R0210	22,708
N-3	R0220		150,302	74,529	33,950								R0220	34,113
N-2	R0230	316,643	103,559	61,525									R0230	61,783
N-1	R0240	286,192	78,470										R0240	78,804
N	R0250	277,914											R0250	278,750
												Total	R0260	**592,167**

S.22.01.21
Impact of long-term guarantees and transitional measures

		Amount with long-term guarantee measures and transitionals	Impact of transitionals on technical provisions	Impact of transitionals on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	13,007,529	586,791	0	0	0
Basic own funds	R0020	2,641,222	(401,952)	0	0	0
Eligible own funds to meet Solvency Capital Requirement	R0050	2,641,222	(401,952)	0	0	0
Solvency Capital Requirement	R0090	1,598,187	126,200	0	0	0
Eligible own funds to meet Minimum Capital Requirement	R0100	2,641,222	(540,030)	0	0	0
Minimum Capital Requirement	R0110	463,647	8,426	0	0	0

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - com restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors as foreseen in Article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	457,380	457,380			
Share premium account related to ordinary share capital	R0030	182,379	182,379			
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual members accounts)	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	1,623,443	1,623,443			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	0				0
Other items approved by the supervisory authority as basic own funds not specified above	R0180	378,020	378,020			
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
TOTAL BASIC OWN FUNDS AFTER DEDUCTIONS	R0290	**2,641,222**	**2,641,222**	**0**	**0**	**0**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities	R0330					
Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	R0350					
Supplementary members calls under first sub-paragraph of Article 96(3) of Directive 2009/138/EC	R0360					
Supplementary members calls other than under first sub-paragraph of Article 96(3) of Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390	0				

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
TOTAL ANCILLARY OWN FUNDS	R0400				**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2,641,222	2,641,222	0	0	0
Total available own funds to meet the MCR	R0510	2,641,222	2,641,222	0	0	
Total eligible own funds to meet the SCR	R0540	2,641,222	2,641,222	0	0	0
Total eligible own funds to meet the MCR	R0550	2,641,222	2,641,222	0	0	
SCR	R0580	1,598,187				
MCR	R0600	463,647				
Ratio of eligible own funds to SCR	R0620	165.00%				
Ratio of eligible own funds to MCR	R0640	570.00%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,641,371
Own shares (held directly and indirectly)	R0710	149
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	1,017,779
Adjustments for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	
Reconciliation reserve	R0760	**1,623,443**
Expected Profits		
Expected profits included in future premiums (EPIFP) — Life business	R0770	555,292
Expected profits included in future premiums (EPIFP) — Non-life business	R0780	0
Total Expected profits included in future premiums (EPIFP)	R0790	**555,292**

S.25.01.21

Solvency Capital Requirement — for undertakings on standard formula

		Gross solvency capital requirement	Undertaking Specific Parameter (USP)	Simplifications
		C0110	C0090	C0120
Market risk	R0010	1,424,474		
Counterparty default risk	R0020	233,764		
Life underwriting risk	R0030	305,912		
Health underwriting risk	R0040	156,811		
Non-life underwriting risk	R0050	226,249		
Diversification	R0060	(603,278)		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	**1,743,932**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	112,937
Loss-absorbing capacity of technical provisions	R0140	(2,024)
Loss-absorbing capacity of deferred taxes	R0150	(256,658)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	1,598,187
Capital add-on already set	R0210	0
SOLVENCY CAPITAL REQUIREMENT	R0220	**1,598,187**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirement for ring-fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	0

S.28.02.01

Minimum Capital Requirement — Both life and non-life insurance activity

		Non-Life business	Life business
		\	MCR(NL,L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	145,649	0

		Non-Life business		Life business	
		Net (of reinsurance/SPV) Best Estimate and TP calculated as a whole	Net (of reinsurance) premiums written in the last 12 months	Net (of reinsurance/SPV) Best Estimate and TP calculated as a whole	Net (of reinsurance) premiums written in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	12,597	8,158		
Income protection insurance and proportional reinsurance	R0030	18,597	23,189		
Workers' compensation insurance and proportional reinsurance	R0040	72,742	229,950	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	332,359	280,331		
Other motor insurance and proportional reinsurance	R0060	62,798	176,941		
Marine, aviation and transport insurance and proportional reinsurance	R0070	2,869	8,041		
Fire and other damage to property insurance and proportional reinsurance	R0080	91,438	160,056		
General liability insurance and proportional reinsurance	R0090	69,316	32,085		
Credit and suretyship insurance and proportional reinsurance	R0100	394	132		
Legal expenses insurance and proportional reinsurance	R0110	2,650	1,394		
Assistance insurance and proportional reinsurance	R0120	18,833	8,381		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	10,689	21,405		
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

		Non-Life business	Life business
		MCR(L,NL) Result	MCR(L,L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	31,597	286,401

S.28.02.01
Minimum Capital Requirement — Both life and non-life activity

		Non-Life business		**Life business**	
		Net (of reinsurance/SPV) Best Estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) Best Estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit sharing — guaranteed benefits	R0210			2362709.213	
Obligations with profit sharing — future discretionary benefits	R0220			8578.981	
Index-linked and unit-linked insurance obligations	R0230			132413.793	
Other life (re) insurance and health (re)insurance obligations	R0240	1,044,835		8560760.813	
Total capital at risk for all life (re)insurance obligations	R0250		13793788.67		26749160.19

Overall MCR calculation

		C0130
Linear MCR	R0300	463,647
SCR	R0310	1,598,187
MCR cap	R0320	719,184
MCR floor	R0330	399,547
Combined MCR	R0340	463,647
Absolute floor of the MCR	R0350	7,400
		C0130
MINIMUM CAPITAL REQUIREMENT (MCR)	R0400	463,647

Notional non-life and life MCR calculation

		Non-Life Business	Life Business
		C0140	C0150
Notional linear MCR	R0500	177,246	286401.42
Notional SCR excluding add-on (annual or latest calculation)	R0510	610,964	987222.4356
Notional MCR cap	R0520	274,934	444250.096
Notional MCR floor	R0530	152,741	246805.6089
Notional combined MCR	R0540	177,246	286401.42
Absolute floor of the notional MCR	R0550	3,700	3700
Notional MCR	R0560	177,246	286401.42

Annex – Responsible Actuary's Report

FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

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

CONDITION AT 31 DECEMBER 2019

Lisbon, April 5, 2020

Index

1. Introduction

This report was produced by the Appointed Actuary certified by the Insurance and Pension Funds Supervisory Authority, aiming to provide an independent opinion on the solvency and financial condition of Fidelidade - Companhia de Seguros, S.A. at December 31, 2019.

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

Technical Provisions

Life

Best Estimate (after Transitional Deduction to the Technical Provisions)	10,915,395,479
Risk Margin	165,368,783
Total	**11,080,764,262**

Non-Life

Best Estimate	666,955,376
Risk Margin	23,425,086
Total	**690,380,462**

Health SLT

Best Estimate	939,453,279
Risk Margin	105,381,973
Total	**1,044,835,252**

Health NSLT

Best Estimate	186,436,851
Risk Margin	5,111,893
Total	**191,584,744**

Total Technical Provisions	**13,007,528,720**

U: Euros

Amounts Recoverable

Life	14,112,823
Non-Life	75,609,898
Health SLT	-
Health NSLT	82,500,735
Total Amounts Recoverable	**172,223,456**

U: Euros

Future Discretionary Benefits

Future Discretionary Benefits	8,578,981

U: Euros

Underwriting Risks

	Net Capital Requirement	Gross Capital Requirement
Life Underwriting Risks	305,258,219	305,912,006
Non-Life Underwriting Risks	226,248,643	226,248,643
Health Underwriting Risks	156,801,870	156,810,870
Technical Provisions Loss Adjustment	-653,787	

U: Euros

Total own funds

Solvency Capital Requirement (SCR)	1,598,186,926
Minimum Capital Requirement (MCR)	463,647,288
Ratio of eligible own funds to SCR	165%
Ratio of eligible own funds to MCR	570%
Total available own funds to meet the SCR	2,641,222,484
Total available own funds to meet the MCR	2,641,222,484
Total eligible own funds to meet the SCR	2,641,222,484
Total eligible own funds to meet the MCR	2,641,222,484

U: Euros

2. Scope

This report is the certification of the solvency and financial condition report and the information to be disclosed to the ASF for supervisory purposes, set out in Regulatory Standard No.2/2017-R, of 24th March.

This report has been produced in accordance with the structure presented in Annex II of Regulatory Standard No.2/2017-R, of 24th March.

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

The elements to be certified by the appointed actuary are defined in a regulatory standard of the Insurance and Pension Funds Supervisory Authority (ASF), which must also establish the content, terms, frequency, principles and presentation methods of the certification report and the terms and methods of reporting and publishing, as per the regulations in paragraphs 1, 3 and 11 a) to c) of Article 77 of Law No. 147/2015, of 9th September.

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

a) The technical provisions, including the application of the volatility adjustment, the matching adjustment and the transitional measures set out in Articles 24 and 25 of Law No. 147/2015, of 9th September;

b) The amounts recoverable from insurance contracts and special purpose vehicles for securitisation of insurance risks;

c) The categories of life insurance underwriting risk, non-life insurance underwriting risk, health underwriting risk, and adjustment for the loss-absorbing capacity of the technical provisions of the solvency capital requirement, disclosed in the solvency and financial condition report.

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

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

3. Responsibilities

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

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

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

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

4. Opinion

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

Lisbon, April 5, 2020

Actuarial - Consultadoria Lda.

Luís Portugal

Annex – Statutory Auditor’s Report

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(Translation of a report originally issued in Portuguese)

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

To the Board of Directors of
Fidelidade – Companhia de Seguros, S.A.

Introduction

Under the terms of subparagraph a) of No. 1 of article 3º of Regulatory Standard No. 2/2017-R, of 24 March ("Regulatory Standard"), issued by Supervisory Authority for Insurance and Pension Funds ("ASF"), we examined the Solvency and Financial Condition Annual Report ("Report"), established in subparagraph a) of article 26º from Regulatory Standard No. 8/2016-R, of 16 August (republished by Regulatory Standard No. 1/2018, of 11 January) including the quantitative information to be disclosed with that Report ("Quantitative Information"), according to articles 4º and 5º of the Commission's Implementing Regulation (EU) No. 2015/2452, of 2 December 2015 of Fidelidade – Companhia de Seguros, S.A. ("The Company"), with reference to 31 December 2019.

Our report comprises the reporting of the following matters:

A. Report on the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification, availability and eligibility of own funds and on the calculation of the solvency capital requirement and minimum capital requirement;

B. Report on the implementation and effective application of the governance system; and

C. Report on the remaining information disclosed in the Solvency and Financial Condition report and the jointly submitted quantitative information.

A. REPORT ON THE ADJUSTMENTS BETWEEN THE STATUTORY STATEMENT OF FINANCIAL POSITION AND THE BALANCE SHEET FOR SOLVENCY PURPOSES AND THE CLASSIFICATION, AVALABILITY AND ELIGIBILITY OF OWN FUNDS AND ON THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Responsibilities of the Management Board

It is the responsibility of the Company's Board of Directors the calculation of the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification and the availability evaluation and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement submitted to ASF, under the terms of Commission Implementing Regulation (EU) No. 2015/35, of 10 October 2014, that completes the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, relating to the Taking-up and Pursuit of the Business of Insurance and Reinsurance ("Regulation").

Auditor's responsibilities

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

According to No. 2 of article 3º of Regulatory Standard, it is not our responsibility to verify the adequacy of legal requirements, applicable regulatory and calculation techniques (i) of the elements included within the certification by the Company's responsible actuary, as established in the article 7º of same Regulatory Standard, and (ii) of the elements of solvency capital requirement included within the certification by the Company's responsible actuary, as established in the article 10º of same Regulatory Standard.

Scope of Work

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

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

(i) the reconciliation of the base information used for the calculation of the adjustments with the Company's information systems and the respective statutory financial position statement as of 31 December of 2019, object of the Statutory Audit whose Report was issued on 12 March 2020 without qualifications or emphases;

(ii) the review of subsequent events that occurred between the date of the Statutory Audit Report and the date of this report;

(iii) an understanding of the adopted criteria;

(iv) the recalculation of the adjustments made by the Company, except for those referred to in the next paragraph that are excluded from the scope of this certification;

(v) the reconciliation of the base information used for the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2019, with the financial position statement for solvency purpose, with book records and other information maintained in the Company's systems with reference to the same date;

(vi) the review, on a sample basis, of the correct classification and characterization of assets in accordance with regulation requirements;

(vii) the review of the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2019, performed by the Company; and

(viii) reading the documentation prepared by the Company under the regulation requirements.

The procedures carried out did not include the examination of the adjustments to technical provisions and the amounts recoverable from reinsurance contracts which, according to article 7º of Regulatory Standard, were subject to actuarial certification by the Company's responsible actuary.

Regarding the deferred taxes adjustments, as result of the adjustments referred to above, the procedures carried out only comprised the verification of the impact on deferred taxes, taking as the basis the referred adjustments made by the Company.

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

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

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

Conclusion

Based on the procedures carried out and which are included in the previous section "Scope of Work", which were planned and performed in order to obtain a reasonable level of assurance, we concluded that the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and that the classification, availability and eligibility of own funds and the calculation of the solvency capital requirement and minimum capital requirement, with reference to the Report of the Solvency and Financial Condition date (31 December 2019), are free from material misstatements, complete and reliable and, in all materially respects, are in accordance with the applicable legal and regulatory requirements.

B. REPORT ON THE IMPLEMENTATION AND EFECTIVE APPLICATION OF THE GOVERNANCE SYSTEM

Responsibilities of the Management Board

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

- Prepare the annual Report of the Solvency and Financial Condition and the information to report to ASF for regulatory purposes, under the terms of Regulatory Standard No. 8/2016-R, of 16 August, issued by ASF (republished in the Regulatory Standard No. 1/2018-R, of 11 January); and
- Define, approve, periodically review and document the main policies, strategies and processes that define and regulate the Company governance, management and control, including the risk management and internal control systems ("Governance System"), which should be described on chapter B of the report, under the terms of article 294º of Commission Implementing Regulation (EU) No. 2015/35 of 10 October 2014 (Regulation).

Auditor's responsibilities

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

Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information ", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, as to whether the content of the "Governance System" chapter of the report about solvency and financial position reflects, in all materially respects, the description of the implementation and effective application of the Governance System of the Company at 31 December 2019.

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

(i) the assessment of the information included on Company's Report relating to the Governance System with respect to the following main aspects: general information; qualification and integrity requirements; risk management system with the inclusion of risk and solvency self-evaluation; internal control system; internal audit function; actuarial function; subcontracting and eventual additional information;

(ii) reading and assessing of the documents which sustain the main policies, strategies and processes described in the Report, which regulate how Company is governed, managed and controlled and obtaining supporting evidence of its implementation;

(iii) discussing the conclusions with the Company's management.

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

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

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

Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed t in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that at the date to which Solvency and Financial Condition Report refers to (31 December 2019), the content of the chapter "Governance System", is not fairly present, in all materially respects, the description of the implementation and effective application of the Company's Governance System.

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

Responsibilities of the Management Board

It is the responsibility of the Board of Directors to prepare the Solvency and Financial Condition annual Report and the information to report to ASF for supervisory purposes, under the terms of Regulatory Standard No. 8/2016-R, of 16 August, issued by ASF (republished by Regulatory Standard No. 1/2018, of 11 January), including the quantitative information to be jointly disclosed with that report, as established in the articles 4º e 5º of the Commission's Implementing Regulation (UE) No. 2015/2452, of 2 December 2015.

Auditor's responsibilities

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

Scope of Work

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

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

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

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

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

Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that, with reference to the Report of the Solvency and Financial Condition date (31 December 2019), the information disclosed in Solvency and Financial Condition Report is not in agreement with the information which was subject to the work carried out by us with the knowledge obtained during its execution.

Emphasis of matter

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole, increasing uncertainty around the operational and financial performance of organisations. In chapter E.7.3 of Solvency and Financial Condition Report are disclosed the developments resulting from the pandemic identified by the Board of Directors for Fidelidade – Companhia de Seguros, S.A., based on the information available at the time. The Board of Directors recognises that the impacts resulting from this situation are uncertain, and therefore it is not possible to estimate the financial impacts, in particularly concerning to the own funds and capital requirements. Our opinion has not been modified in relation to this matter.

D. OTHERS MATTERS

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

Lisbon, 17 April 2020

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

(Signed)

Ricardo Nuno Lopes Pinto - (ROC No. 1579)
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FIDELIDADE
COMPANHIA DE SEGUROS, S.A.