

# ANNUAL REPORT 2016



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

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**To be Fidelidade is to be present in the world in a special way knowing how to be close at hand, driving change. Reiventing the future with a pride in our past. Overcoming challenges and limits, to go further each day.**

# **MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE COMMITTEE**



2016 was a year we will remember at the Fidelidade Group with satisfaction.

The first reason is the results achieved. The pages that follow provide detailed information on the key economic and financial indicators, but here we may highlight the balanced growth in all the Non-Life lines of business, the increase in global market share to 32.2%, the improvement in the combined ratio in the Non-Life business and the significant decrease in the level of obligations relating to Life insurance.

Secondly, the year marked the consolidation of a period of recovery of the technical rates for Non-Life insurance. Contributing significantly to this result was the end of more than a decade of price deflation in mandatory insurance. I believe that the recovery of the technical rates for Workers' Compensation will continue and we will also see an increase in average premiums for Motor Insurance.

We must also highlight the large number of activities undertaken to prepare the Group for the digital economy. The Compass Programme provides the framework for all the initiatives which aim to transform the Company's processes to keep pace with the needs and preferences of a society undergoing rapid change.

The Programme incorporates over 50 projects, in a number of areas, of which the following can be highlighted: complementarity between channels in the digital environment; implementation of machine learning techniques in the underwriting process and fraud prevention; choice of telematics solutions for accurate management of risks; the in-house management of workers' compensation, with Company medical care units; implementation of telemedicine solutions; work to adapt the relationship model to the preferences of different types of clients; strengthening of the commercial efficiency of the distribution networks and, in general, improvement in internal, commercial and marketing processes to ensure sustainable growth.

Finally, I would to highlight the partnerships established in 2016, which are sources of important leverage for future development. In 2016 we signed strategic partnership agreements with SantaLucia for the operation of funeral insurance; with Advance Medical for the creation of advanced telemedicine solutions; with MunichRe for the provision of truly innovative solutions to enhance the financial and savings culture among the Portuguese; and with The Flow to introduce the first telematics solution using mobile phones.

Without the trust of our over two million clients, the daily effort of our more than three thousand employees, or the support of our shareholders, none of this would have been possible.

I extend my sincerest thanks to all of them.

**CORPORATE  
BODIES**

**2**









# FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

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## Presiding Board of the General Meeting

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President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

## Board of Directors

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Chairman	Guangchang GUO
Vice-Chairman	Jorge Manuel Baptista Magalhães Correia
Members	Qunbin WANG Michael LEE José Manuel Alvarez Quintero António Manuel Marques de Sousa Noronha Rogério Miguel Antunes Campos Henriques Wai Lam William MAK Lan KANG Xiaoyong WU Lingjiang XU

## Executive Committee

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Chairman	Jorge Manuel Baptista Magalhães Correia
Members	António Manuel Marques de Sousa Noronha José Manuel Alvarez Quintero Rogério Miguel Antunes Campos Henriques Wai Lam William MAK

## Supervisory Board

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Chairman	Pedro Antunes de Almeida
Members	José António da Costa Figueiredo Luís Manuel Machado Vilhena da Cunha
Alternate	Isabel Gomes de Novais Paiva

## Statutory Auditors

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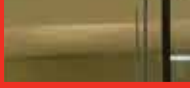
Ernst & Young Audit & Associados - SROC, S.A.,  
represented by  
Ana Rosa Ribeiro Salcedas Montes Pinto, ROC

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OUR  
GROUP

3







## a. Key Indicators

**€3,727  
million**

Total Premiums Written

Life: € 2,452 million  
Non-Life: € 1,274 million

**32.2%**

Market Share (PT)

Life: 35.5%  
Non-Life: 26.9%

**11.4%**

Weight of International  
Non-Life operation

**€15.9  
billion**

Net Assets

**3,183**

Employees

**97.6%**

Non-Life Combined  
Ratio

**€211  
million**

Net Profits

**€2,044  
million**

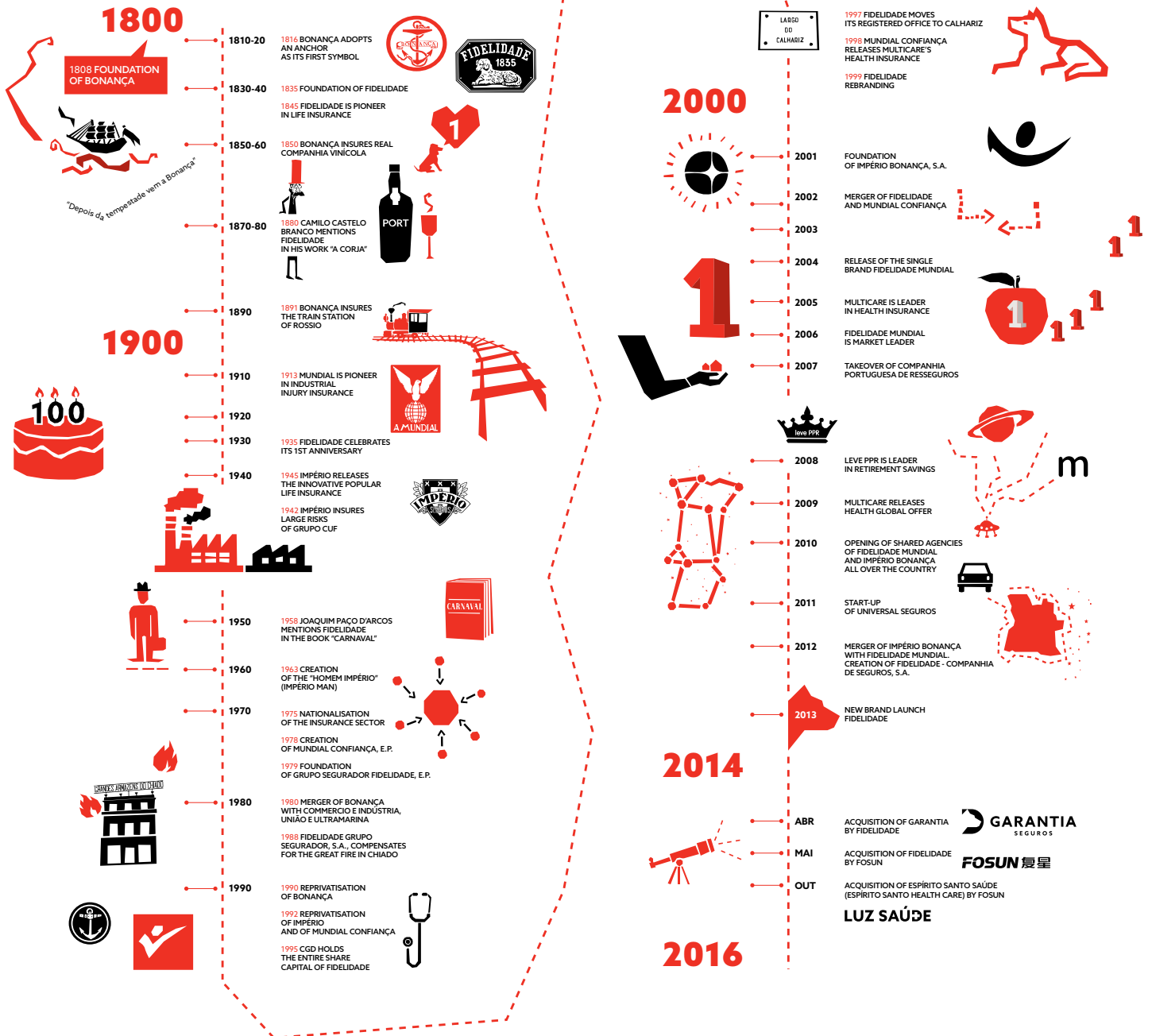
Shareholders' Equity

**10.7%**

Return on Equity

# b. Our History

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Two centuries of history have contributed to Fidelidade's current credibility, size and solidity.

Until 2000 the Portuguese insurance sector was mostly concentrated on six insurers following the reorganisation of the industry in the 1980s.

More recently, after 2000, the Portuguese market began a new phase of consolidation, which gave rise to two major players in the sector: Fidelidade Mundial (FM) and Império Bonança (IB), held by two of the largest Portuguese financial groups (CGD and BCP, respectively).

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

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

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



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

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

### 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

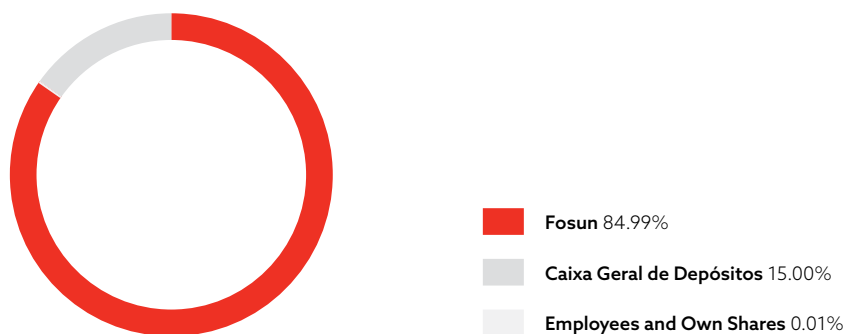
Portuguese state bank, considered the largest financial institution in Portugal, with approx. 4 million clients and with presence in more than 20 countries.

## c. About the Fidelidade Group

### i. Shareholder Structure

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

#### Shareholder Structure



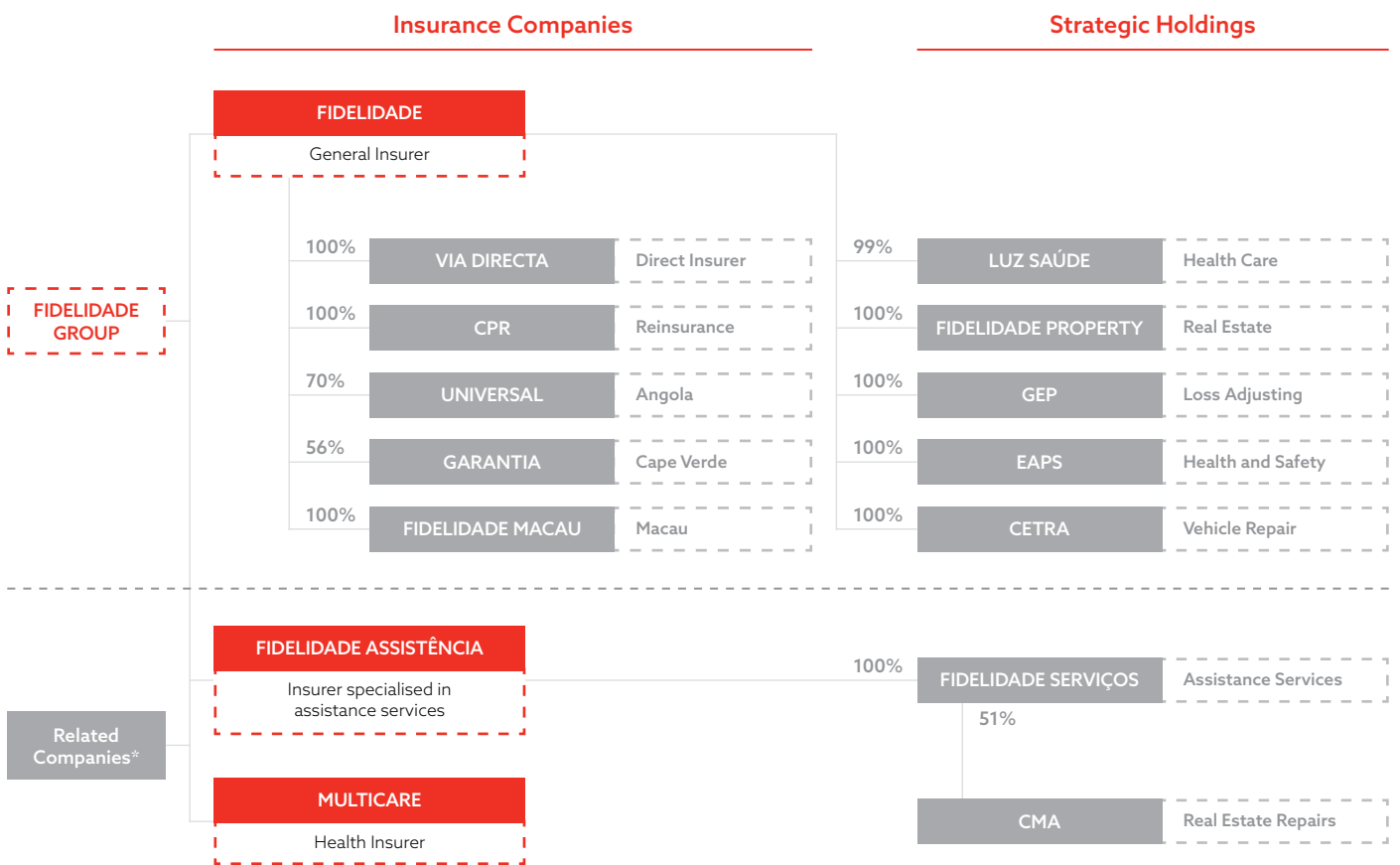
### ii. Group Structure

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, Macau-Life Segment, and Mozambique) and through its insurance subsidiaries, Universal Seguros, Garantia and Fidelidade Macau (Non-Life segment).

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



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

### iii. Mission and Values

**TO BE FIDELIDADE IS TO BE PRESENT IN THE WORLD IN A SPECIAL WAY  
KNOWING HOW TO BE CLOSE AT HAND, DRIVING CHANGE.  
REINVENTING THE FUTURE WITH A PRIDE IN OUR PAST.  
OVERCOMING CHALLENGES AND LIMITS, TO GO FURTHER EACH DAY.**

Fidelidade's mission is to support the development and construction of a sustainable society.

The company is committed to educating, serving, assisting and caring for people throughout their lives with innovative products and services that protect them effectively, so that life does not stop.

From our early origins, we have always been a human company of people thinking about people. We are true in all we say and do. People know they can trust us. This is our commitment that fosters the stability of the relationships with all those who are Fidelidade – clients, employees, partners, shareholders and society itself.

**It is sharing our values that makes us Fidelidade!**

**Be proud of our past, inspire our future.**

We are Fidelidade whenever we reinvent the past with the future. Our history makes us proud, challenges us, and gives us strength, responsibility and inspiration to reinvent the future. We honour our History by sharing our knowledge.

**Be innovative, chase the progress.**

We are Fidelidade whenever we drive change. We believe that it is always possible to find better solutions to protect life. And it is this spirit that drives us to change and reinvent what we do.

**Be outstanding, overcome your limits.**

We are Fidelidade whenever we outdo ourselves. We always want to know more and we try to always go further in all we do. We dare to dream and outdo ourselves so we can continue to transform society.

**Be people driven, be there.**

We are Fidelidade whenever we are there. The Fidelidade Group is made up of people who contribute to protecting and caring for people. We are reliable, and honour our commitments. People know they can count on our skills. Because each story is part of our story.

## iv. Positioning

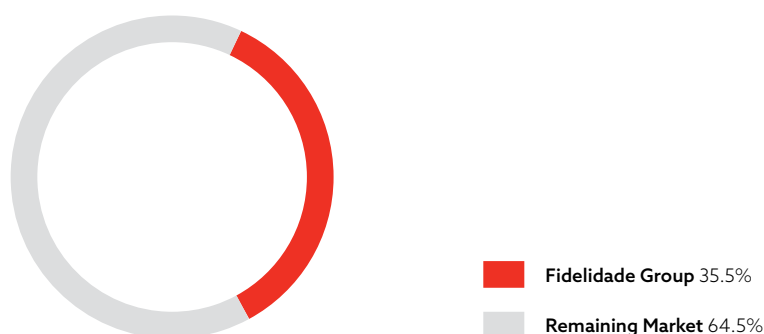
The Fidelidade Group's insurance business acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, including increasing growth of remote channels.

In 2016, the Fidelidade Group once again strengthened its leadership across both the Life and Non-Life segments, recording an overall market share of 32.2%, which corresponds to an increase of 2.4pp over the previous year.

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

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

### Life Segment - Market Share



The Fidelidade Group also grew more than most of its competitors in the Non-Life segment, increasing its market share by 0.8 pp to 26.9%. The 1.5 pp increase in the health products' market share (to 34%) was particularly significant, as was the increase in the market share of Personal Accidents to 15%.

### Non-Life Segment - Market Share



#### Fidelidade Group

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

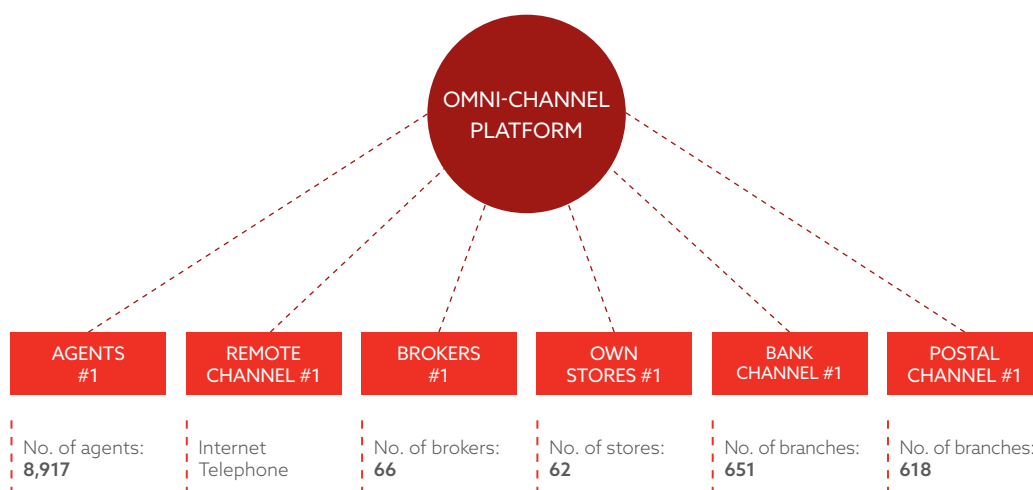
#### Fidelidade Group

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

## v. Distribution Network

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

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



The Fidelidade Group has always sought to affirm its presence in all channels where the consumer seeks added value by means of a broad range of products each with an appropriate service level.

Capitalising on its strong presence in the different distribution channels, the Fidelidade Group has been developing an Omni-Channel strategy, ensuring a coherent range of products and a perception of integration by the consumer, regardless of the channel being used. Fidelidade's new web platform, which was launched in 2016, seeks to align the online world with the physical world, and is one of the most important actions undertaken in this area.

## vi. The Fidelidade Group's offer of products and brands

The Fidelidade Group 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 and Financial) and Non-Life insurance, which includes products such as Motor Insurance, Workers' Compensation, Health and Home Insurance, among others. The Fidelidade Group's insurance offer also provides a unique range of assistance in the different areas.

The Fidelidade Group's products reach clients through three different brands: Fidelidade, Multicare and Ok! teleseguros.

**FIDELIDADE**  
SEGUROS DESDE 1808

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

**multicare** 

- Health Insurance
- Broad offer of health insurance

**OK! teleseguros**

- Online sales of insurance
- Focus on Non-Life products (ex. Motor, Property) sold through the remote channel

## vii. Focus on Operational Excellence and Service Quality

A focus on operational excellence and service quality has long been a priority for the Fidelidade Group, and has a strong impact in terms of client satisfaction. The skill of the Fidelidade Group in these areas has been identified and recognised by clients.

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



### ESCOLHA DO CONSUMIDOR 2017

Best satisfaction level and intention to purchase by consumers



### MARCA DE CONFIANÇA 2016

Portuguese Trusted Brand in the insurance category



### BANCA E SEGUROS EXAME 2016

Best Large Life Insurer, in the Banking and Insurance category



### MARKTEST REPUTATION INDEX 2016

Insurer with the best reputation in Portugal



### BASEF SEGUROS GLOBAL 2016

Best Insurance  
Best Prices  
Most innovative  
Most solid



### MARKTEST REPUTATION INDEX 2016

Best Insurer in marketing, communication and advertising areas



### REPUTATION INSTITUTE

Best Public Reputation, Companies and Media



### GLOBAL BANKING & FINANCE REVIEW 2015

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



### EFMA ACCENTURE INNOVATION AWARDS 2014

Winner in the "Sustainable Business" category



### viii. International Presence

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

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

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

#### PORTUGAL

- Head office and main centre of operations
- Market leader with global share of 32%

#### SPAIN

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

#### FRANCE/ LUXEMBOURG

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

#### MACAU LIFE/ MACAU NON-LIFE

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

#### CAPE VERDE

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

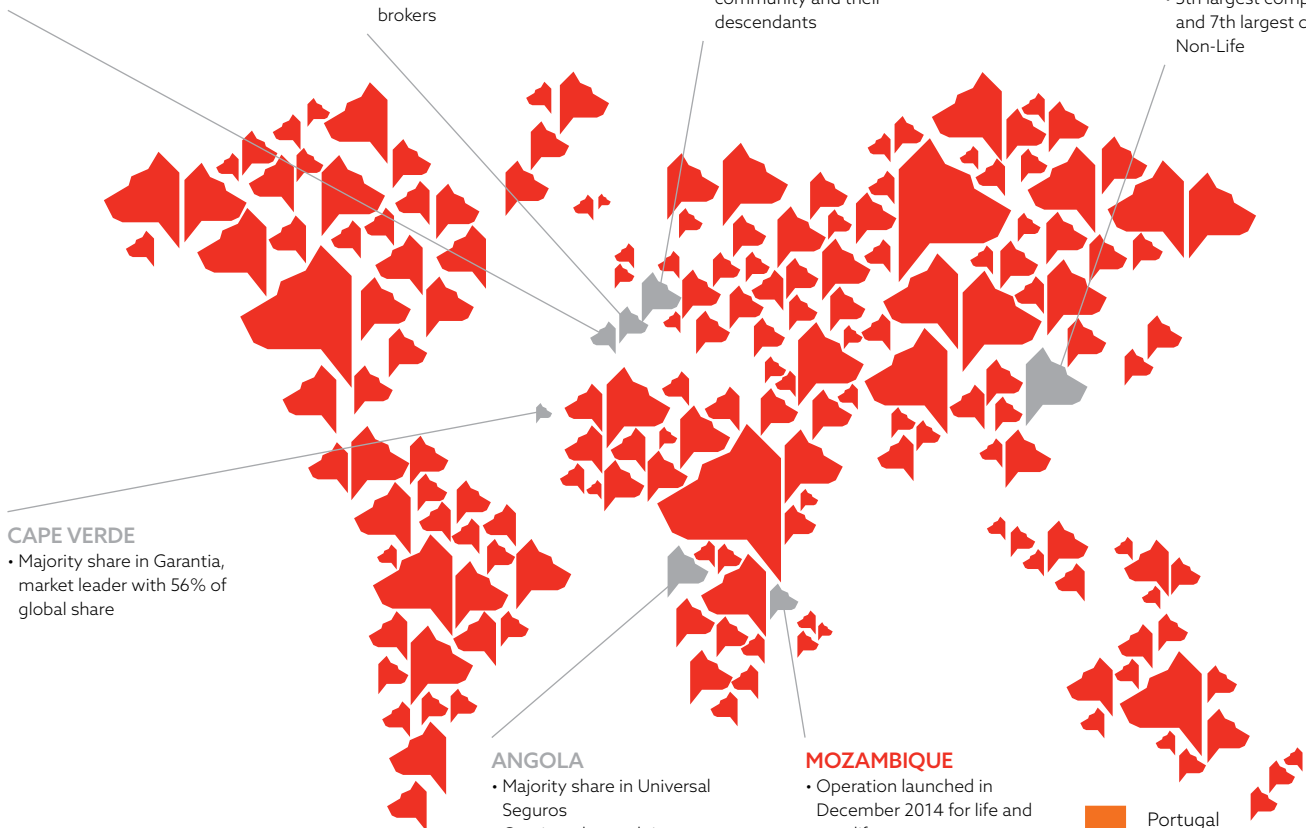
#### ANGOLA

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

#### MOZAMBIQUE

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

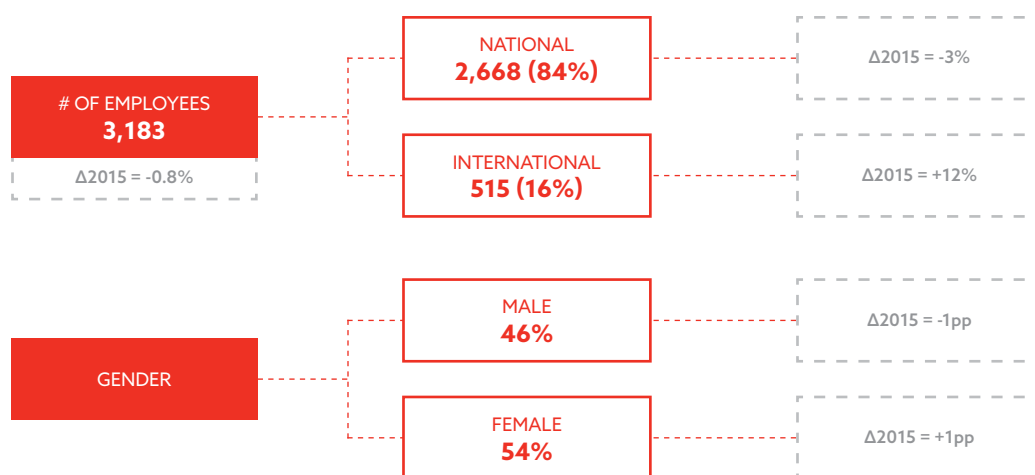
- Portugal
- Fidelidade Branches
- Subsidiaries



## ix. The Fidelidade Group Team

At the end of 2016, the Fidelidade Group had 3,183 employees working in its insurance business, 84% based in Portugal and the remaining 16% in international operations.

In comparison with 2015, the number of employees fell by 0.8%, reflecting the evolution of the various companies in the Group in Portugal (-3%). International operations, however, rose 12%, in line with the Group's increasing internationalisation.



In 2016, the main goal was to rejuvenate and adapt the organisation in order to keep pace with new market challenges. This focus, aimed at developing new skills, led to a reduction in the average age from 46.1 in 2015 to 45.2 in 2016 (based on the various insurance companies in the Fidelidade Group in Portugal).

The average length of service in the companies in the Fidelidade Group's insurance business also reflects the trend towards rejuvenation:

- 31% of employees have been in the Group's service for less than 10 years, compared to 25% in 2015;
- 56% of employees have been in the Group's service for between 10 and 30 years, which signifies a 2pp decrease compared to 2015.

Reflecting the ongoing transformation of the business, 2016 was a year to continue the adjustments to the organisation begun in 2014, thanks to the significant involvement of all our People.

Besides the efforts in terms of organisational change and redimensioning of structures, there was also a planned effort to reformulate human resources management policies and practices.

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

## d. Group Strategy

The Fidelidade Group is the uncontested leader in the Portuguese insurance market, standing out in several areas, which give it competitive advantage over other insurers operating in Portugal:

- Clear market leader, with a client base of over 2.1 million, served by an omni-channel network with a high level of regional penetration;
- Brand leader in value, reputation and client recognition, resulting from a continued focus on operational excellence and service quality;
- Unique and leading position in distribution deriving from a multi-channel strategy, selling insurance through agents, brokers, own stores, banks (CGD), post offices and online channels;
- Technical skills which are unique in the market, having a broad range of insurance products and recognised claims management capability, thereby guaranteeing a high level of client satisfaction;
- Prudent risk management policies and above-average provision levels.

In this context, from a particularly strong position in Portugal, the Fidelidade Group is seeking to both strengthen its leadership of the Portuguese market and expand internationally, becoming a recognised international player.

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

Accordingly, the Fidelidade Group has three fundamental strategic objectives:

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

### FIDELIDADE STARTING POINT

- Leadership in the Portuguese market, with a client base of 2.1 million
- Unique brand in the market due to its value and recognition with clients
- Benchmark technical skills, broad product range
- Quality in claims management, recognised for its efficiency

### STRATEGIC AREAS

#### 1. Consolidation of the Position in the Portuguese Market

- Digital transformation, innovating the service offer, commercial focus, enhancing organisation

#### 2. International Business Expansion

- Diversification of the business by Fidelidade's entry into new markets

#### 3. Optimisation of Investment Management

- Adjusting the investment management model to the market context

Throughout 2016, these strategic directions provided the guiding principle for activity within the Fidelidade Group, giving rise to a wide range of initiatives that were implemented by the different teams within the company.

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

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

In this context, and in preparation for the future, the Fidelidade Group is taking a structured and coherent approach to maintain and strengthen its position in the Portuguese market.

Accordingly, the Group has a series of ongoing initiatives in several areas:

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

Success in implementing these initiatives should enable the Fidelidade Group not only to strengthen its position in the Portuguese market, but also to acquire skills and transfer these experiences to the Group's international operations.

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

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

In Europe, this strategy led to a presence in France and Luxembourg, two countries well-known for their large communities of Portuguese immigrants, and also in Spain. Fidelidade's presence in Macau followed the same logic. In Africa, in a more recent development, the Fidelidade Group also expanded to markets where, for historical and cultural reasons, ties with Portugal are more evident – Angola, Cape Verde and, more recently, Mozambique.

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

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

### **Optimisation of investment management**

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

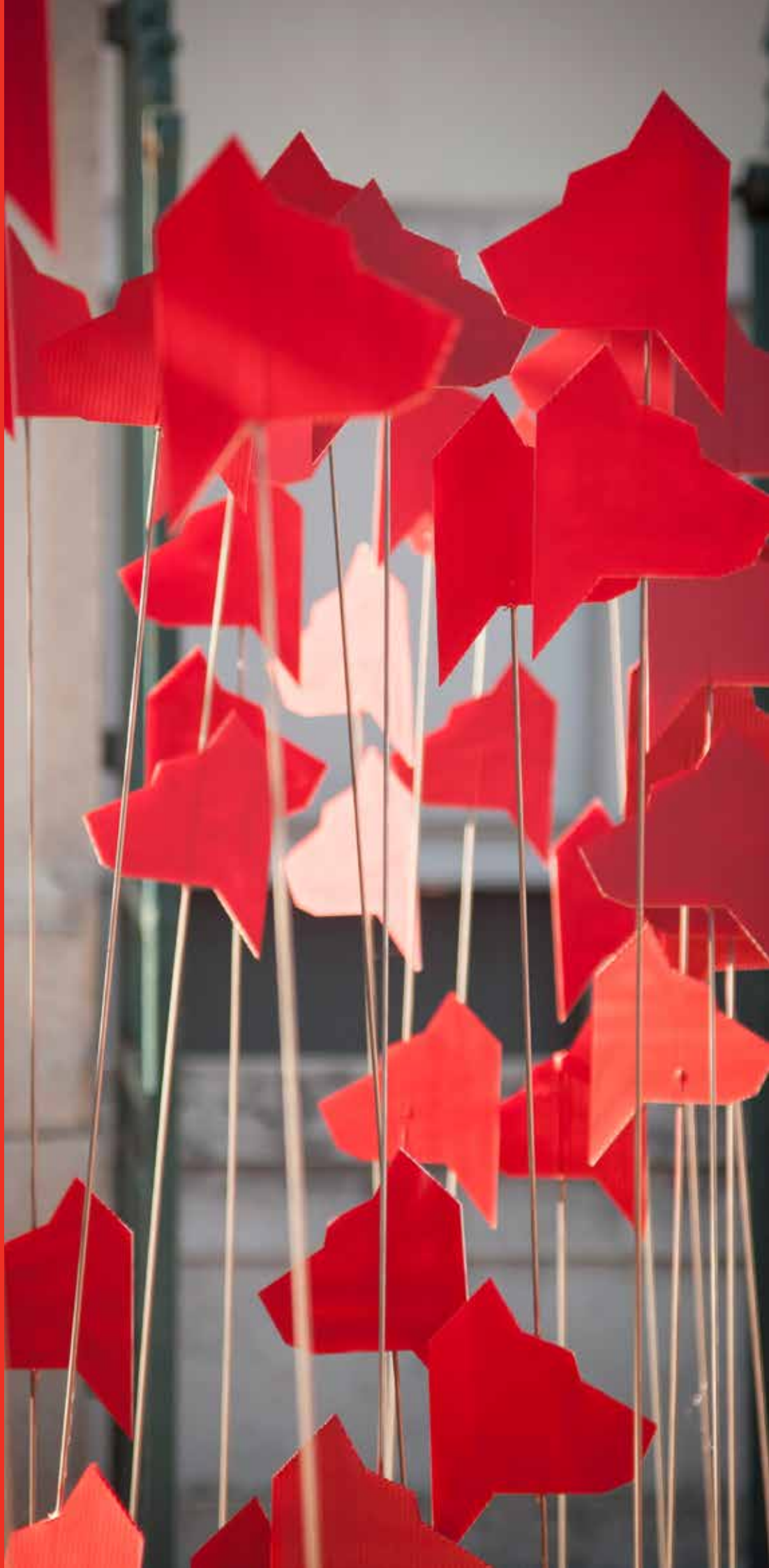
In recent years, the financial markets have offered very low interest rates. This situation is expected to continue and presents a challenge for business profitability, especially in the Life segment.

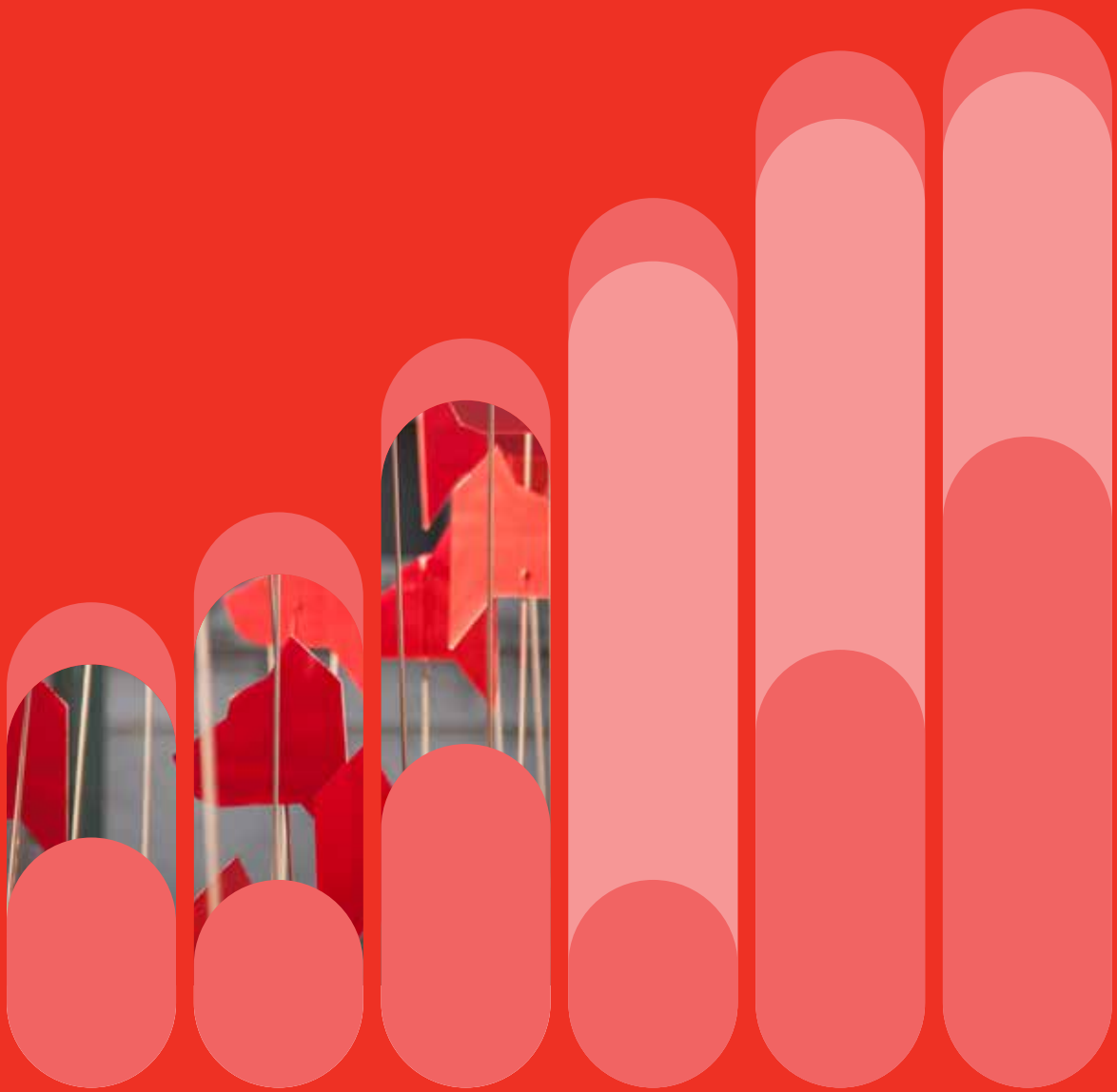
In this environment, the investment strategy involves implementing a policy of greater diversification of financial investments that guarantees appropriate exposure to different classes of assets, geographies and currencies, and also enables restructuring of the real estate investments portfolio, with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

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

**4**

**OUR  
PERFORMANCE**









## a. Events Summary 2016

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

## i. Evolution of the Portuguese Insurance Market

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

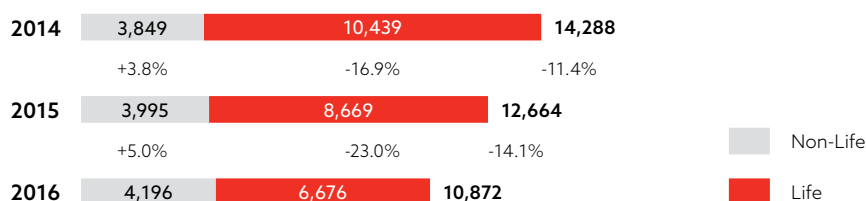
The Life segment fell 23% compared to the previous year, with total premiums of EUR 6,676 million. This sharp decline occurred for the second year running as a direct consequence of current challenges in the financial products market.

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

### Portuguese Insurance Market

Source: APS

(Million Euros)



2016 also saw some significant changes in the structure of the Portuguese insurance sector. Several acquisition operations by international financial groups will mean that the market becomes more concentrated on the larger insurers, particularly in the Non-Life segment.

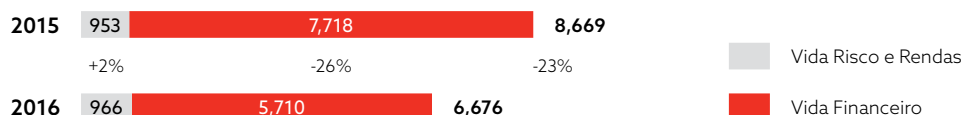
## ii. Evolution of the Life insurance market in Portugal

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

### Life Segment Premiums

Source: APS

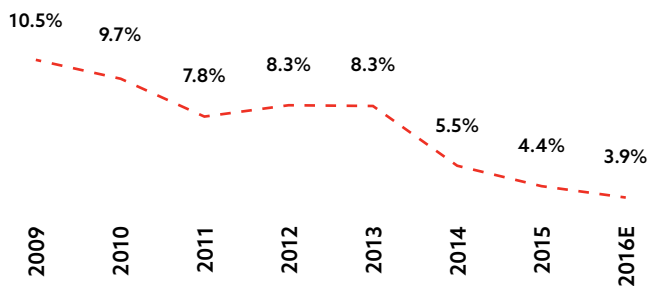
(Million Euros)



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

### Global rate of savings from families' disposable income

Source: INE



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

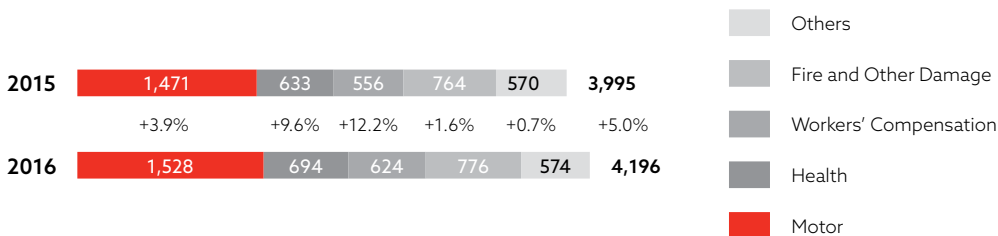
### iii. Evolution of the Non-Life insurance market in Portugal

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

#### Non-Life Segment premiums

Source: APS

(Million Euros)



Driven by tariff adjustments and increasing employment, the Workers' Compensation line of business began its recovery in 2014 and has since been consolidating its position. In 2016 it was the line of business that grew the most in the Non-Life segment, with an increase of 12.2% compared to the previous year, with premiums of EUR 624 million.

The line of business with the second highest growth was Health, with an increase of 9.6% and total premiums of EUR 694 million, in 2016. These results are due to several factors, among them employers' increasing inclusion of health insurance in employees' benefits plans, and the greater awareness of the population regarding the importance of complementing the National Health Service with assistance offered by Health insurance. In 2016, the market also benefited from a large contract of a Health-Group relating to activities previously managed by PT ACS under a self-insurance regime.

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

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

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

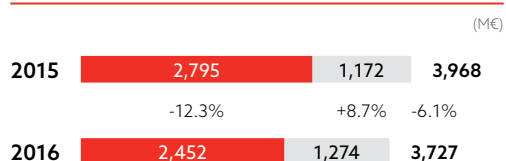
## b. Fidelidade Group Activity

### i. Key activity indicators

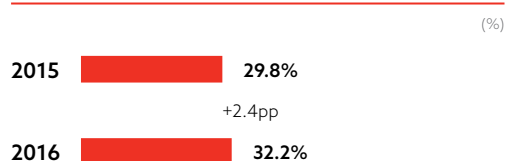
In 2016, in a year marked by the trends previously referred to, the Fidelidade Group had a very consistent performance, recording total premiums written of EUR 3,727 million.

Regarding the activity in Portugal, the Fidelidade Group registered EUR 3,499 million, which enabled it to strengthen its leadership position, increasing its total market share to 32.2%, up 2.4 pp on 2015. This growth in the market share reflected trends in both the Life and Non-Life segments. The international business recorded substantial growth of 12.7%, with the strengthening of existing international operations.

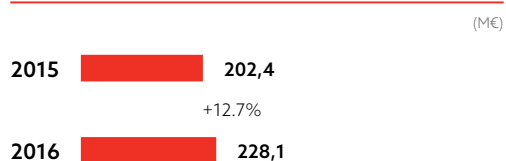
#### Total Premiums Written Life and Non-Life



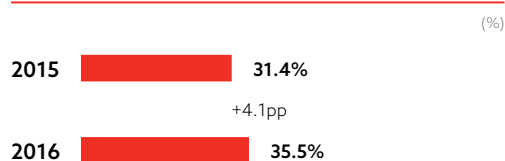
#### Total Market Share in Portugal



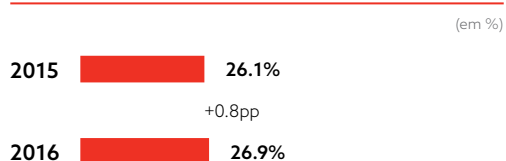
#### Written Premiums International Business



#### Life Market Share in Portugal



#### Non-Life Market Share in Portugal



## ii. The Fidelidade Group's main areas of activity

The Fidelidade Group's robust performance throughout 2016 was based on various actions that can be split into three key areas:

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

### I. Products and Services

The constant effort to innovate in its range of products and services is a feature of the Fidelidade Group, which is seeking to increasingly position itself in the market as a group with integrated service solutions associated with people protection, rather than simply an insurance group.

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

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

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

The Health line of business has been one of the main growth areas within the Fidelidade Group. Back in 2015, the Fidelidade Group was already offering an innovative insurance product in the Portuguese market – Seguro Proteção Vital, with a specific cover for Oncology, for diagnosis and treatment, with a sum insured of €1,000,000. This cover, supported by an excellent medical network, involves heavy emphasis on prevention with periodic and differentiated check-ups being performed, with the aim of providing timely screening and the earliest possible diagnosis of oncology-related issues. During 2016, Multicare launched its new range of Health insurance, which involved the creation of three new Healthcare Plans, with increasing levels of protection, in a simplified approach which is also a better response to client needs. Additionally, as part of the partnership with Advance Medical, and enhancing the Fidelidade Group's digital focus, this new offer also provides access to the Multicare24 platform, through which clients can obtain medical advice online, as well as other health and wellbeing support services.

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

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

New solutions have also been rolled out in the Fidelidade Group's Life segment, which is adapting to the new macroeconomic situation, with the aim of increasingly responding to clients' needs.

In the Life Financial area, which has been heavily affected by the environment of low interest rates, a low rate of savings by private individuals and high competition from new public debt products for individuals, the Fidelidade Group has improved its offer of unit-linked products, which allow clients to obtain more attractive returns, without jeopardising the solidity of the investments. In addition to this improved offer, the Fidelidade Group has also maintained a range of savings products with guaranteed capital and interest rates, in line with the concerns of a large proportion of clients in Portugal.

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

## **II. Distribution**

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

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

Initiated in 2015 and pursued in 2016, the internal structure for providing support to agents was streamlined to restructure the network of own agencies, with the aim of better adjusting the existing means to the needs of our commercial network. Emphasis was also placed on enhancing the network of exclusive agents, namely with the opening of new agencies with the Fidelidade brand all over the country, and on creating closer ties with the brokers' channel, with goods results in terms of commercial performance being achieved in both cases. At the same time, a range of initiatives have been implemented in the banking and postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

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

### III. People and Organisation

A “new” Fidelidade that positions itself increasingly as a partner in people protection, by guaranteeing faultless service quality, innovative products, ever more transparent practices and greater proximity to clients, staff and partners: this is the great challenge that drives the day-to-day of the people in the Fidelidade Group.

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

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

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

The Fidelidade Group has also made a continuous effort to improve and digitalise processes, which is key to promoting greater agility and enhancing the technical and claims management skills that are essential in the insurance business.

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



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

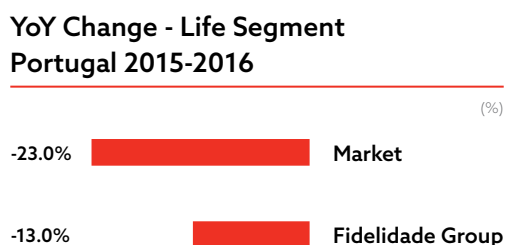
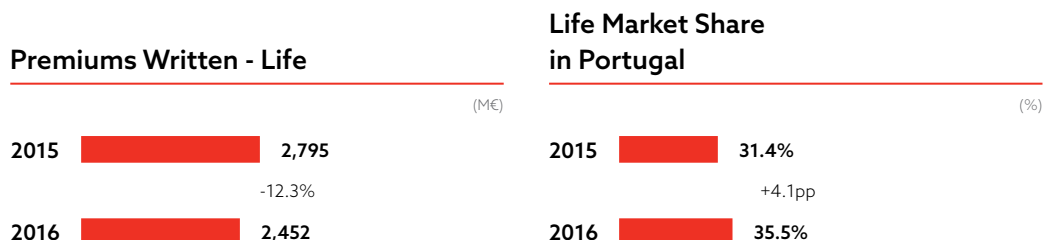
### iii. Life Segment

#### Key activity indicators - Life Segment

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

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

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



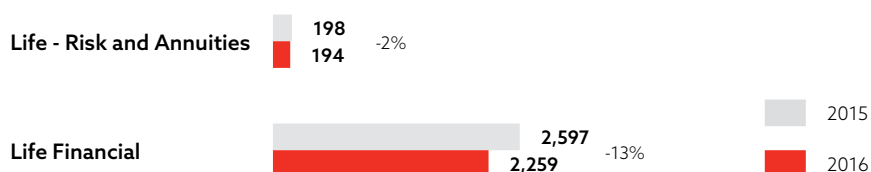
### Evolution of the Life segment by line of business

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

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

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

### Life Segment Premiums - Fidelidade Group



### Evolution of the Life segment by distribution channel

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

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

### Life Segment

(million euros)

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

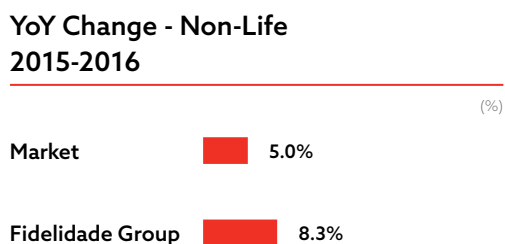
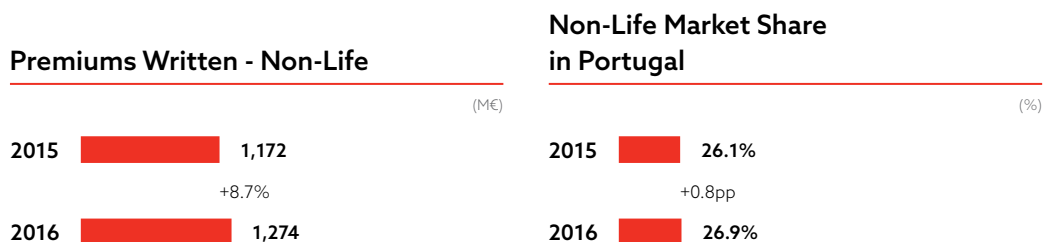
## iv. Non-Life Segment

### Key activity indicators - Non-Life Segment

The Fidelidade Group's performance was clearly positive in the Non-Life segment, with premiums written increasing 8.7% to EUR 1,274 million.

The Fidelidade Group's commercial performance followed the positive trend of most of the market. In the Portuguese market, the Fidelidade Group's premiums grew by 8.3%, in comparison with an increase of 5.0% in the market overall. These results enabled the Fidelidade Group to strengthen its leadership position, increasing its market share to 26.9%, which represents a 0.8 pp increase over 2015.

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



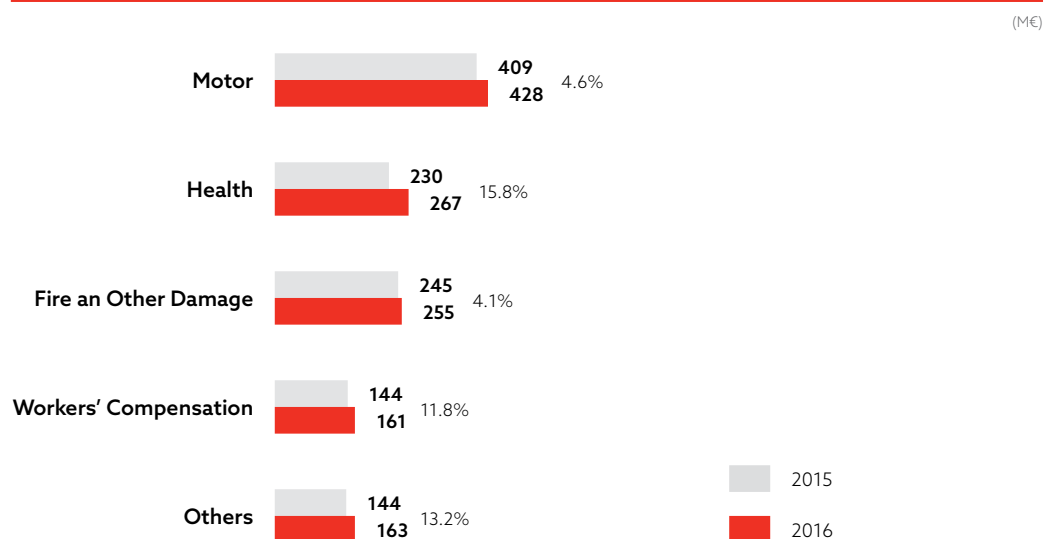
### Evolution of the Non-Life segment by line of business

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

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

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the segment total. The performance of this line of business was particularly solid, with premiums increasing 4.6% due to both an improved structure of vehicle ownership, with growth and improved quality, and the capacity of the Fidelidade Group to capitalise on the product and service innovations introduced in recent years, for example, the launch of the “Proteção Vital dos Condutor” and the “Auto Estima” own damage insurance.

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



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

All the distribution channels in the Non-Life segment evolved positively from 2015 to 2016 in terms of product sales.

The traditional channels (agents, own stores and brokers) continued to present the greatest share of product sales in the Non-Life segment, representing around 80% of the segment total. These distribution channels had significant growth of 9.1%, thereby contributing greatly to the segment's performance.

### Non-Life Segment

(million euros)

Distribution Channel	2016	2015	Change
Traditional	982	899	+9.1%
Bank and Postal	101	98	+3.2%
Remote	46	44	+3.3%
International	145	131	+11.3%
<b>Fidelidade Group</b>	<b>1,274</b>	<b>1,172</b>	<b>+8.7%</b>
<b>Market</b>	<b>4,196</b>	<b>3,994</b>	<b>+5.0%</b>

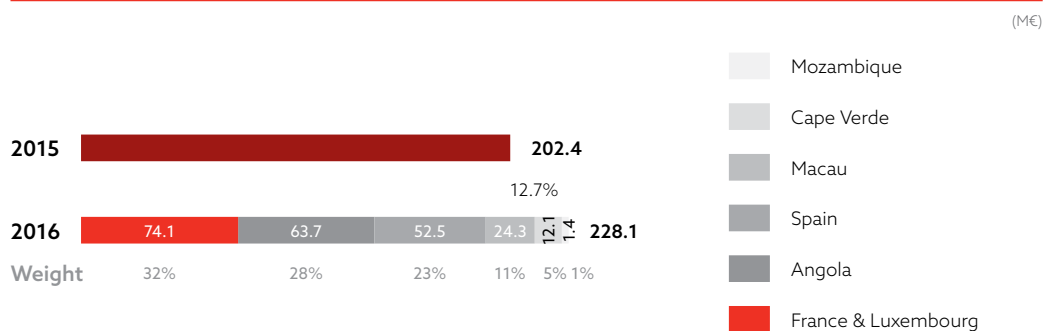
### v. International Activity

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

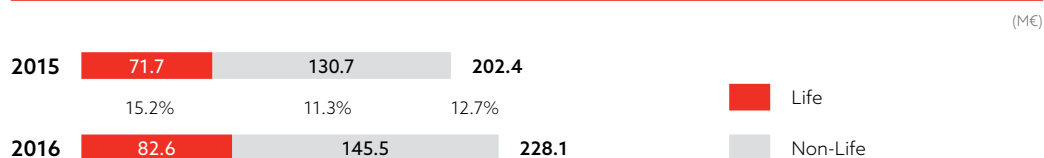
The positive development of the international business benefited from growth in both the Life and Non-Life segments. Life business grew 15.2% to EUR 82.6 million, while Non-Life increased by 11.3% to EUR 145.5 million.

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

### Premiums Written International Business - By geography



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



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

## c. Operational and Financial Performance

### Key indicators of the operational and financial performance

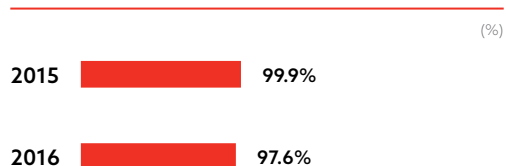
In 2016 the Fidelidade Group reported solid profitability, with a net profit of EUR 211.1 million, which was lower than in 2015, which had included extraordinary gains from investments. Significantly, the result achieved this year represents growth of 18.4% compared to the net profit of 2014, demonstrating the consistency of the Group's financial performance.

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

The combined ratio was 97.6% in 2016, 2.3pp lower than in the previous year, mostly benefiting from an increase in efficiency leading to a reduction in the expense ratio.

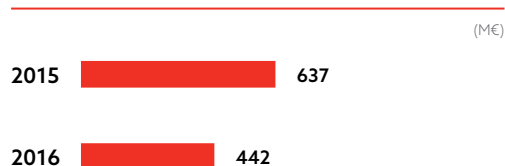
Investments also performed well, resulting in investment income of EUR 442 million and an investment yield of 3.2%, which was above the market average.

#### Combined Ratio \*



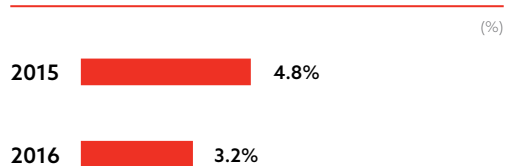
\* Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

#### Investment Income \*\*

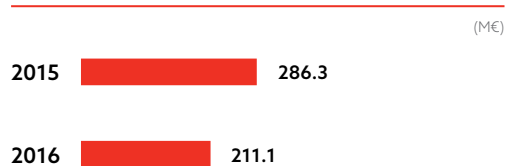


\*\* Includes Investment income from Unit Link products, net gains and impairments. Unrealised gains not considered

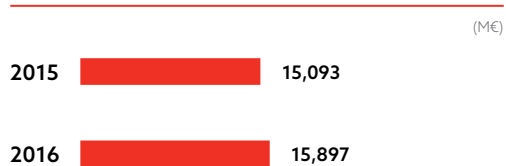
#### Investment yield



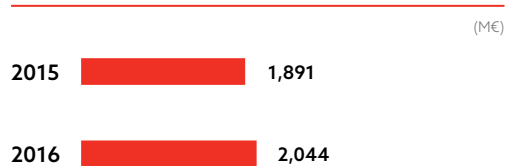
#### Net Profit



#### Net Assets



#### Shareholders' Equity



## i. Operational Performance

Operational performance improved substantially during 2016, with a drop in the combined ratio from 99.9% to 97.6% (-2.3 pp), due to improvement in both the expense ratio and the claims ratio.

The expense ratio fell 1.6 pp, from 32.4% to 30.8%, in 2016. This result reflects the increase in the Fidelidade Group's operational efficiency, in addition to an effort to optimise and contain costs at the same time as the volume of premiums has been increasing.

The claims ratio decreased 0.6 pp, from 67.5% to 66.9%, in 2016. This is the result of a combination of factors, including a significant increase in profitability in the Workers' Compensation and Health lines of business, largely due to tariff adjustments and improvements in underwriting and claims management.

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

### Detailed Combined Ratio \*

(em %)

<b>2015</b>	67.5%	32.4%	<b>99.9%</b>	
	-0.6pp	-1.6pp	-2.3pp	
<b>2016</b>	66.9%	30.8%	<b>97.6%</b>	
				Loss Ratio
				Expense Ratio

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

## ii. Financial Performance

The Fidelidade Group's consolidated Net Assets were EUR 15,897 million in 2016, representing a rise of 5.3% compared to 2015.

In its definition and application, the Fidelidade Group's investment policy considers the challenges currently facing the insurance business:

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

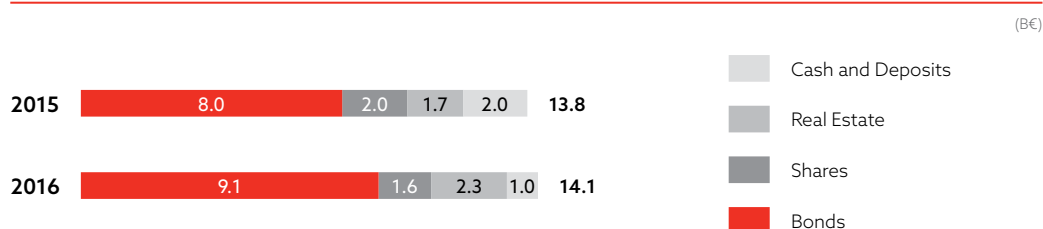
Fidelidade's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 14.1 billion, an increase of 2.4% over 2015.



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

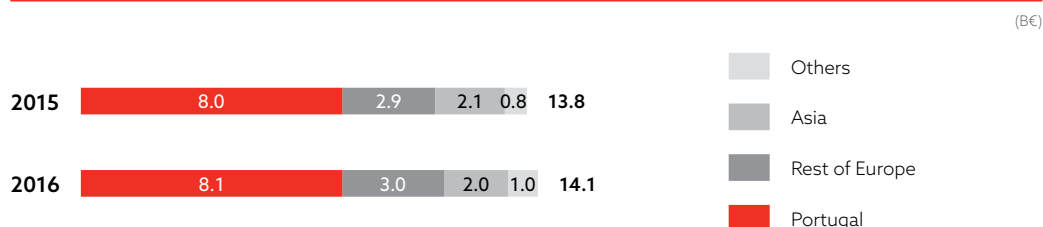
Overall, investments performed well, resulting in an investment income of EUR 442 million and an investment yield of 3.2%.

### The Fidelidade Group's investments by class of asset



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

### The Fidelidade Group's investments according to geographical distribution



### iii. Capital and Solvency

Shareholders' Equity of EUR 2,044 million in 2016 represented an increase of around 8% compared to 2015.

Also Fidelidade successfully transitioned to the new Solvency II regulatory framework, increasing its solvency levels throughout 2016. In fact, on the date the new Solvency rules came into force, Fidelidade had a solvency ratio of 104.5%, in its separate perimeter. This figure rose throughout the year.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that Fidelidade complies with the capital requirements based on the information currently available.







## a. Macroeconomic Development

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

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

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

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

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

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

## b. Prospects for the Insurance Market in 2017

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

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

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

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

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

Fidelidade is aware of the social changes facing society and of the need to constantly adapt the business to the new context in which it finds itself

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

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

## c. Main Challenges for the Future

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

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

- Ageing of the population;
- New needs in the digital economy;
- Regulatory changes;
- Uncertainty in the financial markets.

### 1. Ageing of the population

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

#### Main impacts:

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

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

The Fidelidade Group aims to accompany its clients throughout their lives by developing innovative products and services adapted to their specific needs at each different stage.

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

## 2. New needs in the digital context

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

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

### **Main Impacts:**

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

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

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

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

Fidelidade believes that technological development is crucial in the continuous search for new solutions for clients and in the transformation of business processes

Fidelidade is governed by compliance with all regulatory requirements and, in particular, is aligned with the necessary requirements of Solvency II

### 3. Regulatory changes

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

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

#### **Main Impacts:**

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

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

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



#### 4. Uncertainty in the financial markets

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

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

##### **Main Impacts:**

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

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

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

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

Aware of the macroeconomic challenges and the volatility of the financial markets, Fidelidade has adopted a proactive attitude involving early adoption of the strategies which are most appropriate to deal with current uncertainties

## d. Fidelidade Group Future Positioning

In recent years, the Fidelidade Group has pursued its strategy with highly positive overall results. It has been able to successfully overcome the challenges of the Portuguese market, despite the difficult environment in which it is working. In 2014 Fidelidade began a programme of strategic action with the key pillars being a focus on innovation and improved service quality, strengthening of the multi-channel distribution, digitalisation of the business and enhancement of the organisation's capabilities. These options and the results which have already been achieved allow us to face future challenges with determination and confidence.

For the Fidelidade Group, 2017 will be a year of evolution and transformation, supported by projects which seek to adapt the business to an increasingly digital and global economy. Initiatives to transform the business, which are critical for consolidating the position in Portugal, international expansion and strengthening of the capital position, should remain key areas of action to ensure the Fidelidade Group's sustainable development.

Fidelidade is also reaffirming its aim of positioning itself more as a partner for its clients in the provision of protection and assistance services which are an intrinsic part of the insurance business, but it intends to place emphasis on new services in a wider approach to the creation of a more global offer. Fidelidade has been increasing the emphasis placed on the concept of an ecosystem, that is, on the development of partnerships with key entities in other business areas and with skills which are complementary to those of Fidelidade, with the aim of creating broader and more competitive value propositions for its clients in areas such as Mobility, Health or Assistance.

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

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

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

**COMPANIES IN THE  
FIDELIDADE GROUP**

**6**



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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The Fidelidade Group operates three insurance companies in the Portuguese market (Fidelidade, Via Directa and Companhia Portuguesa de Resseguro). In addition, besides its branches, the Fidelidade Group is also present in the international market through its insurance subsidiaries (Universal Seguros, Garantia and Fidelidade Macau).

Lastly, the Fidelidade Group also has strategic interests in insurance-related service companies, for example Luz Saúde, the leading healthcare provider group in Portugal. These interests favour vertical integration in the insurance sector and fit within the Group's strategy of guaranteeing operational excellence and quality of the service provided throughout the value chain and of increasing the Group's position as a global service provider associated with people protection.

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

## FIDELIDADE

**Total Premiums = M€ 3,601**

**Number of Employees = 2,607**

**Net Assets = B€ 14.7**

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

2016 was marked by the following trends:

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

In 2017, Fidelidade will continue its strategy of consolidating its position in the Portuguese market, placing emphasis on the digital transformation of the business and strengthening the international growth effort by boosting its operations in the markets where it is already present and assessing new opportunities to enter markets with great potential for growth.

## VIA DIRECTA

**Total Premiums = M€45.5**  
**Number of Employees = 84**  
**Net Assets = M€72.9**

Via Directa – Companhia de Seguros, S.A, is the insurance company within the Fidelidade Group designed to retail insurance policies over the Internet, providing a service of excellence to its clients and making insurance a simple, accessible and innovative product, supported by new technologies.

It is currently the leader among insurers specialising in remote channels (internet and telephone).

In terms of management of the OK! Teleseguros brand, 2016 was marked by the following aspects:

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

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

## COMPANHIA PORTUGUESA DE RESSEGUROS

**Total Premiums = M€2.2**  
**Net Assets = M€15.7**

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

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

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

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

## UNIVERSAL SEGUROS

**Total Premiums = M€63.7**

**Number of Employees = 186**

**Net Assets = M€99.7**

Fidelidade has been present in Angola since 2011 through the Angolan insurer Universal Seguros, in which it holds a majority stake. Universal Seguros has participated actively in the development of the Angolan economy, through its global range of insurance products, and has sought to differentiate itself by way of its technical capabilities and level of service.

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

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

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

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

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

## FIDELIDADE (MACAU)

**Total Premiums = M€13.8**

**Number of Employees = 28**

**Net Assets = M€62.6**

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

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



In 2016, Fidelidade Macau emphasised a multi-channel strategy for product distribution, and achieved a market share of 6%.

The main strategic directions for 2017 are strengthening of the partnership with BNU, operational efficiency and the provision of a better-quality service and closer proximity to clients.

## GARANTIA SEGUROS

**Total Premiums = M€12.1**

**Number of Employees = 100**

**Net Assets = M€26.3**

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

The company aims to operate in both the Life and Non-Life segments, and has a diversified range of protection solutions for individuals, companies and self-employed persons. It has developed a multi-channel strategy regarding product distribution, which enables it to respond more effectively to the needs of the Cape Verdean market.

The key milestones in 2016 were:

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

In 2017 Garantia will continue to focus on quality and innovation as a strategy differentiating it from its competitors, and the company predicts an acceleration in the business, based on enhancement of the distribution channels, reformulation of the range of products in Motor and Property, and the launch of the new health insurance, which is an innovation for the Cape Verdean market.

## FIDELIDADE CAR SERVICE

**Turnover = M€5.9**

**Number of Employees = 25**

**Net Assets = M€5.9**

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

The following activities can be highlighted in 2016:

- Refurbishment of the Olivais repair shop, including the creation of a new fast service area for crash repairs and vehicle respraying, which enables small damage to be repaired more efficiently and effectively;
- Launch of an innovative service through a WEB platform accessible by mail or smartphone which allows clients to follow up on the repair of their vehicle, from the first contact made by the loss adjuster to the scheduling of the loss inspection, and up until the repaired vehicle is returned.

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

## GEP

**Turnover = M€21.1**

**Number of Employees = 58**

**Net Assets = M€4.1**

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

In 2016, the most important events were:

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

For 2017, besides continuing to focus on the quality of the services provided, operational efficiency and the creation of differentiated services in the digital area, GEP will also invest in innovation and in internationalisation of its services, namely in emerging markets in Africa, with the main objective of providing services to the group insurers operating there.

## FIDELIDADE PROPERTY

**Turnover = M€124.8**

**Number of Employees = 62**

**Net Assets = B€1.3**

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

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

2016 was a particularly important year for the two companies. The following aspects can be highlighted:

- Pursuit of the policy of optimising the current real estate assets in Portugal;
- Strengthening of the international portfolio with acquisitions in the United Kingdom and Japan;
- Development of the projects currently in progress in the area of urban rehabilitation in Lisbon;
- Strengthening of the structure and internal skills in order to meet new challenges.

In 2017, these companies will continue their current strategy of optimising the current portfolio and developing new projects with the right risk/return profile, contributing decisively to the profitability and robustness of the investment portfolio of the group insurers.

## SAFEMODE

**Turnover = M€1.8**  
**Number of Employees = 33**  
**Net Assets = T€855.3**

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

As part of the Fidelidade Group, in 2016, Safemode continued to support the insurance business with risk analysis and workplace medicine services, with the introduction of some innovations, such as remote risk analysis.

In 2017 the company will continue to focus on innovation in risk analysis for the various lines of business and on developing the workplace medicine business, thus contributing decisively to Fidelidade's competitiveness in the various lines of business.

## LUZ SAÚDE

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

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

- Maintenance of the trend of increasing revenues, largely driven by activity in the private healthcare segment;
- Conclusion of the acquisition of the Guimarães Private Hospital (now called Hospital Luz Saúde Guimarães) and the Clihotel Clinic in Gaia, which has increased its capacity by around 200 beds to a total of 1,395 beds;
- Strengthening of synergies with Fidelidade's insurance business, through an increase in turnover in the health and workers' compensation areas in the existing units, and the opening in Oporto of a specific unit for Fidelidade to support workers' compensation accident victims.
- Significant investment in expansion of the existing units in the Lisbon area, with the start of construction work on the new extensions to Hospital da Luz and Hospital da Luz Oeiras, the aim of which is to increase the installed capacity and extend the portfolio of services provided;
- Additionally, in the north of the country, the Group also expanded Hospital da Luz Arrábida and acquired land in Vila Real, with the aim of enhancing its presence in this area.

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

# RISK MANAGEMENT

# 7







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

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

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

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

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

The implementation of this system, besides complying with the rules applicable to the insurance business, was always regarded as an opportunity to improve the processes for assessing and managing risk, thereby contributing to maintaining the solidity and stability of the insurance group to which Fidelidade belongs.

The Group has policies, processes and procedures relating to the governance system which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business.

The key functions established as part of this system are allocated to the following bodies at Fidelidade: the Risk Management Division (actuarial and risk management functions), the Auditing Division and the Compliance Office.

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

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

Regarding the reporting requirements set out in the new solvency rules, as part of the initial report as of 1 January 2016, the Company sent annual information contained in the quantitative report templates - QRT - and the respective qualitative information, which was subject to certification by the statutory auditor and by the chief actuary, pursuant to the regulations issued by the ASF.

Quarterly quantitative reporting under Solvency II also began in 2016.

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

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



The measures adopted during the preparatory phase of application of the new Solvency II rules, and the activities, which are still ongoing to consolidate their application, ensure that the Fidelidade Group currently complies comfortably with these new rules.

## **ii. Management of financial risks and hedge accounting**

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

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

These are derivatives used to hedge the Fidelidade Group's exposure to the risks inherent to its activity, namely currency fluctuation risk.

For all operations concerning hedge derivatives, the Fidelidade Group prepares formal documentation, in the terms defined by IAS39.

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

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities headings, respectively, and valuations of hedged items are recognised in the balance sheet headings where those financial instruments are recognised.

The Fidelidade Group began using hedge accounting in 2015.

08

**SOCIAL  
RESPONSIBILITY**







Over 200 years of experience in protecting families and companies provide the basis for the credibility of the Fidelidade Group, which has repeatedly proven its steadfastness by being present when people most need it.

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

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

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

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

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

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

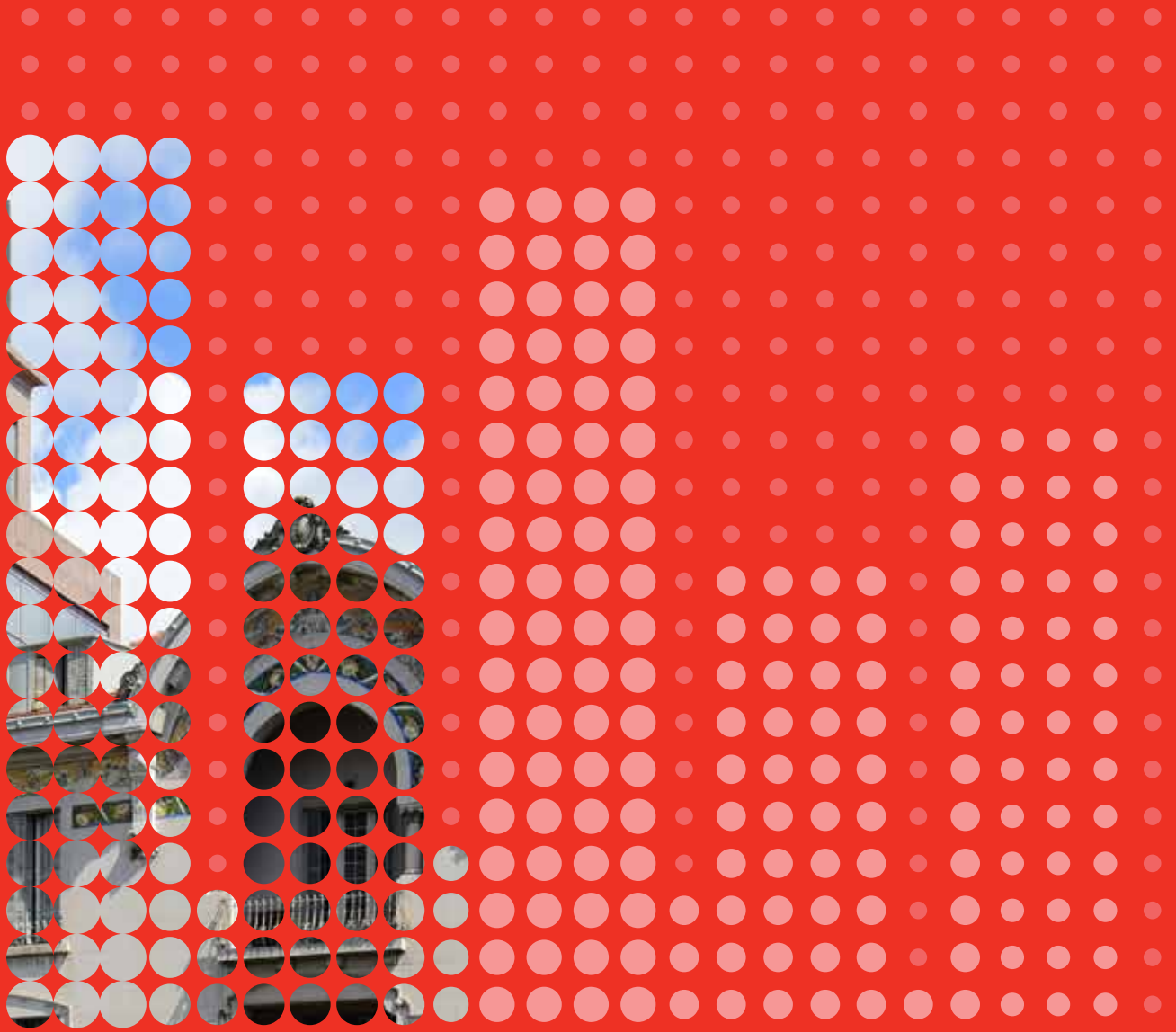
The performance of the Fidelidade Group's insurers in terms of Social Responsibility is shared with stakeholders by means of a Sustainability Report which is published every two years and an interim accounts disclosure, both certified by an external entity.



# FINAL REMARKS

# 9









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

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

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

Guangchang Guo

Jorge Manuel Baptista Magalhães Correia

Qunbin Wang

José Manuel Alvarez Quintero

António Manuel Marques de Sousa Noronha

Rogério Miguel Antunes Campos Henriques

Wai Lam William Mak

Lan Kang

Lingjiang Xu

Xiaodong Wu

# **CONSOLIDATED FINANCIAL STATEMENTS**

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

(amounts in euros)

ASSETS	Notes	2016			2015
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	4 and 11	964,132,725	-	964,132,725	2,037,402,392
Investments in associates and joint ventures	5 and 11	117,006,817	-	117,006,817	70,101,641
Financial assets held for trading	6 and 11	7,770,368	-	7,770,368	957,920
Financial assets initially recognised at fair value through profit or loss	6 and 11	666,343,350	-	666,343,350	888,247,479
Hedge derivatives	7 and 11	22,768,708	-	22,768,708	1,285,939
Available-for-sale investments	8 and 11	9,139,793,668	-	9,139,793,668	8,612,224,272
Loans and accounts receivable	9 and 11	1,011,170,690	-	1,011,170,690	676,960,894
Deposits in ceding companies	9	875,620	-	875,620	948,511
Other deposits	9	954,405,677	-	954,405,677	656,319,256
Loans made	9	55,859,293	-	55,859,293	19,089,659
Other	9	30,100	-	30,100	603,468
Properties	10 and 11	2,274,699,734	(88,428,229)	2,186,271,505	1,487,537,527
Properties for own use	10	517,884,943	(88,428,229)	429,456,714	370,690,500
Investment properties	10	1,756,814,791	-	1,756,814,791	1,116,847,027
Other tangible assets	11 and 12	269,924,565	(219,833,208)	50,091,357	41,175,532
Inventories	13	10,623,013	(64,553)	10,558,460	8,771,247
Goodwill	14	379,461,136	-	379,461,136	361,819,107
Other intangible assets	15	74,134,640	(55,464,322)	18,670,318	19,839,845
Technical provisions on reinsurance ceded		270,563,232	-	270,563,232	252,430,428
Provision for unearned premiums	16	71,716,464	-	71,716,464	70,026,732
Mathematical provision for life insurance	16	11,256,504	-	11,256,504	12,439,196
Claims provision	16	187,590,264	-	187,590,264	169,964,500
Assets for post-employment and long-term benefits	34	8,739,168	-	8,739,168	14,038,385
Other debtors for insurance and other operations		552,595,702	(59,363,531)	493,232,171	274,491,452
Accounts receivable for direct insurance operations	17	215,761,825	(27,682,953)	188,078,872	154,576,771
Accounts receivable for other reinsurance operations	17	21,653,177	(6,665,093)	14,988,084	13,862,346
Accounts receivable for other operations	17	315,180,700	(25,015,485)	290,165,215	106,052,335
Tax assets		483,448,749	-	483,448,749	272,739,725
Recoverable tax assets	18	59,777,007	-	59,777,007	1,145,567
Deferred tax assets	18	423,671,742	-	423,671,742	271,594,158
Accruals and deferrals	19	66,920,807	-	66,920,807	72,881,254
<b>TOTAL ASSETS</b>		<b>16,320,097,072</b>	<b>(423,153,843)</b>	<b>15,896,943,229</b>	<b>15,092,905,039</b>

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

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2016	2015
<b>LIABILITIES</b>			
Technical provisions		3,839,559,113	3,838,185,255
Provision for unearned premiums	20	291,823,685	278,826,184
Mathematical provision for life insurance	20	1,648,505,455	1,632,994,332
Claims provision		1,728,447,610	1,743,286,027
Life	20	121,052,056	124,623,114
Workers' compensation	20	795,656,958	788,880,289
Other	20	811,738,596	829,782,624
Provision for profit sharing	20	68,711,825	68,765,439
Provision for interest rate commitments	20	7,025,239	5,626,534
Provision for portfolio stabilisation	20	21,750,883	25,272,158
Equalisation provision	20	24,056,289	22,471,715
Provision for unexpired risks	20	49,238,127	60,942,866
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	21	8,293,190,335	8,075,643,230
Financial liabilities held for trading	22	15,072,639	18,448,784
Other financial liabilities		721,794,785	468,589,853
Hedge Derivatives	7 and 22	13,469,282	4,406,362
Deposits received from reinsurers	22	117,145,067	108,263,151
Loans	22	562,887,131	334,622,872
Others	22	28,293,305	21,297,468
Liabilities for post-employment and other long-term benefits	34	73,618	92,878
Other creditors for insurance and other operations		342,062,910	210,644,405
Accounts payable for direct insurance operations	23	105,981,598	94,953,090
Accounts payable for other reinsurance operations	23	38,702,926	47,450,950
Accounts payable for other operations	23	197,378,386	68,240,365
Tax liabilities		297,604,888	211,771,974
Tax payable liabilities	18	42,720,789	64,777,790
Deferred tax liabilities	18	254,884,099	146,994,184
Accruals and deferrals	24	158,333,825	157,224,869
Other provisions	25	140,042,113	187,172,922
<b>TOTAL LIABILITIES</b>		<b>13,807,734,226</b>	<b>13,167,774,170</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in-Capital	26	381,150,000	381,150,000
(Treasury shares)	26	( 148,960 )	( 148,960 )
Other Capital Instruments	26	521,530,515	521,530,515
Revaluation reserves		185,944,833	249,259,219
Adjustments in fair value of financial assets	27	23,227,109	92,559,711
Revaluation of properties for own use	27	106,470,627	72,992,202
Adjustments in fair value of hedging instruments in cash flow hedging	27	( 4,092,767 )	( 216,027 )
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	27	43,109,385	-
Exchange differences	27	17,230,479	83,923,333
Deferred tax reserve	27	( 18,386,326 )	( 45,501,996 )
Other reserves	27	523,982,139	357,677,740
Retained earnings	27	239,018,070	141,113,706
Net income for the year	27	211,108,365	286,286,890
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,044,198,636</b>	<b>1,891,367,114</b>
Non-controlling interests	28	45,010,367	33,763,755
<b>TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>2,089,209,003</b>	<b>1,925,130,869</b>
<b>TOTAL LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY</b>		<b>15,896,943,229</b>	<b>15,092,905,039</b>

# Consolidated Income Statement for the Years Ended as at 31 december 2016 and 2015

(amounts in euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2016				2015
		Technical - life	Technical - non-life	Non - technical	Total	
Earned premiums net of reinsurance		320,975,994	817,365,588	-	1,138,341,582	1,052,407,584
Gross premiums written	29	335,640,762	1,274,225,168	-	1,609,865,930	1,469,711,947
Reinsurance ceded premiums	29	(14,908,483)	(441,553,909)	-	(456,462,392)	(404,380,975)
Provision for unearned premiums (change)	20 and 29	229,622	(18,212,375)	-	(17,982,753)	(10,208,580)
Provision for unearned premiums, reinsurers' share (change)	16 and 29	14,093	2,906,704	-	2,920,797	(2,714,809)
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	30	2,551,811	-	-	2,551,811	2,306,164
Claims costs, net of reinsurance		(257,090,632)	(571,811,926)	-	(828,902,558)	(826,186,316)
Amounts paid		(260,299,339)	(606,453,311)	-	(866,752,650)	(844,320,922)
Gross amounts	31 and 32	(268,902,357)	(851,527,113)	-	(1,120,429,470)	(1,047,905,729)
Reinsurers' share	31	8,603,018	245,073,802	-	253,676,820	203,584,807
Claims Provision (change)		3,208,707	34,641,385	-	37,850,092	18,134,605
Gross amount	31	3,569,348	17,226,685	-	20,796,033	(437,355)
Reinsurers' share	31	(360,641)	17,414,700	-	17,054,059	18,571,959
Other technical provisions, net of reinsurance	31	2,122,570	10,131,088	-	12,253,658	(2,593,277)
Mathematical provision for life insurance, net of reinsurance		(4,306,026)	-	-	(4,306,026)	47,467,573
Gross amount	20 and 31	(3,148,319)	-	-	(3,148,319)	45,479,789
Reinsurers' share	31	(1,157,707)	-	-	(1,157,707)	1,987,784
Profit sharing, net of reinsurance	20 and 31	(9,629,810)	(29,783)	-	(9,659,593)	(41,506,608)
Operating costs and expenses, net		(87,361,664)	(251,607,623)	-	(338,969,287)	(342,957,895)
Acquisition expenses	32	(69,174,911)	(248,114,360)	-	(317,289,271)	(303,974,542)
Deferred cost acquisition (change)	20	61,720	1,203,975	-	1,265,695	150,019
Administrative expenses	32	(20,687,594)	(76,145,910)	-	(96,833,504)	(92,155,148)
Commissions and reinsurance profit sharing	32	2,439,121	71,448,672	-	73,887,793	53,021,776
Financial income		259,006,015	59,198,734	74,353,091	392,557,840	427,787,248
From interest on financial assets not recognised at fair value through profit or loss	35	237,559,319	39,044,380	1,419,610	278,023,309	345,691,860
Other	35	21,446,696	20,154,354	72,933,481	114,534,531	82,095,388
Financial expenses		(3,421,847)	(10,529,737)	(21,168,065)	(35,119,649)	(26,693,081)
Other	32 and 36	(3,421,847)	(10,529,737)	(21,168,065)	(35,119,649)	(26,693,081)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		7,966,932	48,417,664	6,315,259	62,699,855	165,614,784
Available-for-sale investments	37	156,762,514	48,417,664	6,315,259	211,495,437	354,480,640
Loans and accounts receivable	37	(83,484)	-	-	(83,484)	-
Financial liabilities recognised at amortised cost	21 and 37	(148,712,098)	-	-	(148,712,098)	(187,551,641)
Other	37	-	-	-	-	(1,314,215)
Net income on financial assets and liabilities recognised at fair value through profit or loss		(47,759,786)	(29,560,882)	(4,023,113)	(81,343,781)	(17,032,257)
Net income on financial assets and liabilities held for trading	38	(55,502,876)	(17,383,395)	(4,034,010)	(76,920,281)	(37,314,963)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	38	7,450,543	(7,233,245)	10,897	228,195	16,847,908
Other	38	292,547	(4,944,242)	-	(4,651,695)	3,434,798
Exchange differences	39	27,516,275	11,300,238	2,345,209	41,161,722	44,323,812
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	40	-	12,416,743	66,704,126	79,120,869	50,606,576
Impairment losses (net of reversals)		(142,207,206)	(41,651,496)	2,983,553	(180,875,149)	(184,890,004)
Available-for-sale investments	41	(142,196,609)	(39,374,407)	(4,148,177)	(185,719,193)	(223,534,530)
Loans and accounts receivable at amortised cost	41	(10,597)	(5,519)	215,767	199,651	496,540
Other	41	-	(2,271,570)	6,915,963	4,644,393	38,147,985
Other technical income/expenses, net of reinsurance	42	523,754	932,093	-	1,455,847	1,792,636
Other income/expenses	43	-	-	9,844,480	9,844,480	20,170,991
Negative Goodwill recognised in profit and loss	14	-	-	24,815,820	24,815,820	-
Gains and losses of associates and joint ventures (equity method)	44	-	-	(6,263,473)	(6,263,473)	1,914,116
<b>NET INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS</b>		<b>68,886,380</b>	<b>54,570,701</b>	<b>155,906,887</b>	<b>279,363,968</b>	<b>372,532,046</b>
Income tax for the year - current taxes	18	-	-	(98,232,406)	(98,232,406)	(124,684,026)
Income tax for the year - deferred taxes	18	-	-	31,620,428	31,620,428	38,260,439
<b>NET INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS</b>		<b>68,886,380</b>	<b>54,570,701</b>	<b>89,294,909</b>	<b>212,751,990</b>	<b>286,108,459</b>
Non-controlling interests	28	-	-	(1,643,625)	(1,643,625)	178,431
<b>NET INCOME FOR THE YEAR</b>	<b>27</b>	<b>68,886,380</b>	<b>54,570,701</b>	<b>87,651,284</b>	<b>211,108,365</b>	<b>286,286,890</b>

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

(amounts in euros)

	Paid-in-capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Legal reserve	Other reserves	
					Share premiums	Other reserves
<b>Balance at 31 December 2014</b>	<b>381,150,000</b>	<b>534,068,657</b>	<b>(120,303,229)</b>	<b>106,403,438</b>	<b>115,103,280</b>	<b>(2,782,584)</b>
Appropriation of net income	-	-	-	15,080,369	-	125,209,445
Supplementary contributions	521,530,515	-	-	-	-	-
Own Shares	(148,960)	-	-	148,960	-	(148,960)
Net gains through adjustments in fair value of available-for-sale investments	-	(307,205,216)	72,895,012	-	-	-
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	(216,027)	-	-	-	-
Exchange differences	-	19,552,734	-	-	-	-
Revaluation of properties for own use	-	3,060,989	114,686	-	-	-
Disposals of properties for own use	-	(1,918)	-	-	-	-
Actuarial gains and losses	-	-	1,791,535	-	-	(4,925,528)
Recognition of non-controlling interests	-	-	-	(69,071)	-	1,267,617
Others	-	-	-	-	-	2,390,774
Net income for the year	-	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>902,531,555</b>	<b>249,259,219</b>	<b>(45,501,996)</b>	<b>121,563,696</b>	<b>115,103,280</b>	<b>121,010,764</b>
Appropriation of net income	-	-	-	17,800,154	-	162,427,030
Net gains through adjustments in fair value of available-for-sale investments	-	(79,899,153)	22,370,531	-	-	-
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	(3,876,740)	859,481	-	-	-
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency	-	43,109,385	(9,406,249)	-	-	-
Exchange differences	-	(56,126,303)	4,365,070	-	-	-
Revaluation of properties for own use	-	33,478,425	(2,067,698)	-	-	-
Actuarial gains and losses	-	-	3,128,922	-	-	(10,975,156)
Recognition of non-controlling interests	-	-	-	(45,616)	-	(2,169,468)
Others	-	-	7,865,613	-	-	(732,545)
Net income for the year	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>902,531,555</b>	<b>185,944,833</b>	<b>(18,386,326)</b>	<b>139,318,234</b>	<b>115,103,280</b>	<b>269,560,625</b>

(continued)

(amounts in euros)

	Retained earnings	Net income for the year	Sub-Total	Non-controlling interests	Total
<b>Balance at 31 December 2014</b>	<b>104,680,449</b>	<b>178,232,205</b>	<b>1,296,552,216</b>	<b>41,652,831</b>	<b>1,338,205,047</b>
Appropriation of net income	37,942,391	( 178,232,205 )	-	-	-
Supplementary contributions	-	-	521,530,515	-	521,530,515
Own Shares	-	-	( 148,960 )	-	( 148,960 )
Net gains through adjustments in fair value of available-for-sale investments	-	-	( 234,310,204 )	-	( 234,310,204 )
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	-	( 216,027 )	-	( 216,027 )
Exchange differences	-	-	19,552,734	-	19,552,734
Revaluation of properties for own use	-	-	3,175,675	-	3,175,675
Disposals of properties for own use	1,918	-	-	-	-
Actuarial gains and losses	-	-	( 3,133,993 )	-	( 3,133,993 )
Recognition of non-controlling interests	748,287	-	1,946,833	( 7,889,076 )	( 5,942,243 )
Others	( 2,259,339 )	-	131,435	-	131,435
Net income for the year	-	286,286,890	286,286,890	-	286,286,890
<b>Balance at 31 December 2015</b>	<b>141,113,706</b>	<b>286,286,890</b>	<b>1,891,367,114</b>	<b>33,763,755</b>	<b>1,925,130,869</b>
Appropriation of net income	106,059,706	( 286,286,890 )	-	-	-
Net gains through adjustments in fair value of available-for-sale investments	-	-	( 57,528,622 )	-	( 57,528,622 )
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	-	( 3,017,259 )	-	( 3,017,259 )
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency	-	-	33,703,136	-	33,703,136
Exchange differences	-	-	( 51,761,233 )	-	( 51,761,233 )
Revaluation of properties for own use	-	-	31,410,727	-	31,410,727
Actuarial gains and losses	-	-	( 7,846,234 )	11,246,612	3,400,378
Recognition of non-controlling interests	225,690	-	( 1,989,394 )	-	( 1,989,394 )
Others	( 8,381,032 )	-	( 1,247,964 )	-	( 1,247,964 )
Net income for the year	-	211,108,365	211,108,365	-	211,108,365
<b>Balance at 31 December 2016</b>	<b>239,018,070</b>	<b>211,108,365</b>	<b>2,044,198,636</b>	<b>45,010,367</b>	<b>2,089,209,003</b>

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

(amounts in euros)

	2016	2015
<b>NET INCOME FOR THE YEAR</b>	<b>211,108,365</b>	<b>286,286,890</b>
<b>Items that may be reclassified subsequently to gains and losses</b>		
Change in potential gains and losses on available for sale investments		
Gross amount		
Appreciation	( 63,553,534 )	( 227,115,157 )
Impairment	150,714,731	205,874,418
Disposal	( 153,902,380 )	( 388,874,791 )
Life insurance contracts with profit sharing	( 2,591,419 )	68,709,466
Exchange differences		
Gross amount	( 10,804,340 )	34,535,558
Life insurance contracts with profit sharing	237,787	( 334,710 )
Deferred tax	21,441,406	66,508,853
Current tax - Life insurance contracts with profit sharing	929,125	6,386,159
Fair value of hedging instruments in cash flow hedging		
Gross amount	( 3,876,740 )	( 216,027 )
Deferred tax	859,481	-
Fair value hedge of net investment in a foreign currency		
Gross amount	43,109,385	-
Deferred tax	( 9,406,249 )	-
Change in potential gains and losses due to exchange differences on conversion of financial statements		
Gross amount	( 56,126,301 )	19,552,734
Deferred tax	4,365,070	-
<b>Items that may not be reclassified subsequently to gains and losses</b>		
Change in potential gains on properties for own use		
Gross amount	33,478,425	3,060,989
Deferred tax	( 2,067,698 )	114,686
Actuarial deviations		
Post-employment benefits	( 8,812,551 )	( 4,107,208 )
Health benefits	( 2,162,605 )	( 818,320 )
Current tax	2,246,746	1,440,504
Deferred tax	882,176	351,031
<b>INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>( 55,039,485 )</b>	<b>( 214,931,815 )</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR</b>	<b>156,068,880</b>	<b>71,355,075</b>



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

(amounts in euros)

	2016	2015
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,153,403,538	1,065,330,972
Claims paid, net of reinsurance	( 727,375,229 )	( 771,623,830 )
Commissions on insurance, investment and services contracts, net	( 118,674,715 )	( 129,084,585 )
Profit sharing payments, net of reinsurance	( 5,535,233 )	( 38,938,716 )
Payments to suppliers	( 177,081,576 )	( 104,999,717 )
Payments to employees	( 169,101,968 )	( 156,856,032 )
Contributions to pension funds	( 18,421,934 )	( 17,785,176 )
Others	( 22,661,942 )	( 12,402,531 )
	<b>( 85,449,059 )</b>	<b>( 166,359,615 )</b>
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	( 35,115,742 )	( 13,354,139 )
Debtors - other operations	( 183,658,526 )	17,864,786
Other assets	( 58,632,561 )	( 776,216 )
	<b>( 277,406,829 )</b>	<b>3,734,431</b>
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	72,231,424	196,279,938
Deposits received from reinsurers	6,494,722	( 2,323,648 )
Creditors - direct insurance and reinsurance operations	2,280,484	27,980,216
Creditors - other operations	123,354,083	11,258,745
Other liabilities	79,594,988	( 15,920,805 )
	<b>283,955,701</b>	<b>217,274,446</b>
<b>Net cash from operating activities before tax</b>	<b>( 78,900,187 )</b>	<b>54,649,262</b>
Payments of income tax	( 195,930,790 )	( 96,752,896 )
<b>Net cash from operating activities</b>	<b>( 274,830,977 )</b>	<b>( 42,103,634 )</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	395,478,987	291,396,586
Available-for-sale investments	2,996,431,964	5,375,655,913
Loans and accounts receivable	6,787,669,650	5,371,137,728
Investment properties	226,764,043	-
Tangible and intangible assets	866,527	18,128,035
Net income from financial assets	267,866,021	378,245,059
Other receipts	228,043,194	6,879,863
	<b>10,903,120,387</b>	<b>11,441,443,184</b>
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	( 151,805,476 )	( 332,807,468 )
Available-for-sale investments	( 3,526,827,624 )	( 4,827,040,988 )
Loans and accounts receivable	( 7,106,451,895 )	( 4,660,583,424 )
Investment properties	( 865,846,841 )	( 12,081,701 )
Tangible and intangible assets	( 79,195,733 )	( 19,005,816 )
Others	( 149,739,109 )	( 446,489,907 )
	<b>( 11,879,866,678 )</b>	<b>( 10,298,009,304 )</b>
Business combinations		
Disposal of subsidiaries, associates and joint ventures	-	122,651,347
Acquisition of subsidiaries, associates and joint ventures	( 47,597,865 )	( 73,663,761 )
<b>Net cash from investing activities</b>	<b>( 1,024,344,156 )</b>	<b>1,192,421,466</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Interest received	2,088,676	-
Other loans obtained	228,264,259	10,145,696
Other interest paid	( 4,447,469 )	( 1,732,216 )
Supplementary contributions	-	521,530,515
Treasury shares	-	( 148,960 )
<b>Net cash from financing activities</b>	<b>225,905,466</b>	<b>529,795,035</b>
Increase (decrease) net of cash and equivalents	( 1,073,269,667 )	1,680,112,867
Cash and equivalents at start of the year	2,037,402,392	357,289,525
Cash and equivalents at end of the year	964,132,725	2,037,402,392

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1. Introductory Note

Fidelidade - Companhia de Seguros, S.A. ("Fidelidade" or "Company"), with its head office 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, effective 1 January 2012. The operation was authorised by the Portuguese insurance regulator (Insurance and Pension Funds Supervisory Authority 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 became part of Fosun International Holdings Ltd by way of the interest held by Longrun Portugal, SGPS, S.A..

The Company's corporate purpose is the performance of insurance and reinsurance activities in all technical lines of business based on the terms of the respective Articles of Association which govern its activity.

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

It holds shares in other insurance companies and other subsidiaries and associates, which together form the Fidelidade Group.

The Group's insurance Companies held by the Company include Via Directa - Companhia de Seguros, S.A. ("Via Directa"), Companhia Portuguesa de Resseguros, S.A. ("CPR"), Garantia - Companhia de Seguros de Cabo Verde, S.A. ("Garantia"), Universal Seguros, S.A. ("Universal") and Fidelidade Macau - Companhia de Seguros, S.A. ("Fidelidade Macau").

This report presents consolidated financial information resulting from the consolidation of Fidelidade and its subsidiaries. It has been prepared from the financial statements of each of the companies in the Group, at 31 December 2016.

Fidelidade's financial statements at 31 December 2016 were approved by the Board of Directors on 21 February 2017. On the date of issue of the financial statements, these were pending approval by the General Meeting.

## 2. Accounting Policies

### 2.1. Basis of presentation and consolidation principles

#### 2.1.1. Basis of presentation

The financial statements at 31 December 2016 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, of the ASF, and the remaining regulatory standards issued by ASF.

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

In 2016 the Group adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2016. These standards are listed in Note 2.21. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

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

The accounting policies used by the Group in the preparation of its financial statements relating to 31 December 2016 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely investments relating to life contracts where the investment risk is borne by the policyholder, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available-for-sale investments and real estate, both for own use and for income generation. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities, are recognised at amortised cost or historical cost.

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

### **2.1.2. Consolidation principles**

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

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

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

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

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

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

The consolidated financial statements include the accounts of Fidelidade - Companhia de Seguros, S.A. and those of the entities controlled directly and indirectly by the Group (Note 3).

## 2.2. Investments in subsidiaries

Subsidiaries are classified as companies over which the Group exercises control. Control is normally presumed to exist when the Company has the power to exercise the majority of the voting rights. Control may also exist when the Group holds, either directly or indirectly, the power to manage the financial and operational policy of a given company in order to obtain benefits from its activities, even if the percentage of the share capital that it holds is less than 50%.

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

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

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

## 2.3. Business combinations and goodwill

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

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

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

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

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

## 2.4. Investment in associates and joint ventures

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

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

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

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

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

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

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

## 2.5. Conversion of foreign currency balances and transactions

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

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

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

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

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

## 2.6. Financial instruments

### a) Financial assets

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

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

This category includes:

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

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

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

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

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

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

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

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

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

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

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

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

Available-for-sale investments include:

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



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

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

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

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

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

#### **Fair value**

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

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

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

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

- Bid prices published by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;
- Bid prices obtained from financial institutions which operate as market-makers;
- Internal valuation models, which take into account the market data which would be used to define a price for the financial instrument, reflecting the market interest rates and volatility, and the liquidity and credit risk associated with the instrument.

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

#### **v) Derecognition**

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

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

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

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

The Group has not adopted this possibility to date.

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

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

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

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

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

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

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

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

### **c) Derivatives and hedge accounting**

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

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

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

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

#### **Embedded derivatives**

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

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

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

#### **Hedge derivatives**

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

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

- Risk management objectives and strategy associated with the performance of the hedging operation, in line with the defined hedging policies;

- Description of the hedged risk(s);
- Identification and description of the hedged and hedging financial instruments;
- Method for assessing the hedge's effectiveness and the frequency of assessment.

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

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

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

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

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

The Group began using hedge accounting in 2015.

#### **Trading derivatives**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.8. Investment properties

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

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

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

## 2.9. Properties for own use

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

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

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

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

## 2.10. Other tangible assets

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

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

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

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

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

## 2.11. Inventories

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

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



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

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

## **2.12. Leases**

### **Operating leases**

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

### **Finance leases**

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

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

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

## **2.13. Intangible assets**

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

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

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

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

## **2.14. Income tax**

The companies in the Group with their head office in Portugal are subject to taxation in the form of the Corporate Income Tax Code (CIT Code) and the companies with their head offices abroad are also subject to the same type of tax (CIT), pursuant to the legislation in force in those countries. Added to CIT Code and Municipal Surcharge, the aggregate rate of which, in 2015 and 2016 is 22.5%. Additionally, there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 7% of any profit which exceeds this amount.

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

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

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

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

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

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

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

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the tax rules that have been enacted, or substantially enacted, at the balance sheet date. At 31 December 2016, the deferred tax assets and liabilities recognised by the Group were determined pursuant to Law No. 7-A/2016, of 30 March.

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

## 2.15. Provisions and contingent liabilities

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

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

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

## 2.16. Employee benefits

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

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

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

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

Liabilities recognised on the balance sheet relating to defined benefit plans correspond to the difference between the current value of liabilities and the fair value of the pension fund assets. The total amount of liabilities is determined annually by specialised actuaries using the Projected Unit Credit Method and actuarial assumptions considered appropriate (Note 34). The discount rate used to update the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with similar maturity periods to the average periods for settlement of liabilities.

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

The cost in the year for retirement and survivors' pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in "Employee Costs". The healthcare cost for the year is recognised in "Other Provisions" (Note 25).

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

#### **Defined contribution plan**

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

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

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

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

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

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

Short-term benefits, including performance-related productivity bonuses paid to employees, are recognised in "Employee Costs" in the period to which they relate, on an accrual basis.

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

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

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

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

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

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

- It is probable that they will constitute a significant part of the total benefits to be allocated within the scope of the contract;

- The amount or time of their allocation is contractually at the issuer's discretion; and
- They are dependent on the performance of a given group of contracts, on realised or unrealised income on certain assets held by the contract issuer, or on the profit of the entity responsible for issuing the contract.

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

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

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

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

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

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

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

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

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

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

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

### Claims provision for workers' compensation

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

The mathematical provision for workers' compensation relates to:

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

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

	Mandatorily Redeemable	Non - Redeemable
Mortality table	TD 88/90	INE 2010_2012 by gender
Discount rate	5.25%	3.84%
Management costs	2.40%	3%

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

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

The objective of the provision for temporary assistance expenses is to recognise the liability relating to expenses of workers' compensation claimants which are not whole life in nature. Using monthly development matrices, the number of claims incurred in the tax year is estimated, which is then multiplied by the estimated average cost of temporary assistance expenses for claims incurred in 2015 and 2016, in order to obtain the cost in the tax year for this type of expense. For claims incurred in previous tax years the variation of the provision corresponds to the amounts paid for temporary assistance expenses recognised in the accounts.

Provision for whole life assistance expenses (AV) relates to:

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

This provision is calculated according to the following technical bases:

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Mortality table	INE 2010_2012 by gender
Discount rate	3.84%
Rate of inflation	2%
Management costs	2%

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

#### **Claims provision for motor insurance**

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

#### **Claims provision for other types of insurance**

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

#### **Analysis of sufficiency of the claims provisions**

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

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

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

#### **e) Mathematical provision for life insurance**

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

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

#### **f) Profit-sharing provision**

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

#### **Provision for profit sharing to be allocated**

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

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

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

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

i) The balances of the net capital gains to be allocated to the insured persons which transited from the former "Fund for Future Appropriations" are used in the first place to cover the losses arising each year in the technical accounts of the respective life insurance products with a profit-sharing component, which were reflected as losses for the Group, and are recognised in its profit and loss up to the limit of the losses they seek to compensate. The Group has been using this procedure since 2011;

ii) The amounts corresponding to the insured persons' potential sharing of the loss of the related portfolios are reflected in this provision until the corresponding positive balance is reached. Thus, amounts arising from the former "Fund for Future Appropriations" which are still available after the use referred to above in i) are used to offset potential capital losses of the respective portfolios;



iii) If the balance of the provision for profit sharing to be allocated is positive after the movements above, and there are losses to be recovered, calculated in previous years in the technical accounts of the respective products and which have been recognised in the Group income statement due to the fact that the income from the related portfolios was not sufficient to cover the costs resulting from the guaranteed technical rates, that positive balance is recognised in the Group income statement up until these losses are recovered. This movement can be reversed, also having an impact on the income statement, when the balance arising from the potential gains/losses ceases to be positive.

#### **Provision for allocated profit sharing**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.18. Revenue

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

### (i) Fees from financial instruments

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

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

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

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

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

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

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

### (iii) Fees for other services provided

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

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

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

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

When applying the accounting principles described above, estimates must be made by the Board of Directors of Fidelidade and Group companies. The estimates with the greatest impact on the Group consolidated financial statements include those presented below.

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

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

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

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

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

### **Employee benefits**

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

### **Impairment of goodwill**

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

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

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

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

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

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

#### **Determination of income tax**

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

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

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

During the course of 2016 the Group adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2016. The relevant changes for the Group were as follows:

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

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

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

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Standards / Interpretations	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 9 - Financial Instruments	2067/2016	01-01-2018
IFRS 15 - Revenue from Contracts with Customers	1905/2016	01-01-2018

### 2.21.3. Standards, Interpretations, Amendments and Revisions Not Yet Adopted by the European Union

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

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

These standards have not been endorsed by the European Union and, as such, have not been applied by the Group for the year ended 31 December 2016.

### 3. Group Companies and Transactions during the Period

The Group's structure in terms of its subsidiaries, by sectors of activity, and the respective financial data taken from their statutory individual accounts at 31 December 2016 and 2015, except when expressly indicated otherwise, can be summarised as follows:

(amounts in euros)

Operating sector/entity	Effective share %	2016				
		Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade - Companhia de Seguros, S.A.	100.00%	14,674,807,178	12,834,840,242	1,839,966,936	100,420,503	3,168,274,008
Via Directa - Companhia de Seguros, S.A.	100.00%	72,872,039	51,492,895	21,379,144	(3,792,950)	40,714,618
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,715,603	4,927,959	10,787,644	350,067	1,034,224
Universal Seguros, S.A. (b)	68.70%	99,692,896	87,600,437	12,092,459	1,859,850	80,870,354
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	56.35%	26,303,692	16,309,305	9,994,387	1,044,612	9,025,528
Fidelidade Macau - Companhia de Seguros, S.A. (d)	99.99%	62,555,881	40,887,005	21,668,876	1,880,563	9,890,127
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	797,290,099	15,687,570	781,602,529	(2,958,151)	28,673,625
Fidelidade - Property Internacional, S.A.	100.00%	484,299,611	9,527,099	474,772,512	(40,025,590)	40,174,103
Fundo de Investimento Imobiliário Fechado Saudeinveste (e)	98.85%	142,521,246	23,339,811	119,181,435	10,809,608	15,085,888
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	11,467,335	83,101	11,384,234	(896,508)	1,374,371
FPI (AU) 1 PTY LIMITED (f)	100.00%	93,803,520	54,521,549	39,281,971	7,274,209	14,471,293
FPI (UK) 1 LIMITED (g)	100.00%	249,055,731	2,198,433	246,857,298	8,743,061	16,663,984
FPI (US) 1 LLC (h)	100.00%	117,910,797	62,648,293	55,262,504	(9,362,576)	5,776
FPE (IT) Società per Azioni	95.76%	365,267,333	33,706,557	331,560,776	33,685,905	48,926,838
GK Kita Aoyoma Support 2 (i)	100.00%	24,366,042	25,202	24,340,840	(43,142)	3
Higashi Shinagawa Two TMK (i)	96.56%	157,989,490	22,222,003	135,767,487	18,930,493	45,105,173
FPE (Lux) Holding S.à r.l.	100.00%	172,261,927	26,776,116	145,485,811	6,309,791	15,875,050
Thomas More Square (Lux) Holdings S.à r.l. (j)	99.30%	162,803,996	23,837,004	138,966,992	(39,287)	298
Thomas More Square (Lux) S.à r.l. (j)	100.00%	477,084,501	330,755,816	146,328,685	(4,792,663)	14,389,358
Thomas More Square (Lux) Investments Limited (j)	100.00%	104,739,338	20,440	104,718,898	(7,180)	14,744
Godo Kaisha Moana (l)	97.00%	114,760,163	274,424	114,485,739	8,017,248	8,776,264
Godo Kaisha Praia (l)	100.00%	487,402,382	348,054,350	139,348,032	7,862,661	12,222,887
<b>Healthcare</b>						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98.96%	581,579,825	364,532,653	217,047,172	16,985,152	450,759,517



(continued)

(amounts in euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Other sectors</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	5,850,906	978,513	4,872,393	(37,078)	6,276,399
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	855,536	601,631	253,905	72,736	1,793,741
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	4,032,714	3,588,828	443,886	112,211	21,162,866
FCM Beteiligungs GmbH	51.00%	10,508,705	40,238	10,468,467	(3,519,695)	714
FID I (HK) LIMITED (m)	100.00%	26,960,173	2,030,015	24,930,158	(3,801,405)	3,247,642
FID III (HK) LIMITED (m)	100.00%	-	9,797	(9,797)	(3,097)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (n)	80.00%	3,670	3,327	343	(758)	52,571
Fidelidade - Assistência e Serviços, Lda. (n)	80.00%	12,031	14,150	(2,119)	(3,759)	134,412

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

(b) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 184.475 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 182.32425 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.4204 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.81952 MOP for the profit and loss headings.

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

(f) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 1.4596 AUD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.48523 AUD for the profit and loss headings.

(g) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 0.85618 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.82271 GBP for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 1.0541 USD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.10317 USD for the profit and loss headings.

(i) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 123.4000 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 120.44083 JPY for the profit and loss headings.

(j) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 0.85618 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.79822 GBP for the profit and loss headings.

(l) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 123.4000 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 120.95966 JPY for the profit and loss headings.

(m) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.1751 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.56263 HKD for the profit and loss headings.

(n) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 74.54000 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 69.82333 MZN for the profit and loss headings.

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Fidelidade - Companhia de Seguros, S.A.	100.00%	14,217,045,038	12,446,347,244	1,770,697,794	207,862,217	2,226,166,634
Via Directa - Companhia de Seguros, S.A.	100.00%	74,226,582	48,895,604	25,330,978	228,225	40,713,189
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,490,601	5,438,915	10,051,686	651,804	972,281
Universal Seguros, S.A. (b)	68.70%	92,261,904	79,465,846	12,796,058	2,443,785	54,586,023
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	24,847,676	15,057,978	9,789,698	966,867	8,091,863
Fidelidade Macau - Companhia de Seguros, S.A. (d)	99.99%	67,177,199	48,090,710	19,086,489	679,711	2,202,858

(continued)

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	375,036,950	15,933,384	359,103,566	7,278,154	17,921,581
Fidelidade - Property Internacional, S.A.	100.00%	351,964,581	457,133	351,507,448	(7,845,080)	4,168,172
Fundo de Investimento Imobiliário Fechado Saudeinveste (e)	98.85%	135,212,129	26,840,302	108,371,827	5,783,522	8,827,478
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	14,898,182	117,457	14,780,725	(283,643)	532,335
FPI (AU) 1 PTY LIMITED (f)	100.00%	78,922,398	47,473,050	31,449,348	1,668,905	5,247,030
FPI (UK) 1 LIMITED (g)	100.00%	329,825,721	110,162,033	219,663,688	1,656,438	5,614,923
FPI (US) 1 LLC (h)	100.00%	80,183,261	36,885,883	43,297,378	(1,381,689)	-
FPE (IT) Società per Azioni	95.76%	322,038,204	24,163,333	297,874,871	5,550,271	4,168,172
GK Kita Aoyoma Support 2 (i)	100.00%	26,871,274	2,493,373	24,377,902	(47,956)	-
Higashi Shinagawa Two TMK (j)	96.56%	241,487,804	131,060,523	110,427,280	15,798,418	24,218,799
<b>Healthcare</b>						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98.43%	572,986,216	337,545,619	235,440,597	19,616,035	424,189,572
<b>Other sectors</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,462,932	1,659,913	4,803,019	78,058	4,476,839
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	737,197	542,404	194,793	27,249	1,762,316
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,275,779	2,895,650	380,129	96,909	18,832,956
FCM Beteiligungs GmbH	51.00%	10,581,339	41,428	10,539,911	(7,350,750)	-
FID I (HK) LIMITED (j)	100.00%	136,671,034	108,658,737	28,012,297	24,087,061	-
FID III (HK) LIMITED (j)	100.00%	-	6,349	(6,349)	(3,142)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (l)	80.00%	13,684	12,093	1,591	1,196	14,691
Fidelidade - Assistência e Serviços, Lda. (l)	80.00%	23,117	20,996	2,121	1,730	26,437

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

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

(c) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

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

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

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

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

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

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

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

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

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

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

## **INSURANCE**

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

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

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

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

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

**Fidelidade Macau - Companhia de Seguros, S.A.**, with its head office in Macao at Avenida da Praia Grande, n.º 567, BNU Building, 14.º, was set up on 30 September 2015 with the corporate purpose of performing the insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance.

## PROPERTY

**Fidelidade – Property Europe, S.A.**, using this name since 2014, with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 19 November 1991 with the main object of renting own property which it has acquired or built and the provision of related services. On 24 November 2004 a public deed was signed for the merger by incorporation of Caixa Imobiliário - Sociedade de Gestão e Investimento Imobiliário, S.A., in Mundial Confiança - Sociedade de Gestão e Investimento Imobiliário, S.A., which altered its name to Fidelidade-Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A., and this name was altered in 2013 to Fidelidade – Investimentos Imobiliários, S.A..

**Fidelidade – Property International, S.A.** with its head office in Lisbon, at Largo do Calhariz, nº 30, was set up on 5 November 2014 with the main object of purchasing and selling real estate, including purchase for re-sale, renting or the setting up of other real rights over property and, also, developing, promoting and administering real estate projects, in the area of construction and rehabilitation, in addition to the provision of related services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## HEALTHCARE

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

## OTHER SECTORS

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

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

**GEP - Gestão de Peritagens Automóveis, S.A.**, with its head office in Lisbon, at Avenida 5 de Outubro n° 35 8º Piso, was set up on 11 November 1996 with the corporate purpose of providing services to assess damage to light and heavy motor vehicles, motorbikes and bicycles, including their trailers and coupled items.

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

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

**Fidelidade - Assistência e Serviços, Lda.**, with its head office at Rua 1393, n° 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the main purpose of providing assistance services and claims management support services, as well as the provision of accounting services, human resource management and IT support, and also the provision of services for the organisation, evaluation, expert assessment and management of any repair work, restoration, installation and improvements to be made to any property, and the hiring of any entities to perform such work, acquisition and supply of various materials, products and tools, and the provision of any services which are related or complementary to these activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. Cash and Cash Equivalents

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

(amounts in euros)

	2016	2015
Cash and cash equivalents		
Headquarters	2,403,081	1,576,700
Branch offices	1,323,859	2,132,094
	<b>3,726,940</b>	<b>3,708,794</b>
Sight deposits		
Domestic currency	546,512,000	1,679,101,380
Foreign currency	413,893,785	354,592,218
	<b>960,405,785</b>	<b>2,033,693,598</b>
	<b>964,132,725</b>	<b>2,037,402,392</b>

## 5. Investments in Associates and Joint Ventures

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

(amounts in euros)

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

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

Since Highgrove - Investimentos e Participações, SGPS, S.A. has negative equity, the financial interest held by the Group was reduced to zero. Additionally, a liability was set up to cover responsibilities assumed with this subsidiary (Note 23).

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

(amounts in euros)

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

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

(b) Values at June 2016 (accounting period June 2015 to June 2016).



(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Health</b>						
Genomed - Diagnósticos de Medicina Molecular, S.A.	37.50%	772,164	271,186	500,978	45,302	991,123
<b>Other sectors</b>						
Audatex Portugal - Peritagens Informatizadas						
Derivadas de Acidentes, S.A. (b)	33.67%	6,904,447	2,015,566	4,888,881	2,175,660	8,763,249
Highgrove - Investimentos e Participações, SGPS, S.A.	25.00%	1,123,971	1,422,267	(298,296)	(224,567)	43,917
HL - Sociedade Gestora do Edifício, S.A.	10.00%	n.a.	n.a.	n.a.	n.a.	n.a.
Madison 30 31 JV LLC	77.00%	180,371,544	91,852,668	88,518,876	(272)	-

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

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

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

## HEALTHCARE

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

## OTHER SECTORS

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

**Highgrove - Investimentos e Participações, SGPS, S.A.**, with its head office at Lugar de Meladas, n° 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities. The participation in this company arose following a partnership with the Chamartin Group to rebuild the closed condominium of Convento dos Inglesinhos, located in a historical area in the Bairro Alto district, which is currently selling its last units.

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

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

The main movements in the Group's associates and joint ventures during 2016 were as follows:

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

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

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

(amounts in euros)

	2016			2015		
	Held for trading (Note 7)	At fair value through profit or loss	Total	Held for trading (Note 7)	At fair value through profit or loss	Total
<b>Investments related to Unit-linked contracts</b>	-	<b>431,342,214</b>	<b>431,342,214</b>	-	<b>487,476,907</b>	<b>487,476,907</b>
<b>Other investments</b>						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	1,365,213	1,365,213	-	1,360,017	1,360,017
Foreign issuers	-	233,631,326	233,631,326	-	399,410,555	399,410,555
	-	<b>234,996,539</b>	<b>234,996,539</b>	-	<b>400,770,572</b>	<b>400,770,572</b>
<b>Other financial instruments</b>						
Domestic issuers	-	4,597	4,597	-	-	-
	-	<b>4,597</b>	<b>4,597</b>	-	-	-
<b>Derivatives instruments with positive fair value</b>						
Exchange rate futures	7,770,368	-	7,770,368	957,920	-	957,920
	<b>7,770,368</b>	<b>666,343,350</b>	<b>674,113,718</b>	<b>957,920</b>	<b>888,247,479</b>	<b>889,205,399</b>

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

At 31 December 2016 and 2015, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 234,996,539 and EUR 400,770,572, respectively. These securities are recognised at their fair value which is assessed on the basis of the prices indicated by the respective issuing bodies for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

In 2016 and 2015, the Group recognised net gains with the valuation of these investments of EUR 14,784,742 and EUR 52,244,943, respectively.

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

(amounts in euros)

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

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

## 7. Derivatives

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

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

At 31 December 2016 and 2015, these operations were valued in line with the criteria in Note 2.6.c). On these dates, the notional amount and the book value had the following breakdown:

(amounts in euros)

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

(amounts in euros)

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

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

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

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

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

(amounts in euros)

	2016					Total
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 5 years	More than 5 years	
<b>Fair value hedge</b>						
Interest rate swaps	-	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	1,714,750,000	-	735,750,000	-	-	2,450,500,000
Exchange rate forwards	-	13,341,558	-	-	-	13,341,558
<b>Cash flow hedge</b>						
Interest rate swaps	-	-	-	30,000,000	150,000,000	180,000,000
<b>Hedge of a net investment in a foreign operation</b>						
Exchange rate futures	398,375,000	-	113,250,000	-	-	511,625,000
Exchange rate forwards	263,738,140	58,213,382	134,630,069	-	-	456,581,591
	<b>2,376,863,140</b>	<b>71,554,939</b>	<b>983,630,069</b>	<b>70,000,000</b>	<b>150,668,155</b>	<b>3,652,716,304</b>

(amounts in euros)

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

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

(amounts in euros)

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

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

(amounts in euros)

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

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

(amounts in euros)

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

## 8. Available-for-Sale Investments

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

(amounts in euros)

	2016					
	Amount before impairment	Accumulated impairment (Note 41)	Net amount	Exchange differences	Fair value reserve (Note 27)	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	5,292,288,134	-	5,292,288,134	-	(63,283,716)	5,229,004,418
Foreign issuers	222,085,597	-	222,085,597	3,458,577	2,601,487	228,145,661
Other public issuers						
Foreign issuers	3,421,701	-	3,421,701	-	381,188	3,802,889
International financial organisations	11,199,640	-	11,199,640	-	6,169,166	17,368,806
Other issuers						
Domestic issuers	215,327,484	(52,929,367)	162,398,117	-	496,985	162,895,102
Foreign issuers	1,493,547,740	(103,731,642)	1,389,816,098	49,953,125	(2,759,849)	1,437,009,374
Group companies	421,271,476	-	421,271,476	-	595,992	421,867,468
	<b>7,659,141,772</b>	<b>(156,661,009)</b>	<b>7,502,480,763</b>	<b>53,411,702</b>	<b>(55,798,747)</b>	<b>7,500,093,718</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	98,778,703	(7,853,091)	90,925,612	-	1,495,608	92,421,220
Foreign issuers	1,443,870,459	(278,682,063)	1,165,188,396	111,215,930	33,269,558	1,309,673,884
	<b>1,542,649,162</b>	<b>(286,535,154)</b>	<b>1,256,114,008</b>	<b>111,215,930</b>	<b>34,765,166</b>	<b>1,402,095,104</b>
<b>Other instruments</b>						
Participation bonds						
Residents	27,434	-	27,434	-	(11,519)	15,915
Investment units						
Residents	216,143,617	(41,688,312)	174,455,305	-	47,947,223	222,402,528
Non-residents	17,161,725	(5,867,238)	11,294,487	5	3,958,494	15,252,986
Other	(66,583)	-	(66,583)	-	-	(66,583)
	<b>233,266,193</b>	<b>(47,555,550)</b>	<b>185,710,643</b>	<b>5</b>	<b>51,894,198</b>	<b>237,604,846</b>
	<b>9,435,057,127</b>	<b>(490,751,713)</b>	<b>8,944,305,414</b>	<b>164,627,637</b>	<b>30,860,617</b>	<b>9,139,793,668</b>

(amounts in euros)

	2015					
	Amount before impairment	Accumulated impairment (Note 41)	Net amount	Exchange differences	Fair value reserve (Note 27)	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	3,071,938,625	-	3,071,938,625	-	144,644,297	3,216,582,922
Foreign issuers	227,540,319	-	227,540,319	(706,561)	1,324,194	228,157,952
Other public issuers						
Foreign issuers	3,420,459	-	3,420,459	-	438,734	3,859,193
International financial organisations	12,239,600	-	12,239,600	-	5,128,693	17,368,293
Other issuers						
Domestic issuers	275,787,592	(52,929,367)	222,858,225	-	4,476,172	227,334,397
Foreign issuers	1,791,948,002	(65,809,952)	1,726,138,050	21,032,007	(175,098,542)	1,572,071,515
Group companies	1,293,331,790	-	1,293,331,790	-	(47,481,245)	1,245,850,545
	<b>6,676,206,387</b>	<b>(118,739,319)</b>	<b>6,557,467,068</b>	<b>20,325,446</b>	<b>(66,567,697)</b>	<b>6,511,224,816</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	269,396,506	(14,907,436)	254,489,070	-	(3,486,662)	251,002,408
Foreign issuers	1,474,136,646	(134,762,184)	1,339,374,462	88,292,102	110,499,971	1,538,166,535
	<b>1,743,533,152</b>	<b>(149,669,620)</b>	<b>1,593,863,532</b>	<b>88,292,102</b>	<b>107,013,309</b>	<b>1,789,168,943</b>
<b>Other instruments</b>						
Participation bonds						
Residents	27,445	-	27,445	-	(10,770)	16,675
Investment units						
Residents	292,524,092	(55,089,080)	237,435,012	-	45,576,957	283,011,969
Non-residents	26,951,104	(7,736,857)	19,214,247	(18)	9,656,988	28,871,217
Other	(69,348)	-	(69,348)	-	-	(69,348)
	<b>319,433,293</b>	<b>(62,825,937)</b>	<b>256,607,356</b>	<b>(18)</b>	<b>55,223,175</b>	<b>311,830,513</b>
	<b>8,739,172,831</b>	<b>(331,234,876)</b>	<b>8,407,937,955</b>	<b>108,617,530</b>	<b>95,668,787</b>	<b>8,612,224,272</b>



## 9. Loans and Accounts Receivable

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

(amounts in euros)

	2016			2015		
	Gross amount	Impairment Loss (Note 41)	Net amount	Gross amount	Impairment Loss (Note 41)	Net amount
Deposits in ceding companies	875,620	-	875,620	948,511	-	948,511
Other deposits						
Term deposits	881,337,956	-	881,337,956	591,660,029	-	591,660,029
Margin accounts	73,067,721	-	73,067,721	64,659,227	-	64,659,227
	<b>954,405,677</b>	<b>-</b>	<b>954,405,677</b>	<b>656,319,256</b>	<b>-</b>	<b>656,319,256</b>
Loans made						
Mortgage loans	21,851,904	(29,803)	21,822,101	354,625	(29,803)	324,822
Loans over policies	1,328,653	(10,597)	1,318,056	981,339	-	981,339
Debt securities	30,084,668	(108,729)	29,975,939	15,354,910	(108,729)	15,246,181
Other	3,833,032	(1,089,835)	2,743,197	3,837,400	(1,300,083)	2,537,317
	<b>57,098,257</b>	<b>(1,238,964)</b>	<b>55,859,293</b>	<b>20,528,274</b>	<b>(1,438,615)</b>	<b>19,089,659</b>
Others	30,100	-	30,100	603,468	-	603,468
	<b>1,012,409,654</b>	<b>(1,238,964)</b>	<b>1,011,170,690</b>	<b>678,399,509</b>	<b>(1,438,615)</b>	<b>676,960,894</b>

## 10. Properties

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

(amounts in euros)

	Properties for own use	Investment properties	Total
Balances at 31 December 2014			
Gross amount	431,763,877	649,813,268	1,081,577,145
Accumulated depreciation and impairment	(48,829,974)	-	(48,829,974)
	<b>382,933,903</b>	<b>649,813,268</b>	<b>1,032,747,171</b>
Entry/ (Exits) to the consolidation perimeter	35,859	-	35,859
Additions			
Acquisitions made in the year	13,416,617	396,282,669	409,699,286
Subsequent expenditure	768,984	7,544,867	8,313,851
Revaluations			
As a credit to the income statement (Note 40)	-	36,218,741	36,218,741
As a credit to shareholders' equity	3,060,989	-	3,060,989
Additions/reversals of impairment in the year (Note 41)	(1,270,287)	-	(1,270,287)
Depreciation for the period	(16,645,963)	-	(16,645,963)
Exchange differences	-	20,282,322	20,282,322
Transfers	(12,085,711)	12,081,701	(4,010)
Disposals and write-offs (net)	(394,929)	(5,203,180)	(5,598,109)
Other movements	871,038	(173,361)	697,677
Balances at 31 December 2015			
Gross amount	433,796,898	1,116,847,027	1,550,643,925
Accumulated depreciation and impairment	(63,106,398)	-	(63,106,398)
	<b>370,690,500</b>	<b>1,116,847,027</b>	<b>1,487,537,527</b>
Entry/ (Exits) to the consolidation perimeter	6,495,649	832,117,813	838,613,462
Additions			
Acquisitions made in the year	42,380,273	16,054,586	58,434,859
Subsequent expenditure	272,562	17,674,442	17,947,004
Revaluations			
As a credit to the income statement (Note 40)	-	54,101,479	54,101,479
As a credit to shareholders' equity	33,478,425	-	33,478,425
Additions/reversals of impairment in the year (Note 41)	(2,313,621)	-	(2,313,621)
Depreciation for the period	(16,927,524)	-	(16,927,524)
Exchange differences	-	(57,834,016)	(57,834,016)
Transfers	(4,626,544)	4,626,544	-
Disposals and write-offs (net)	(58,185)	(226,764,043)	(226,822,228)
Other movements	65,179	(9,041)	56,138
Balances at 31 December 2016			
Gross amount	517,884,943	1,756,814,791	2,274,699,734
Accumulated depreciation and impairment	(88,428,229)	-	(88,428,229)
	<b>429,456,714</b>	<b>1,756,814,791</b>	<b>2,186,271,505</b>

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

In 2016, disposals of investment properties refer, essentially, to the Shinagawa-ku property, in Japan.

As stated in Note 2.9. above, properties for own use are valued at fair value, in line with the option set out in IAS 16.

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

Properties are valued as deemed appropriate or at least every two years, by experts who are qualified for the purpose. The Group considers that the properties which it holds are put to the highest and best use possible, and the valuations performed to ascertain the respective fair value are therefore prepared taking into consideration their current use, as set out in IFRS 13 – “Fair Value Measurement”.

In the case of properties for own use, the respective gains and losses are accounted for in the equity heading “Revaluation reserves – Revaluation of properties for own use”, provided that:

- The accumulated value of the revaluation reserves after the adjustment is positive; or
- The revaluation is positive and exceeds the value of any negative revaluations which may have been recognised in past periods as a charge to profit or loss.

Gains and losses resulting from revaluation of investment properties are recognised in profit and loss.

### **Valuation methods**

Properties are valued to obtain an estimation of their transaction price, which is normally the market value (fair value), i.e., the price at which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, where the property is put up for sale on the market, the conditions of sale permit a regular and ordered sale, and the period for negotiating the sale is normal, taking into account the nature of the property. If there are any rental agreements, the assessment of the estimated transaction price takes the rental value into consideration.

The valuation techniques which are normally used are:

a) Market method: consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market;

b) Cost method: consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of conservation and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the property in its current state, subtracting from that value, after conclusion of works, all the associated costs and margins which have not yet been made;

c) Income method: consists of calculating the value of the property based on the ratio between the annual effective rent and an appropriate capitalisation rate.

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

#### Properties for own use

Buildings for own use are depreciated throughout the respective useful life defined in each valuation.

At 31 December 2016 and 2015, the fair value reserves associated with properties for own use were EUR 106,470,627 and EUR 72,992,202, respectively (Note 27).

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

(amounts in euros)

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

## 11. Allocation of Investments and Other Assets

At 31 December 2016 and 2015, the allocation of investments and other assets, using a prudential perspective for insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts, may be summarised as follows:

(amounts in euros)

	2016					Total
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	
Cash and cash equivalents	155,597,476	29,889,541	196,222,828	7,889,384	574,533,496	964,132,725
Investments in associates and joint ventures	-	-	914,394	-	116,092,423	117,006,817
Financial assets held for trading	2,008,194	254,497	4,218,997	1,288,680	-	7,770,368
Financial assets initially recognised						
at fair value through profit or loss	38,601,817	1,283,659	546,777,433	79,359,655	320,786	666,343,350
Hedge Derivatives	-	1,233	2,605,166	2,064,457	18,097,852	22,768,708
Available-for-sale investments	1,579,475,633	114,506,349	5,947,816,192	1,352,179,517	145,815,977	9,139,793,668
Loans and accounts receivable	71,885,040	7,202,487	570,688,234	264,183,210	97,211,719	1,011,170,690
Properties	569,918	1,869,168	-	358,299,944	1,825,532,475	2,186,271,505
Other tangible assets	-	-	-	-	50,091,357	50,091,357
	<b>1,848,138,078</b>	<b>155,006,934</b>	<b>7,269,243,244</b>	<b>2,065,264,847</b>	<b>2,827,696,085</b>	<b>14,165,349,188</b>

(amounts in euros)

	2015					Total
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	
Cash and cash equivalents	118,999,851	14,506,948	1,124,679,664	124,110,246	655,105,683	2,037,402,392
Investments in associates and joint ventures	-	-	1,646,054	-	68,455,587	70,101,641
Financial assets held for trading	-	642,969	314,951	-	-	957,920
Financial assets initially recognised						
at fair value through profit or loss	11,192,224	22,396,973	788,998,889	64,983,409	675,984	888,247,479
Hedge Derivatives	-	-	1,285,939	-	-	1,285,939
Available-for-sale investments	1,390,954,509	124,024,032	5,614,699,679	1,255,252,609	227,293,443	8,612,224,272
Loans and accounts receivable	325,212,640	13,843,636	247,830,738	73,491,003	16,582,877	676,960,894
Properties	132,853	-	-	349,070,117	1,138,334,557	1,487,537,527
Other tangible assets	-	-	-	-	41,175,532	41,175,532
	<b>1,846,492,077</b>	<b>175,414,558</b>	<b>7,779,455,914</b>	<b>1,866,907,384</b>	<b>2,147,623,663</b>	<b>13,815,893,596</b>

## 12. Other Tangible Assets

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

(amounts in euros)

	2016										
	Opening balances			Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	26,077,039	(24,877,367)	-	1,046,192	(57,504)	(770,872)	(49,663)	-	25,577,747	(24,209,922)	1,367,825
Machinery and tools	8,310,311	(7,449,329)	-	736,782	74,203	(360,678)	(8,906)	(3,075)	8,836,371	(7,537,063)	1,299,308
IT equipment	16,291,568	(13,896,697)	-	3,265,591	(1,997)	(2,729,398)	(36,296)	(89,189)	17,236,954	(14,433,372)	2,803,582
Interior installations	22,817,366	(18,333,471)	-	710,393	(332,638)	(1,062,264)	(39,662)	(50,494)	22,878,779	(19,169,549)	3,709,230
Transport material	3,005,840	(1,463,329)	-	555,828	(275,988)	(374,524)	(66,088)	(508,373)	2,098,320	(1,224,954)	873,366
Hospital equipment	130,495,005	(107,853,073)	3,272,734	13,797,435	1,052,281	(9,704,266)	-	-	146,305,912	(115,245,796)	31,060,116
Other equipment	37,135,686	(31,650,234)	-	2,222,973	(9,477)	(1,816,148)	(6,401)	(563,067)	38,399,345	(33,086,013)	5,313,332
Artistic assets	1,616,153	-	-	386,724	-	-	286	(3,689)	1,999,474	-	1,999,474
Leased equipment	7,107,788	(7,085,292)	-	146,701	285,044	(80,474)	-	(108,350)	726,339	(460,922)	265,417
Other tangible assets	5,432,270	(4,553,287)	-	743,531	(143,144)	(351,029)	-	(62,133)	5,531,825	(4,465,617)	1,066,208
Advances on tangible assets	48,585	-	-	284,914	-	-	-	-	333,499	-	333,499
	<b>258,337,611</b>	<b>(217,162,079)</b>	<b>3,272,734</b>	<b>23,897,064</b>	<b>590,780</b>	<b>(17,249,653)</b>	<b>(206,730)</b>	<b>(1,388,370)</b>	<b>269,924,565</b>	<b>(219,833,208)</b>	<b>50,091,357</b>

(amounts in euros)

	2015										
	Opening balances			Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Entries in consolidation perimeter						Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	26,133,551	(24,736,292)	31,798	482,660	32,481	(704,746)	(39,779)	-	26,077,039	(24,877,367)	1,199,672
Machinery and tools	13,570,606	(12,664,056)	-	427,716	2,924	(457,657)	(8,367)	(10,184)	8,310,311	(7,449,329)	860,982
IT equipment	20,795,814	(18,557,487)	1,719	2,799,749	1,340	(2,629,070)	20,081	(37,274)	16,291,568	(13,896,697)	2,394,871
Interior installations	24,127,182	(19,064,859)	-	468,990	195,589	(1,139,708)	(61,746)	(41,554)	22,817,366	(18,333,471)	4,483,895
Transport material	2,670,197	(1,317,531)	1,790	666,260	(69)	(417,320)	(31,165)	(29,650)	3,005,840	(1,463,329)	1,542,512
Hospital equipment	127,086,630	(99,056,799)	61,610	4,367,042	-	(9,792,579)	-	(23,972)	130,495,005	(107,853,073)	22,641,932
Other equipment	36,721,688	(29,809,715)	11,968	1,613,600	(1,048,585)	(1,993,459)	(3,734)	(6,311)	37,135,686	(31,650,234)	5,485,451
Artistic assets	1,611,998	-	-	11,854	-	-	-	(7,699)	1,616,153	-	1,616,153
Leased equipment	9,387,529	(9,358,653)	-	-	-	(6,379)	-	-	7,107,788	(7,085,292)	22,497
Other tangible assets	6,047,651	(4,248,451)	24,876	863,872	(232,265)	(321,425)	-	(1,255,275)	5,432,270	(4,553,287)	878,983
Advances on tangible assets	-	-	-	-	1,048,585	-	-	(1,000,000)	48,585	-	48,585
	<b>268,152,846</b>	<b>(218,813,843)</b>	<b>133,761</b>	<b>11,701,742</b>	<b>-</b>	<b>(17,462,344)</b>	<b>(124,711)</b>	<b>(2,411,919)</b>	<b>258,337,611</b>	<b>(217,162,079)</b>	<b>41,175,532</b>

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

At 31 December 2016 and 2015, the heading "Tangible assets" includes fully amortised assets still in use of EUR 148,193,018 and EUR 145,215,194 respectively.

## 13. Inventories

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

(amounts in euros)

	2016	2015
Hospital Goods	9,828,795	8,141,670
Real estate	456,545	435,049
Goods	42,607	11,457
Products and works in progress	114,663	44,344
Salvage	12,126	11,695
Other inventories	168,277	130,375
	<b>10,623,013</b>	<b>8,774,590</b>
Impairment of goods (Note 41)	(64,553)	(3,343)
	<b>10,558,460</b>	<b>8,771,247</b>

## 14. Goodwill

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

(amounts in euros)

	2016			2015		
	Gross Amount	Impairment Loss (Note 41)	Net Amount	Gross Amount	Impairment Loss (Note 41)	Net Amount
<b>Goodwill recognised in Goodwill</b>						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	8,665	-	8,665	8,665	-	8,665
Universal Seguros, S.A.	2,198,780	-	2,198,780	2,198,780	-	2,198,780
Garantia - Companhia de Seguros de Cabo Verde, S.A.	342,311	-	342,311	342,311	-	342,311
Luz Saúde, S.A.	359,254,032	-	359,254,032	359,254,032	-	359,254,032
GK Kita Aoyoma Support 2	15,319	-	15,319	15,319	-	15,319
Hospital da Luz Guimarães, S.A.	16,025,075	-	16,025,075	-	-	-
Godo Kaisha Moana	710,601	-	710,601	-	-	-
Thomas More Square (Lux) Investments Limited	906,244	-	906,244	-	-	-
Thomas More Square (Lux) S.à r.l.	109	-	109	-	-	-
	<b>379,461,136</b>	<b>-</b>	<b>379,461,136</b>	<b>361,819,107</b>	<b>-</b>	<b>361,819,107</b>
<b>Goodwill recognised in Investments</b>						
Highgrove - Investimentos e Participações, SGPS, S.A.	957,001	( 957,001 )	-	957,001	( 957,001 )	-
	<b>957,001</b>	<b>( 957,001 )</b>	<b>-</b>	<b>957,001</b>	<b>( 957,001 )</b>	<b>-</b>
	<b>380,418,137</b>	<b>( 957,001 )</b>	<b>379,461,136</b>	<b>362,776,108</b>	<b>( 957,001 )</b>	<b>361,819,107</b>

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

(amounts in euros)

<b>Goodwill (net) at 31 December 2014</b>	<b>361,693,534</b>
GK Kita Aoyoma Support 2 acquisition cost change	15,319
Acquisition of 0.21% of Luz Saúde, S.A.	110,254
<b>Goodwill (net) at 31 December 2015</b>	<b>361,819,107</b>
Acquisition of 96.996% of Godo Kaisha Moana	710,601
Acquisition of 99.3% of Thomas More Square (Lux) Investments Limited	906,244
Acquisition of 99.3% of Thomas More Square (Lux) S.à r.l.	109
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	16,025,075
<b>Goodwill (net) at 31 December 2016</b>	<b>379,461,136</b>



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

(amounts in euros)

<b>Goodwill recognised in Goodwill</b>	
Acquisition of 55.89% of Garantia - Companhia de Seguros de Cabo Verde, S.A.	6,260,184
Shareholders' equity of corporate acquisition (55.89%) at 30 April 2014	( 5,917,873 )
	<b>342,311</b>
Acquisition of 98.21% of Luz Saúde, S.A.	457,827,530
Shareholders' equity of corporate acquisition (98.21%) in September 2014	98,683,752
	<b>359,143,778</b>
Acquisition of 68% of Universal Seguros	6,059,590
Shareholders' equity of corporate acquisition (70%) in 2011	( 3,860,810 )
	<b>2,198,780</b>
Acquisition of 96.996% of Godo Kaisha Moana	102,843,643
Shareholders' equity of corporate acquisition (96.996%) in 2016	( 102,133,042 )
	<b>710,601</b>
Acquisition of 99.3% of Thomas More Square (Lux) Investments Limited	129,463,365
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 128,557,121 )
	<b>906,244</b>
Acquisition of 99.3% of Thomas More Square (Lux) S.à r.l.	15,640
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 15,531 )
	<b>109</b>
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	25,237,564
Shareholders' equity of corporate acquisition (100%) in 2016	( 9,212,489 )
	<b>16,025,075</b>
<b>Negative Goodwill recognised in profit and loss</b>	
Acquisition of 96.996% of Godo Kaisha Praia	104,847,318
Shareholders' equity of corporate acquisition (96.996%) in 2016	( 129,662,335 )
	<b>( 24,815,017 )</b>
Acquisition of 99.3% of Thomas More Square (Lux) Holdings S.à r.l.	42,034
Shareholders' equity of corporate acquisition (99.3%) in 2016	( 42,837 )
	<b>( 803 )</b>

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

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

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

The impairment tests incorporate current available information, including macro-economic conditions, the situation of financial markets and others. All tests concluded that the recoverable amount of the asset exceeds the respective carrying amount, and therefore, there is no recognition of impairment losses.

Following the acquisition of the new companies during 2016, the Company assessed the fair value of the assets acquired and liabilities assumed in line with IFRS 3 – “Business Combinations”. No significant differences were identified between the accounting values of the assets and liabilities and their fair values. The breakdown of the net assets and goodwill established as part of the transactions taking place in 2016 is as follows:

(amounts in euros)

	2016					
	Godo Kaisha Praia	Godo Kaisha Moana	TMS (Lux) Investments Limited	TMS (Lux) Holdings S.à.r.l.	TMS (Lux) Sarl	Hospital da Luz Guimarães
<b>Fair value of Assets and Liabilities</b>						
Assets acquired	531,378,662	106,954,483	369,408,195	1,113,351	130,112,978	9,887,185
Liabilities acquired	397,700,920	1,658,566	239,944,830	1,070,212	130,097,339	674,696
<b>Total Net Assets</b>	<b>133,677,742</b>	<b>105,295,917</b>	<b>129,463,365</b>	<b>43,139</b>	<b>15,639</b>	<b>9,212,489</b>
% Assets held	129,662,335	102,133,042	128,557,121	42,837	15,530	9,212,489
<b>Acquisition price</b>	<b>104,847,318</b>	<b>102,843,643</b>	<b>129,463,365</b>	<b>42,034</b>	<b>15,639</b>	<b>25,237,564</b>
<b>Goodwill</b>	<b>(24,815,017)</b>	<b>710,601</b>	<b>906,244</b>	<b>(803)</b>	<b>109</b>	<b>16,025,075</b>

## 15. Other Intangible Assets

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

(amounts in euros)

	2016							2015		
	Opening balances		Additions	Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
Gross amount	Accumulated depreciation and impairment	Gross amount						Accumulated depreciation and impairment	Net amount	
Automatic data processing systems										
(software)	60,063,579	(48,047,393)	1,701,872	1,687,728	(7,261,239)	(44,834)	-	63,288,996	(55,189,283)	8,099,713
Other intangible assets	335,606	(272,154)	-	-	(2,885)	-	-	335,606	(275,039)	60,567
Intangible assets in progress	7,760,207	-	4,448,311	(1,687,728)	-	-	(10,752)	10,510,038	-	10,510,038
	<b>68,159,392</b>	<b>(48,319,547)</b>	<b>6,150,183</b>	<b>-</b>	<b>(7,264,124)</b>	<b>(44,834)</b>	<b>(10,752)</b>	<b>74,134,640</b>	<b>(55,464,322)</b>	<b>18,670,318</b>

(amounts in euros)

	2015									
	Opening balances			Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals and write-offs (net)	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions					Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing systems										
(software)	164,570,421	(149,080,129)	2,731,049	2,182,792	(8,367,301)	(10,983)	(9,663)	60,063,579	(48,047,393)	12,016,185
Other intangible assets	335,604	(269,639)	-	372	(2,885)	-	-	335,606	(272,154)	63,452
Intangible assets in progress	5,394,360	-	4,549,011	(2,183,164)	-	-	-	7,760,207	-	7,760,207
	<b>170,300,385</b>	<b>(149,349,768)</b>	<b>7,280,060</b>	<b>-</b>	<b>(8,370,186)</b>	<b>(10,983)</b>	<b>(9,663)</b>	<b>68,159,392</b>	<b>(48,319,547)</b>	<b>19,839,845</b>

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

In 2016 and 2015, the Group recognised directly on the statement of gains and expenses the expenditure with external costs related with research, development and maintenance of automatic data processing systems, of EUR 19,842,798 and EUR 20,591,949, respectively.

## 16. Technical Provisions for Reinsurance Ceded

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

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	136,594	71,579,870	71,716,464	122,501	69,904,231	70,026,732
Mathematical provision	11,256,504	-	11,256,504	12,439,196	-	12,439,196
Claims provision						
Reported claims	7,365,124	168,203,588	175,568,712	7,882,623	151,227,189	159,109,812
Claims incurred but not reported (IBNR)	2,674,438	9,347,114	12,021,552	2,517,579	8,337,109	10,854,688
	<b>10,039,562</b>	<b>177,550,702</b>	<b>187,590,264</b>	<b>10,400,202</b>	<b>159,564,298</b>	<b>169,964,500</b>
	<b>21,432,660</b>	<b>249,130,572</b>	<b>270,563,232</b>	<b>22,961,899</b>	<b>229,468,529</b>	<b>252,430,428</b>

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

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life Insurance</b>	<b>136,594</b>	<b>-</b>	<b>136,594</b>	<b>122,501</b>	<b>-</b>	<b>122,501</b>
<b>Non-life insurance</b>						
Workers' compensation	114,713	-	114,713	129,075	(1,070)	128,005
Personal accidents and passengers	3,699,502	(1,608,289)	2,091,213	3,945,562	(1,780,912)	2,164,650
Health	24,660,339	(200,837)	24,459,502	22,886,922	(38,203)	22,848,719
Fire and other damage	24,556,605	(4,353,938)	20,202,667	25,004,063	(3,897,501)	21,106,562
Motor	476,463	(57,246)	419,217	590,432	(16,192)	574,240
Marine, aviation and transport	366,519	(34,560)	331,959	315,397	(30,858)	284,539
Third party liability	2,535,214	(215,308)	2,319,906	2,133,889	(181,938)	1,951,951
Credit and suretyship	67,395	(1,604)	65,791	110,487	(4,106)	106,381
Legal protection	1,913,599	(84)	1,913,515	1,908,501	(84)	1,908,417
Assistance	15,961,915	(1,604)	15,960,311	15,430,591	(1,396)	15,429,195
Other	5,640,714	(1,939,638)	3,701,076	4,870,287	(1,468,715)	3,401,572
	<b>79,992,978</b>	<b>(8,413,108)</b>	<b>71,579,870</b>	<b>77,325,206</b>	<b>(7,420,975)</b>	<b>69,904,231</b>
	<b>80,129,572</b>	<b>(8,413,108)</b>	<b>71,716,464</b>	<b>77,447,707</b>	<b>(7,420,975)</b>	<b>70,026,732</b>

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

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life Insurance</b>				
<b>Provision for unearned premiums</b>	<b>122,501</b>	<b>14,093</b>	<b>-</b>	<b>136,594</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	129,075	(14,363)	1	114,713
Personal accidents and passengers	3,945,562	(284,337)	38,277	3,699,502
Health	22,886,922	1,909,646	(136,229)	24,660,339
Fire and other damage	25,004,063	(168,653)	(278,805)	24,556,605
Motor	590,432	(223,742)	109,773	476,463
Marine, aviation and transport	315,397	32,643	18,479	366,519
Third party liability	2,133,889	378,845	22,480	2,535,214
Credit and suretyship	110,487	(43,076)	(16)	67,395
Legal protection	1,908,501	5,707	(609)	1,913,599
Assistance	15,430,591	543,608	(12,284)	15,961,915
Other	4,870,287	770,426	1	5,640,714
	<b>77,325,206</b>	<b>2,906,704</b>	<b>(238,932)</b>	<b>79,992,978</b>

(continued)

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Deferred acquisition costs</b>				
Workers' compensation	(1,070)	1,070	-	-
Personal accidents and passengers	(1,780,912)	190,778	(18,155)	(1,608,289)
Health	(38,203)	(169,172)	6,538	(200,837)
Fire and other damage	(3,897,501)	(401,318)	(55,119)	(4,353,938)
Motor	(16,192)	5,017	(46,071)	(57,246)
Marine, aviation and transport	(30,858)	6,792	(10,494)	(34,560)
Third party liability	(181,938)	(21,430)	(11,940)	(215,308)
Credit and suretyship	(4,106)	2,499	3	(1,604)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	(208)	-	(1,604)
Other	(1,468,715)	(470,923)	-	(1,939,638)
	<b>(7,420,975)</b>	<b>(856,895)</b>	<b>(135,238)</b>	<b>(8,413,108)</b>
	<b>69,904,231</b>	<b>2,049,809</b>	<b>(374,170)</b>	<b>71,579,870</b>
	<b>70,026,732</b>	<b>2,063,902</b>	<b>(374,170)</b>	<b>71,716,464</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life Insurance</b>				
<b>Provision for unearned premiums</b>	<b>121,619</b>	<b>882</b>	<b>-</b>	<b>122,501</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	96,933	32,547	(405)	129,075
Personal accidents and passengers	3,048,877	895,221	1,464	3,945,562
Health	24,979,237	(1,830,041)	(262,274)	22,886,922
Fire and other damage	26,783,498	(1,582,670)	(196,765)	25,004,063
Motor	598,617	(537,658)	529,473	590,432
Marine, aviation and transport	1,940,137	(1,624,327)	(413)	315,397
Third party liability	2,326,841	(150,025)	(42,927)	2,133,889
Credit and suretyship	187,167	(76,684)	4	110,487
Legal protection	1,857,634	51,220	(353)	1,908,501
Assistance	14,305,140	1,132,180	(6,729)	15,430,591
Other	3,895,742	974,546	(1)	4,870,287
	<b>80,019,823</b>	<b>(2,715,691)</b>	<b>21,074</b>	<b>77,325,206</b>

(continued)

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Deferred acquisition costs</b>				
Workers' compensation	-	(1,018)	(52)	(1,070)
Personal accidents and passengers	(1,266,897)	(514,660)	645	(1,780,912)
Health	(35,631)	(24,058)	21,486	(38,203)
Fire and other damage	(4,162,092)	113,246	151,345	(3,897,501)
Motor	(563,864)	512,995	34,677	(16,192)
Marine, aviation and transport	(207,551)	171,632	5,061	(30,858)
Third party liability	(207,369)	517	24,914	(181,938)
Credit and suretyship	(5,568)	1,466	(4)	(4,106)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	-	-	(1,396)
Other	(870,872)	(597,843)	-	(1,468,715)
	<b>(7,321,324)</b>	<b>(337,723)</b>	<b>238,072</b>	<b>(7,420,975)</b>
	<b>72,698,499</b>	<b>(3,053,414)</b>	<b>259,146</b>	<b>69,904,231</b>
	<b>72,820,118</b>	<b>(3,052,532)</b>	<b>259,146</b>	<b>70,026,732</b>

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

(amounts in euros)

	2016			2015		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life Insurance</b>	<b>7,365,124</b>	<b>2,674,438</b>	<b>10,039,562</b>	<b>7,882,623</b>	<b>2,517,579</b>	<b>10,400,202</b>
<b>Non-life insurance</b>						
Workers' compensation	1,374,640	2,907	1,377,547	944,656	37,218	981,874
Personal accidents and passengers	13,621,797	137,183	13,758,980	7,849,321	75,611	7,924,932
Health	44,301,306	3,150,681	47,451,987	46,202,717	3,283,105	49,485,822
Fire and other damage	73,891,898	5,305,728	79,197,626	55,773,622	3,762,798	59,536,420
Motor	7,957,051	3,900	7,960,951	7,311,215	3,589	7,314,804
Marine, aviation and transport	3,832,039	127,038	3,959,077	5,825,545	190,767	6,016,312
Third party liability	16,519,243	185,258	16,704,501	22,043,573	111,883	22,155,456
Credit and suretyship	550	17,270	17,820	396	27,441	27,837
Other	6,705,064	417,149	7,122,213	5,276,144	844,697	6,120,841
	<b>168,203,588</b>	<b>9,347,114</b>	<b>177,550,702</b>	<b>151,227,189</b>	<b>8,337,109</b>	<b>159,564,298</b>
	<b>175,568,712</b>	<b>12,021,552</b>	<b>187,590,264</b>	<b>159,109,812</b>	<b>10,854,688</b>	<b>169,964,500</b>

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

(amounts in euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>10,400,202</b>	<b>9,386,969</b>	<b>(9,747,609)</b>	<b>-</b>	<b>10,039,562</b>
<b>Non-life insurance</b>					
Workers' compensation	981,874	1,568,055	(1,189,987)	17,605	1,377,547
Personal accidents and passengers	7,924,932	8,026,653	(2,263,571)	70,966	13,758,980
Health	49,485,822	179,985,682	(182,468,117)	448,600	47,451,987
Fire and other damage	59,536,420	66,350,152	(46,957,142)	268,196	79,197,626
Motor	7,314,804	3,529,233	(2,598,068)	(285,018)	7,960,951
Marine, aviation and transport	6,016,312	(772,728)	(1,275,578)	(8,929)	3,959,077
Third party liability	22,155,456	(2,410,117)	(3,101,136)	60,298	16,704,501
Credit and suretyship	27,837	34,461	(44,478)	-	17,820
Other	6,120,841	13,376,631	(12,375,246)	(13)	7,122,213
	<b>159,564,298</b>	<b>269,688,022</b>	<b>(252,273,323)</b>	<b>571,705</b>	<b>177,550,702</b>
	<b>169,964,500</b>	<b>279,074,991</b>	<b>(262,020,932)</b>	<b>571,705</b>	<b>187,590,264</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>8,797,633</b>	<b>8,219,258</b>	<b>(6,616,689)</b>	<b>-</b>	<b>10,400,202</b>
<b>Non-life insurance</b>					
Workers' compensation	935,464	1,860,864	(1,729,730)	(84,724)	981,874
Personal accidents and passengers	7,230,323	1,311,284	(617,569)	894	7,924,932
Health	47,221,562	162,578,242	(157,658,392)	(2,655,590)	49,485,822
Fire and other damage	46,283,675	41,742,153	(28,360,547)	(128,861)	59,536,420
Motor	6,460,806	3,013,515	(2,074,512)	(85,005)	7,314,804
Marine, aviation and transport	8,613,868	1,650,395	(4,243,519)	(4,432)	6,016,312
Third party liability	21,820,788	1,953,876	(1,614,457)	(4,751)	22,155,456
Credit and suretyship	27,913	1,232	(1,308)	-	27,837
Other	6,231,552	9,660,663	(9,771,374)	-	6,120,841
	<b>144,825,951</b>	<b>223,772,224</b>	<b>(206,071,408)</b>	<b>(2,962,469)</b>	<b>159,564,298</b>
	<b>153,623,584</b>	<b>231,991,482</b>	<b>(212,688,097)</b>	<b>(2,962,469)</b>	<b>169,964,500</b>

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

## 17. Other Debtors for Insurance and Other Operations

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

(amounts in euros)

	2016	2015
<b>Accounts receivable for direct insurance operations</b>		
Premiums pending collection	101,033,575	81,585,764
Claims reimbursements	24,178,977	18,403,133
Brokers	61,456,882	54,160,807
Co-insurers	22,700,950	14,457,905
Funding Institute of Agriculture and Fisheries (IFAP)	3,711,125	8,022,707
Workers' compensation fund	2,132,479	2,159,507
Others	547,837	650,519
	<b>215,761,825</b>	<b>179,440,342</b>
(Adjustments to premiums pending collection - Note 41)	( 17,109,499 )	( 14,320,358 )
(IFAP adjustments - Note 41)	( 484,133 )	( 424,635 )
(Adjustments for doubtful debts - Note 41)	( 10,089,321 )	( 10,118,578 )
	<b>( 27,682,953 )</b>	<b>( 24,863,571 )</b>
	<b>188,078,872</b>	<b>154,576,771</b>
<b>Accounts receivable for other reinsurance operations</b>		
Reinsurers' current accounts	19,384,440	22,411,005
Reinsureds' current accounts	2,268,737	447,913
	<b>21,653,177</b>	<b>22,858,918</b>
(Adjustments for doubtful debts - Note 41)	( 6,665,093 )	( 8,996,572 )
	<b>14,988,084</b>	<b>13,862,346</b>
<b>Accounts receivable for other operations:</b>		
Group companies	151,113	-
Aggregate tax	10,085,354	-
Associates	1,370,436	2,372,152
Other shareholders	-	547,427
Consultants, advisors and intermediaries	38,957	4,082
Employees	1,142,834	1,586,763
Pension fund	56,479	46,395



(continued)

(amounts in euros)

	2016	2015
Clients - current accounts	114,524,906	96,954,502
Funding Institute of Agriculture and Fisheries (IFAP)	4,442,829	4,596,206
Debtors - items held under custody	273,962	258,469
Property rentals	2,527,394	2,695,334
Transactions to be settled	125,714,856	-
Other suppliers and services provided	5,295,588	970,882
Other debtors and creditors	42,475,203	18,377,144
Others	7,080,789	3,112,818
	<b>315,180,700</b>	<b>131,522,174</b>
(Adjustments for doubtful debts - Note 41)	( 25,015,485 )	( 25,469,839 )
	<b>290,165,215</b>	<b>106,052,335</b>
	<b>493,232,171</b>	<b>274,491,452</b>

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

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

Balances receivable from IFAP correspond, essentially, to bonuses and compensation for excess claims regarding crop insurance campaigns from 2012 to 2016.

At 31 December 2016, the balance of the heading "Aggregate tax" corresponds to the amount of tax payable by the Companies in the Longrun Portugal, SGPS, S.A. Group, as a result of applying the Tax Group.

## 18. Tax Assets and Liabilities

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

(amounts in euros)

	2016	2015
<b>Current tax assets</b>		
Income tax recoverable	59,664,249	-
Others	112,758	1,145,567
	<b>59,777,007</b>	<b>1,145,567</b>
<b>Current tax liabilities</b>		
Income tax payable	-	(28,618,713)
Others		
Stamp duty	(9,174,222)	(8,859,464)
Motor insurance guarantee fund	(2,300,366)	(2,254,321)
Workers' compensation fund	(4,159,250)	(4,736,344)
National civil protection authority tax	(1,868,421)	(1,858,028)
Insurance and pension funds supervisory authority tax	(1,970,307)	(1,802,432)
National medical emergency institute tax	(2,834,798)	(2,569,131)
Social Security	(4,583,474)	(5,848,877)
Withholdings	(8,130,420)	(7,036,985)
Other	(7,699,531)	(1,193,495)
	<b>(42,720,789)</b>	<b>(64,777,790)</b>
<b>Deferred tax assets</b>	<b>423,671,742</b>	<b>271,594,158</b>
<b>Deferred tax liabilities</b>	<b>(254,884,099)</b>	<b>(146,994,184)</b>
	<b>168,787,643</b>	<b>124,599,974</b>
<b>Total</b>	<b>185,843,861</b>	<b>60,967,751</b>

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

(amounts in euros)

	2016	2015
Income tax estimate recognised as a charge to the income statement	(98,232,406)	(124,684,026)
Income tax estimate recognised as a charge to reserves	3,953,604	7,826,663
Withholding tax	4,406,407	5,959,498
Payments on account	99,018,956	80,668,042
Others	(3,606,858)	1,611,110
	<b>5,539,702</b>	<b>(28,618,713)</b>

At 31 December 2016 and 2015 the heading "Income tax estimate recognised as a charge to the income statement" corresponds to the amount of the estimate of CIT plus Municipal and State Surcharge and autonomous taxation.

In 2016 and 2015, the income tax registered in reserves is the result of the change in the fair value reserve of available-for-sale investments linked to life insurance products with profit sharing and of the change in actuarial deviations relating to post-employment benefits granted to employees.

In 2016, as part of the Tax Group, "Additional Payments on Account" were made to the State by Longrun Portugal, SGPS, S.A. (the controlling company). Therefore, the companies in the Group within the Tax Group have registered on their balance sheet an amount receivable from Longrun Portugal, SGPS, S.A. relating to "Additional Payments on Account" and an amount payable to/receivable from Longrun Portugal, SGPS, S.A., relating to "Income tax estimate recognised as a charge to the income statement".

Movements of deferred taxes during 2016 and 2015 were:

(amounts in euros)

	Opening balance	Entry in perimeter	2016 Change in		Others	Closing balance
			Shareholders' equity	Income statement		
<b>Assets</b>						
Valuation of available-for-sale investments	64,014,717	-	(5,814,933)	44,486	-	58,244,270
Properties						
For own use	14,873,633	-	26,140,849	-	-	41,014,482
Investment properties	36,924,164	-	-	89,298,596	-	126,222,760
Provisions and impairment temporarily not allowed for fiscal purposes	141,584,663	-	882,176	36,919,644	-	179,386,483
Employee benefits	12,328,258	-	3,932,806	2,676,049	(4,719,368)	14,217,745
Carry-forward tax losses	1,091,721	-	-	990,181	-	2,081,902
Other	777,002	-	859,482	865,298	2,318	2,504,100
	<b>271,594,158</b>	<b>-</b>	<b>26,000,380</b>	<b>130,794,254</b>	<b>(4,717,050)</b>	<b>423,671,742</b>
<b>Liabilities</b>						
Devaluation of available-for-sale investments	(109,112,339)	-	27,256,339	-	-	(81,856,000)
Properties						
For own use	(14,753,710)	-	(28,208,548)	538,552	-	(42,423,706)
Investment properties	(17,663,582)	(7,831,874)	-	(93,545,744)	-	(119,041,200)
Other	(5,464,553)	-	-	(6,166,634)	67,992	(11,563,193)
	<b>(146,994,184)</b>	<b>(7,831,874)</b>	<b>(952,209)</b>	<b>(99,173,826)</b>	<b>67,992</b>	<b>(254,884,099)</b>
	<b>124,599,974</b>	<b>(7,831,874)</b>	<b>25,048,171</b>	<b>31,620,428</b>	<b>(4,649,058)</b>	<b>168,787,643</b>

(amounts in euros)

	2015					Closing balance
	Opening balance	Entry in perimeter	Shareholders' equity	Income statement	Others	
<b>Assets</b>						
Valuation of available-for-sale investments	3,359,858	60,654,859	-	-	-	64,014,717
Properties						
For own use	1,424,643	12,768,096	-	680,894	-	14,873,633
Investment properties	41,572,083	-	(4,647,919)	-	-	36,924,164
Provisions and impairment temporarily not allowed for fiscal purposes	100,152,194	351,032	40,585,032	23,915	472,490	141,584,663
Employee benefits	10,581,806	-	1,473,308	273,144	-	12,328,258
Carry-forward tax losses	(389,998)	-	1,481,719	-	-	1,091,721
Other	562,847	-	214,155	-	-	777,002
	<b>157,263,433</b>	<b>73,773,987</b>	<b>39,106,295</b>	<b>977,953</b>	<b>472,490</b>	<b>271,594,158</b>
<b>Liabilities</b>						
Devaluation of available-for-sale investments	(114,966,333)	5,853,994	-	-	-	(109,112,339)
Properties						
For own use	(1,944,248)	(12,667,027)	(142,435)	-	-	(14,753,710)
Investment properties	(15,682,418)	-	(703,421)	-	(1,277,743)	(17,663,582)
Other	(5,252,198)	-	-	(212,355)	-	(5,464,553)
	<b>(137,845,197)</b>	<b>(6,813,033)</b>	<b>(845,856)</b>	<b>(212,355)</b>	<b>(1,277,743)</b>	<b>(146,994,184)</b>
	<b>19,418,236</b>	<b>66,960,954</b>	<b>38,260,439</b>	<b>765,598</b>	<b>(805,253)</b>	<b>124,599,974</b>

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

Law 64-B/2011, which approved the State Budget for 2012, was published on 30 December 2011, Article 183 of this law lays down that losses made in 2011, deriving from changes to the accounting policy for the recognition of actuarial profit resulting from recognition of liabilities with retirement pensions and other defined post-employment benefits, relating to contributions made in that period or in previous years, are not included in the limits of deductions established in Article 43 of the CIT Code, but are reported within the calculation of taxable income in the 2012 tax year and the following nine taxation periods.

Income tax recognised in profits and losses, and the tax burden, measured as the ratio between income tax and the profit in the year before tax, may be represented as follows:

(amounts in euros)

	2016	2015
Current tax		
Estimated tax for the year	73,264,680	98,446,224
State and municipal surcharge	23,630,612	24,702,501
Autonomous taxation	992,909	961,615
	<b>97,888,201</b>	<b>124,110,340</b>
Others	344,205	573,686
	<b>98,232,406</b>	<b>124,684,026</b>
Deferred tax	( 31,620,428 )	( 38,260,439 )
<b>Total tax in income statement</b>	<b>66,611,978</b>	<b>86,423,587</b>
Consolidated income before tax and non-controlling interests	279,363,968	372,532,046
Tax burden	23.84%	23.20%

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

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
Income before tax		279,363,968		372,532,046
Income tax calculated at nominal rate	25.43%	71,038,270	25.14%	93,654,706
<b>Permanent differences to be deducted</b>				
Dividends from equity instruments	(0.99%)	( 2,766,453 )	(0.69%)	( 2,580,406 )
Real estate fair value adjustments	(2.23%)	( 6,217,942 )	0.00%	-
Capital losses included in the net profit	(14.30%)	( 39,943,394 )	(14.51%)	( 54,040,070 )
Impairment losses non-deductible	0.00%	-	(0.33%)	( 1,239,190 )
Provision not relevant for tax purposes	(1.84%)	( 5,133,669 )	(0.00%)	( 18,209 )
Negative equity variations	0.00%	-	(0.36%)	( 1,340,424 )
Reimbursement of non-deductible				
tax and over estimation of CIT	(0.00%)	( 4,476 )	(1.47%)	( 1,372,747 )
Post-employment benefits and other long term				
benefits to employees	(0.28%)	( 788,548 )	0.00%	-
Adjustments in respect of previous periods	0.00%	-	0.00%	-
Others	(3.07%)	( 8,583,106 )	0.00%	-

(continued)

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
<b>Permanent differences to be added</b>				
Provision not relevant for tax purposes	0.19%	532,476	2.65%	9,878,915
Impairment losses non-deductible	6.72%	18,770,686	1.06%	3,931,506
Real estate fair value adjustments	0.00%	-	1.92%	7,152,873
Capital gains (computed in fiscal terms)	13.98%	39,045,828	10.54%	39,280,542
Under estimation of CIT	0.12%	325,615	0.00%	-
Post-employment benefits and other long term benefits to employees	0.00%	-	0.26%	1,005,427
Adjustments in respect of previous periods	0.13%	359,646	0.00%	-
Others	0.00%	-	0.84%	3,112,016
<b>Tax benefits</b>				
Net job creation	(0.56%)	(1,555,587)	(0.38%)	(1,412,079)
Others	(0.16%)	(441,610)	(0.05%)	(170,464)
<b>Autonomous taxation</b>	<b>0.53%</b>	<b>1,474,522</b>	<b>0.38%</b>	<b>1,426,890</b>
<b>Deferred taxes assets and liabilities - Effect of tax rate change</b>	<b>0.18%</b>	<b>499,720</b>	<b>(2.91%)</b>	<b>(10,845,701)</b>
	<b>23.84%</b>	<b>66,611,978</b>	<b>23.20%</b>	<b>86,423,587</b>

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

## 19. Accruals and Deferrals (Assets)

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

(amounts in euros)

	2016	2015
<b>Accrued income</b>	<b>41,675,209</b>	<b>51,046,037</b>
<b>Deferred expenses</b>		
Commission on the issue of financial products	13,779,734	12,502,337
Insurance	1,927,965	2,099,219
Rents and leases	2,256,757	2,253,684
Assistance for IT equipment	1,750,288	1,326,443
Advertising	412,216	438,495
Portuguese Insurers Association subscriptions	527,041	312,258
Software licences	584,830	873,681
Other	4,006,767	2,029,100
	<b>66,920,807</b>	<b>72,881,254</b>

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

The heading "Deferred expenses – Commissions on the issue of financial products" corresponds to the deferral of commission charges made by Caixa Geral de Depósitos, S.A. on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the lifetime of the contracts.

## 20. Technical Provisions

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

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,567,236	290,256,449	291,823,685	1,796,858	277,029,326	278,826,184
Mathematical provision for life insurance	1,648,505,455	-	1,648,505,455	1,632,994,332	-	1,632,994,332
Claims provision						
Reported claims	97,246,776	1,543,416,854	1,640,663,630	98,652,055	1,535,315,978	1,633,968,033
Claims incurred but not reported (IBNR)	23,805,280	63,978,700	87,783,980	25,971,059	83,346,935	109,317,994
	<b>121,052,056</b>	<b>1,607,395,554</b>	<b>1,728,447,610</b>	<b>124,623,114</b>	<b>1,618,662,913</b>	<b>1,743,286,027</b>
Provision for profit sharing	68,711,511	314	68,711,825	68,763,675	1,764	68,765,439
Provision for interest rate commitments	7,025,239	-	7,025,239	5,626,534	-	5,626,534
Provision for portfolio stabilisation	21,750,883	-	21,750,883	25,272,158	-	25,272,158
Equalisation provision	-	24,056,289	24,056,289	-	22,471,715	22,471,715
Provision for unexpired risks	-	49,238,127	49,238,127	-	60,942,866	60,942,866
	<b>1,868,612,380</b>	<b>1,970,946,733</b>	<b>3,839,559,113</b>	<b>1,859,076,671</b>	<b>1,979,108,584</b>	<b>3,838,185,255</b>

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

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>1,567,236</b>	<b>-</b>	<b>1,567,236</b>	<b>1,796,858</b>	<b>-</b>	<b>1,796,858</b>
<b>Non-life insurance</b>						
Workers' compensation	13,986,229	(2,177,246)	11,808,983	13,576,921	(2,254,113)	11,322,808
Personal accidents and passengers	9,313,724	(1,654,211)	7,659,513	7,675,687	(1,316,971)	6,358,716
Health	32,863,301	(3,441,321)	29,421,980	29,767,423	(3,225,894)	26,541,529
Fire and other damage	91,148,439	(16,051,795)	75,096,644	91,305,491	(15,890,424)	75,415,067
Motor	162,493,841	(29,939,033)	132,554,808	158,667,505	(30,153,372)	128,514,133
Marine, aviation and transport	1,854,943	(267,826)	1,587,117	2,087,376	(343,297)	1,744,079
Third party liability	10,647,493	(1,830,900)	8,816,593	9,490,617	(1,443,513)	8,047,104
Credit and suretyship	185,601	(12,841)	172,760	236,469	(16,990)	219,479
Legal protection	2,448,240	(462,599)	1,985,641	2,448,341	(487,963)	1,960,378
Assistance	13,916,869	(2,539,718)	11,377,151	12,569,876	(2,503,790)	10,066,086
Other	12,085,552	(2,310,293)	9,775,259	8,449,690	(1,609,743)	6,839,947
	<b>350,944,232</b>	<b>(60,687,783)</b>	<b>290,256,449</b>	<b>336,275,396</b>	<b>(59,246,070)</b>	<b>277,029,326</b>
	<b>352,511,468</b>	<b>(60,687,783)</b>	<b>291,823,685</b>	<b>338,072,254</b>	<b>(59,246,070)</b>	<b>278,826,184</b>



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

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>1,796,858</b>	<b>( 229,622 )</b>	<b>-</b>	<b>1,567,236</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	13,576,921	366,170	43,138	13,986,229
Personal accidents and passengers	7,675,687	1,634,448	3,589	9,313,724
Health	29,767,423	4,618,185	( 1,522,307 )	32,863,301
Fire and other damage	91,305,491	175,985	( 333,037 )	91,148,439
Motor	158,667,505	5,510,100	( 1,683,764 )	162,493,841
Marine, aviation and transport	2,087,376	( 225,892 )	( 6,541 )	1,854,943
Third party liability	9,490,617	1,194,828	( 37,952 )	10,647,493
Credit and suretyship	236,469	( 50,248 )	( 620 )	185,601
Legal protection	2,448,341	4,340	( 4,441 )	2,448,240
Assistance	12,569,876	1,348,599	( 1,606 )	13,916,869
Other	8,449,690	3,635,860	2	12,085,552
	<b>336,275,396</b>	<b>18,212,375</b>	<b>( 3,543,539 )</b>	<b>350,944,232</b>
<b>Deferred acquisition costs</b>				
Workers' compensation	( 2,254,113 )	80,876	( 4,009 )	( 2,177,246 )
Personal accidents and passengers	( 1,316,971 )	( 336,224 )	( 1,016 )	( 1,654,211 )
Health	( 3,225,894 )	( 308,256 )	92,829	( 3,441,321 )
Fire and other damage	( 15,890,424 )	( 172,347 )	10,976	( 16,051,795 )
Motor	( 30,153,372 )	554,814	( 340,475 )	( 29,939,033 )
Marine, aviation and transport	( 343,297 )	74,950	521	( 267,826 )
Third party liability	( 1,443,513 )	( 390,184 )	2,797	( 1,830,900 )
Credit and suretyship	( 16,990 )	4,159	( 10 )	( 12,841 )
Legal protection	( 487,963 )	24,812	552	( 462,599 )
Assistance	( 2,503,790 )	( 36,025 )	97	( 2,539,718 )
Other	( 1,609,743 )	( 700,550 )	-	( 2,310,293 )
	<b>( 59,246,070 )</b>	<b>( 1,203,975 )</b>	<b>( 237,738 )</b>	<b>( 60,687,783 )</b>
	<b>277,029,326</b>	<b>17,008,400</b>	<b>( 3,781,277 )</b>	<b>290,256,449</b>
	<b>278,826,184</b>	<b>16,778,778</b>	<b>( 3,781,277 )</b>	<b>291,823,685</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>1,515,796</b>	<b>281,321</b>	<b>( 259 )</b>	<b>1,796,858</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	13,345,392	185,576	45,953	13,576,921
Personal accidents and passengers	7,036,245	643,009	( 3,567 )	7,675,687
Health	25,874,826	4,947,940	( 1,055,343 )	29,767,423
Fire and other damage	91,907,877	( 235,138 )	( 367,248 )	91,305,491
Motor	154,767,285	4,391,467	( 491,247 )	158,667,505
Marine, aviation and transport	2,870,575	( 778,980 )	( 4,219 )	2,087,376
Third party liability	9,542,956	( 14,035 )	( 38,304 )	9,490,617
Credit and suretyship	345,451	( 108,163 )	( 819 )	236,469
Legal protection	2,446,658	4,498	( 2,815 )	2,448,341
Assistance	11,431,840	1,139,190	( 1,154 )	12,569,876
Other	8,697,795	( 248,105 )	-	8,449,690
	<b>328,266,900</b>	<b>9,927,259</b>	<b>( 1,918,763 )</b>	<b>336,275,396</b>
<b>Deferred acquisition costs</b>				
Workers' compensation	( 2,304,492 )	53,779	( 3,400 )	( 2,254,113 )
Personal accidents and passengers	( 1,366,041 )	49,580	( 510 )	( 1,316,971 )
Health	( 2,882,523 )	( 403,106 )	59,735	( 3,225,894 )
Fire and other damage	( 15,660,706 )	( 243,904 )	14,186	( 15,890,424 )
Motor	( 30,127,098 )	334,220	( 360,494 )	( 30,153,372 )
Marine, aviation and transport	( 306,893 )	( 36,750 )	346	( 343,297 )
Third party liability	( 1,509,460 )	62,464	3,483	( 1,443,513 )
Credit and suretyship	( 23,398 )	6,421	( 13 )	( 16,990 )
Legal protection	( 488,459 )	147	349	( 487,963 )
Assistance	( 2,271,938 )	( 231,919 )	67	( 2,503,790 )
Other	( 1,670,848 )	248,817	( 187,712 )	( 1,609,743 )
	<b>( 58,611,856 )</b>	<b>( 160,251 )</b>	<b>( 473,963 )</b>	<b>( 59,246,070 )</b>
	<b>269,655,044</b>	<b>9,767,008</b>	<b>( 2,392,726 )</b>	<b>277,029,326</b>
	<b>271,170,840</b>	<b>10,048,329</b>	<b>( 2,392,985 )</b>	<b>278,826,184</b>

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

(amounts in euros)

	2016			2015		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life insurance</b>	<b>97,246,776</b>	<b>23,805,280</b>	<b>121,052,056</b>	<b>98,652,055</b>	<b>25,971,059</b>	<b>124,623,114</b>
<b>Non-life insurance</b>						
<b>Workers' compensation</b>						
Mathematical provision	574,633,306	1,052,361	575,685,667	565,149,550	934,466	566,084,016
Provision for whole life assistance	163,207,398	7,950,714	171,158,112	160,826,545	7,911,113	168,737,658
Provision for temporary assistance	46,064,474	2,748,705	48,813,179	50,775,800	3,282,815	54,058,615
	<b>783,905,178</b>	<b>11,751,780</b>	<b>795,656,958</b>	<b>776,751,895</b>	<b>12,128,394</b>	<b>788,880,289</b>
<b>Other</b>						
Personal accidents and passengers	21,575,264	421,092	21,996,356	22,226,900	475,506	22,702,406
Health	48,994,731	3,623,134	52,617,865	48,315,071	3,591,133	51,906,204
Fire and other damage	129,645,528	14,370,483	144,016,011	116,221,715	13,406,427	129,628,142
Motor	452,354,028	18,053,506	470,407,534	450,003,508	45,573,615	495,577,123
Marine, aviation and transport	8,587,938	987,915	9,575,853	11,088,308	1,076,856	12,165,164
Third party liability	88,614,349	13,876,011	102,490,360	103,345,420	5,300,845	108,646,265
Credit and suretyship	746,565	65,765	812,330	827,284	74,844	902,128
Legal protection	12,402	6,579	18,981	15,549	8,314	23,863
Assistance	61,453	37,159	98,612	65,075	37,938	103,013
Other	8,919,418	785,276	9,704,694	6,455,253	1,673,063	8,128,316
	<b>759,511,676</b>	<b>52,226,920</b>	<b>811,738,596</b>	<b>758,564,083</b>	<b>71,218,541</b>	<b>829,782,624</b>
	<b>1,543,416,854</b>	<b>63,978,700</b>	<b>1,607,395,554</b>	<b>1,535,315,978</b>	<b>83,346,935</b>	<b>1,618,662,913</b>
	<b>1,640,663,630</b>	<b>87,783,980</b>	<b>1,728,447,610</b>	<b>1,633,968,033</b>	<b>109,317,994</b>	<b>1,743,286,027</b>

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

(amounts in euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>124,623,114</b>	<b>263,547,444</b>	<b>(267,119,415)</b>	<b>913</b>	<b>121,052,056</b>
<b>Non-life insurance</b>					
Workers' compensation	788,880,289	114,496,348	(109,699,376)	1,979,697	795,656,958
Personal accidents and passengers	22,702,406	8,175,403	(8,881,633)	180	21,996,356
Health	51,906,204	196,274,568	(196,150,802)	587,895	52,617,865
Fire and other damage	129,628,142	130,303,745	(116,052,112)	136,236	144,016,011
Motor	495,577,123	317,497,594	(343,400,847)	733,664	470,407,534
Marine, aviation and transport	12,165,164	1,042,756	(3,637,889)	5,822	9,575,853
Third party liability	108,646,265	7,194,091	(13,352,725)	2,729	102,490,360
Credit and suretyship	902,128	177,708	(267,506)	-	812,330
Legal protection	23,863	(3,177)	(1,705)	-	18,981
Assistance	103,013	6,695	(11,096)	-	98,612
Other	8,128,316	20,325,935	(18,749,557)	-	9,704,694
	<b>1,618,662,913</b>	<b>795,491,666</b>	<b>(810,205,248)</b>	<b>3,446,223</b>	<b>1,607,395,554</b>
	<b>1,743,286,027</b>	<b>1,059,039,110</b>	<b>(1,077,324,663)</b>	<b>3,447,136</b>	<b>1,728,447,610</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
<b>Life insurance</b>	<b>123,816,191</b>	<b>285,667,316</b>	<b>(284,860,393)</b>	<b>-</b>	<b>124,623,114</b>
<b>Non-life insurance</b>					
Workers' compensation	786,160,945	115,439,344	(113,790,207)	1,070,207	788,880,289
Personal accidents and passengers	15,470,564	15,007,619	(7,776,344)	567	22,702,406
Health	45,493,427	177,853,977	(171,922,316)	481,116	51,906,204
Fire and other damage	122,941,743	107,833,327	(101,262,381)	115,453	129,628,142
Motor	517,240,498	291,182,362	(312,387,091)	(458,646)	495,577,123
Marine, aviation and transport	14,418,320	3,654,560	(5,912,602)	4,886	12,165,164
Third party liability	111,508,672	7,930,628	(10,796,724)	3,689	108,646,265
Credit and suretyship	857,875	311,430	(267,177)	-	902,128
Legal protection	77,460	(46,560)	(7,037)	-	23,863
Assistance	208,341	(102,639)	(2,689)	-	103,013
Other	8,695,002	15,071,057	(15,637,743)	-	8,128,316
	<b>1,623,072,847</b>	<b>734,135,105</b>	<b>(739,762,311)</b>	<b>1,217,272</b>	<b>1,618,662,913</b>
	<b>1,746,889,038</b>	<b>1,019,802,421</b>	<b>(1,024,622,704)</b>	<b>1,217,272</b>	<b>1,743,286,027</b>

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

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

(amounts in euros)

	2016	2015
<b>Non-life insurance</b>		
Workers' compensation	16,283,252	25,114,103
Personal accidents and passengers	230,339	368,105
Health	1,047	3,682,055
Fire and other damage	2,891,055	3,291,533
Motor	23,896,420	21,311,698
Marine, aviation and transport	444	39,286
Third party liability	411,465	1,036,256
Credit and suretyship	15,823	55,297
Assistance	5,467,544	6,008,104
Other	40,738	36,429
	<b>49,238,127</b>	<b>60,942,866</b>

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

(amounts in euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
Workers' compensation	25,114,103	( 8,830,851 )	16,283,252
Personal accidents and passengers	368,105	( 137,766 )	230,339
Health	3,682,055	( 3,681,008 )	1,047
Fire and other damage	3,291,533	( 400,478 )	2,891,055
Motor	21,311,698	2,584,722	23,896,420
Marine, aviation and transport	39,286	( 38,842 )	444
Third party liability	1,036,256	( 624,791 )	411,465
Credit and suretyship	55,297	( 39,474 )	15,823
Assistance	6,008,104	( 540,560 )	5,467,544
Other	36,429	4,309	40,738
	<b>60,942,866</b>	<b>( 11,704,739 )</b>	<b>49,238,127</b>

(amounts in euros)

	2015		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
Workers' compensation	23,277,225	1,836,878	25,114,103
Personal accidents and passengers	252,441	115,664	368,105
Health	3,428,386	253,669	3,682,055
Fire and other damage	5,174,504	(1,882,971)	3,291,533
Motor	19,452,738	1,858,960	21,311,698
Marine, aviation and transport	4,909	34,377	39,286
Third party liability	577,070	459,186	1,036,256
Credit and suretyship	3,082	52,215	55,297
Legal protection	306	(306)	-
Assistance	6,586,948	(578,844)	6,008,104
Other	-	36,429	36,429
	<b>58,757,609</b>	<b>2,185,257</b>	<b>60,942,866</b>

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

(amounts in euros)

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

(amounts in euros)

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

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

(amounts in euros)

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

(amounts in euros)

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

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

## 21. Financial Liabilities of the Deposit Component of Insurance Contracts and on Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts

Information on movements in this account heading for 2016 and 2015 is set out below:

(amounts in euros)

	2016					
	Opening balance	Issues	Redemptions	Income and expenditure	Others	Closing balance
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	544,300,085	35,932,004	(94,527,512)	(397,810)	-	485,306,767
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	28,028,092	222,154	(1,367,109)	176,882	(110,838)	26,949,181
	<b>573,049,422</b>	<b>36,154,158</b>	<b>(95,894,621)</b>	<b>(220,928)</b>	<b>(110,838)</b>	<b>512,977,193</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	4,517,190,923	869,171,791	(594,650,712)	81,160,761	(3,285,580)	4,869,587,183
Life individual fixed rate	2,979,955,085	1,211,410,102	(1,353,631,014)	67,516,051	-	2,905,250,224
Capitalisation OP. Individual fixed rate	5,447,800	-	(107,351)	35,286	-	5,375,735
	<b>7,502,593,808</b>	<b>2,080,581,893</b>	<b>(1,948,389,077)</b>	<b>148,712,098</b>	<b>(3,285,580)</b>	<b>7,780,213,142</b>
	<b>8,075,643,230</b>	<b>2,116,736,051</b>	<b>(2,044,283,698)</b>	<b>148,491,170</b>	<b>(3,396,418)</b>	<b>8,293,190,335</b>



(amounts in euros)

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

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

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

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

(amounts in euros)

	2016	2015
<b>Financial liabilities held for trading</b>		
Fair Value Hedge (Note 7)	15,072,639	18,448,784
<b>Other financial liabilities</b>		
Hedge Derivatives		
Fair Value Hedge (Note 7)	8,737,700	4,406,362
Cash flow Hedge (Note 7)	4,731,582	-
	<b>13,469,282</b>	<b>4,406,362</b>
Deposits received from reinsurers		
Life	4,438,349	4,994,028
Non-life	112,706,718	103,269,123
	<b>117,145,067</b>	<b>108,263,151</b>

(continued)

(amounts in euros)

	2016	2015
Loans		
Bank loans	562,887,131	334,622,872
Others		
Finance leases	28,293,305	21,297,468
	<b>721,794,785</b>	<b>468,589,853</b>
	<b>736,867,424</b>	<b>487,038,637</b>

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

## 23. Other Creditors for Insurance and Other Operations

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

(amounts in euros)

	2016	2015
<b>Accounts payable for direct insurance operations</b>		
Brokers	61,740,822	51,572,013
Policyholders	29,921,892	31,711,397
Co-insurers	14,318,884	11,669,680
	<b>105,981,598</b>	<b>94,953,090</b>
<b>Accounts payable for other reinsurance operations</b>		
Reinsurers' current accounts	36,847,597	45,052,886
Insured's current accounts	1,855,329	2,398,064
	<b>38,702,926</b>	<b>47,450,950</b>
<b>Accounts payable for other operations</b>		
Aggregate tax	64,209,894	-
Associates	17,252	17,252
Suppliers of tangible assets	815,276	936,596
Suppliers' current accounts	62,444,899	38,703,784
Employees	41,727	43,808
Consultants, advisors and intermediaries	10,619	1,172,646
Pension funds	386,363	387,227
Other internal regularisation accounts	9,639,021	2,145,370
Advances from clients	18,690,082	9,484,443
Miscellaneous creditors	41,123,253	15,349,239
	<b>197,378,386</b>	<b>68,240,365</b>
	<b>342,062,910</b>	<b>210,644,405</b>

The heading "Other internal regularisation accounts" recognises various transactions made in the last days of December, which will be settled in the first days of the following month.

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

## 24. Accruals and Deferrals (Liabilities)

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

(amounts in euros)

	2016	2015
<b>Deferred income</b>		
Rents and leases	16,088,013	30,652,634
Other	301,952	376,656
	<b>16,389,965</b>	<b>31,029,290</b>
<b>Accrued expenses</b>		
Interest payable	204,268	283,720
Holiday and holiday subsidies payable	31,555,835	29,545,645
Insurance	1,702,817	337,227
Variable remuneration payable to employees	7,248,001	7,942,213
Performance bonus	10,270,187	10,255,418
Seniority bonus	609,574	846,905
Other employee costs	155,520	910,057
Provision for finder's fees	395,980	1,070,071
Commissions payable	39,960,673	35,338,540
Deferred payments - marketing	4,879,121	4,972,178
Municipal tax on real estate	1,747,210	1,671,779
Audit	511,121	429,679
Advertising	326,487	466,796
Electricity	306,258	297,278
Invoices pending conferral	4,300,996	3,127,164
Medical fees	17,250,784	12,885,374
Health services	9,540,523	9,831,655
Outsourcing (except accounting and computing)	5,140,544	5,135,381
Other	5,837,961	848,499
	<b>141,943,860</b>	<b>126,195,579</b>
	<b>158,333,825</b>	<b>157,224,869</b>

## 25. Other Provisions

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

(amounts in euros)

	2016							Closing balance
	Opening balance	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	
Provisions for tax	24,978,918	3,207,175	(20,056,488)	(1,050,340)	-	-	-	7,079,265
Provisions for the cost of employee benefits (Note 34)								
Health benefits	22,191,389	-	(716,713)	-	-	-	2,162,605	23,637,281
Pension costs	3,034,877	-	(65,318)	(1,091)	-	-	352,414	3,320,882
Provision for Workers' compensation fund	47,036,302	1,500,000	-	-	-	-	-	48,536,302
Provision for restructuring	60,524,302	-	(25,099,384)	-	-	-	-	35,424,918
Others	29,407,134	14,147,995	(23,508,248)	(129,575)	473,442	1,652,717	-	22,043,465
	<b>187,172,922</b>	<b>18,855,170</b>	<b>(69,446,151)</b>	<b>(1,181,006)</b>	<b>473,442</b>	<b>1,652,717</b>	<b>2,515,019</b>	<b>140,042,113</b>

(amounts in euros)

	2015						Closing balance
	Opening balance	Increases	Recoveries and cancellations	Uses	Actuarial gains and losses from equity		
Provisions for tax	19,072,603	5,906,315	-	-	-	-	24,978,918
Provisions for the cost of employee benefits (Note 34)							
Health benefits	22,021,108	-	(646,509)	(1,530)	818,320		22,191,389
Pension costs	2,903,957	-	(15,689)	(1,154)	147,763		3,034,877
Provision for Workers' compensation fund	45,236,302	1,800,000	-	-	-		47,036,302
Provision for restructuring	52,338,451	25,100,000	(16,914,149)	-	-		60,524,302
Others	68,781,703	-	(38,581,261)	(793,308)	-		29,407,134
	<b>210,354,124</b>	<b>32,806,315</b>	<b>(56,157,608)</b>	<b>(795,992)</b>	<b>966,083</b>		<b>187,172,922</b>

The Group set up a provision related to the employee restructuring and rejuvenation program, which consists of hiring new qualified employees and a negotiated exit solution for a group of employees prior to retirement age. Accordingly, the plan was initiated in 2014 and 2015 and covered employees who meet the criteria below.

The extent of the plan was as follows:

- In 2014: 153 departures, 100 of these of employees aged between 56 and 60 and 53 aged over 60.
- In 2015: 110 departures, 75 of these of employees aged between 56 and 60 and 35 aged over 60.

In 2014 the Group reviewed the development of the plan and decided to adjust it, for the period between 2015 and 2018, while maintaining the same conditions as in 2013. Consequently, the provision for restructuring was increased by EUR 27,299,163. With the development of the plan, 86 employees departed in 2014, resulting in use of EUR 7,038,236 of the provision. At 31 December 2014, EUR 52,153,917 was recognised in the provision for restructuring. In the same period 91 employees were hired.

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

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

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

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

In 2016 and 2015, the "Other Provisions" headings include the use of EUR 6,663,078 and EUR 6,453,883, respectively, which are registered under the heading "Impairment Losses (net of reversals)".

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

## 26. Paid-In Capital

The share capital of EUR 381,150,000 is composed of 121 million shares with the nominal unit value of EUR 3.15 and is fully paid up.

On December 2015 supplementary contributions were made by shareholders in order to strengthen Fidelidade's equity amounting to EUR 521,530,515 as follows:

- Longrun Portugal, SGPS, S.A.: EUR 500,000,000;
- Caixa Seguros e Saúde, SGPS, S.A.: EUR 21,530,515.

In 2015, pursuant to a deliberation of the General Meeting of 31 March 2015 under item 9 of its agenda, 13,300 own shares were acquired at a unit price of EUR 11.20, with a total value of EUR 148,960. This acquisition was completed on 22 December 2015.

The shareholder structure at 31 December 2016 and 2015 was as follows:

(amounts in euros)

Acionistas	2016		2015	
	Number of Shares	% Share	Number of Shares	% Share
Longrun Portugal, SGPS, S.A.	102,833,140	84.9861%	102,833,140	84.9861%
Caixa Seguros e Saúde, SGPS, S.A.	18,150,000	15.0000%	18,150,000	15.0000%
Employees and former employees of Fidelidade				
- Companhia de Seguros, S.A.	3,560	0.00290%	3,560	0.00290%
Own Shares	13,300	0.01100%	13,300	0.01100%
	<b>121,000,000</b>	<b>100%</b>	<b>121,000,000</b>	<b>100%</b>

The Group became a part of the Fosun Group as of 15 May 2014 through Longrun Portugal, SGPS, S.A.'s acquired 80% of the share capital of Fidelidade.

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

(amounts in euros)

	2015	2014
Application of income for the year		
Legal Reserve	17,660,613	15,080,369
Free Reserves	161,982,005	125,209,445
Retained earnings	106,644,272	37,942,391
	<b>286,286,890</b>	<b>178,232,205</b>

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

(amounts in euros)

	2016	2015
Net Income for the year	211,108,365	286,286,890
Number of shares (at the end of the year)	121,000,000	121,000,000
<b>Income per Share (in Euros)</b>	<b>1.74</b>	<b>2.37</b>

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

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

(amounts in euros)

	2016	2015
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains (Note 8)	30,860,617	95,668,787
Amount attributable to policyholders	(7,633,508)	(5,042,089)
	<b>23,227,109</b>	<b>90,626,698</b>
Other financial assets	-	1,933,013
	<b>23,227,109</b>	<b>92,559,711</b>
Revaluations of properties for own use (Note 10)	106,470,627	72,992,202
Adjustments in fair value of hedging instruments		
in cash flow hedging	(4,092,767)	(216,027)
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	43,109,385	-
Exchange differences		
Gross gains	17,230,479	84,161,120
Amount attributable to policyholders	-	(237,787)
	<b>17,230,479</b>	<b>83,923,333</b>
	<b>185,944,833</b>	<b>249,259,219</b>
Deferred tax reserve		
Available-for-sale investments	(23,638,203)	(45,079,609)
Properties for own use	(11,379,154)	(9,311,456)
Adjustments in fair value of hedging instruments		
in cash flow hedging	859,481	-
Adjustments in fair value of hedging instruments		
in a hedge of a net investment in a foreign currency	(9,406,249)	-
Exchange differences	4,365,070	-
Actuarial gains and losses		
Post-employment benefits	24,732,643	14,376,077
Health benefits	2,976,512	2,338,543
Tax (paid)/deducted from potential capital gains or losses	(6,896,426)	(7,825,551)
	<b>(18,386,326)</b>	<b>(45,501,996)</b>

(continued)

(amounts in euros)

	2016	2015
<b>Other reserves</b>		
Legal reserve	139,318,234	121,563,696
Share premiums	115,103,280	115,103,280
Actuarial gains and losses		
Post-employment benefits	( 55,264,857 )	( 46,452,308 )
Health benefits	( 6,415,803 )	( 4,253,196 )
Other reserves	331,241,285	171,716,268
	<b>523,982,139</b>	<b>357,677,740</b>
Retained earnings	239,018,070	141,113,706
Income for the year	211,108,365	286,286,890
	<b>1,141,667,081</b>	<b>988,835,559</b>

Under current legislation, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but only used to increase share capital or offset accumulated losses.

"Revaluation reserves" reflects potential capital gains and losses on available-for-sale investments and properties for own use.

The following is an assessment of consolidated profit at 31 December 2016 and 2015:

(amounts in euros)

	2016	2015
<b>Contribution to consolidated net income</b>		
<b>Insurance</b>		
Fidelidade - Companhia de Seguros, S.A.	100,420,503	207,862,216
Via Directa - Companhia de Seguros, S.A.	( 3,792,950 )	228,225
Companhia Portuguesa de Resseguros, S.A.	350,067	651,804
Universal Seguros, S.A.	1,859,851	2,443,785
Fidelidade Macau - Companhia de Seguros, S.A.	1,880,563	679,711
Garantia - Companhia de Seguros de Cabo Verde, S.A.	1,044,612	966,867
<b>Property</b>		
Fidelidade - Property Europe, S.A.	( 2,958,150 )	7,278,154
Fidelidade - Property International, S.A.	( 40,025,590 )	( 7,845,080 )
Fundo de Investimento Imobiliário Fechado SaudelInvest	10,809,608	5,783,522
Fundo de Investimento Imobiliário Fechado Bonança I	( 896,508 )	( 283,643 )
Highgrove - Investimentos e Participações, SGPS, S.A.		
(Equity accounting method)	( 31,384 )	( 56,142 )
FPI (UK) 1 LIMITED	8,743,061	1,656,438



(continued)

(amounts in euros)

	2016	2015
FPI US 1 LLC	( 9,362,576 )	( 1,381,689 )
FPI (AU) 1 PTY LIMITED	7,251,171	1,668,905
FPE (Lux) Holding S.à r.l.	6,309,791	-
Thomas More Square (Lux) Holdings S.à r.l.	( 39,287 )	-
Thomas More Square (Lux) S.à r.l.	( 4,792,663 )	-
Thomas More Square (Lux) Investments Limited	( 7,180 )	-
FPE (IT) Società per Azioni	33,685,905	5,550,271
Madison 30 31 JV LLC (Equity accounting method)	( 6,269,579 )	( 209 )
GK Kita Aoyoma Support 2	( 43,142 )	( 47,956 )
Higashi Shinagawa Two TMK	18,930,493	15,798,418
Godo Kaisha Praia	7,862,661	-
Godo Kaisha Moana	( 66,803 )	-
<b>Health</b>		
Luz Saúde, S.A. (consolidated accounts excluding minority interests)	14,512,862	19,803,197
<b>Other sectors</b>		
GEP - Gestão de Peritagens Automóveis, S.A.	112,211	96,909
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	72,736	27,249
Cetra - Centro Técnico de Reparação Automóvel, S.A.	( 47,116 )	78,058
Fidelidade - Consultoria e Gestão de Risco, Lda.	( 758 )	1,196
Fidelidade - Assistência e Serviços, Lda.	( 3,759 )	1,730
FCM Beteiligungs GmbH	( 3,519,695 )	( 7,350,750 )
FID I (HK) LIMITED	( 3,801,405 )	24,087,062
FID II (HK) LIMITED	-	1,213,528
FID III (HK) LIMITED	( 3,097 )	( 3,142 )
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (Equity accounting method)	886	732,545
<b>Elimination of dividends</b>	<b>( 1,309,088 )</b>	<b>( 1,562,525 )</b>
<b>Other consolidation adjustments</b>		
Non - controlling interests (Note 28)	( 1,643,625 )	178,431
Elimination of impairment losses (net of reversals)	60,744,992	21,881,322
Property adjustments	( 6,862,509 )	( 88,404 )
Hedge accounting	( 33,703,136 )	-
Correction of results from previous years	987,997	( 824,656 )
Elimination of exchange differences on intra-group transactions	18,581,585	( 11,623,114 )
Other	36,126,810	( 1,315,343 )
	<b>211,108,365</b>	<b>286,286,890</b>

## 28. Non-Controlling Interests

The value of the shares of third parties in subsidiaries breaks down as follows per entity:

(amounts in euros)

	% Non-controlling interests	2016	2015
Fundo de Investimento Imobiliário Fechado Saudeinveste	1.15%	1,367,965	1,243,892
Garantia - Companhia de Seguros de Cabo Verde, S.A.	43.65%	4,468,080	4,317,795
Universal Seguros, S.A.	30.87%	3,732,889	3,950,088
FCM Beteiligungs GmbH	49.00%	5,129,549	5,164,557
Luz Saúde, S.A.	1.03%	4,311,980	3,575,449
FPE (IT) Società per Azioni	4.24%	14,064,342	12,635,435
Fidelidade - Assistência e Serviços, Lda.	20.00%	( 424 )	424
Fidelidade Macau - Companhia de Seguros, S.A.	0.01%	1,354	1,193
Higashi Shinagawa Two TMK	3.44%	3,961,812	2,874,922
Godo Kaisha Praia	3.00%	3,950,477	-
Godo Kaisha Moana	3.00%	3,160,090	-
Thomas More Square (Lux) Investments Limited	0.70%	810,915	-
Thomas More Square (Lux) Holdings S.à r.l.	0.70%	28	-
Thomas More Square (Lux) S.à r.l.	0.70%	51,310	-
		<b>45,010,367</b>	<b>33,763,755</b>

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

(amounts in euros)

	% Non-controlling interests	2016	2015
Fundo de Investimento Imobiliário Fechado Saudeinveste	1.15%	( 124,073 )	( 897,217 )
Garantia - Companhia de Seguros de Cabo Verde, S.A.	43.65%	( 455,955 )	( 426,442 )
Universal Seguros, S.A.	30.87%	( 445,852 )	( 773,503 )
FCM Beteiligungs GmbH	49.00%	1,724,650	3,475,114
Luz Saúde, S.A.	1.03%	218,279	( 457,459 )
FPE (IT) Società per Azioni	4.24%	( 1,428,908 )	( 235,435 )
Fidelidade - Assistência e Serviços, Lda.	20.00%	752	( 346 )
Fidelidade Macau - Companhia de Seguros, S.A.	0.01%	( 117 )	( 42 )
Higashi Shinagawa Two TMK	3.44%	( 930,512 )	( 506,239 )
Godo Kaisha Praia	3.00%	( 236,178 )	-
Godo Kaisha Moana	3.00%	2,007	-
Thomas More Square (Lux) Investments Limited	0.70%	50	-
Thomas More Square (Lux) Holdings S.à r.l.	0.70%	275	-
Thomas More Square (Lux) S.à r.l.	0.70%	31,957	-
		<b>( 1,643,625 )</b>	<b>178,431</b>

## 29. Earned Premiums, Net of Reinsurance

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

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Gross premiums written</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	161,814,697	(13,680,197)	148,134,500	163,307,552	(13,724,531)	149,583,021
Insurance contracts with profit sharing	40,952,059	(1,228,286)	39,723,773	41,084,870	(1,406,524)	39,678,346
Investment contracts with a discretionary profit sharing component	132,874,006	-	132,874,006	92,925,647	-	92,925,647
	<b>335,640,762</b>	<b>(14,908,483)</b>	<b>320,732,279</b>	<b>297,318,069</b>	<b>(15,131,055)</b>	<b>282,187,014</b>
<b>Non-life insurance</b>						
Workers' compensation	160,661,550	(5,578,518)	155,083,032	143,538,096	(7,861,664)	135,676,432
Personal accidents and passengers	30,394,775	(12,796,047)	17,598,728	27,240,284	(8,560,405)	18,679,879
Health	266,818,207	(241,856,138)	24,962,069	230,241,898	(207,293,519)	22,948,379
Fire and other damage	254,940,538	(101,455,733)	153,484,805	245,272,094	(96,692,210)	148,579,884
Motor	428,265,940	(2,814,562)	425,451,378	409,380,024	(2,639,857)	406,740,167
Marine, aviation and transport	18,509,706	(10,850,486)	7,659,220	18,316,668	(10,621,106)	7,695,562
Third party liability	36,860,678	(11,675,506)	25,185,172	34,110,735	(10,641,770)	23,468,965
Credit and suretyship	799,255	(447,359)	351,896	838,070	(445,813)	392,257
Legal protection	5,751,855	(3,864,482)	1,887,373	5,714,169	(3,849,067)	1,865,102
Assistance	34,025,192	(32,364,002)	1,661,190	30,039,374	(31,287,271)	(1,247,897)
Other	37,197,472	(17,851,076)	19,346,396	27,702,466	(9,357,238)	18,345,228
	<b>1,274,225,168</b>	<b>(441,553,909)</b>	<b>832,671,259</b>	<b>1,172,393,878</b>	<b>(389,249,920)</b>	<b>783,143,958</b>
	<b>1,609,865,930</b>	<b>(456,462,392)</b>	<b>1,153,403,538</b>	<b>1,469,711,947</b>	<b>(404,380,975)</b>	<b>1,065,330,972</b>
<b>Change in provision for unearned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	246,544	18,840	265,384	(362,643)	3,223	(359,420)
Insurance contracts with profit sharing	(10,765)	(4,747)	(15,512)	40,435	(2,341)	38,094
Investment contracts with a discretionary profit sharing component	(6,157)	-	(6,157)	40,887	-	40,887
	<b>229,622</b>	<b>14,093</b>	<b>243,715</b>	<b>(281,321)</b>	<b>882</b>	<b>(280,439)</b>

(continued)

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Non-life insurance</b>						
Workers' compensation	(366,170)	(14,363)	(380,533)	(185,576)	32,547	(153,029)
Personal accidents and passengers	(1,634,448)	(284,337)	(1,918,785)	(643,009)	895,221	252,212
Health	(4,618,185)	1,909,646	(2,708,539)	(4,947,940)	(1,830,041)	(6,777,981)
Fire and other damage	(175,985)	(168,653)	(344,638)	235,138	(1,582,670)	(1,347,532)
Motor	(5,510,100)	(223,742)	(5,733,842)	(4,391,467)	(537,658)	(4,929,125)
Marine, aviation and transport	225,892	32,643	258,535	778,980	(1,624,327)	(845,347)
Third party liability	(1,194,828)	378,845	(815,983)	14,035	(150,025)	(135,990)
Credit and suretyship	50,248	(43,076)	7,172	108,163	(76,684)	31,479
Legal protection	(4,340)	5,707	1,367	(4,498)	51,220	46,722
Assistance	(1,348,599)	543,608	(804,991)	(1,139,190)	1,132,180	(7,010)
Other	(3,635,860)	770,426	(2,865,434)	248,105	974,546	1,222,651
	<b>(18,212,375)</b>	<b>2,906,704</b>	<b>(15,305,671)</b>	<b>(9,927,259)</b>	<b>(2,715,691)</b>	<b>(12,642,950)</b>
	<b>(17,982,753)</b>	<b>2,920,797</b>	<b>(15,061,956)</b>	<b>(10,208,580)</b>	<b>(2,714,809)</b>	<b>(12,923,389)</b>
<b>Earned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	162,061,241	(13,661,357)	148,399,884	162,944,909	(13,721,308)	149,223,601
Insurance contracts with profit sharing	40,941,294	(1,233,033)	39,708,261	41,125,305	(1,408,865)	39,716,440
Investment contracts with a discretionary profit sharing component	132,867,849	-	132,867,849	92,966,534	-	92,966,534
	<b>335,870,384</b>	<b>(14,894,390)</b>	<b>320,975,994</b>	<b>297,036,748</b>	<b>(15,130,173)</b>	<b>281,906,575</b>
<b>Non-life insurance</b>						
Workers' compensation	160,295,380	(5,592,881)	154,702,499	143,352,520	(7,829,117)	135,523,403
Personal accidents and passengers	28,760,327	(13,080,384)	15,679,943	26,597,275	(7,665,184)	18,932,091
Health	262,200,022	(239,946,492)	22,253,530	225,293,958	(209,123,560)	16,170,398
Fire and other damage	254,764,553	(101,624,386)	153,140,167	245,507,232	(98,274,880)	147,232,352
Motor	422,755,840	(3,038,304)	419,717,536	404,988,557	(3,177,515)	401,811,043
Marine, aviation and transport	18,735,598	(10,817,843)	7,917,755	19,095,648	(12,245,433)	6,850,215
Third party liability	35,665,850	(11,296,661)	24,369,189	34,124,770	(10,791,795)	23,332,975
Credit and suretyship	849,503	(490,435)	359,068	946,233	(522,497)	423,736
Legal protection	5,747,515	(3,858,775)	1,888,740	5,709,671	(3,797,847)	1,911,824
Assistance	32,676,593	(31,820,394)	856,199	28,900,184	(30,155,091)	(1,254,907)
Other	33,561,612	(17,080,650)	16,480,962	27,950,571	(8,382,692)	19,567,879
	<b>1,256,012,793</b>	<b>(438,647,205)</b>	<b>817,365,588</b>	<b>1,162,466,619</b>	<b>(391,965,611)</b>	<b>770,501,009</b>
	<b>1,591,883,177</b>	<b>(453,541,595)</b>	<b>1,138,341,582</b>	<b>1,459,503,367</b>	<b>(407,095,784)</b>	<b>1,052,407,584</b>

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

(amounts in euros)

	2016	2015
<b>Direct insurance gross written premiums</b>	<b>335,640,762</b>	<b>297,254,833</b>
Individual contracts	137,978,212	101,364,399
Group contracts	197,662,550	195,890,434
	<b>335,640,762</b>	<b>297,254,833</b>
Periodic	271,462,555	226,478,377
Non-periodic	64,178,207	70,776,456
	<b>335,640,762</b>	<b>297,254,833</b>
Contracts without profit sharing	161,888,542	163,449,753
Contracts with profit sharing	173,752,220	133,805,080
	<b>335,640,762</b>	<b>297,254,833</b>
<b>Reinsurance accepted gross written premiums</b>	-	<b>63,236</b>
<b>Gross written premiums from direct insurance and reinsurance accepted</b>	<b>335,640,762</b>	<b>297,318,069</b>
<b>Reinsurance balance</b>	<b>( 5,370,599 )</b>	<b>( 2,940,953 )</b>

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

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

## 31. Claims Costs, Net of Reinsurance

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

(amounts in euros)

	2016			2015		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
<b>Life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>	<b>268,902,357</b>	<b>(3,569,348)</b>	<b>265,333,009</b>	<b>288,199,547</b>	<b>784,533</b>	<b>288,984,080</b>
<b>Reinsurance ceded</b>	<b>(8,603,018)</b>	<b>360,641</b>	<b>(8,242,377)</b>	<b>(5,926,533)</b>	<b>(1,740,285)</b>	<b>(7,666,818)</b>
	<b>260,299,339</b>	<b>(3,208,707)</b>	<b>257,090,632</b>	<b>282,273,014</b>	<b>(955,752)</b>	<b>281,317,262</b>
<b>Non-life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>						
Workers' compensation	149,188,850	7,732,394	156,921,244	142,509,985	4,893,339	147,403,324
Personal accidents and passengers	10,882,584	(722,043)	10,160,541	9,191,633	7,423,159	16,614,792
Health	197,557,734	734,202	198,291,936	168,748,974	7,012,279	175,761,253
Fire and other damage	122,096,911	12,972,677	135,069,588	103,858,410	7,934,627	111,793,037
Motor	334,193,191	(30,796,727)	303,396,464	301,394,658	(21,817,550)	279,577,107
Marine, aviation and transport	3,726,557	(2,583,066)	1,143,491	6,280,346	(2,243,795)	4,036,551
Third party liability	13,540,480	(6,052,702)	7,487,778	10,025,383	(2,852,357)	7,173,026
Credit and suretyship	373,172	(73,023)	300,149	685,514	23,167	708,681
Legal protection	89,052	(4,881)	84,171	93,037	(53,598)	39,439
Assistance	497,377	(4,202)	493,175	413,793	(105,328)	308,465
Other	19,381,205	1,570,686	20,951,891	16,504,449	(561,121)	15,943,328
	<b>851,527,113</b>	<b>(17,226,685)</b>	<b>834,300,428</b>	<b>759,706,182</b>	<b>(347,178)</b>	<b>759,359,003</b>
<b>Reinsurance ceded</b>						
Workers' compensation	(804,760)	(378,068)	(1,182,828)	(1,416,671)	(163,672)	(1,580,343)
Personal accidents and passengers	(1,764,887)	(5,763,082)	(7,527,969)	(594,827)	(702,163)	(1,296,990)
Health	(179,237,440)	2,482,436	(176,755,004)	(153,179,182)	(5,042,939)	(158,222,121)
Fire and other damage	(46,047,669)	(19,393,010)	(65,440,679)	(25,626,807)	(13,544,904)	(39,171,712)
Motor	(1,332,320)	(931,164)	(2,263,484)	(1,782,660)	(336,982)	(2,119,642)
Marine, aviation and transport	(976,427)	2,048,304	1,071,877	(4,185,790)	3,173,327	(1,012,463)
Third party liability	(2,578,503)	5,511,253	2,932,750	(1,171,112)	(325,128)	(1,496,240)
Credit and suretyship	(35,272)	10,017	(25,255)	33,457	76	33,533
Assistance	(8,041)	(1,116)	(9,157)	(91)	(1,599)	(1,690)
Other	(12,288,483)	(1,000,270)	(13,288,753)	(9,734,591)	112,310	(9,622,281)
	<b>(245,073,802)</b>	<b>(17,414,700)</b>	<b>(262,488,502)</b>	<b>(197,658,274)</b>	<b>(16,831,674)</b>	<b>(214,489,949)</b>
	<b>606,453,311</b>	<b>(34,641,385)</b>	<b>571,811,926</b>	<b>562,047,908</b>	<b>(17,178,853)</b>	<b>544,869,054</b>
	<b>866,752,650</b>	<b>(37,850,092)</b>	<b>828,902,558</b>	<b>844,320,922</b>	<b>(18,134,605)</b>	<b>826,186,316</b>

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

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

(amounts in euros)

	2016						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	96,511,633	(3,168,143)	93,343,490	(3,521,275)	7,963,317	4,941,827	102,727,359
Investment contracts with a discretionary profit sharing component	172,390,724	(401,205)	171,989,519	1,398,705	(4,814,998)	4,687,983	173,261,209
	<b>268,902,357</b>	<b>(3,569,348)</b>	<b>265,333,009</b>	<b>(2,122,570)</b>	<b>3,148,319</b>	<b>9,629,810</b>	<b>275,988,568</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(8,603,018)	360,641	(8,242,377)	-	1,157,707	-	(7,084,670)
	<b>(8,603,018)</b>	<b>360,641</b>	<b>(8,242,377)</b>	<b>-</b>	<b>1,157,707</b>	<b>-</b>	<b>(7,084,670)</b>
<b>Net</b>							
Insurance contracts	87,908,615	(2,807,502)	85,101,113	(3,521,275)	9,121,024	4,941,827	95,642,689
Investment contracts with a discretionary profit sharing component	172,390,724	(401,205)	171,989,519	1,398,705	(4,814,998)	4,687,983	173,261,209
	<b>260,299,339</b>	<b>(3,208,707)</b>	<b>257,090,632</b>	<b>(2,122,570)</b>	<b>4,306,026</b>	<b>9,629,810</b>	<b>268,903,898</b>

(amounts in euros)

	2015						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	103,702,890	747,474	104,450,364	770,000	7,289,121	8,279,453	120,788,938
Investment contracts with a discretionary profit sharing component	184,496,657	37,059	184,533,716	(1,828,216)	(52,768,910)	33,250,200	163,186,790
	<b>288,199,547</b>	<b>784,533</b>	<b>288,984,080</b>	<b>(1,058,216)</b>	<b>(45,479,789)</b>	<b>41,529,653</b>	<b>283,975,728</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(5,926,533)	(1,740,285)	(7,666,818)	-	(1,987,784)	(3,671)	(9,658,273)
	<b>(5,926,533)</b>	<b>(1,740,285)</b>	<b>(7,666,818)</b>	<b>-</b>	<b>(1,987,784)</b>	<b>(3,671)</b>	<b>(9,658,273)</b>
<b>Net</b>							
Insurance contracts	97,776,357	(992,811)	96,783,546	770,000	5,301,337	8,275,782	111,130,665
Investment contracts with a discretionary profit sharing component	184,496,657	37,059	184,533,716	(1,828,216)	(52,768,910)	33,250,200	163,186,790
	<b>282,273,014</b>	<b>(955,752)</b>	<b>281,317,262</b>	<b>(1,058,216)</b>	<b>(47,467,573)</b>	<b>41,525,982</b>	<b>274,317,455</b>

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

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

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

(amounts in euros)

	2016	2015
Employee costs (Note 33)	297,493,108	273,154,493
External supplies and services		
Electricity	7,687,918	7,413,749
Fuel	2,208,928	2,156,975
Water	1,223,008	1,108,076
Printed material	410,315	473,770
Office supplies	718,863	796,571
Conservation and repair	15,689,091	14,766,239
Rents and leases	25,657,091	24,664,511
Representation expenses	2,266,481	1,645,717
Communication	8,503,020	10,626,986
Travel and accommodation	5,485,977	5,536,098
Insurance	2,786,133	2,242,746
Expenditure with self-employed workers	66,388,196	58,809,446
Advertising and publicity	14,655,801	14,107,306
Litigation and notary expenses	790,276	765,088
Security and surveillance	3,832,541	3,673,816
Specialist work	76,066,271	63,455,313
Contributions	1,697,822	1,102,293
Cleanliness, hygiene and comfort	2,180,294	2,191,499
Expenses with premium collections	3,220,680	2,230,163
Software licences	5,286,823	4,705,792
Subcontracts	94,425,729	92,279,639
Others	12,400,054	9,600,368
	<b>353,581,312</b>	<b>324,352,161</b>
Taxes and charges	18,281,776	16,308,461
Depreciation and amortisation for the year (Notes 10, 12 and 15)	41,441,301	42,478,493
Other provisions	( 43,927,903 )	( 16,897,410 )
Commissions	25,456,649	8,545,750
Interest paid	11,163,577	9,011,468
	<b>703,489,820</b>	<b>656,953,416</b>



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

(amounts in euros)

	2016		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	716,622	1,722,499	2,439,121
Related to non-life insurance	64,469,503	6,979,169	71,448,672
	<b>65,186,125</b>	<b>8,701,668</b>	<b>73,887,793</b>

(amounts in euros)

	2015		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	905,583	1,629,035	2,534,618
Related to non-life insurance	45,602,228	4,884,930	50,487,158
	<b>46,507,811</b>	<b>6,513,965</b>	<b>53,021,776</b>

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

(amounts in euros)

	2016			
	Life technical account	Non-Life technical account	Non technical account	Total
<b>Claims costs - amounts paid</b>				
Cost allocations	6,085,373	116,079,802	-	122,165,175
Technical costs	262,816,984	735,447,311	-	998,264,295
	<b>268,902,357</b>	<b>851,527,113</b>	<b>-</b>	<b>1,120,429,470</b>
<b>Acquisition costs</b>				
Cost allocations	28,986,608	107,681,221	-	136,667,829
Brokerage commissions	40,468,201	139,552,525	-	180,020,726
Others	(279,898)	880,614	-	600,716
	<b>69,174,911</b>	<b>248,114,360</b>	<b>-</b>	<b>317,289,271</b>
<b>Administrative expenses</b>				
Cost allocations	20,624,181	67,366,213	-	87,990,394
Brokerage commissions	63,877	8,825,961	-	8,889,838
Others	(464)	(46,264)	-	(46,728)
	<b>20,687,594</b>	<b>76,145,910</b>	<b>-</b>	<b>96,833,504</b>
<b>Financial expenses (Note 36)</b>				
Cost allocations	2,693,691	10,333,817	21,087,041	34,114,549
Others	728,156	195,920	81,024	1,005,100
	<b>3,421,847</b>	<b>10,529,737</b>	<b>21,168,065</b>	<b>35,119,649</b>
<b>Other cost allocations (Note 43)</b>	-	-	<b>322,551,873</b>	<b>322,551,873</b>
<b>Total operating costs allocations</b>	<b>58,389,853</b>	<b>301,461,053</b>	<b>343,638,914</b>	<b>703,489,820</b>

(amounts in euros)

	2015			Total
	Life technical account	Non-Life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	6,293,058	95,399,617	-	101,692,675
Technical costs	281,906,489	664,306,565	-	946,213,054
	<b>288,199,547</b>	<b>759,706,182</b>	<b>-</b>	<b>1,047,905,729</b>
<b>Acquisition costs</b>				
Cost allocations	28,554,753	104,531,889	-	133,086,642
Brokerage commissions	46,999,110	122,678,290	-	169,677,400
Others	297,920	912,580	-	1,210,500
	<b>75,851,783</b>	<b>228,122,759</b>	<b>-</b>	<b>303,974,542</b>
<b>Administrative expenses</b>				
Cost allocations	19,877,457	63,301,066	-	83,178,523
Brokerage remuneration	66,937	8,865,980	-	8,932,917
Others	455	43,253	-	43,708
	<b>19,944,849</b>	<b>72,210,299</b>	<b>-</b>	<b>92,155,148</b>
<b>Financial expenses (Note 36)</b>				
Cost allocations	4,112,743	7,105,094	12,625,119	23,842,956
Others	2,396,095	454,030	-	2,850,125
	<b>6,508,838</b>	<b>7,559,124</b>	<b>12,625,119</b>	<b>26,693,081</b>
<b>Other cost allocations (Note 43)</b>	-	-	<b>315,152,620</b>	<b>315,152,620</b>
<b>Total operating costs allocations</b>	<b>58,838,011</b>	<b>270,337,666</b>	<b>327,777,739</b>	<b>656,953,416</b>

### 33. Employee Costs

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

(amounts in euros)

	2016	2015
Remuneration		
Statutory bodies	8,091,183	7,030,142
Employees	199,743,671	191,067,181
Remuneration expenses	44,088,469	41,205,043
Post-employment benefits	17,233,071	11,919,244
Termination of employment benefits	10,572,821	7,510,336
Mandatory insurance	2,716,051	2,411,751
Social action costs	12,403,011	9,658,676
Other employee costs	2,644,831	2,352,120
	<b>297,493,108</b>	<b>273,154,493</b>

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

(amounts in euros)

	2016	2015
Post-employment benefits		
Defined benefit plan (Note 34)	15,261,017	10,328,071
Individual retirement plan	1,213,510	1,226,021
Employee transfer	( 32,752 )	( 75,818 )
Other costs	791,296	440,970
	<b>17,233,071</b>	<b>11,919,244</b>

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

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

	2016	2015
Senior management	129	113
Line management	427	453
Technical	3,551	3,504
Administrative	4,253	3,598
Ancillary	503	610
	<b>8,863</b>	<b>8,278</b>

In 2016 and 2015, the Group recorded a reversal in the estimate for seniority bonuses of EUR 17,745 and EUR 96,789 respectively. The heading "Accruals and deferred income" includes EUR 609,574 for seniority bonuses.

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

At 31 December 2016 and 2015, the headings "Assets for post-employment benefits and other long-term benefits" and "Liabilities for post-employment benefits and other long-term benefits" were as follows:

(amounts in euros)

	2016	2015
<b>Assets</b>		
Defined benefit plan	8,739,168	14,038,385
<b>Liabilities</b>		
Defined contribution plan	( 73,618 )	( 92,878 )
	<b>8,665,550</b>	<b>13,945,507</b>

Regarding 2016, in the "Defined contribution plan" the Group recorded a cost of EUR 1,145,012, with the payment of EUR 73,618 still pending, which corresponds to December 2016 contributions paid in January 2017.

#### **Defined Contribution Plan**

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

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

In line with the rules set out in the new CEAs, the capitalised amount of the payments into the IRP can be claimed by the employee, in accordance with the law, on the date he/she retires due to disability or old age granted by the Social Security, and there is a capital guarantee on the amounts of the initial transfer and the contributions made by the Group and by the beneficiaries themselves.

In the event of the death of an employee, the capitalised amount of the payments reverts to the beneficiaries named by the employee or, where these are not named, to his/her legal heirs.

The Group's contributions to the individual retirement plan are made in line with the provisions of Annex V to the CEAs, and correspond to the amount which results from applying the percentages indicated in the following table to the employee's basic annual salary:

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

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

- In 2015, for current employees admitted to the insurance activity prior to 22 June 1995;
- In 2012, for current employees, admitted to the insurance activity between 22 June 1995 and 31 December 2009;
- In the year following the completion of two years of service within the Group, for employees admitted after 1 January 2010.

## Defined Benefit Plan

In line with the collective employment agreement previously in force for the insurance activity, the Group granted to its employees hired by the insurance activity prior to June 1995, cash payments, to complement the retirement pensions paid by the Social Security services. The amount of these payments varied according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

In addition, the former Império Bonança granted the following benefits:

- Between 1999 and 2005, it assumed, in situations of early retirement, the payment of a whole life pension which corresponded to the difference between 80% of the last remuneration and the amount paid by the Social Security.
- It assumed the commitment to extend the benefits set out in the collective employment agreement to employees hired up to June 2005 and also to grant to the beneficiaries of the pensions fund, the additional benefits guaranteed by the complementary plan which was in force at the Millenniumbcp Group, to which the company belonged until 31 January 2005. The liabilities associated with the complementary plan are financed by the related pension fund.
- For a very small group of employees (4), with "XVII internal salary levels", coming from the former-Império, there is a commitment, when they retire, to award a supplement to the Social Security pension, to 80% of their remuneration at the time they retire.

## Determination of liabilities with defined benefit plans

Liabilities for current payments of retirement pensions and the past services of current employees, at 31 December 2016 and 2015, were determined by Fidelidade's life insurance actuarial department.

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

	2016	2015
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
Men	TV 73/77 (-2)	TV 73/77 (-2)
Women	TV 88/90 (-2)	TV 88/90 (-2)
Discount rate	1.80%	2.25%
Salary growth rate	2.00%	2.00%
Pensions growth rate	0.75%	0.75%
Pre-retirement growth rates	1.25%	1.25%
Exclusions table	n/a	n/a

The following table provides a comparison between the actuarial and financial assumptions used to determine pension costs for 2016 and 2015 and the actual amounts:

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

At 31 December 2016 and 2015, the Group's liabilities for past service, based on the actuarial studies performed, and the funds and provisions available, were as follows:

(amounts in euros)

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

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

- the full funding of the current amount of the liability with current pensions, including pre-retirement and early retirement provisions payable up until the normal age of retirement and subsequently; and
- the funding of at least 95% of the current amount of the liability for past service of employees of working age, excluding those who are pre-retired or in early retirement.

At 31 December 2016 and 2015, the Group's liabilities for past service were fully funded.

The pensions plan is non-contributory and independent of social security, and is funded by the Group's pension fund.

Given the current level of funding of the obligation, it is unlikely that it will be necessary to make contributions in the next year.

The Group's defined benefit pension funds have the following average duration:

Fidelidade – Companhia de Seguros, S.A.:	
Fidelidade Pension Fund	8.73 years
Mundial Confiança Pension Fund	7.38 years
Império Bonança Pension Fund	10.02 years
Companhia Portuguesa de Resseguros, S.A. Pension Fund	6 years
Fidelidade Property Europe, S.A. Pension Fund	18 years

At 31 December 2016 and 2015, the number of beneficiaries was as follows:

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

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

(amounts in euros)

	Fidelidade	Others	Total
<b>Balances at 31 December 2014</b>	<b>203,641,129</b>	<b>632,540</b>	<b>204,273,669</b>
Contributions	17,785,176	-	17,785,176
Change in mathematical provisions	(3,466,048)	-	(3,466,048)
Pensions paid	(18,322,837)	(30,209)	(18,353,046)
(Payments)/ Receipts relating to other benefits	(864,970)	-	(864,970)
Net income of pension funds	3,064,692	16,542	3,081,234
<b>Balances at 31 December 2015</b>	<b>201,837,142</b>	<b>618,873</b>	<b>202,456,015</b>
Contributions	18,421,934	-	18,421,934
Change in mathematical provisions	(3,546,435)	-	(3,546,435)
Pensions paid	(18,556,669)	(51,909)	(18,608,578)
(Payments)/ Receipts relating to other benefits	(581,429)	-	(581,429)
Net income of pension funds	3,359,386	5,511	3,364,897
<b>Balances at 31 December 2016</b>	<b>200,933,929</b>	<b>572,475</b>	<b>201,506,404</b>

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

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

(amounts in euros)

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



(amounts in euros)

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

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

(amounts in euros)

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

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

(amounts in euros)

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

(continued)

(amounts in euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
<b>Position at 31</b>									
<b>December 2015</b>	<b>188,157,605</b>	<b>260,025</b>	<b>188,417,630</b>	<b>201,837,142</b>	<b>618,873</b>	<b>202,456,015</b>	<b>13,679,537</b>	<b>358,848</b>	<b>14,038,385</b>
Current services									
expenses	100,714	1,201	101,915	-	-	-	(100,714)	(1,201)	(101,915)
Net defined benefit									
interest	2,885,271	5,624	2,890,895	3,193,061	4,155	3,197,216	307,790	(1,469)	306,321
Normal cost									
for the year	2,985,985	6,825	2,992,810	3,193,061	4,155	3,197,216	207,076	(2,670)	204,406
Increased liabilities									
for early retirements	14,770,494	113,500	14,883,994	-	-	-	(14,770,494)	(113,500)	(14,883,994)
Other changes in the									
income statement	-	-	-	(581,429)	-	(581,429)	(581,429)	-	(581,429)
<b>Changes having an</b>									
<b>impact in the income</b>									
<b>statement (Note 33)</b>	<b>17,756,479</b>	<b>120,325</b>	<b>17,876,804</b>	<b>2,611,632</b>	<b>4,155</b>	<b>2,615,787</b>	<b>(15,144,847)</b>	<b>(116,170)</b>	<b>(15,261,017)</b>
Actuarial gains									
and losses									
return on plan assets,									
not included in									
interest income	-	-	-	166,327	6,618	172,945	166,327	6,618	172,945
resulting from									
changes in financial									
assumptions	5,397,670	3,243	5,400,913	-	(5,262)	(5,262)	(5,397,670)	(8,505)	(5,406,175)
resulting from									
differences between									
assumptions and									
actual amounts	3,193,944	32,962	3,226,906	-	-	-	(3,193,944)	(32,962)	(3,226,906)
<b>Changes with an</b>									
<b>impact on</b>									
<b>shareholders' equity</b>	<b>8,591,614</b>	<b>36,205</b>	<b>8,627,819</b>	<b>166,327</b>	<b>1,356</b>	<b>167,683</b>	<b>(8,425,287)</b>	<b>(34,849)</b>	<b>(8,460,136)</b>
Contributions to the plan									
paid by entity	-	-	-	18,421,936	-	18,421,936	18,421,936	-	18,421,936
Change in									
mathematical									
provisions	(3,546,434)	-	(3,546,434)	(3,546,434)	-	(3,546,434)	-	-	-
Payments made by									
the plan pensions paid	(18,556,674)	(51,909)	(18,608,583)	(18,556,674)	(51,909)	(18,608,583)	-	-	-
<b>Position at 31</b>									
<b>December 2016</b>	<b>192,402,590</b>	<b>364,646</b>	<b>192,767,236</b>	<b>200,933,929</b>	<b>572,475</b>	<b>201,506,404</b>	<b>8,531,339</b>	<b>207,829</b>	<b>8,739,168</b>

## Medical assistance

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

At 31 December 2016 and 2015, these liabilities totalled EUR 23,637,281 and EUR 22,191,389, respectively, and were covered by provisions (Note 25). The actuarial deviations determined at 31 December 2016 and 2015 relating to this benefit amounted to EUR 2,515,019 and EUR 966,083, respectively.

Liabilities for past service with medical assistance were determined on the basis of actuarial studies performed by Fidelidade's life actuarial department, using actuarial assumptions identical to those presented above for liabilities with pensions.

## Sensitivity analysis

At 31 December 2016, the sensitivity of the defined benefit liabilities assumed by Fidelidade, due to significant changes in the assumptions, excluding the liabilities covered by whole life annuities, corresponds to:

Scenarios	2016	A	B	C
<b>Financial Assumptions</b>				
Discount Rate	1.80%	1.55%	2.05%	1.80%
Salary Growth Rate	2.00%	2.00%	2.00%	2.00%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
<b>Demographic Assumptions</b>				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in euros)

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

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

## 35. Income

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

(amounts in euros)

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

(continued)

(amounts in euros)

	2016				2015			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>								
Financial assets held for trading	(1,491,921)	-	-	(1,491,921)	(1,393,936)	-	-	(1,393,936)
Financial assets initially recognised at fair value								
through profit or loss	22,264,680	155,370	-	22,420,050	28,004,652	181,991	-	28,186,643
Available-for-sale investments	174,077,687	9,298,064	-	183,375,751	206,931,597	24,235,683	-	231,167,280
Loans and accounts receivable	3,144,985	-	-	3,144,985	4,225,264	-	-	4,225,264
Sight deposits	119,041	-	-	119,041	179,335	-	-	179,335
	<b>198,114,472</b>	<b>9,453,434</b>	<b>-</b>	<b>207,567,906</b>	<b>237,946,912</b>	<b>24,417,674</b>	<b>-</b>	<b>262,364,586</b>
	<b>248,540,159</b>	<b>10,444,634</b>	<b>21,222</b>	<b>259,006,015</b>	<b>289,472,161</b>	<b>31,486,008</b>	<b>803</b>	<b>320,958,972</b>
<b>Investments allocated to technical provisions for non-life insurance</b>								
Properties	-	-	18,611,018	18,611,018	-	-	18,172,208	18,172,208
Financial assets initially recognised at fair value								
through profit or loss	1,543,336	-	-	1,543,336	1,445,443	41,049	-	1,486,492
Available-for-sale investments	27,013,338	8,988,142	-	36,001,480	30,411,938	11,010,202	-	41,422,140
Loans and accounts receivable	3,042,900	-	-	3,042,900	3,440,232	-	-	3,440,232
Sight deposits	-	-	-	-	10,289	-	-	10,289
	<b>31,599,574</b>	<b>8,988,142</b>	<b>18,611,018</b>	<b>59,198,734</b>	<b>35,307,902</b>	<b>11,051,251</b>	<b>18,172,208</b>	<b>64,531,361</b>
<b>Investments not allocated</b>								
Properties	-	-	72,933,726	72,933,726	-	-	35,468,299	35,468,299
Financial assets held for trading	(460)	-	-	(460)	(1,128)	-	-	(1,128)
Financial assets initially recognised at fair value								
through profit or loss	215	-	-	215	56,160	46,813	-	102,973
Available-for-sale investments	593,222	5,249	-	598,471	4,289,821	1,117,646	-	5,407,467
Loans and accounts receivable	872,489	-	-	872,489	1,315,583	-	-	1,315,583
Sight deposits	(51,350)	-	-	(51,350)	3,720	-	-	3,720
	<b>1,414,116</b>	<b>5,249</b>	<b>72,933,726</b>	<b>74,353,091</b>	<b>5,664,156</b>	<b>1,164,459</b>	<b>35,468,299</b>	<b>42,296,915</b>
	<b>281,553,849</b>	<b>19,438,025</b>	<b>91,565,966</b>	<b>392,557,840</b>	<b>330,444,219</b>	<b>43,701,718</b>	<b>53,641,310</b>	<b>427,787,248</b>

## 36. Financial Expenses

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

(amounts in euros)

	2016				2015			
	Life technical account	Non-Life technical account	Non-technical account	Total	Life technical account	Non-Life technical account	Non-technical account	Total
Investment Expenses (Note 32)								
Costs allocated	2,693,691	10,333,817	21,087,041	34,114,549	4,112,743	7,105,094	12,625,119	23,842,956
Other Investment expenses	728,156	195,920	81,024	1,005,100	2,396,095	454,030	-	2,850,125
	<b>3,421,847</b>	<b>10,529,737</b>	<b>21,168,065</b>	<b>35,119,649</b>	<b>6,508,838</b>	<b>7,559,124</b>	<b>12,625,119</b>	<b>26,693,081</b>

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

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

(amounts in euros)

	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Available-for-sale investments	31,669,603	(12,469,189)	19,200,414	69,102,039	(3,139,736)	65,962,303
	<b>31,669,603</b>	<b>(12,469,189)</b>	<b>19,200,414</b>	<b>69,102,039</b>	<b>(3,139,736)</b>	<b>65,962,303</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Available-for-sale investments	152,637,370	(15,075,270)	137,562,100	344,052,783	(109,071,621)	234,981,162
Loans and accounts receivable	-	(83,484)	(83,484)	-	-	-
Financial liabilities at amortised cost	342	(148,712,440)	(148,712,098)	108,274	(187,659,915)	(187,551,641)
	<b>152,637,712</b>	<b>(163,871,194)</b>	<b>(11,233,482)</b>	<b>344,161,057</b>	<b>(296,731,536)</b>	<b>47,429,521</b>
	<b>184,307,315</b>	<b>(176,340,383)</b>	<b>7,966,932</b>	<b>413,263,096</b>	<b>(299,871,272)</b>	<b>113,391,824</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Available-for-sale investments	51,567,792	(3,150,128)	48,417,664	57,131,259	(8,340,638)	48,790,621
	<b>51,567,792</b>	<b>(3,150,128)</b>	<b>48,417,664</b>	<b>57,131,259</b>	<b>(8,340,638)</b>	<b>48,790,621</b>
<b>Investments not allocated</b>						
Investments in subsidiaries, associates and joint ventures	-	-	-	-	(1,314,215)	(1,314,215)
Available-for-sale investments	7,811,392	(1,496,133)	6,315,259	4,882,744	(136,190)	4,746,554
	<b>7,811,392</b>	<b>(1,496,133)</b>	<b>6,315,259</b>	<b>4,882,744</b>	<b>(1,450,405)</b>	<b>3,432,339</b>
	<b>243,686,499</b>	<b>(180,986,644)</b>	<b>62,699,855</b>	<b>475,277,099</b>	<b>(309,662,315)</b>	<b>165,614,784</b>

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

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

(amounts in euros)

Realised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	-	(26,311,206)	(26,311,206)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	1,182,238	(525,056)	657,182	-	(17,931)	(17,931)
	<b>1,182,238</b>	<b>(26,836,262)</b>	<b>(25,654,024)</b>	<b>-</b>	<b>(17,931)</b>	<b>(17,931)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	83,278	(74,903,075)	(74,819,797)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	38,470,125	(3,031,295)	35,438,830	6,460,844	(4,720,254)	1,740,590
	<b>38,553,403</b>	<b>(77,934,370)</b>	<b>(39,380,967)</b>	<b>6,460,844</b>	<b>(4,720,254)</b>	<b>1,740,590</b>
	<b>39,735,641</b>	<b>(104,770,632)</b>	<b>(65,034,991)</b>	<b>6,460,844</b>	<b>(4,738,185)</b>	<b>1,722,659</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	-	(13,384,794)	(13,384,794)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	3,079,876	(6,960,452)	(3,880,576)	9,513,605	(77,768)	9,435,837
	<b>3,079,876</b>	<b>(20,345,246)</b>	<b>(17,265,370)</b>	<b>9,513,605</b>	<b>(77,768)</b>	<b>9,435,837</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	-	(9,054,831)	(9,054,831)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	12,292	(19,359)	(7,067)	147,350	(834)	146,516
	<b>12,292</b>	<b>(9,074,190)</b>	<b>(9,061,898)</b>	<b>147,350</b>	<b>(834)</b>	<b>146,516</b>
	<b>42,827,809</b>	<b>(134,190,068)</b>	<b>(91,362,259)</b>	<b>16,121,799</b>	<b>(4,816,787)</b>	<b>11,305,012</b>



(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(98,715,172)	7,962,725	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	1,134,621	(1,915,217)	(780,596)	-	(396,363)	(396,363)
Other	4,594,622	(5,731,919)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>112,407,140</b>	<b>(106,362,308)</b>	<b>6,044,832</b>	<b>10,802,510</b>	<b>(17,676,966)</b>	<b>(6,874,456)</b>
<b>Investments related to contracts considered</b>						
<b>for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,117,079	(233,451,677)	37,665,402	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	9,216,071	(37,080,944)	(27,864,873)	21,824,451	(17,729,182)	4,095,269
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>639,721,988</b>	<b>(628,491,615)</b>	<b>11,230,373</b>	<b>269,346,258</b>	<b>(292,520,064)</b>	<b>(23,173,806)</b>
	<b>752,129,128</b>	<b>(734,853,923)</b>	<b>17,275,205</b>	<b>280,148,768</b>	<b>(310,197,030)</b>	<b>(30,048,262)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,695	(73,444,296)	(3,998,601)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	3,081,121	(6,433,790)	(3,352,669)	3,188,271	(1,374,323)	1,813,948
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,002	(68,266,228)	1,073,774
	<b>202,917,411</b>	<b>(215,212,923)</b>	<b>(12,295,512)</b>	<b>75,439,967</b>	<b>(73,756,293)</b>	<b>1,683,674</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	52,840,589	(47,819,768)	5,020,821	1,630	(4,353)	(2,723)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	43,555	(25,591)	17,964	218,995	(188,953)	30,042
	<b>52,884,144</b>	<b>(47,845,359)</b>	<b>5,038,785</b>	<b>220,625</b>	<b>(193,306)</b>	<b>27,319</b>
	<b>1,007,930,683</b>	<b>(997,912,205)</b>	<b>10,018,478</b>	<b>355,809,360</b>	<b>(384,146,629)</b>	<b>(28,337,269)</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(125,026,378)	(18,348,481)	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	2,316,859	(2,440,273)	(123,414)	-	(414,294)	(414,294)
Other	4,594,622	(5,731,919)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>113,589,378</b>	<b>(133,198,570)</b>	<b>(19,609,192)</b>	<b>10,802,510</b>	<b>(17,694,897)</b>	<b>(6,892,387)</b>
<b>Investments related to contracts considered</b>						
<b>for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,200,357	(308,354,752)	(37,154,395)	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	47,686,196	(40,112,239)	7,573,957	28,285,295	(22,449,436)	5,835,859
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>678,275,391</b>	<b>(706,425,985)</b>	<b>(28,150,594)</b>	<b>275,807,102</b>	<b>(297,240,318)</b>	<b>(21,433,216)</b>
	<b>791,864,769</b>	<b>(839,624,555)</b>	<b>(47,759,786)</b>	<b>286,609,612</b>	<b>(314,935,215)</b>	<b>(28,325,603)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,695	(86,829,090)	(17,383,395)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	6,160,997	(13,394,242)	(7,233,245)	12,701,876	(1,452,091)	11,249,785
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,002	(68,266,228)	1,073,774
	<b>205,997,287</b>	<b>(235,558,169)</b>	<b>(29,560,882)</b>	<b>84,953,572</b>	<b>(73,834,061)</b>	<b>11,119,511</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	52,840,589	(56,874,599)	(4,034,010)	1,630	(4,353)	(2,723)
Financial assets and liabilities initially recognised at fair value						
through profit or loss	55,847	(44,950)	10,897	366,345	(189,787)	176,558
	<b>52,896,436</b>	<b>(56,919,549)</b>	<b>(4,023,113)</b>	<b>367,975</b>	<b>(194,140)</b>	<b>173,835</b>
	<b>1,050,758,492</b>	<b>1,132,102,273</b>	<b>(81,343,781)</b>	<b>371,931,159</b>	<b>(388,963,416)</b>	<b>(17,032,257)</b>

## 39. Exchange Differences

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

(amounts in euros)

	2016	2015
<b>Investments allocated to technical provisions for life insurance</b>		
Financial assets held for trading	(1,735,182)	-
Financial assets initially recognised at fair value through profit or loss	1,446,002	(255,290)
Available-for-sale investments	14,290,983	6,112,499
Loans and accounts receivable	1,544,633	2,262,421
Sight Deposits	(1,256,939)	1,244,251
Others	(44,556)	629
	<b>14,244,941</b>	<b>9,364,510</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>		
Financial assets held for trading	(3,968,620)	-
Financial assets initially recognised at fair value through profit or loss	716,302	12,784,221
Available-for-sale investments	19,590,088	19,367,695
Loans and accounts receivable	946,368	955,274
Sight Deposits	(432,336)	3,048,332
Others	(3,580,468)	107
	<b>13,271,334</b>	<b>36,155,629</b>
	<b>27,516,275</b>	<b>45,520,139</b>
<b>Investments allocated to technical provisions for non-life insurance</b>		
Financial assets held for trading	(1,096,369)	-
Financial assets initially recognised at fair value through profit or loss	5,318,983	2,738,194
Available-for-sale investments	559,538	4,198,551
Loans and accounts receivable	3,247,659	1,580,987
Sight Deposits	4,586,154	(155,357)
Others	(1,315,727)	411
	<b>11,300,238</b>	<b>8,362,786</b>
<b>Investments not allocated</b>		
Financial assets held for trading	(147,686)	-
Financial assets initially recognised at fair value through profit or loss	(1,332)	146,797
Available-for-sale investments	(603)	(1,737,982)
Loans and accounts receivable	(731,132)	-
Sight Deposits	3,225,960	(7,967,969)
Others	2	41
	<b>2,345,209</b>	<b>(9,559,113)</b>
	<b>41,161,722</b>	<b>44,323,812</b>

## 40. Net Income on the Sale of Non-Financial Assets which have not been Recognised as Non-Current Assets Held for Sale and Discontinued Operations

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

(amounts in euros)

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

(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net (Note 10)	Gains	Losses	Net (Note 10)
<b>Investments allocated to technical provisions for non-life insurance</b>						
Investment properties	21,220,121	(8,796,229)	12,423,892	34,224,307	(15,757,828)	18,466,479
	<b>21,220,121</b>	<b>(8,796,229)</b>	<b>12,423,892</b>	<b>34,224,307</b>	<b>(15,757,828)</b>	<b>18,466,479</b>
<b>Investments not allocated</b>						
Investment properties	59,891,204	(18,213,617)	41,677,587	25,801,335	(8,049,073)	17,752,262
	59,891,204	(18,213,617)	41,677,587	25,801,335	(8,049,073)	17,752,262
	<b>81,111,325</b>	<b>(27,009,846)</b>	<b>54,101,479</b>	<b>60,025,642</b>	<b>(23,806,901)</b>	<b>36,218,741</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	-	-	-	3,496	-	3,496
Investment properties	21,275,614	(8,858,871)	12,416,743	35,699,217	(15,757,828)	19,941,389
	<b>21,275,614</b>	<b>(8,858,871)</b>	<b>12,416,743</b>	<b>35,702,713</b>	<b>(15,757,828)</b>	<b>19,944,885</b>
<b>Investments not allocated</b>						
Investment properties	84,917,743	(18,213,617)	66,704,126	26,391,335	(8,049,073)	18,342,262
Investments in associates and joint ventures	-	-	-	12,319,429	-	12,319,429
	<b>84,917,743</b>	<b>(18,213,617)</b>	<b>66,704,126</b>	<b>38,710,764</b>	<b>(8,049,073)</b>	<b>30,661,691</b>
	<b>106,193,357</b>	<b>(27,072,488)</b>	<b>79,120,869</b>	<b>74,413,477</b>	<b>(23,806,901)</b>	<b>50,606,576</b>

## 41. Impairment Losses (Net of Reversals)

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

(amounts in euros)

	2016					Closing balance
	Opening balance	Increases	Recoveries and cancellations	Use	Others	
Impairment of available-for-sale investments (Note 8)						
Debt instruments	118,739,319	46,024,868	(8,103,178)	-	-	156,661,009
Equity instruments	149,669,620	143,828,125	-	(6,962,591)	-	286,535,154
Other instruments	62,825,937	3,969,378	-	(19,239,765)	-	47,555,550
Impairment of loans and accounts receivable (Note 9)	1,438,615	141,117	(340,768)	-	-	1,238,964
Impairment of property for own use (Note 10)	11,129,770	2,676,291	(362,670)	(2,205,975)	-	11,237,416
Impairment of inventories (Note 13)	3,343	79,479	(18,269)	-	-	64,553
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	14,320,358	3,557,720	-	(768,579)	-	17,109,499
Value adjustments - IFAP (Note 17)	424,635	59,498	-	-	-	484,133
Adjustments for doubtful debts (Note 17)	44,584,989	-	(3,973,364)	(33,219)	1,191,493	41,769,899
	<b>404,093,587</b>	<b>200,336,476</b>	<b>(12,798,249)</b>	<b>(29,210,129)</b>	<b>1,191,493</b>	<b>563,613,178</b>

(amounts in euros)

	2015					Closing balance
	Opening balance	Increases	Recoveries and cancellations	Use		
Impairment of available-for-sale investments (Note 8)						
Debt instruments	47,930,890	70,808,429	-	-	-	118,739,319
Equity instruments	55,121,491	148,643,747	-	(54,095,618)	-	149,669,620
Other instruments	71,547,423	4,082,354	-	(12,803,840)	-	62,825,937
Impairment of loans and accounts receivable (Note 9)	2,589,054	-	(496,540)	(653,899)	-	1,438,615
Impairment of property for own use (Note 10)	11,834,376	2,680,677	(1,410,390)	(1,974,893)	-	11,129,770
Impairment of inventories (Note 13)	3,507	-	(164)	-	-	3,343
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	13,272,359	1,660,898	-	(612,899)	-	14,320,358
Value adjustments - IFAP (Note 17)	650,826	-	(226,191)	-	-	424,635
Adjustments for doubtful debts (Note 17)	80,781,173	-	(34,398,931)	(1,797,253)	-	44,584,989
	<b>284,688,100</b>	<b>227,876,105</b>	<b>(36,532,216)</b>	<b>(71,938,402)</b>		<b>404,093,587</b>

In 2016 and 2015, the account heading "Impairment losses (net of reversals)" included uses and allocations of "Other provisions" (Note 25), of EUR 6,663,078 and EUR 6,453,883, respectively.

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

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

(amounts in euros)

	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
<b>Related to life insurance</b>						
Co-insurance management commissions	12,610	( 21,730 )	( 9,120 )	15,513	( 19,710 )	( 4,197 )
Pension fund management commissions	516,728	-	516,727	534,654	-	534,654
Other	21,047	( 4,900 )	16,147	13,183	( 10,954 )	2,229
	<b>550,385</b>	<b>( 26,630 )</b>	<b>523,754</b>	<b>563,350</b>	<b>( 30,664 )</b>	<b>532,686</b>
<b>Related to non-life insurance</b>						
Co-insurance management commissions	721,084	( 235,923 )	485,161	837,706	( 432,272 )	405,434
Other	482,721	( 35,789 )	446,932	1,279,688	( 425,172 )	854,516
	<b>1,203,805</b>	<b>( 271,712 )</b>	<b>932,093</b>	<b>2,117,394</b>	<b>( 857,444 )</b>	<b>1,259,950</b>
	<b>1,754,190</b>	<b>( 298,342 )</b>	<b>1,455,847</b>	<b>2,680,744</b>	<b>( 888,108 )</b>	<b>1,792,636</b>

## 43. Other Income/Expenses

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

(amounts in euros)

	2016	2015
<b>Non-current income and gains</b>		
Tax rebates	419,503	4,840,324
Other	2,098,760	1,031,058
	<b>2,518,263</b>	<b>5,871,382</b>
<b>Financial income and gains</b>		
Interest obtained	307,736	396,321
Exchange rate gains	30,649,763	5,915,895
Cash discounts	770,643	442,392
Other	887,502	129,760
	<b>32,615,644</b>	<b>6,884,368</b>
<b>Income from other assets</b>		
Gains on other tangible assets	168,631	110,033
	<b>168,631</b>	<b>110,033</b>

(continued)

(amounts in euros)

	2016	2015
<b>Gains with pensions plans</b>		
Pension funds management fees (Macao Branch Life)	13,388	12,657
	<b>13,388</b>	<b>12,657</b>
<b>Other non-technical income</b>		
Adjustments to balances	101,444	228,707
Provisions of services	418,560,949	403,142,481
	<b>418,662,393</b>	<b>403,371,188</b>
<b>Non-current expenses and losses</b>		
Donations	(163,345)	(140,738)
Sponsorship	(646,667)	(512,587)
Gifts to clients	(49,731)	(114,924)
Fines and penalties	(50,947)	(33,434)
Miscellaneous contributions	(206,191)	(167,387)
Insufficient tax estimate	(3,221,601)	(2,110,680)
Corrections to previous years	(507,896)	(53,531)
Bad debts	(4,357,474)	(1,721,811)
Adjustments to balances	(534,415)	54,559
Other	(1,359,367)	(1,055,136)
	<b>(11,097,634)</b>	<b>(5,855,669)</b>
<b>Financial expenses and losses</b>		
Interest paid	(26,395)	75,096
Exchange rate losses	(34,749,247)	(5,471,820)
Banking services	(525,432)	(986,498)
Other	(2,832,642)	(800,113)
	<b>(38,133,716)</b>	<b>(7,183,335)</b>
<b>Losses in other assets</b>		
Losses in other intangible assets	-	(9,361)
Losses in other tangible assets	(203,016)	(109,903)
	<b>(203,016)</b>	<b>(119,264)</b>
<b>Other non-technical expenses</b>		
Allocation of non-technical expenses (Note 32)		
Employee costs	(112,020,247)	(104,010,721)
External supplies and services	(179,404,916)	(176,206,931)
Depreciation for the year	(25,118,063)	(25,005,887)
Interest	(4,328,174)	(5,999,432)
Other	(1,680,473)	(3,929,649)
	<b>(322,551,873)</b>	<b>(315,152,620)</b>
<b>Cost of goods sold</b>	<b>(72,147,600)</b>	<b>(67,767,749)</b>
	<b>9,844,480</b>	<b>20,170,991</b>

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

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

(amounts in euros)

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

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



## 45. Segment Reporting

The Group presents operating segments based on management information produced internally. An operating segment is an identifiable component of the Group which is engaged in supplying a product or individual service or a set of related products and services within a specific economic environment and which is subject to risks and benefits which can be differentiated from others which operate in different economic environments.

For the purpose of business segment reporting, the Group has named two segments: "Health" and "Insurer". In the insurer sector it has chosen the following sub-segments:

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

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

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

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

2016

(amounts in euros)

	Insurance Segment			Health segment	Consolidation adjustments	Total
	Life	Non-Life	Not allocated			
<b>Gains and losses</b>						
Earned premiums net of reinsurance	320,974,184	817,100,569	-	-	266,829	1,138,341,582
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,551,811	-	-	-	-	2,551,811
Claims costs, net of reinsurance	(257,103,250)	(597,048,635)	-	(39,643,456)	64,892,783	(828,902,558)
Other technical provisions, net of reinsurance	2,122,570	10,131,088	-	-	-	12,253,658
Mathematical provision for life insurance and profit sharing, net of reinsurance	(13,935,835)	(29,784)	-	-	-	(13,965,619)
Operating costs and expenses, net	(87,487,586)	(252,390,526)	(88,476)	-	997,301	(338,969,287)
Financial income	260,301,479	59,374,613	86,317,579	4,070	(13,439,901)	392,557,840
Financial expenses and net income on financial assets and liabilities	(15,907,021)	37,589,358	52,395,239	(604,122)	(6,954,438)	66,519,016
Impairment losses (net of reversals)	(143,004,673)	(43,238,572)	(61,471,811)	(440,753)	67,280,660	(180,875,149)
Other income/expenses and negative goodwill	593,540	27,079,099	(3,589,510)	59,568,184	(53,798,639)	29,852,674
Current income tax	(13,243,303)	(28,643,354)	(19,536,921)	(4,371,062)	(817,338)	(66,611,978)
Non-controlling interests	-	-	-	402,649	(2,046,274)	(1,643,625)
	<b>55,861,916</b>	<b>29,923,857</b>	<b>54,026,100</b>	<b>14,915,510</b>	<b>56,380,983</b>	<b>211,108,365</b>
<b>Assets</b>						
Cash and cash equivalents and sight deposits	438,013,760	36,425,206	448,604,617	41,089,142	-	964,132,725
Investments in associates and joint ventures	1,590,118,809	208,572,198	1,585,914,419	335,036	(3,267,933,645)	117,006,817
Financial assets held for trading	6,481,688	1,288,680	36,195,704	-	(36,195,704)	7,770,368
Financial assets initially recognised at fair value through profit or loss	586,662,909	79,363,627	316,814	-	-	666,343,350
Hedge derivatives	2,606,399	2,064,457	-	-	18,097,852	22,768,708
Available-for-sale assets	7,708,512,149	1,414,236,694	145,590,990	224,987	(128,771,152)	9,139,793,668
Loans and accounts receivable	649,775,761	265,162,186	366,146,832	687,397	(270,601,486)	1,011,170,690
Properties	2,450,551	362,412,959	1,525,508,742	296,112,133	(212,880)	2,186,271,505
Other tangible and intangible assets	5,600,168	24,057,173	694,542	48,968,252	-	79,320,135
Goodwill	-	-	-	110,506,459	268,954,677	379,461,136
Technical provisions for reinsurance ceded	21,432,659	258,396,697	-	-	(9,266,124)	270,563,232
Asset for post-employment and other long-term benefits	-	-	8,739,168	-	-	8,739,168
Other debtors for insurance and other operations	167,501,577	189,920,701	231,350,160	111,466,695	95,077,865	795,316,998
Tax assets	184,687,511	192,272,650	113,910,416	8,905,286	16,089,907	515,865,770
Accruals and deferrals	14,540,685	5,264,014	5,451,919	43,481,869	(1,817,680)	66,920,807
	<b>11,378,384,626</b>	<b>3,039,437,242</b>	<b>4,468,424,323</b>	<b>661,777,256</b>	<b>(3,316,578,370)</b>	<b>16,231,445,077</b>
<b>Liabilities</b>						
Provision for unearned premiums	1,567,237	293,132,562	-	-	(2,876,114)	291,823,685
Mathematical provision for life insurance	1,648,505,455	-	-	-	-	1,648,505,455
Claims provision	121,052,056	1,620,864,773	-	-	(13,469,219)	1,728,447,610
Provision for profit sharing	68,711,511	314	-	-	-	68,711,825
Provision for interest rate commitments	7,025,239	-	-	-	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	-	-	21,750,883
Equalisation provision	-	24,056,289	-	-	-	24,056,289
Provision for unexpired risks	-	49,238,127	-	-	-	49,238,127
Financial liabilities	8,316,314,310	116,190,923	362,280,512	254,112,420	(18,840,406)	9,030,057,759
Liabilities for post-employment and other long-term benefits	-	1,345	72,273	-	-	73,618
Other creditors for insurance and other operations	50,686,746	127,743,812	587,506,464	48,082,455	(169,871,740)	644,147,737
Tax liabilities	60,776,502	111,335,477	118,488,090	24,861,346	14,560,494	330,021,909
Accruals and deferrals	32,932,737	50,761,867	20,035,918	54,922,074	(318,771)	158,333,825
Other provisions	-	71,382,955	60,232,075	8,427,083	-	140,042,113
	<b>10,329,322,676</b>	<b>2,464,708,444</b>	<b>1,148,615,332</b>	<b>390,405,378</b>	<b>(190,815,756)</b>	<b>14,142,236,074</b>
<b>Total segments</b>						<b>1,878,100,638</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>1,878,100,638</b>

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

	Non-Life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Others	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	154,680,930	22,200,791	162,788,443	429,167,270	7,975,829	24,355,326	15,931,980	817,100,569
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(159,719,458)	(16,038,520)	(75,353,291)	(330,808,903)	(1,988,701)	(10,601,640)	(2,538,121)	(597,048,635)
Other technical provisions, net of reinsurance	8,830,841	3,669,909	(1,195,370)	(2,001,889)	38,842	624,791	163,964	10,131,088
Mathematical provision for life insurance and profit sharing, net of reinsurance	(12,375)	(7,284)	(12,792)	(1,619)	-	7,656	(3,370)	(29,784)
Operating costs and expenses, net	(36,403,737)	(6,142,308)	(65,730,973)	(125,943,720)	(2,267,519)	(10,684,351)	(5,217,917)	(252,390,526)
Financial income	20,750,969	3,516,453	9,104,145	21,160,859	550,467	3,660,382	631,338	59,374,613
Financial expenses and net income on financial assets and liabilities	(238,598)	3,186,809	9,427,759	21,131,442	614,687	4,015,238	(547,979)	37,589,358
Impairment losses (net of reversals)	(10,674,800)	(3,142,778)	(6,692,649)	(19,348,346)	(273,962)	(2,796,491)	(309,546)	(43,238,572)
Other income/expenses and negative goodwill	243,145	158,891	2,353,649	24,338,192	(585)	2,752	(16,945)	27,079,099
Current income tax	(1,092,890)	(2,580,611)	(9,940,949)	(10,441,545)	(743,560)	(1,931,264)	(1,912,535)	(28,643,354)
Non-controlling interests	-	-	-	-	-	-	-	-
	<b>(23,635,973)</b>	<b>4,821,352</b>	<b>24,747,972</b>	<b>7,251,741</b>	<b>3,905,498</b>	<b>6,652,399</b>	<b>6,180,869</b>	<b>29,923,857</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	5,442,282	5,908,252	6,412,302	16,540,975	146,227	1,322,462	652,706	36,425,206
Investments in associates and joint ventures	96,321,852	8,039,931	22,604,707	68,890,446	1,081,673	9,772,064	1,861,525	208,572,198
Financial assets held for trading	802,035	32,287	113,882	284,400	4,477	43,941	7,658	1,288,680
Financial assets initially recognised at fair value through profit or loss	48,101,219	2,213,326	6,349,164	19,172,115	298,503	2,715,844	513,456	79,363,627
Hedge derivatives	-	147,868	415,740	1,266,993	19,894	179,725	34,237	2,064,457
Available-for-sale assets	671,418,523	46,550,370	155,011,662	460,451,755	6,372,217	60,707,405	13,724,762	1,414,236,694
Loans and accounts receivable	50,964,920	22,311,671	48,521,996	118,629,246	1,537,016	14,672,270	8,525,067	265,162,186
Properties	87,613,490	18,831,856	54,126,846	172,008,275	2,854,991	24,150,974	2,826,527	362,412,959
Other tangible and intangible assets	2,714,887	2,289,263	4,958,191	11,563,737	137,367	1,194,478	1,199,250	24,057,173
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	1,805,621	71,803,087	115,575,045	29,407,559	4,344,920	19,564,305	15,896,160	258,396,697
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	31,223,136	36,707,416	56,588,146	45,391,340	9,346,841	6,543,381	4,120,441	189,920,701
Tax assets	58,060,628	11,303,691	37,407,688	66,625,353	2,406,615	10,157,643	6,311,032	192,272,650
Accruals and deferrals	385,330	515,534	677,136	3,438,939	17,187	107,091	122,797	5,264,014
	<b>1,054,853,923</b>	<b>226,654,552</b>	<b>508,762,505</b>	<b>1,013,671,133</b>	<b>28,567,928</b>	<b>151,131,583</b>	<b>55,795,618</b>	<b>3,039,437,242</b>
<b>Liabilities</b>								
Provision for unearned premiums	11,854,408	29,425,652	84,747,149	148,928,971	1,617,922	8,981,931	7,576,529	293,132,562
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	801,563,413	52,561,984	156,141,980	476,177,896	9,608,886	102,869,169	21,941,445	1,620,864,773
Provision for profit sharing	-	-	-	-	-	-	314	314
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	23,948,910	45,698	-	61,681	-	24,056,289
Provision for unexpired risks	16,283,252	-	2,843,901	29,587,736	444	411,465	111,329	49,238,127
Financial liabilities	1,451,213	69,592,526	21,338,668	5,906,289	1,156,657	1,694,377	15,051,193	116,190,923
Liabilities for post-employment and other long-term benefits	-	-	-	1,345	-	-	-	1,345
Other creditors for insurance and other operations	12,507,282	34,707,069	28,737,845	28,291,036	11,507,086	7,653,830	4,339,664	127,743,812
Tax liabilities	55,166,112	4,539,768	13,916,646	32,737,605	501,090	3,471,329	1,002,927	111,335,477
Accruals and deferrals	7,675,522	4,651,694	11,743,332	22,541,201	475,558	1,955,496	1,719,064	50,761,867
Other provisions	71,226,740	-	-	156,215	-	-	-	71,382,955
	<b>977,727,942</b>	<b>195,478,693</b>	<b>343,418,431</b>	<b>744,373,992</b>	<b>24,867,643</b>	<b>127,099,278</b>	<b>51,742,465</b>	<b>2,464,708,444</b>

	Insurance Segment			Health segment	Consolidation adjustments	Total
	Life	Non-Life	Not allocated			
<b>Gains and losses</b>						
Earned premiums net of reinsurance	281,906,576	770,314,722	-	-	186,286	1,052,407,584
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,306,164	-	-	-	-	2,306,164
Claims costs, net of reinsurance	(281,323,067)	(572,543,052)	(16,710)	(22,644,276)	50,340,788	(826,186,316)
Other technical provisions, net of reinsurance	1,058,216	(3,651,493)	-	-	-	(2,593,277)
Mathematical provision for life insurance and profit sharing, net of reinsurance	5,941,591	19,374	-	-	-	5,960,965
Operating costs and expenses, net	(93,399,062)	(250,631,801)	(119,077)	-	1,192,045	(342,957,895)
Financial income	321,691,444	63,669,344	47,982,581	276,723	(5,832,843)	427,787,248
Financial expenses and net income on financial assets and liabilities	124,076,459	88,051,463	2,489,101	532	2,202,279	216,819,834
Impairment losses (net of reversals)	(177,161,417)	(45,068,546)	24,932,849	(134,539)	12,541,649	(184,890,004)
Other income/expenses and negative goodwill	458,319	24,307,411	10,543,174	49,315,748	(60,746,909)	23,877,743
Current income tax	(37,594,504)	(38,586,995)	(3,198,263)	(7,010,990)	(32,835)	(86,423,587)
Non-controlling interests	-	-	-	(187,162)	365,593	178,431
	<b>147,960,719</b>	<b>35,880,427</b>	<b>82,613,655</b>	<b>19,616,036</b>	<b>216,053</b>	<b>286,286,890</b>
<b>Assets</b>						
Cash and cash equivalents and sight deposits	1,317,949,712	176,992,745	513,933,098	28,526,837	-	2,037,402,392
Investments in associates and joint ventures	1,005,714,678	191,192,831	768,306,360	296,063	(1,895,408,291)	70,101,641
Financial assets held for trading	957,920	-	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	822,588,087	64,983,409	675,983	-	-	888,247,479
Hedge derivatives	1,285,939	-	-	-	-	1,285,939
Available-for-sale assets	7,194,153,872	1,312,479,352	228,436,316	125,611	(122,970,879)	8,612,224,272
Loans and accounts receivable	586,887,015	74,812,751	105,924,695	919,397	(91,582,963)	676,960,894
Properties	146,070	353,753,246	870,265,634	263,614,970	(242,393)	1,487,537,527
Other tangible and intangible assets	6,069,529	25,286,689	724,942	37,705,464	-	69,786,624
Goodwill	-	-	-	94,481,384	267,337,723	361,819,107
Technical provisions for reinsurance ceded	22,961,900	234,783,222	-	-	(5,314,694)	252,430,428
Asset for post-employment and other long-term benefits	-	-	14,038,385	-	-	14,038,385
Other debtors for insurance and other operations	34,741,900	147,871,436	239,129,749	89,637,392	(164,568,035)	346,812,442
Tax assets	141,613,941	83,049,025	43,908,816	6,670,714	(1,042,466)	274,200,030
Accruals and deferrals	13,180,811	3,156,163	5,597,911	51,008,384	(62,015)	72,881,254
	<b>11,148,251,373</b>	<b>2,668,360,869</b>	<b>2,790,941,888</b>	<b>572,986,216</b>	<b>(2,013,854,013)</b>	<b>15,166,686,334</b>
<b>Liabilities</b>						
Provision for unearned premiums	1,796,858	278,207,287	-	-	(1,177,961)	278,826,184
Mathematical provision for life insurance	1,632,994,332	-	-	-	-	1,632,994,332
Claims provision	124,623,115	1,628,955,372	-	-	(10,292,460)	1,743,286,027
Provision for profit sharing	68,763,676	1,764	-	-	-	68,765,440
Provision for interest rate commitments	5,626,534	-	-	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	-	-	25,272,158
Equalisation provision	-	22,471,715	-	-	-	22,471,715
Provision for unexpired risks	-	60,942,866	-	-	-	60,942,866
Financial liabilities	8,100,730,635	106,702,179	139,371,474	216,887,450	(1,009,871)	8,562,681,867
Liabilities for post-employment and other long-term benefits	-	2,756	90,121	-	-	92,877
Other creditors for insurance and other operations	33,860,134	127,323,433	329,303,602	42,009,106	(249,530,881)	282,965,394
Tax liabilities	100,895,593	69,726,545	28,386,624	20,141,947	(5,918,430)	213,232,279
Accruals and deferrals	31,498,812	46,619,378	29,677,765	50,912,759	(1,483,845)	157,224,869
Other provisions	-	69,611,724	109,966,842	7,594,357	-	187,172,923
	<b>10,126,061,847</b>	<b>2,410,565,019</b>	<b>636,796,428</b>	<b>337,545,619</b>	<b>(269,413,448)</b>	<b>13,241,555,465</b>
<b>Total segments</b>						<b>1,638,843,978</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>						<b>1,638,843,978</b>

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	182,532,643	99,373,933	-	281,906,576
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	2,306,164	2,306,164
Claims costs, net of reinsurance	(92,944,382)	(188,378,685)	-	(281,323,067)
Other technical provisions, net of reinsurance	(770,000)	1,828,216	-	1,058,216
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,552,689)	14,494,280	-	5,941,591
Operating costs and expenses, net	(29,285,635)	(9,623,678)	(54,489,749)	(93,399,062)
Financial income	9,852,082	48,742,304	263,097,058	321,691,444
Financial expenses and net income on financial assets and liabilities	38,850,491	27,700,969	57,524,999	124,076,459
Impairment losses (net of reversals)	(3,825,264)	(4,832,066)	(168,504,087)	(177,161,417)
Other income/expenses and negative goodwill	532,328	(73,739)	(270)	458,319
Current income tax	(17,331,697)	(144,456)	(20,118,351)	(37,594,504)
Non-controlling interests	-	-	-	-
	<b>79,057,877</b>	<b>(10,912,921)</b>	<b>79,815,764</b>	<b>147,960,719</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	33,064,995	120,261,980	1,164,622,737	1,317,949,712
Investments in associates and joint ventures	34,731,423	-	970,983,255	1,005,714,678
Financial assets held for trading	642,969	-	314,951	957,920
Financial assets initially recognised at fair value through profit or loss	23,342,557	10,246,641	788,998,889	822,588,087
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale assets	247,130,212	1,267,848,329	5,679,175,331	7,194,153,872
Loans and accounts receivable	67,696,430	271,359,847	247,830,738	586,887,015
Properties	13,217	132,853	-	146,070
Other tangible and intangible assets	2,514,790	944,051	2,610,688	6,069,529
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	22,961,900	-	-	22,961,900
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	6,668,964	2,698,110	25,374,826	34,741,900
Tax assets	15,062,144	1,744,264	124,807,533	141,613,941
Accruals and deferrals	251,679	310,808	12,618,324	13,180,811
	<b>454,081,280</b>	<b>1,675,546,882</b>	<b>9,018,623,211</b>	<b>11,148,251,373</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,784,898	11,960	-	1,796,858
Mathematical provision for life insurance	210,730,919	1,422,263,413	-	1,632,994,332
Claims provision	104,465,270	20,157,845	-	124,623,115
Provision for profit sharing	30,884,520	37,879,156	-	68,763,676
Provision for interest rate commitments	-	5,626,534	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	25,272,158
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	5,050,621	2,672,231	8,093,007,783	8,100,730,635
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	9,737,364	7,593,114	16,529,656	33,860,134
Tax liabilities	11,224,355	3,185,654	86,485,584	100,895,593
Accruals and deferrals	4,334,832	2,743,109	24,420,871	31,498,812
Other provisions	-	-	-	-
	<b>403,484,937</b>	<b>1,502,133,016</b>	<b>8,220,443,894</b>	<b>10,126,061,847</b>

	Non-Life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Others	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	135,538,433	16,201,043	160,727,156	408,368,610	6,887,709	23,418,529	19,173,241	770,314,722
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(152,069,355)	(17,714,618)	(77,517,915)	(300,710,078)	(3,315,959)	(5,674,406)	(15,540,721)	(572,543,052)
Other technical provisions, net of reinsurance	(1,836,881)	(241,523)	281,959	(1,245,218)	(34,373)	(460,945)	(114,512)	(3,651,493)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,177)	(3,729)	(10,742)	(2,470)	-	(8,094)	52,586	19,374
Operating costs and expenses, net	(34,740,326)	(10,248,321)	(65,411,054)	(118,854,693)	(2,384,941)	(9,778,317)	(9,214,149)	(250,631,801)
Financial income	24,293,264	2,797,583	7,652,905	22,718,016	1,398,437	4,017,304	791,835	63,669,344
Financial expenses and net income on financial assets and liabilities	33,818,709	2,632,800	11,101,477	31,369,346	2,175,636	5,924,708	1,028,787	88,051,463
Impairment losses (net of reversals)	(17,584,020)	(1,826,748)	(5,830,518)	(14,982,690)	(1,138,764)	(3,011,657)	(694,149)	(45,068,546)
Other income/expenses and negative goodwill	274,528	446,062	1,821,914	21,658,970	(3,129)	99,270	9,796	24,307,411
Current income tax	(2,881,170)	(1,488,328)	(11,545,540)	(18,270,581)	(931,218)	(3,068,706)	(401,452)	(38,586,995)
Non-controlling interests	-	-	-	-	-	-	-	-
	<b>(15,194,995)</b>	<b>(9,445,779)</b>	<b>21,269,642</b>	<b>30,049,213</b>	<b>2,653,397</b>	<b>11,457,686</b>	<b>(4,908,738)</b>	<b>35,880,427</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	61,503,323	7,424,088	29,834,506	70,229,250	675,392	5,422,257	1,903,929	176,992,745
Investments in associates and joint ventures	78,942,486	8,313,074	21,140,392	68,881,956	1,371,024	10,156,932	2,386,967	191,192,831
Financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	31,007,686	2,475,583	6,458,379	20,806,576	412,372	3,109,191	713,622	64,983,409
Hedge derivatives	-	-	-	-	-	-	-	-
Available-for-sale assets	612,043,004	48,312,576	133,543,729	432,233,890	8,003,877	62,216,684	16,125,592	1,312,479,352
Loans and accounts receivable	17,543,795	7,109,076	16,138,482	26,491,963	285,792	2,558,827	4,684,816	74,812,751
Properties	86,528,455	18,883,267	46,064,491	170,429,961	3,285,480	24,247,522	4,314,070	353,753,246
Other tangible and intangible assets	2,786,703	2,047,664	5,363,516	12,700,727	168,243	1,118,866	1,100,970	25,286,689
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	1,966,859	72,211,029	93,162,094	26,452,904	6,376,302	24,469,262	10,144,772	234,783,222
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	23,358,065	21,375,988	46,205,413	43,720,864	2,083,746	6,703,177	4,424,183	147,871,436
Tax assets	24,399,614	3,449,175	14,918,760	32,783,534	1,016,205	5,357,830	1,123,907	83,049,025
Accruals and deferrals	340,607	404,620	563,377	1,640,538	18,920	84,408	103,693	3,156,163
	<b>940,420,597</b>	<b>192,006,140</b>	<b>413,393,139</b>	<b>906,372,163</b>	<b>23,697,353</b>	<b>145,444,956</b>	<b>47,026,521</b>	<b>2,668,360,869</b>

(continued)

(amounts in euros)

	Non-Life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Others	
<b>Liabilities</b>								
Provision for unearned premiums	11,322,808	26,502,289	81,107,258	143,130,216	1,789,448	8,123,795	6,231,473	278,207,287
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	794,186,561	51,831,173	138,822,038	500,161,517	12,469,079	108,906,528	22,578,476	1,628,955,372
Provision for profit sharing	-	-	-	-	-	-	1,764	1,764
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	22,372,504	37,530	-	61,681	-	22,471,715
Provision for unexpired risks	25,114,103	3,669,909	3,224,661	27,583,358	39,286	1,036,256	275,293	60,942,866
Financial liabilities	1,946,637	70,524,190	17,801,333	5,217,543	1,461,935	1,219,561	8,530,980	106,702,179
Liabilities for post-employment and other long-term benefits	-	-	-	2,756	-	-	-	2,756
Other creditors for insurance and other operations	14,835,523	26,911,848	35,957,896	28,939,370	2,085,403	7,268,532	11,324,861	127,323,433
Tax liabilities	21,518,806	3,367,407	12,612,579	27,786,648	646,619	2,892,545	901,941	69,726,545
Accruals and deferrals	6,983,286	4,025,193	11,388,263	20,578,790	590,829	1,549,087	1,503,930	46,619,378
Other provisions	69,380,184	-	-	231,540	-	-	-	69,611,724
	<b>945,287,908</b>	<b>186,832,009</b>	<b>323,286,532</b>	<b>753,669,268</b>	<b>19,082,599</b>	<b>131,057,985</b>	<b>51,348,718</b>	<b>2,410,565,019</b>



## Geographical markets

2016

(amounts in euros)

	Geographical segment				Total
	Portugal	Rest of European Union	Rest of World	Consolidation adjustments	
<b>Gains and losses</b>					
Earned premiums net of reinsurance	1,013,770,489	55,810,454	68,493,810	266,829	1,138,341,582
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,508,587	43,224	-	-	2,551,811
Claims costs, net of reinsurance	(822,509,164)	(36,601,325)	(34,684,852)	64,892,783	(828,902,558)
Other technical provisions, net of reinsurance	11,311,969	(598,878)	1,540,567	-	12,253,658
Mathematical provision for life insurance and profit sharing, net of reinsurance	11,559,073	(14,781,367)	(10,743,325)	-	(13,965,619)
Operating costs and expenses, net	(299,217,428)	(17,523,987)	(23,225,173)	997,301	(338,969,287)
Financial income	329,478,645	44,011,861	32,507,235	(13,439,901)	392,557,840
Financial expenses and net income on financial assets and liabilities	24,354,118	18,725,770	30,393,566	(6,954,438)	66,519,016
Impairment losses (net of reversals)	(226,924,416)	(2,643,982)	(18,587,411)	67,280,660	(180,875,149)
Other income/expenses and negative goodwill	73,166,368	8,312,540	2,172,405	(53,798,639)	29,852,674
Current income tax	(35,339,929)	(17,547,595)	(12,907,116)	(817,338)	(66,611,978)
Non-controlling interests	402,649	-	-	(2,046,274)	(1,643,625)
	<b>82,560,961</b>	<b>37,206,715</b>	<b>34,959,706</b>	<b>56,380,983</b>	<b>211,108,365</b>
<b>Assets</b>					
Cash and cash equivalents and sight deposits	593,161,257	117,263,029	253,708,439	-	964,132,725
Investments in associates and joint ventures	2,673,625,085	471,529,100	239,786,277	(3,267,933,645)	117,006,817
Financial assets held for trading	43,824,824	141,248	-	(36,195,704)	7,770,368
Financial assets initially recognised at fair value through profit or loss	660,106,942	6,236,408	-	-	666,343,350
Hedge derivatives	4,670,856	-	-	18,097,852	22,768,708
Available-for-sale assets	8,770,162,341	494,899,518	3,502,961	(128,771,152)	9,139,793,668
Loans and accounts receivable	1,089,210,443	37,696,210	154,865,523	(270,601,486)	1,011,170,690
Properties	964,363,084	689,041,907	533,079,394	(212,880)	2,186,271,505
Other tangible and intangible assets	74,295,644	997,693	4,026,798	-	79,320,135
Goodwill	110,506,459	-	-	268,954,677	379,461,136
Technical provisions for reinsurance ceded	197,126,487	47,937,087	34,765,782	(9,266,124)	270,563,232
Asset for post-employment and other long-term benefits	8,739,168	-	-	-	8,739,168
Other debtors for insurance and other operations	457,993,739	158,153,442	60,796,404	95,077,865	772,021,450
Tax assets	492,825,560	7,685,159	-	15,459,852	515,970,571
Accruals and deferrals	66,994,146	451,578	1,292,763	(1,817,680)	66,920,807
	<b>16,207,606,035</b>	<b>2,032,032,379</b>	<b>1,285,824,341</b>	<b>3,317,208,425</b>	<b>16,208,254,330</b>
<b>Liabilities</b>					
Provision for unearned premiums	257,153,342	12,152,476	25,393,981	(2,876,114)	291,823,685
Mathematical provision for life insurance	1,285,368,204	328,988,118	34,149,133	-	1,648,505,455
Claims provision	1,634,409,358	54,313,413	53,194,058	(13,469,219)	1,728,447,610
Provision for profit sharing	64,798,795	3,872,094	40,936	-	68,711,825
Provision for interest rate commitments	6,799,165	226,074	-	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	-	21,750,883
Equalisation provision	24,013,252	34,137	8,900	-	24,056,289
Provision for unexpired risks	46,612,371	1,392,468	1,233,288	-	49,238,127
Financial liabilities	8,636,164,463	89,377,675	323,356,027	(18,840,406)	9,030,057,759
Liabilities for post-employment and other long-term benefits	73,618	-	-	-	73,618
Other creditors for insurance and other operations	248,999,690	326,770,675	214,953,564	(169,871,740)	620,852,189
Tax liabilities	263,393,104	19,720,582	32,452,530	14,560,494	330,126,710
Accruals and deferrals	141,095,802	13,705,259	3,851,535	(318,771)	158,333,825
Other provisions	138,843,484	114,509	1,084,120	-	140,042,113
	<b>12,769,475,531</b>	<b>850,667,480</b>	<b>689,718,072</b>	<b>(190,815,756)</b>	<b>14,119,045,327</b>
<b>Total Segments</b>					<b>1,878,100,638</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>					<b>1,878,100,638</b>

	Geographical segment				Total
	Portugal	Rest of European Union	Rest of World	Consolidation adjustments	
<b>Gains and losses</b>					
Earned premiums net of reinsurance	930,222,493	61,369,308	60,629,497	186,286	1,052,407,584
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,262,057	44,107	-	-	2,306,164
Claims costs, net of reinsurance	(799,494,960)	(42,502,387)	(34,529,757)	50,340,788	(826,186,316)
Other technical provisions, net of reinsurance	(3,089,074)	611,009	(115,212)	-	(2,593,277)
Mathematical provision for life insurance and profit sharing, net of reinsurance	26,061,952	(15,203,985)	(4,897,002)	-	5,960,965
Operating costs and expenses, net	(303,355,607)	(22,253,769)	(18,540,564)	1,192,045	(342,957,895)
Financial income	394,568,149	21,288,025	17,763,917	(5,832,843)	427,787,248
Financial expenses and net income on financial assets and liabilities	193,209,510	6,773,847	14,634,198	2,202,279	216,819,834
Impairment losses (net of reversals)	(183,544,734)	(12,978,599)	(908,320)	12,541,649	(184,890,004)
Other income/expenses and negative goodwill	73,265,259	869,862	10,489,531	(60,746,909)	23,877,743
Current income tax	(85,778,437)	(127,860)	(484,455)	(32,835)	(86,423,587)
Non-controlling interests	(187,162)	-	-	365,593	178,431
	<b>244,139,446</b>	<b>(2,110,442)</b>	<b>44,041,833</b>	<b>216,053</b>	<b>286,286,890</b>
<b>Assets</b>					
Cash and cash equivalents and sight deposits	1,869,176,763	39,262,800	128,962,829	-	2,037,402,392
Investments in associates and joint ventures	1,829,661,654	43,391,886	92,456,392	(1,895,408,291)	70,101,641
Financial assets held for trading	957,920	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	881,924,574	6,322,905	-	-	888,247,479
Hedge derivatives	1,285,939	-	-	-	1,285,939
Available-for-sale assets	8,302,949,011	428,958,672	3,287,468	(122,970,879)	8,612,224,272
Loans and accounts receivable	574,962,365	120,166,176	73,415,316	(91,582,963)	676,960,894
Properties	871,708,527	321,564,460	294,506,933	(242,393)	1,487,537,527
Other tangible and intangible assets	66,276,488	1,368,479	2,141,657	-	69,786,624
Goodwill	94,481,384	-	-	267,337,723	361,819,107
Technical provisions for reinsurance ceded	187,781,299	33,328,887	36,634,936	(5,314,694)	252,430,428
Asset for post-employment and other long-term benefits	14,038,385	-	-	-	14,038,385
Other debtors for insurance and other operations	240,553,368	143,444,713	142,202,217	(164,568,035)	361,632,263
Tax assets	260,560,491	5,531,766	8,125,046	(1,042,466)	273,174,837
Accruals and deferrals	71,162,938	882,243	898,088	(62,015)	72,881,254
	<b>15,267,481,106</b>	<b>1,144,222,987</b>	<b>782,630,882</b>	<b>2,013,854,013</b>	<b>15,180,480,962</b>
<b>Liabilities</b>					
Provision for unearned premiums	246,002,190	9,369,448	24,632,507	(1,177,961)	278,826,184
Mathematical provision for life insurance	1,295,650,361	314,046,651	23,297,320	-	1,632,994,332
Claims provision	1,663,047,623	37,259,771	53,271,093	(10,292,460)	1,743,286,027
Provision for profit sharing	63,303,686	5,430,473	31,281	-	68,765,440
Provision for interest rate commitments	5,626,534	-	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	-	25,272,158
Equalisation provision	22,455,088	8,003	8,624	-	22,471,715
Provision for unexpired risks	59,630,625	1,045,798	266,443	-	60,942,866
Financial liabilities	8,393,058,553	53,152,013	117,481,172	(1,009,871)	8,562,681,867
Liabilities for post-employment and other long-term benefits	92,877	-	-	-	92,877
Other creditors for insurance and other operations	154,004,233	124,194,406	269,117,458	(249,530,881)	297,785,216
Tax liabilities	197,695,245	5,868,342	14,561,929	(5,918,430)	212,207,086
Accruals and deferrals	130,983,583	24,757,354	2,967,777	(1,483,845)	157,224,869
Other provisions	164,139,707	102,737	22,930,479	-	187,172,923
	<b>2,420,962,463</b>	<b>575,234,996</b>	<b>528,566,083</b>	<b>(269,413,448)</b>	<b>13,255,350,094</b>
<b>Total Segments</b>					<b>1,638,843,978</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>					<b>1,638,843,978</b>

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

## 46. Related Parties

The Fidelidade Group's related parties are deemed to be the subsidiaries and associates of the Fosun Group, and Caixa Geral de Depósitos, S.A. and respective management bodies.

At 31 December 2016 and 2015 the Group's financial statements include the following balances and transactions with related parties, excluding the management bodies:

	(amounts in euros)				
	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)	Multicare - Seguros de Saúde, S.A. (2)	Xingtao Assets Limited (5)	Tom Tailor, GmbH (5)
<b>Assets</b>					
Cash and cash equivalents	-	207,618,958	-	-	-
Investments in associates and joint ventures	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	-	49,920,435	-	-	-
Available-for-sale investments	-	23,728,405	-	302,242,500	30,991,171
Loans and accounts receivable	-	77,301,205	-	-	-
Technical provisions on reinsurance ceded	19,208,417	-	70,376,518	-	-
Accounts receivable for direct insurance operations	-	1,786,052	379,764	-	-
Accounts receivable for other reinsurance operations	128,370	-	-	-	-
Accounts receivable for other operations	23,621	28,366	8,057	-	-
Accruals and deferrals	28	18,497	-	-	-
<b>Liabilities</b>					
Provision for unearned premiums	-	-	-	-	-
Claims provision	-	-	208	-	-
Financial liabilities held for trading	-	7,164,396	-	-	-
Other financial liabilities	-	21,750,000	69,574,312	-	-
Accounts payable for direct insurance operations	-	4,610,738	4,209,184	-	-
Accounts payable for other reinsurance operations	3,003,010	-	6,717,534	-	-
Accounts payable for other operations	4,646	53,731	421,856	-	-
Accruals and deferrals	22,347	16,692,030	47,071	-	-
<b>Gains and Losses</b>					
Gross premiums written	-	-	-	-	-
Reinsurance ceded premiums	(44,735,138)	-	(235,263,030)	-	-
Provision for unearned premiums (change)	-	-	-	-	-
Provision for unearned premiums, reinsurers' share (change)	617,240	-	957,093	-	-
Claims costs, net of reinsurance	1,158	(264,817)	174,616,003	-	-
Operating costs and expenses, net	3,471,165	(45,150,450)	36,898,089	-	-
Financial income	265,662	10,069,856	564,551	21,168,883	-
Financial expenses	(88)	(2,496,331)	(873,696)	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	15,233,596	-	(10,197)	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	294,120	-	-	-
Exchange differences	-	2,348,377	-	-	-
Impairment losses (net of reversals)	-	-	-	-	(10,856,680)
Other income/expenses	(155,659)	(4,436,026)	(389,283)	-	-

(continued)

(amounts in euros)

	HOLDING GAILLON II (5)	BHF (ex. RHJ Internional, SA) (5)	Fidelidade - Serviços de Assistência, S.A. (2)	Peak Reinsurance Company (5)	Audatex Portugal - Peritagens Inf. Deriv. de Acidentes, S.A. (3)
<b>Assets</b>					
Cash and cash equivalents	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	914,394
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-
Available-for-sale investments	149,936,082	-	-	-	-
Loans and accounts receivable	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	148,379	-
Accounts receivable for direct insurance operations	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	68,299	-
Accounts receivable for other operations	-	-	4,422	-	-
Accruals and deferrals	-	-	-	-	-
<b>Liabilities</b>					
Provision for unearned premiums	-	-	-	192,065	-
Claims provision	-	-	135,217	-	-
Financial liabilities held for trading	-	-	-	-	-
Other financial liabilities	-	-	-	604,002	-
Accounts payable for direct insurance operations	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	692,814	-
Accounts payable for other operations	-	-	-	1,913	-
Accruals and deferrals	-	-	-	-	79,267
<b>Gains and Losses</b>					
Gross premiums written	-	-	-	254,596	-
Reinsurance ceded premiums	-	-	-	(6,525,292)	-
Provision for unearned premiums (change)	-	-	-	(192,065)	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-
Claims costs, net of reinsurance	-	-	(7,590,124)	2,102,117	(956,839)
Operating costs and expenses, net	-	-	-	1,132,840	(669)
Financial income	7,731,074	-	-	-	-
Financial expenses	-	-	-	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	11,090,496	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-
Exchange differences	-	-	-	-	-
Impairment losses (net of reversals)	-	-	-	-	-
Other income/expenses	-	-	-	-	-

(continued)

(amounts in euros)

	Genomed - Diagnósticos de Medicina Molecular, S.A. (3)	HL - Sociedade Gestora do Edifício, S.A. (4)	Madison 30 31 JV LLC (4)	Longrun Portugal SGPS, S.A. (1)	Others	TOTAL
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	207,618,958
Investments in associates and joint ventures	305,636	29,400	115,757,387	-	-	117,006,817
Financial assets initially recognised						
at fair value through profit or loss	-	-	-	-	-	49,920,435
Available-for-sale investments	-	-	-	-	-	506,898,158
Loans and accounts receivable	-	-	-	-	30,100	77,331,305
Technical provisions on reinsurance ceded	-	-	-	-	-	89,733,314
Accounts receivable for direct insurance operations	-	-	-	-	-	2,165,816
Accounts receivable for other reinsurance operations	-	-	-	-	-	196,669
Accounts receivable for other operations	-	-	-	10,236,467	101,394	10,402,327
Accruals and deferrals	-	-	-	-	-	18,525
<b>Liabilities</b>						
Provision for unearned premiums	-	-	-	-	-	192,065
Claims provision	-	-	-	-	80,331	215,756
Financial liabilities held for trading	-	-	-	-	-	7,164,396
Other financial liabilities	-	-	-	-	-	91,928,314
Accounts payable for direct insurance operations	-	-	-	-	-	8,819,922
Accounts payable for other reinsurance operations	-	-	-	-	-	10,413,358
Accounts payable for other operations	-	-	-	64,229,223	3,893	64,715,262
Accruals and deferrals	-	-	-	-	-	16,840,715
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	-	-	254,596
Reinsurance ceded premiums	-	-	-	-	-	(286,523,460)
Provision for unearned premiums (change)	-	-	-	-	-	(192,065)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	1,574,333
Claims costs, net of reinsurance	-	-	-	-	(788,876)	167,118,622
Operating costs and expenses, net	-	-	-	-	(307,632)	(3,956,657)
Financial income	-	-	-	-	-	39,800,026
Financial expenses	-	-	-	-	(996)	(3,371,111)
Net income on financial assets and liabilities not recognised						
at fair value through profit or loss	-	-	-	-	-	26,313,895
Net income on financial assets and liabilities recognised						
at fair value through profit or loss	-	-	-	-	-	294,120
Exchange differences	-	-	-	-	-	2,348,377
Impairment losses (net of reversals)	-	-	-	-	-	(10,856,680)
Other income/expenses	-	-	-	149	679,296	(4,301,523)

	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)	Multicare - Seguros de Saúde, S.A. (2)	Xingtao Assets Limited (5)	Tom Tailor, GmbH (5)	Bona Film Group Ltd (5)
<b>Assets</b>						
Cash and cash equivalents	-	1,615,802,355	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Financial assets initially recognised						
at fair value through profit or loss	-	62,366,492	-	-	-	-
Available-for-sale investments	-	487,078,867	-	669,756,750	31,436,281	-
Loans and accounts receivable	-	80,002,273	-	-	-	-
Technical provisions on reinsurance ceded	18,583,907	-	70,831,219	-	-	-
Accounts receivable for direct insurance operations	-	2,598,733	-	-	-	-
Accounts receivable for other reinsurance operations	620,935	-	-	-	-	-
Accounts receivable for other operations	14,318	24,422	41,470	-	-	-
Accruals and deferrals	-	20,533	-	-	-	-
<b>Liabilities</b>						
Claims provision	-	-	168	-	-	-
Other financial liabilities	-	25,500,000	70,563,854	-	-	-
Accounts payable for direct insurance operations	-	5,067,344	2,502,250	-	-	-
Accounts payable for other reinsurance operations	2,221,720	-	4,401,337	-	-	-
Accounts payable for other operations	11,636	76,784,170	450,992	-	-	-
Accruals and deferrals	22,308	13,761,604	46,996	-	-	-
<b>Gains and Losses</b>						
Reinsurance ceded premiums	(42,769,157)	-	(202,309,594)	-	-	-
Provision for unearned premiums, reinsurers' share (change)	1,124,610	-	(2,307,773)	-	-	-
Claims costs, net of reinsurance	8,932	(373,839)	155,491,398	-	-	-
Operating costs and expenses, net	3,492,854	(44,654,298)	28,147,962	-	-	-
Financial income	265,379	22,915,907	563,949	32,085,859	-	-
Financial expenses	(105)	(2,993,804)	(814,513)	-	-	-
Net income on financial assets and liabilities not recognised						
at fair value through profit or loss	-	12,436,869	-	(155,680)	-	58,770,367
Net income on financial assets and liabilities recognised						
at fair value through profit or loss	-	(696,602)	-	-	-	-
Exchange differences	-	1,556,960	-	-	-	8,543,466
Impairment losses (net of reversals)	-	-	-	-	(29,281,498)	-
Other income/expenses	(24,206)	1,029,778	(72,631)	-	-	-

(continued)

(amounts in euros)

	HOLDING GAILLON II (5)	BHF (ex. RHJ International, SA) (5)	Fidelidade - Serviços de Assistência, S.A. (2)	Peak Reinsurance Company (5)	Xsource, ACE (5)	Sogrupu-SI (5)
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Financial assets initially recognised						
at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale investments	142,205,008	66,079,133	-	-	-	-
Loans and accounts receivable	-	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	4,618	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	-	-
Accounts receivable for other operations	-	-	-	-	74,888	71,829
Accruals and deferrals	-	-	-	-	-	-
<b>Liabilities</b>						
Claims provision	-	-	1,226,309	-	-	-
Other financial liabilities	-	-	-	732,222	-	-
Accounts payable for direct insurance operations	-	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	1,681,438	-	-
Accounts payable for other operations	-	-	-	-	39	-
Accruals and deferrals	-	-	-	-	-	-
<b>Gains and Losses</b>						
Reinsurance ceded premiums	-	-	-	(5,015,387)	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	-
Claims costs, net of reinsurance	-	-	(8,765,204)	384,441	51,242	(450,687)
Operating costs and expenses, net	-	-	-	577,679	461,181	(450,813)
Financial income	6,631,484	-	-	-	-	-
Financial expenses	-	-	-	-	-	-
Net income on financial assets and liabilities not recognised						
at fair value through profit or loss	-	-	-	-	-	-
Net income on financial assets and liabilities recognised						
at fair value through profit or loss	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Impairment losses (net of reversals)	-	-	-	-	-	-
Other income/expenses	-	-	-	-	-	-

(continued)

(amounts in euros)

	Audatex Portugal - Peritagens Inf. Deriv. de Acidentes, S.A. (3)	Genomed - Diagnósticos de Medicina Molecular, SA (3)	HL - Sociedade Gestora do Edifício, S.A. (3)	Madison 30 31 JV LLC (4)	Others	TOTAL
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	1,615,802,355
Investments in associates and joint ventures	1,646,055	266,664	29,400	68,159,522	-	70,101,641
Financial assets initially recognised						
at fair value through profit or loss	-	-	-	-	-	62,366,492
Available-for-sale investments	-	-	-	-	-	1,396,556,039
Loans and accounts receivable	-	-	-	-	30,100	80,032,373
Technical provisions on reinsurance ceded	-	-	-	-	-	89,419,744
Accounts receivable for direct insurance operations	-	-	-	-	-	2,598,733
Accounts receivable for other reinsurance operations	-	-	-	-	-	620,935
Accounts receivable for other operations	-	-	-	-	201	227,128
Accruals and deferrals	-	-	-	-	-	20,533
<b>Liabilities</b>						
Claims provision	-	-	-	-	7,122	1,233,599
Other financial liabilities	-	-	-	-	-	96,796,076
Accounts payable for direct insurance operations	-	-	-	-	-	7,569,594
Accounts payable for other reinsurance operations	-	-	-	-	-	8,304,495
Accounts payable for other operations	-	-	-	-	12,158	77,258,995
Accruals and deferrals	85,068	-	-	-	7	13,915,983
<b>Gains and Losses</b>						
Reinsurance ceded premiums	-	-	-	-	-	(250,094,138)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	(1,183,163)
Claims costs, net of reinsurance	(865,394)	-	-	-	(406,169)	145,074,720
Operating costs and expenses, net	(156)	-	-	-	(260,638)	(12,686,229)
Financial income	-	-	-	-	678,359	63,140,937
Financial expenses	-	-	-	-	(2,153)	(3,810,575)
Net income on financial assets and liabilities not recognised						
at fair value through profit or loss	-	-	-	-	-	71,051,556
Net income on financial assets and liabilities recognised						
at fair value through profit or loss	-	-	-	-	-	(696,602)
Exchange differences	-	-	-	-	-	10,100,426
Impairment losses (net of reversals)	-	-	-	-	-	(29,281,498)
Other income/expenses	(14,194)	-	-	-	(845)	917,902

The related parties are divided into the following categories:

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint Ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.



## Payment of remuneration to statutory bodies

The Remuneration Commission is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholders.

The remuneration and benefits paid to the members of the Corporate Bodies during 2016 were as follows:

(amounts in euros)

Board of Directors	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Non-executive members</b>					
<b>Chairman</b>					
Guangchang Guo	-	-	-	-	-
<b>Vice chairman</b>					
João Nuno de Oliveira Jorge Palma	-	-	-	-	-
<b>Members</b>					
Qunbin Wang	-	-	-	-	-
Nuno Maria Pinto de Magalhães Fernandes Thomaz	-	-	-	-	-
Michael Lee	-	-	-	-	-
José Pedro Cabral dos Santos	-	-	-	-	-
Lan Kang	-	-	-	-	-
Xiaoyong Wu	-	-	-	-	-
Lingjiang Xu	-	-	-	827	-

(amounts in euros)

Executive members	Fixed Remuneration	Capitalisation insurance Deferred receipt	Variable Remuneration*	Meal allowance	Health insurance	Life insurance
<b>Vice chairman and chairman of executive committee</b>						
Jorge Manuel Baptista Magalhães Correia	350,000	-	240,000	2,564	1,935	181
<b>Members of executive committee</b>						
António Manuel Marques Sousa Noronha	290,000	-	120,400	2,564	1,853	181
José Manuel Alvarez Quintero	290,000	-	120,400	2,564	2,448	181
Rogério Miguel Antunes Campos Henriques	290,000	-	120,400	2,506	2,961	181
Wai Lam William Mak	290,000	-	120,400	2,574	827	181

(amounts in euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Chairman</b>					
Pedro Antunes de Almeida	42,000	-	-	-	-
<b>Members</b>					
José António da Costa Figueiredo	30,800	-	-	-	-
Luís Manuel Machado Vilhena da Cunha	30,800	-	-	-	-

\*Concerning the financial year 2015

The fees paid to Ernst & Young, SROC, S.A., the Company's Statutory Auditor relating to 2016 totalled EUR 944,202.

## 47. Disclosures Relating to Financial Instruments

### STATEMENTS OF FINANCIAL POSITION

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

(amounts in euros)

	2016		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	964,132,725	964,132,725
Investments in associates and joint ventures	-	117,006,817	117,006,817
Financial assets held for trading	7,770,368	-	7,770,368
Financial assets initially recognised at fair value through profit or loss	666,343,350	-	666,343,350
Hedge derivatives	22,768,708	-	22,768,708
Available-for-sale investments	9,082,842,930	56,950,738	9,139,793,668
Loans and accounts receivable	-	1,011,170,690	1,011,170,690
Other debtors	-	197,159,648	197,159,648
	<b>9,779,725,356</b>	<b>2,346,420,618</b>	<b>12,126,145,974</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	512,977,194	7,780,213,141	8,293,190,335
Financial liabilities held for trading	15,072,639	-	15,072,639
Hedge derivatives	13,469,282	-	13,469,282
Deposits received from reinsurers	-	117,145,067	117,145,067
Other financial liabilities	-	591,180,436	591,180,436
Other creditors	-	144,684,524	144,684,524
	<b>541,519,115</b>	<b>10,037,857,968</b>	<b>10,579,377,083</b>

(amounts in euros)

	2015		Balance sheet value
	Recognised at fair value	'Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	2,037,402,392	2,037,402,392
Investments in associates and joint ventures	-	70,101,641	70,101,641
Financial assets held for trading	957,920	-	957,920
Financial assets initially recognised at fair value through profit or loss	888,247,479	-	888,247,479
Hedge derivatives	1,285,939	-	1,285,939
Available-for-sale investments	8,558,130,000	54,094,272	8,612,224,272
Loans and accounts receivable	-	676,960,894	676,960,894
Other debtors	-	158,031,019	158,031,019
	<b>9,448,621,338</b>	<b>2,996,590,218</b>	<b>12,445,211,556</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,397,217,639	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	573,049,422	7,502,593,808	8,075,643,230
Financial liabilities held for trading	18,448,784	-	18,448,784
Hedge derivatives	4,406,362	-	4,406,362
Deposits received from reinsurers	-	108,263,151	108,263,151
Other financial liabilities	-	355,920,340	355,920,340
Other creditors	-	142,404,040	142,404,040
	<b>595,904,568</b>	<b>9,506,398,978</b>	<b>10,102,303,546</b>

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

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

## GAINS AND LOSSES

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

(amounts in euros)

	2016			2015		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Earned premiums net of reinsurance	132,867,849	-	132,867,849	92,966,534	-	92,966,534
Claims costs , net of reinsurance	(171,989,519)	-	(171,989,519)	(184,533,716)	-	(184,533,716)
Mathematical provision for life insurance, net of reinsurance	4,814,998	-	4,814,998	52,768,910	-	52,768,910
Income from financial instruments						
Assets held for trading	(1,492,381)	-	(1,492,381)	(1,395,064)	-	(1,395,064)
Financial assets at fair value through profit or loss	24,460,945	-	24,460,945	29,849,141	-	29,849,141
Available-for-sale investments	267,052,947	-	267,052,947	329,906,331	-	329,906,331
Loans and accounts receivable	10,875,524	-	10,875,524	15,517,254	-	15,517,254
Sight deposits	94,839	-	94,839	268,277	-	268,277
Net gains from financial assets and liabilities not recognised at fair value through profit or loss						
Available-for-sale investments	211,495,437	(79,899,155)	131,596,282	354,480,640	(307,421,243)	47,059,397
Loans and accounts receivable	(83,484)	-	(83,484)	-	-	-
Financial liabilities at amortised cost	(148,712,098)	-	(148,712,098)	(187,551,641)	-	(187,551,641)
Other	-	-	-	(1,314,215)	-	(1,314,215)
Net gains from financial assets and liabilities recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	(76,920,281)	-	(76,920,281)	(37,314,963)	-	(37,314,963)
Financial assets and liabilities initially recognised at fair value through profit or loss						
Other	228,195	-	228,195	16,847,908	-	16,847,908
Other	(4,651,695)	-	(4,651,695)	3,434,798	-	3,434,798
Exchange differences	41,161,722	-	41,161,722	44,323,812	-	44,323,812
Impairment losses (net of reversals)						
Available-for-sale investments	(185,719,193)	-	(185,719,193)	(223,534,530)	-	(223,534,530)
Loans and accounts receivable at amortised cost	199,651	-	199,651	496,540	-	496,540
Interest from deposits received from reinsurers	(2,387,194)	-	(2,387,194)	(1,279,819)	-	(1,279,819)
	<b>101,296,262</b>	<b>(79,899,155)</b>	<b>21,397,107</b>	<b>303,936,197</b>	<b>(307,421,243)</b>	<b>(3,485,046)</b>

In the years ending on 31 December 2016 and 2015, the income and expenses with interest, calculated according to the effective interest rate method, relating to financial assets and liabilities not recognised at fair value through profit or loss, had the following breakdown:

(amounts in euros)

	2016	2015
<b>Assets</b>		
Available-for-sale investments	247,770,292	286,474,464
Loans and accounts receivable	10,875,524	15,517,254
Sight deposits	94,839	268,277
	<b>258,740,655</b>	<b>302,259,995</b>
<b>Liabilities</b>		
Mathematical provision for life insurance	( 29,945,814 )	( 32,296,814 )
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	( 148,712,098 )	( 187,551,641 )
Deposits received from reinsurers	( 2,387,194 )	( 1,279,819 )
	<b>( 181,045,106 )</b>	<b>( 221,128,274 )</b>

## OTHER DISCLOSURES

### Fair Value of Financial Instruments

At 31 December 2016 and 2015, the method for assessing the fair value of the financial instruments reflected in the Group's financial statements can be summarised as follows:

(amounts in euros)

	2016			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	964,132,725	964,132,725
Investments in associates and joint ventures	-	-	-	117,006,817	117,006,817
Financial assets held for trading	7,770,368	-	-	-	7,770,368
Financial assets initially recognised at fair value through profit or loss	372,148,596	294,124,365	70,389	-	666,343,350
Hedge derivatives	5,726,395	17,042,313	-	-	22,768,708
Available-for-sale investments	6,795,307,746	1,453,461,397	834,073,787	56,950,738	9,139,793,668
Loans and accounts receivable	-	-	-	1,011,170,690	1,011,170,690
Other debtors	-	-	-	197,159,648	197,159,648
	<b>7,180,953,105</b>	<b>1,764,628,075</b>	<b>834,144,176</b>	<b>2,346,420,618</b>	<b>12,126,145,974</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	512,977,194	-	7,780,213,141	8,293,190,335
Financial liabilities held for trading	7,908,244	7,164,395	-	-	15,072,639
Hedge derivatives	8,737,700	4,731,582	-	-	13,469,282
Deposits received from reinsurers	-	-	-	117,145,067	117,145,067
Other financial liabilities	-	-	-	591,180,436	591,180,436
Other creditors	-	-	-	144,684,524	144,684,524
	<b>16,645,944</b>	<b>524,873,171</b>	<b>-</b>	<b>10,037,857,968</b>	<b>10,579,377,083</b>
	<b>7,164,307,161</b>	<b>1,239,754,904</b>	<b>834,144,176</b>	<b>(7,691,437,350)</b>	<b>1,546,768,891</b>

(amounts in euros)

	2015			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	2,037,402,392	2,037,402,392
Investments in associates and joint ventures	-	-	-	70,101,641	70,101,641
Financial assets held for trading	957,920	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	411,966,884	468,352,490	7,928,105	-	888,247,479
Hedge derivatives	1,285,939	-	-	-	1,285,939
Available-for-sale investments	5,198,741,650	1,754,273,838	1,605,114,512	54,094,272	8,612,224,272
Loans and accounts receivable	-	-	-	676,960,894	676,960,894
Other debtors	-	-	-	158,031,019	158,031,019
	<b>5,612,952,393</b>	<b>2,222,626,328</b>	<b>1,613,042,617</b>	<b>2,996,590,218</b>	<b>12,445,211,556</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,397,217,639	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	573,049,422	-	7,502,593,808	8,075,643,230
Financial liabilities held for trading	10,822,796	7,625,988	-	-	18,448,784
Hedge derivatives	4,155,656	250,706	-	-	4,406,362
Deposits received from reinsurers	-	-	-	108,263,151	108,263,151
Other financial liabilities	-	-	-	355,920,340	355,920,340
Other creditors	-	-	-	142,404,040	142,404,040
	<b>14,978,452</b>	<b>580,926,116</b>	<b>-</b>	<b>9,506,398,978</b>	<b>10,102,303,546</b>
	<b>5,597,973,941</b>	<b>1,641,700,212</b>	<b>1,613,042,617</b>	<b>(6,509,808,760)</b>	<b>2,342,908,010</b>

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 – “Fair Value Measurement”, of the financial instruments held by the Group at 31 December 2016 and 2015 which are valued at fair value, in line with the following assumptions:

- Level 1 – Financial instruments valued on the basis of quoted prices in active markets to which the Group has access. Included in this category are securities valued on the basis of executable prices (with immediate liquidity) published by external sources.
- Level 2 – Financial instruments which are valued based on data which is observable, either directly or indirectly, in active markets. Included in this category are securities valued on the basis of bids supplied by external counterparties and internal valuation techniques which only use observable market data.
- Level 3 – All the financial instruments measured at fair value which do not fit within Levels 1 and 2.

The movement in 2015 and 2016 in the financial instruments classified within Level 3 of the fair value hierarchy can be broken down as follows:

(amounts in euros)

	Available-for-sale investments	Financial assets initially recognised at fair value through profit or loss
<b>Balances at 31 December 2014</b>	<b>846,444,783</b>	<b>28,767,190</b>
Acquisitions	153,576,206	-
Revaluations		
as a charge to the income statement	2,538,831	(3,547,812)
as a charge to shareholders' equity	2,851,211	-
Increase / reversal of impairment in the year	8,682,335	-
Transfers from		
from level 2 to level 3	689,243,417	-
Disposals	(98,222,271)	(17,291,273)
<b>Balances at 31 December 2015</b>	<b>1,605,114,512</b>	<b>7,928,105</b>
Acquisitions	1,019,692	-
Revaluations		
as a charge to the income statement	(18,762,342)	200,469
as a charge to shareholders' equity	54,452,144	-
Increase / reversal of impairment in the year	(3,676,512)	-
Transfers from		
level 3 to historical cost	(462,970)	-
Disposals	(803,610,737)	(8,058,185)
<b>Balances at 31 December 2016</b>	<b>834,073,787</b>	<b>70,389</b>

At 31 December 2016 and 2015, the balance sheet value and the fair value of the financial assets valued at amortised cost or at historical cost were as follows:

(amounts in euros)

	2016		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	964,132,725	964,132,725	-
Available-for-sale investments	56,950,738	56,950,738	-
Loans and accounts receivable	1,011,170,690	1,011,170,690	-
Other debtors	197,159,648	197,159,648	-
	<b>2,229,413,801</b>	<b>2,229,413,801</b>	<b>-</b>



(amounts in euros)

	2016		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	2,037,402,392	2,037,402,392	-
Available-for-sale investments	54,094,272	54,094,272	-
Loans and accounts receivable	676,960,894	676,960,894	-
Other debtors	158,031,019	158,031,019	-
	<b>2,926,488,577</b>	<b>2,926,488,577</b>	-

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

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

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

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

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

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

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

- **Identification of the opportunity:** identification, by the team or body with responsibility for assets management, of investment opportunities which fit within the Investments Policy and the guidelines approved by the Investment Committee and which have an appropriate risk-profitability ratio for the Group;
- **Assessment of the opportunity:** the assessment is also performed by the team or body with responsibility for assets management, taking into account both qualitative aspects (e.g. expected trend for a given class of asset, industry or geographical location) and quantitative aspects (e.g. expected return, credit risk);

- **Investment proposal:** the proposal written by the team or body with responsibility for assets management should be submitted for the consideration of the person in charge of taking the respective decision, the head of the Investment Division or the head of Fidelidade Property, according to the delegation of competence, in accordance with the following guidelines:

- a. Operations have to be documented and validated by the person responsible for approving the operation, in a simple format describing the operation, its rationale, amount, date and the signature of the person responsible for the approval. To the extent possible, and so as not to create additional complexity in the investment process, this process should be computerised;

- b. For operations which exceed the delegated authority of the related structural body, an investment proposal should be submitted to the Executive Committee.

- **Performance of the transaction:** if the investment proposal receives a favourable opinion, the body responsible for supervising it should authorise and confirm the completion of the operation, including performance and payment, through the bodies with responsibility for the process;

- **Control:** effective control of the investment should be ensured by the Risk Management Division, which guarantees compliance with the regulations in force and coherence with the levels of risk and return defined by the Group.

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

### 1. Definition of the portfolio objective

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

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

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

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

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

- Treasury: instruments essentially geared to short-term liquidity management;
- Fixed income: medium or long-term debt instruments;
- Variable income: instruments which provide variable gains and which must be quoted on the stock market and are subject to regulation and supervision;
- Real estate: category of investments linked to the real estate market;
- Alternative investments:

- Private Equity: category of investments in private venture capital funds;
- Infrastructures: investment category exclusively for funds with a focus on investment in infrastructures;
- Hedge Funds: category of investments in hedge funds;
- Commodities: investment in assets linked to the evolution of the value of commodities, for example, precious metals or cereals;
- Funds which cannot be allocated to a single class of assets: this category includes funds of funds and funds which cover several classes of assets and for which there is no monthly "look through" of the fund;
- Other similar instruments approved by the Executive Committee.

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

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

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

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

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

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

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

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

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

### Credit risk

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

(amounts in euros)

	2016			2015		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	960,405,785	-	960,405,785	2,033,693,598	-	2,033,693,598
Financial assets initially recognised						
at fair value through profit or loss	649,104,646	-	649,104,646	867,319,403	-	867,319,403
Available-for-sale investments	7,656,770,642	(156,661,009)	7,500,109,633	6,629,980,810	(118,739,319)	6,511,241,491
Loans and accounts receivable	1,012,409,654	(1,238,964)	1,011,170,690	678,399,509	(1,438,615)	676,960,894
Other debtors	231,023,561	(33,863,913)	197,159,648	191,466,527	(33,435,508)	158,031,019
<b>Maximum exposure to credit risk</b>	<b>10,509,714,288</b>	<b>(191,763,886)</b>	<b>10,317,950,402</b>	<b>10,400,859,847</b>	<b>(153,613,442)</b>	<b>10,247,246,405</b>

In 2016 and 2015, the net book value of the available-for-sale investments presented in the table includes shares with credit risk, of EUR 15,915 and EUR 16,675, respectively, which are recognised under the heading "Other Instruments" (Note 8).

## Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2016 and 2015, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in euros)

Class of asset	2016			Total
	Country of origin			
	Portugal	Rest of European Union	Others	
Deposits in credit institutions				
AA- to AA+	-	-	7,972,823	7,972,823
A- to A+	2,401,603	518,496,018	205,237,725	726,135,346
BBB- to BBB+	306,666,981	80,251,303	-	386,918,284
BB- to BB+	161,274,036	47,434,547	-	208,708,583
B- to B+	462,263,698	22,048,823	70,986,804	555,299,325
Not rated	11,331,057	-	18,446,044	29,777,101
	<b>943,937,375</b>	<b>668,230,691</b>	<b>302,643,396</b>	<b>1,914,811,462</b>
Deposits in ceding companies				
Not rated	875,620	-	-	875,620
	875,620	-	-	875,620
<b>Total</b>	<b>944,812,995</b>	<b>668,230,691</b>	<b>302,643,396</b>	<b>1,915,687,082</b>

(amounts in euros)

Class of asset	2015			Total
	Country of origin			
	Portugal	Rest of European Union	Others	
Deposits in credit institutions				
A- to A+	440,505,668	2,787,209	1,489,066	444,781,943
BBB- to BBB+	-	120,731,993	1,432	120,733,425
BB- to BB+	1,946,407,898	51,793,678	21,925,825	2,020,127,401
B- to B+	24,132,626	33,382	39,012,207	63,178,215
Not rated	2,037,636	4,904,958	34,249,276	41,191,870
	<b>2,413,083,828</b>	<b>180,251,220</b>	<b>96,677,806</b>	<b>2,690,012,854</b>
Deposits in ceding companies				
Not rated	948,511	-	-	948,511
	948,511	-	-	948,511
<b>Total</b>	<b>2,414,032,339</b>	<b>180,251,220</b>	<b>96,677,806</b>	<b>2,690,961,365</b>

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 954,405,677 and EUR 656,319,256, in 2016 and 2015, respectively.

At 31 December 2016 and 2015, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

(amounts in euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
Corporate					
AA- to AA+	-	1,680,353	106,914	-	1,787,267
A- to A+	-	1,221,073	304,438	-	1,525,511
BBB- to BBB+	198,468	1,766,637	506,974	-	2,472,079
BB- to BB+	-	106,531	-	83,955,509	84,062,040
Not rated	-	66,326,470	-	52,155,838	118,482,308
	<b>198,468</b>	<b>71,101,064</b>	<b>918,326</b>	<b>136,111,347</b>	<b>208,329,205</b>
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- to AA+	-	4,430,571	-	-	4,430,571
BBB- to BBB+	-	5,194,071	-	-	5,194,071
BB- to BB+	340,390,253	-	-	-	340,390,253
	<b>340,390,253</b>	<b>12,646,763</b>	<b>-</b>	<b>-</b>	<b>353,037,016</b>
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- to AA+	-	401,844	-	122,943	524,787
A- to A+	104,694	2,143,312	150,331	57,457	2,455,794
BBB- to BBB+	572,605	866,375	399,258	-	1,838,238
B- to B+	49,920,215	-	-	-	49,920,215
	<b>50,597,514</b>	<b>3,832,643</b>	<b>549,589</b>	<b>180,400</b>	<b>55,160,146</b>
Other issuers					
A- to A+	-	31,193,510	-	-	31,193,510
BBB- to BBB+	19,556	-	-	-	19,556
BB- to BB+	1,365,213	-	-	-	1,365,213
	<b>1,384,769</b>	<b>31,193,510</b>	<b>-</b>	<b>-</b>	<b>32,578,279</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>392,571,004</b>	<b>118,773,980</b>	<b>1,467,915</b>	<b>136,291,747</b>	<b>649,104,646</b>

(amounts in euros)

Class of asset	2016				
	Country of origin				
	Portugal	Rest of European Union	North America	Others	Total
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AA- to AA+	-	78,760	-	-	78,760
A- to A+	-	26,187,786	17,282,756	11,959,433	55,429,975
BBB- to BBB+	-	51,489,376	9,670,137	60,960,826	122,120,339
BB- to BB+	11,007,422	76,446,234	33,669,233	262,293,225	383,416,114
B- to B+	-	41,994,341	80,786,109	15,903,776	138,684,226
CCC- to CCC+	-	74,678,857	58,814,938	13,286,098	146,779,893
CC- to CC+	-	-	-	4,865,122	4,865,122
C	-	19,804	-	-	19,804
D	-	15,185,698	-	8,343,684	23,529,382
Not rated	147,932,976	95,896,563	17,369,544	490,949,614	752,148,697
	<b>158,940,398</b>	<b>381,977,419</b>	<b>217,592,717</b>	<b>868,561,778</b>	<b>1,627,072,312</b>
Governments and other local authorities					
AAA	-	23,721,984	-	-	23,721,984
AA- to AA+	-	24,335,399	-	-	24,335,399
BBB- to BBB+	-	47,389,010	-	-	47,389,010
BB- to BB+	5,148,945,413	-	-	136,032,610	5,284,978,023
B- to B+	80,059,005	-	-	-	80,059,005
Not rated	-	-	-	469,547	469,547
	<b>5,229,004,418</b>	<b>95,446,393</b>	<b>-</b>	<b>136,502,157</b>	<b>5,460,952,968</b>
Financial institutions					
AAA	-	5,216,881	-	9,386,706	14,603,587
AA- to AA+	-	22,370,501	-	10,447,169	32,817,670
A- to A+	-	86,532,182	10,830,139	-	97,362,321
BBB- to BBB+	51,989	37,304,363	41,668,978	-	79,025,330
BB- to BB+	15,915	20,738,441	-	52,362,986	73,117,342
B- to B+	17,229,223	27,400,743	-	-	44,629,966
CCC- to CCC+	8,940,208	-	-	-	8,940,208
Not rated	-	-	30,035,950	7,783,752	37,819,702
	<b>26,237,335</b>	<b>199,563,111</b>	<b>82,535,067</b>	<b>79,980,613</b>	<b>388,316,126</b>
Other issuers					
AAA	-	-	-	17,368,807	17,368,807
BBB- to BBB+	1,461,690	-	-	-	1,461,690
BB- to BB+	-	-	4,937,730	-	4,937,730
	<b>1,461,690</b>	<b>-</b>	<b>4,937,730</b>	<b>17,368,807</b>	<b>23,768,227</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>5,415,643,841</b>	<b>676,986,923</b>	<b>305,065,514</b>	<b>1,102,413,355</b>	<b>7,500,109,633</b>

(amounts in euros)

Class of asset	2015				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
Corporate					
AA- to AA+	-	2,693,958	868,985	-	3,562,943
A- to A+	-	1,499,730	337,539	-	1,837,269
BBB- to BBB+	-	1,335,526	299,999	-	1,635,525
BB- to BB+	-	2,003,138	-	60,416,747	62,419,885
Not rated	-	15,770,185	-	278,034,438	293,804,623
	-	<b>23,302,537</b>	<b>1,506,523</b>	<b>338,451,185</b>	<b>363,260,245</b>
Governments and other local authorities					
AAA	-	2,502,873	-	-	2,502,873
AA- to AA+	-	4,739,835	-	-	4,739,835
BBB- to BBB+	-	6,042,880	-	-	6,042,880
BB- to BB+	375,369,103	-	-	-	375,369,103
	<b>375,369,103</b>	<b>13,285,588</b>	-	-	<b>388,654,691</b>
Financial Institutions					
AAA	-	221,375	-	-	221,375
AA- to AA+	-	604,336	175,233	122,057	901,626
A- to A+	-	2,657,612	199,059	57,623	2,914,294
BBB- to BBB+	2,927,391	9,789,720	572,793	-	13,289,904
B- to B+	52,432,843	7,807,269	-	-	60,240,112
	<b>55,360,234</b>	<b>21,080,312</b>	<b>947,085</b>	<b>179,680</b>	<b>77,567,311</b>
Other issuers					
A- to A+	-	36,408,186	-	-	36,408,186
BBB- to BBB+	68,259	-	-	-	68,259
BB- to BB+	1,360,017	-	-	-	1,360,017
Not rated	-	695	-	-	695
	<b>1,428,276</b>	<b>36,408,881</b>	-	-	<b>37,837,157</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>432,157,612</b>	<b>94,077,318</b>	<b>2,453,608</b>	<b>338,630,865</b>	<b>867,319,403</b>



(amounts in euros)

Class of asset	2015				
	Country of origin				
	Portugal	Rest of European Union	North America	Others	Total
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AA- to AA+	-	5,383,311	2,153	-	5,385,464
A- to A+	-	29,994,645	1,337,559	2,928,662	34,260,866
BBB- to BBB+	59,118,922	70,233,400	30,630,403	120,218,644	280,201,369
BB- to BB+	4,833,521	205,539,352	25,992,173	141,492,872	377,857,918
B- to B+	-	72,456,570	35,124,110	85,415,405	192,996,085
Less than B-	-	23,392,829	8,120,774	23,454,046	54,967,649
Not rated	148,333,396	89,014,928	-	870,524,939	1,107,873,263
	<b>212,285,839</b>	<b>496,015,035</b>	<b>101,207,172</b>	<b>1,244,034,568</b>	<b>2,053,542,614</b>
Governments and other local authorities					
AAA	-	23,994,043	-	-	23,994,043
AA- to AA+	-	41,353,500	-	-	41,353,500
BBB- to BBB+	-	61,548,716	-	61,634,918	123,183,634
BB- to BB+	3,216,582,921	-	-	43,259,650	3,259,842,571
Not rated	-	-	-	226,317	226,317
	<b>3,216,582,921</b>	<b>126,896,259</b>	<b>-</b>	<b>105,120,885</b>	<b>3,448,600,065</b>
Financial Institutions					
AAA	-	11,020,932	-	11,444,702	22,465,634
AA- to AA+	-	20,198,005	-	11,108,599	31,306,604
A- to A+	-	113,435,035	16,184,312	-	129,619,347
BBB- to BBB+	5,440,754	98,203,321	51,619,648	50,508,917	205,772,640
BB- to BB+	55,303,203	22,121,849	-	37,610,741	115,035,793
B- to B+	391,226,693	61,087,560	-	8,930,663	461,244,916
Less than B-	8,671,530	-	-	-	8,671,530
Not rated	-	-	-	7,443,422	7,443,422
	<b>460,642,180</b>	<b>326,066,702</b>	<b>67,803,960</b>	<b>127,047,044</b>	<b>981,559,886</b>
Other issuers					
AAA	-	-	-	17,368,293	17,368,293
BBB- to BBB+	10,170,633	-	-	-	10,170,633
	<b>10,170,633</b>	<b>-</b>	<b>-</b>	<b>17,368,293</b>	<b>27,538,926</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>3,899,681,573</b>	<b>948,977,996</b>	<b>169,011,132</b>	<b>1,493,570,790</b>	<b>6,511,241,491</b>

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

(amounts in euros)

	2016						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	3,830,757	735,291	158,007	113,918	25,612	(57,199)	4,806,386
Life risk products	12,298	462,401	501,376	1,152,489	2,854,325	(3,237,598)	1,745,291
<b>Non-life insurance</b>							
Motor	9,390,092	4,783,692	5,431,958	1,994,499	1,709,616	(6,236,708)	17,073,149
Workers' compensation	3,782,002	2,025,471	2,227,543	1,085,211	484,502	(2,442,167)	7,162,562
Health	8,456,525	8,781,077	3,732,534	2,581,267	714,770	(2,156,277)	22,109,896
Fire and other damage	10,920,420	4,263,607	1,000,234	962,510	668,516	(1,686,686)	16,128,601
Transports	852,589	193,412	172,438	99,207	130,787	(263,446)	1,184,987
Third party liability	1,524,885	432,343	185,614	53,489	63,629	(322,681)	1,937,279
Other (includes personal accidents)	4,218,576	5,810,973	1,324,307	569,981	558,825	(706,737)	11,775,925
	<b>42,988,144</b>	<b>27,488,267</b>	<b>14,734,011</b>	<b>8,612,571</b>	<b>7,210,582</b>	<b>(17,109,499)</b>	<b>83,924,076</b>

(amounts in euros)

	2015						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	5,315,128	355,132	288,698	264,799	30,885	(94,815)	6,159,827
Life risk products	408,453	906,204	741,106	1,006,613	1,943,566	(2,128,218)	2,877,724
<b>Non-life insurance</b>							
Motor	9,597,110	11,493,613	1,462,289	781,069	766,026	(5,041,856)	19,058,251
Workers' compensation	2,104,390	4,541,166	399,986	2,031,277	1,086,466	(1,875,469)	8,287,816
Health	2,309,910	6,739,714	562,184	124,876	187,100	(1,348,052)	8,575,732
Fire and other damage	6,250,360	4,025,036	1,232,901	2,640,739	583,575	(1,980,886)	12,751,725
Transports	785,409	421,240	95,456	138,503	222,130	(435,456)	1,227,282
Third party liability	828,108	634,389	383,497	363,774	94,742	(511,398)	1,793,112
Other (includes personal accidents)	2,860,746	2,377,208	595,943	932,918	671,330	(904,208)	6,533,937
	<b>30,459,614</b>	<b>31,493,702</b>	<b>5,762,060</b>	<b>8,284,568</b>	<b>5,585,820</b>	<b>(14,320,358)</b>	<b>67,265,406</b>

## Liquidity risk

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

(amounts in euros)

	2016									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	964,132,725	-	-	-	-	-	-	-	-	964,132,725
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	117,006,817	117,006,817
Financial assets held for trading	-	-	-	-	-	-	-	-	7,770,368	7,770,368
Financial assets initially recognised at fair value through profit or loss	1,384,972	2,337,973	102,330,176	287,227,133	241,528,714	6,206,546	69,759,937	1,220,395	17,238,704	729,234,550
Hedge derivatives	-	-	-	-	-	-	-	-	22,768,708	22,768,708
Available-for-sale investments	352,704,467	328,454,079	411,913,927	1,103,527,497	1,491,396,771	1,582,420,389	3,530,858,060	139,066,726	1,639,690,543	10,580,032,459
Loans and accounts receivable	238,571,148	543,844,075	54,367,003	91,109,592	68,193,848	23,077,761	1,848,064	168,679	30,100	1,021,210,270
Other debtors	197,159,648	-	-	-	-	-	-	-	-	197,159,648
	<b>1,753,952,960</b>	<b>874,636,127</b>	<b>568,611,106</b>	<b>1,481,864,222</b>	<b>1,801,119,333</b>	<b>1,611,704,696</b>	<b>3,602,466,061</b>	<b>140,455,800</b>	<b>1,804,505,240</b>	<b>13,639,315,545</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	40,214,577	16,550,164	22,990,288	98,152,490	292,708,367	279,575,920	292,957,743	299,375,626	-	1,342,525,175
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	113,606,065	276,221,337	186,111,430	886,928,427	2,633,721,193	2,344,235,626	1,906,575,498	731,039,535	4,884,887	9,083,323,998
Financial liabilities held for trading	-	761,600	(7,350)	771,155	3,050,810	3,050,810	4,410	-	7,908,243	15,539,678
Hedge derivatives	-	-	-	-	-	-	-	-	13,469,282	13,469,282
Other financial liabilities	-	-	-	-	-	-	-	-	591,180,436	591,180,436
Deposits received from reinsurers	122,026	244,052	366,078	117,877,224	-	-	-	-	-	118,609,380
Other creditors	144,684,524	-	-	-	-	-	-	-	-	144,684,524
	<b>298,627,192</b>	<b>293,777,153</b>	<b>209,460,446</b>	<b>1,103,729,296</b>	<b>2,929,480,370</b>	<b>2,626,862,356</b>	<b>2,199,537,651</b>	<b>1,030,415,161</b>	<b>617,442,848</b>	<b>11,309,332,473</b>

(amounts in euros)

	2015									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	2,037,402,392	-	-	-	-	-	-	-	-	2,037,402,392
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	70,101,641	70,101,641
Financial assets held for trading	-	-	-	-	-	-	-	-	957,920	957,920
Financial assets initially recognised at fair value through profit or loss	464,479	22,789,216	13,790,540	171,288,653	586,155,050	94,219,635	8,584,790	1,283,576	23,264,614	921,840,553
Hedge derivatives	-	-	-	-	-	-	-	-	1,285,939	1,285,939
Available-for-sale investments	93,434,116	513,151,364	303,097,212	1,106,866,379	1,341,643,008	868,409,960	3,612,457,537	139,181,457	2,101,209,095	10,079,450,128
Loans and accounts receivable	4,702,023	515,196,215	18,935,696	30,909,829	139,530,978	2,037,577	2,334,409	182,348	1,522,865	715,351,940
Other debtors	158,031,019	-	-	-	-	-	-	-	-	158,031,019
	<b>2,294,034,029</b>	<b>1,051,136,795</b>	<b>335,823,448</b>	<b>1,309,064,861</b>	<b>2,067,329,036</b>	<b>964,667,172</b>	<b>3,623,376,736</b>	<b>140,647,381</b>	<b>2,198,342,074</b>	<b>13,984,421,532</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	18,906,447	18,131,552	29,194,259	114,815,915	313,858,262	272,610,603	296,527,095	262,947,204	24,447,238	1,351,438,575
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	202,567,306	316,818,662	381,412,507	726,684,822	2,639,287,973	1,954,294,091	1,968,549,843	470,787,709	4,040,053	8,664,442,966
Financial liabilities held for trading	-	715,400	(7,016)	725,289	2,867,346	2,867,346	1,439,419	-	10,822,796	19,430,580
Hedge derivatives	-	-	-	-	-	-	-	-	4,406,362	4,406,362
Other financial liabilities	1,494,658	747,791	35,121,701	11,417,852	52,588,848	248,718,363	34,781,310	-	-	384,870,523
Deposits received from reinsurers	112,774	225,548	338,322	108,939,796	-	-	-	-	-	109,616,440
Other creditors	142,404,040	-	-	-	-	-	-	-	-	142,404,040
	<b>365,485,225</b>	<b>336,638,953</b>	<b>446,059,773</b>	<b>962,583,674</b>	<b>3,008,602,429</b>	<b>2,478,490,403</b>	<b>2,301,297,667</b>	<b>733,734,913</b>	<b>43,716,449</b>	<b>10,676,609,486</b>

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

The calculation of the estimated cash-flows of the financial instruments is based on the principles and assumptions the Group uses as part of its activity to manage and control liquidity, with the adjustments needed to comply with the applicable disclosure requirements. The main assumptions used to calculate the cash-flow estimates were:

- Cash and cash equivalents were classified as payable on demand and included in the "up to 1 month" category;
- The amount of "Loans and accounts receivable" classified as being of "Indefinite" maturity relates to operations with Group companies, without a defined repayment period or defined rate of interest, in addition to deposits of precious materials;
- The amounts included in "Other debtors" and "Other creditors" are payable on demand, and classified with maturity of "Up to 1 month";
- Equity instruments were classified as being of "Indefinite" maturity;
- In debt instruments the contractual maturity was considered to be the earlier of the following dates: call, put or maturity;
- The amounts recognised in "Deposits received from reinsurers" correspond to provisions retained from reinsurers, as part of the reinsurance treaty in force, and are renewable for annual periods. The cash-flow estimates were calculated on the basis of the next due date;
- "Hedge Derivatives" were classified as "Indefinite", since they are foreign exchange futures and forwards contracts;
- To calculate the projected cash-flows of "Financial liabilities held for trading" the contracts' maturity dates were considered;
- The following assumptions were considered when calculating the estimated cash-flows of the mathematical provision for life insurance and financial liabilities of the deposit component of insurance contracts and investment contracts:
  - Mortality was determined according to the Group's history of the last five years;
  - The estimate of future outflows for redemption of capitalisation contracts was based on a generalised linear model with four factors: type of product, the initial contract duration and the difference between the market interest rate, the source company and the technical rate;
  - Expected yields were determined based on the rates of the interest rate curve, the duration of the liability and plus / minus unrealised gains;
  - The expected costs were estimated based on the values recorded in 2015.

## Market risk

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

(amounts in euros)

	2016			Total
	Exposure to Fixed rate	Variable rate	Not subject to Interest rate risk	
<b>Assets</b>				
Cash and cash equivalents	-	960,405,785	3,726,940	964,132,725
Investments in associates and joint ventures	-	-	117,006,817	117,006,817
Financial assets held for trading	-	-	7,770,368	7,770,368
Financial assets initially recognised				
at fair value through profit or loss	565,642,167	83,462,479	17,238,704	666,343,350
Hedge derivatives	-	-	22,768,708	22,768,708
Available-for-sale investments	7,294,174,052	205,929,074	1,639,690,542	9,139,793,668
Loans and accounts receivable	-	1,011,140,590	30,100	1,011,170,690
Other debtors	-	-	197,159,648	197,159,648
	<b>7,859,816,219</b>	<b>2,260,937,928</b>	<b>2,005,391,827</b>	<b>12,126,145,974</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,404,634,800	-	1,404,634,800
Financial liabilities of the deposit component				
of insurance contracts and on insurance contracts				
and operations considered for accounting purposes				
as investment contracts	7,780,213,141	512,977,194	-	8,293,190,335
Other financial liabilities	119,643	7,044,752	7,908,244	15,072,639
Hedge derivatives	-	-	13,469,282	13,469,282
Deposits received from reinsurers	-	117,145,067	-	117,145,067
Other financial liabilities	-	591,180,436	-	591,180,436
Other creditors	-	-	144,684,524	144,684,524
	<b>7,780,332,784</b>	<b>2,632,982,249</b>	<b>166,062,050</b>	<b>10,579,377,083</b>

(amounts in euros)

	2015			
	Exposure to		Not subject to Interest rate risk	Total
	Fixed rate	Variable rate		
<b>Assets</b>				
Cash and cash equivalents	-	2,033,693,598	3,708,794	2,037,402,392
Investments in associates and joint ventures	-	-	70,101,641	70,101,641
Financial assets held for trading	-	-	957,920	957,920
Financial assets initially recognised at fair value through profit or loss	767,747,193	97,235,672	23,264,614	888,247,479
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale investments	6,202,534,063	308,707,428	2,100,982,781	8,612,224,272
Loans and accounts receivable	-	676,357,426	603,468	676,960,894
Other debtors	-	-	158,031,019	158,031,019
	<b>6,970,281,256</b>	<b>3,115,994,124</b>	<b>2,358,936,176</b>	<b>12,445,211,556</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,397,217,639	-	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	7,502,593,808	573,049,422	-	8,075,643,230
Financial liabilities held for trading	134,708	7,491,280	10,822,796	18,448,784
Hedge derivatives	250,706	-	4,155,656	4,406,362
Deposits received from reinsurers	-	108,263,151	-	108,263,151
Other financial liabilities	-	355,920,340	-	355,920,340
Other creditors	-	-	142,404,040	142,404,040
	<b>7,502,979,222</b>	<b>2,441,941,832</b>	<b>157,382,492</b>	<b>10,102,303,546</b>

At 31 December 2016 and 2015, the sensitivity of the fair value of the Group's financial instruments with exposure to interest rate risk to positive and negative changes of 50, 100 and 200 basis points (bps), respectively, was:

(amounts in euros)

	2016					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised at fair value through profit or loss	(9,004,035)	(4,582,707)	(2,312,036)	2,354,463	4,752,452	9,683,576
Available-for-sale investments	(575,553,795)	(298,361,964)	(151,958,704)	157,799,342	321,744,379	669,403,105
Loans and accounts receivable	(2,727,470)	(1,374,565)	(690,032)	695,616	1,396,906	2,816,866
	<b>(587,285,300)</b>	<b>(304,319,236)</b>	<b>(154,960,772)</b>	<b>160,849,421</b>	<b>327,893,737</b>	<b>681,903,547</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	<b>(3,884)</b>	<b>(1,970)</b>	<b>(992)</b>	<b>1,007</b>	<b>2,030</b>	<b>4,125</b>

(amounts in euros)

	2015					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised						
at fair value through profit or loss	(24,191,575)	(12,380,549)	(6,263,588)	6,414,652	12,984,970	26,611,835
Available-for-sale investments	(598,237,525)	(311,575,477)	(159,069,437)	165,997,057	339,311,893	709,600,431
Loans and accounts receivable	(2,857,232)	(1,444,442)	(726,256)	734,487	1,477,373	2,989,028
	<b>(625,286,332)</b>	<b>325,400,468</b>	<b>(166,059,281)</b>	<b>173,146,196</b>	<b>353,774,236</b>	<b>739,201,294</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(4,108)	(2,090)	(1,054)	1,074	2,167	4,418
	<b>(4,108)</b>	<b>(2,090)</b>	<b>(1,054)</b>	<b>1,074</b>	<b>2,167</b>	<b>4,418</b>

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

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

(amounts in euros)

	2016				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
<b>Assets</b>					
Cash and cash equivalents	549,759,149	96,242,965	45,935,474	272,195,137	964,132,725
Investments in associates and joint ventures	1,249,434	115,757,383	-	-	117,006,817
Financial assets held for trading	-	7,770,368	-	-	7,770,368
Financial assets initially recognised					
at fair value through profit or loss	484,143,217	177,964,590	3,970,887	264,656	666,343,350
Hedge derivatives	17,042,313	5,463,366	-	263,029	22,768,708
Available-for-sale investments	6,832,753,445	1,513,799,461	609,532,075	183,708,687	9,139,793,668
Loans and accounts receivable	784,708,173	108,618,341	22,366,313	95,477,863	1,011,170,690
Other debtors	153,413,837	27,547,478	24,311	19,493,619	200,479,245
	<b>8,823,069,568</b>	<b>2,047,700,586</b>	<b>681,829,060</b>	<b>571,402,991</b>	<b>12,129,465,571</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,400,822,448	-	-	3,812,352	1,404,634,800
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,293,190,335	-	-	-	8,293,190,335
Financial liabilities held for trading	7,164,396	7,908,243	-	-	15,072,639
Hedge derivatives	4,731,581	6,931,648	-	1,806,053	13,469,282
Deposits received from reinsurers	114,392,209	1,007,941	-	1,744,917	117,145,067
Other financial liabilities	271,200,450	-	-	319,979,986	591,180,436
Other creditors	105,453,392	4,512,481	2,664,181	35,374,067	148,004,121
	<b>10,196,954,811</b>	<b>20,360,313</b>	<b>2,664,181</b>	<b>362,717,375</b>	<b>10,582,696,680</b>



(amounts in euros)

	2015				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
<b>Assets</b>					
Cash and cash equivalents	1,682,240,623	195,448,928	83,852,789	75,860,052	2,037,402,392
Investments in associates and joint ventures	1,942,116	68,159,525	-	-	70,101,641
Financial assets held for trading	-	957,920	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	533,633,831	350,910,816	3,320,494	382,338	888,247,479
Hedge derivatives	-	1,285,939	-	-	1,285,939
Available-for-sale investments	6,041,208,932	1,693,980,436	627,249,387	249,785,517	8,612,224,272
Loans and accounts receivable	457,377,036	66,826,479	12,251,939	140,505,440	676,960,894
Other debtors	115,508,596	37,361,024	22,780	13,631,804	166,524,204
	<b>8,831,911,134</b>	<b>2,414,931,067</b>	<b>726,697,389</b>	<b>480,165,151</b>	<b>12,453,704,741</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,394,623,905	-	-	2,593,734	1,397,217,639
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,075,643,230	-	-	-	8,075,643,230
Financial liabilities held for trading	7,625,988	10,822,796	-	-	18,448,784
Hedge derivatives	250,706	4,155,656	-	-	4,406,362
Deposits received from reinsurers	104,543,377	1,769,136	-	1,950,638	108,263,151
Other financial liabilities	242,158,942	-	-	113,761,398	355,920,340
Other creditors	102,352,948	14,313,797	2,533,205	31,697,275	150,897,225
	<b>9,927,199,096</b>	<b>31,061,385</b>	<b>2,533,205</b>	<b>150,003,045</b>	<b>10,110,796,731</b>

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

## 48. Disclosures Related to Insurance Contract Risks

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

### 48.1. Risk underwriting

Risk acceptance and management is structured at two levels, following a model for delegating competence.

Each level has specific methodologies and procedures, in line with its competence, enabling interconnection and harmonisation between the two.

The second level, for commercial networks, includes delegated competence for risk acceptance, duly established by written standards and procedures, essentially based on the following criteria:

- Products with standard clauses;
- Risks or activities with a stable claims history;
- Homogeneous and easily identifiable risk universe;
- Small amounts of capital allowing dilution of higher risk;
- Risks with known and controllable accumulation, regarding cover and/or geographical spread;
- Premiums in line with a product tariff, adjustable by a delegated discount of reduced scope.

The following instruments are available: tariffs, simulators, underwriting manuals and rules on delegation of competence, product manuals, general conditions and pre-contractual information, insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The first level is for the Technical Divisions, which have additional instruments for risk analysis.

The Technical Divisions have a multidisciplinary technical staff who are highly specialised in the different insurance lines of business, and are assisted by actuarial specialists. When the characteristics of the risk so justify, they use risk analyses performed by specialist companies.

Risk acceptance is based on strict technical standards, which seek to identify risks with high potential losses (in terms of severity and frequency), apply adjusted contract conditions and define premiums appropriate to the specific risk, in order to obtain sustained growth in the portfolio and a stable technical result. All risks which do not fit within the Reinsurance Treaties are analysed by the Technical Divisions, and Facultative Reinsurance may be used when the conditions for accepting the risk are deemed to have been met.

When the risks analysed do not fit within the Reinsurance Charging Manuals or the conditions for acceptance defined by the Company, they are sent to the Reinsurers' Underwriting Departments for proposals for acceptance of the conditions of these risks to be presented.

The Technical Divisions also have access to reports and analyses of a technical and actuarial nature which allow them to gain knowledge on the technical evolution of the insurance business and on the evolution of risk behaviour in relation to the cover and main characteristics of the insurable objects.

The Risk Acceptance Policy identifies situations with a particularly high risk and/or a high level of uncertainty. These situations are not delegated to the Technical Divisions, and competence to accept them is reserved for the Underwriting Policy Acceptance and Supervision Committee, which meets whenever it is necessary to assess risks with these characteristics.

## **48.2. Technical management**

The technical management of the Lines of Business includes product design, definition of clauses and prices, definition and control of the underwriting policy, calculation of maximum risks and also monitoring of the technical results, namely supervision of the evolution of processed income, the number of insurance contracts, portfolio distribution by risk segments and guarantees, average premiums, risk characteristics, claims and the technical margin.

In order to monitor the above, periodic reports are produced containing management indicators and information is regularly prepared for the Reinsurance Division, with information on portfolio profiles, with the aim of aiding negotiation of the Reinsurance Treaties.

## **48.3. Risk control management instruments**

### **Internal risks of the organisation**

In order to control and minimise the organisation's internal risk, acceptance rules and procedures and product manuals have been published. These are freely available and employees are well aware of their content, and the process for application them is duly monitored by the competent areas.

### **Portfolio profile studies**

Regular studies are produced on the risk profile of the portfolios, by class of capital/liabilities assumed, type of activity, type of objects insured and covers.

Studies are also regularly made of the claims rate behaviour of products according to the most important characteristics for defining the risk.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate (by scales of sums insured, types of objects insured, types of activities, covers), with the aim of gauging the existing delegations and correcting any distortions, and also, correlating the main price determination factors and deciding on changes in products being commercialised or the creation of new ones.

### **Periodic analyses of portfolio evolution**

The portfolio being managed is subject to periodic analysis of the behaviour of the policy movements, both in terms of numbers of policies and in terms of new and cancelled policies, variations in premiums/average rates and changes in the distribution of contracts across the various business segments.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims. This analysis is produced not only in terms of groups of business, but mainly in terms of products being managed.

In specific cases in the motor insurance line of business, extensive and detailed diagnoses are made regarding the portfolio's evolution, with the aim of identifying operational problems in the business, together with their causes, both from a commercial and technical perspective. Proposals are developed as a result of these diagnoses.

### Portfolio selection and reorganisation

The aim of this function is to improve the profitability of the portfolio being managed, both by reorganising loss-making risks (high frequency and/or level of claims), and by introducing changes to the conditions of the contract (cover, deductibles, premiums), and also by providing advice to the Client (recommending the implementation of prevention and safety measures which improve the quality of the risk).

This function also includes the assessment of irregularities which are detected in contracts or in claims, which may lead to the implementation of measures which, depending on the seriousness of the irregularity, may lead to cancellation of the insured person's contract or portfolio.

### Insurance risk concentrations

By producing regular studies on the risk profile of the portfolios, by class of capital/liabilities assumed, by activities and objects insured, and by cover, indicators are obtained which enable an estimate to be made of the impact of potential changes to the cover, and an analysis of the impact of any changes to the reinsurance treaties and to the Group's retention policy. In some cases, specific studies are conducted to assess these impacts.

These studies are also focused on specific cover, the geographical area, the type of responsibilities assumed or on the type of object insured, enabling the determination and quantification of maximum risk by classes, and also evaluating the impact of catastrophic claims circumstances on the portfolio.

### Behaviour of the non-life portfolio – Direct insurance

#### Direct insurance Fidelidade

(amounts in euros)

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

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

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

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

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

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

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

#### **Direct insurance**

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

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

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

#### **Net of reinsurance**

With the exception of the Aviation and Marine lines of business, the insurance company's premiums net of reinsurance were insufficient, in 2016, to meet the costs associated with the operation of most of the lines of business.

Consequently, a provision for unexpired risks was set up, in line with the rules in force, which is lower than the provision set up in 2015.

#### **Provision for unearned premiums**

The provision is calculated in line with the rules in force, and tests are carried out in order to determine the adequacy of the level of provisions.

#### **Equalisation provision**

The calculation for the equalisation provision is defined in the rules of the ASF, which are applied both in terms of the algorithms and regarding the lines of business to be considered. The insurance company follows the criteria listed there.

#### **Claims provision**

The claims provision is calculated as described in the accounting policies.

Throughout the year actuaries monitor the levels of the provisions set up, and statistical methods are used which are appropriate to the nature of the risks, namely estimating using stochastic methods of future cash-flows associated with the assumed liabilities.

### Risk concentration and mitigation

At Fidelidade, the Accidents, Health, Fire and Other Damage and Motor lines of business represent approximately 89.7% of the Gross Premiums Earned and 95.6% of the claims.

In order to control the risks assumed, the insurance company has underwriting and acceptance rules which select and control the level of exposure to which the company is subject.

In non-life risk mitigation is mostly by means of specific reinsurance programmes for each type of risk, and high demands are placed on the quality of the reinsurers involved.

The following table presents the rating of the main reinsurers, updated at the end of December 2016.

### Distribution of Reinsurers by Rating

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

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

At Fidelidade 60.23% of the sums insured retained for cover for Seismic Phenomena are located in Zone I, the most serious in terms of seismic risk. The sums insured considered in this analysis are estimates.

### Comparison between estimated and actual claims

Fidelidade's claims provision at 31 December 2015 totalled EUR 1,548 million. During 2016, EUR 310,485,264 were paid for claims which occurred in 2015 and previous years.

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

There were negative readjustments for all lines of business except Accidents, Health and Other lines of business. The most significant, in absolute terms, was in Motor, which was greater than EUR 40 million.

## Desenvolvimento da Provisão para Sinistros Relativa a Sinistros Ocorridos em Exercícios Anteriores e dos seus Reajustamentos (Correções)

(amounts in euros)

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

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

### Insurance Risks

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

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

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

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out. Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The insurer carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

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

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

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

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

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

### **Risk Assessment Assumptions**

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

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

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

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



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

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

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

Assumption	Factor	Increase in Liability
Longevity	+ 20%	5.20%
Expense	+ 10%	0.80%
Revision	4%	2.10%
Interest Rate	-1%	12.08%

#### 48.4. Reinsurance Policies

The decisive factors for limiting or transferring the risk insured are the nature of the business and the amounts of the risks to be insured, and a distinction is made between those which are considered mass lines of business (Motor, Workers' Compensation, Personal Accidents and Multi-risks Home Insurance) and those which are dealt with more on a case-by-case basis, such as the remaining lines of business of Property, Engineering and Machinery, Marine risks, Transported Goods, Third Party Liability and Other risks.

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

Risks involving significant amounts insured or serious situations are subject to prior analysis and their acceptance is strictly interdependent with and supported by Reinsurance.

The Company has based its Reinsurance Policy on the existence of Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other types of reinsurance which prove necessary to obtain adequate Reinsurance protection for the risks accepted.

In Fire and Other Damage, Engineering and Aviation, the Group works with Proportional Treaties.

The Reinsurance cover in the main property lines of business, and the respective retention, takes into consideration the portfolio structure's ratio of sums insured and the respective volume of premiums for each line of business and also considers the statistical monitoring of the profitability of that portfolio, the Retention/Premiums ratio at the end of one year or one cycle and the Group's financial capacity, in terms of whether it is sufficient to absorb frequent claims.

For Motor, Workers' Compensation, Personal Accidents, Marine Hull, Transported Goods and Third Party Liability, the risks are covered by an Excess of Loss treaty, which proves more appropriate to the nature of the risks and the portfolio and the Group's financial capacity. To establish the priority the statistical behaviour of the claims rate and the resulting quotes from potential different levels are taken into consideration.

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

Accumulations resulting from "Cover for Seismic Phenomena and Natural Risks", which are catastrophic in Retentions, are reinsured by Excess of Loss, and the Retention is determined by the Group's financial capacity.

When determining the Retention by event, the infrequency of catastrophes in Portugal is taken into account, and the retention reflects what is technically foreseeable from the point of view of the impact of a catastrophe on the Group's capital and its absorption over a defined period, working with a conservative scenario with a period of return of 500 years, which is unusual in markets exposed to catastrophes.

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

The information obtained in the International Market from Rating Agencies is a fundamental reference regarding the sound financial health of the Reinsurers.

The rating by the S&P Rating Agency or equivalent (A.M. Best, Fitch or Moody's) is therefore a factor in the selection of Reinsurers. The minimum rating required for a reinsurer to be part of our Panel of Reinsurers is "A-".

## **48.5. Life Insurance**

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

### **Risk products**

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

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

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

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

### **Annuity products**

The greatest risk factor for these products is longevity.

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

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

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

### Capitalisation products

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

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

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

$(\text{Percentage of Income} - \text{Technical Income} - \text{Management Costs} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

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

Expected cash inflows and outflows for the next three years are presented for each of these groups of products (PS - Profit sharing).

(amounts in euros)

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

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

(amounts in euros)

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

## 49. Capital Management

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

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

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

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

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

The Solvency II rules are divided into three pillars.

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

The Solvency II rules defined criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance Company's assets and liabilities. They also define two levels of capital requirements: the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer's compliance with its liabilities. The SCR is calculated taking into account all the risks that an Insurance Company may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which an Insurance Company may be exposed.

In the terms set out in the RJASR, if the Insurance Company detects that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the Company's risk profile has been reduced.

In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the Company's risk profile.

### **Pillar II (qualitative requirements and supervision)**

The Solvency II rules defined qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who effectively run the Company, supervise it and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA), which must be performed at least once a year. Through this exercise, the Company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The subsequent report must be sent to the supervisor.

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

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

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that Fidelidade demonstrates compliance with the capital requirements considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

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

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

### **Risk Management Division**

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

DGR's main functions are:

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

b. Managing the Internal Control and Risk Management Systems:

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

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

**Compliance Office**

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

GC's main functions are:

**a. Prevention of Money-Laundering**

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

**b. Compliance**

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

**Audit Division**

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

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

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

#### **Risk Committee**

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

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

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

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

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

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

## 50. Public Service Concessions

### Main risks identified are operational and financial

Luz Saúde manages Hospital Beatriz Ângelo through its subsidiary Sociedade Gestora do Hospital de Loures, SA ("SGHL") under a Public-Private Partnership agreement with the Portuguese State ("PPP Agreement"). HL - Sociedade Gestora do Edifício, S.A., in which the Company has a 10% shareholding, is also a party to the PPP agreement and is responsible for the (now completed) construction and the management of Hospital Beatriz Ângelo's building and facilities.

Under the PPP Agreement, SGHL has undertaken to provide healthcare services within the National Health Service, through Hospital Beatriz Ângelo, for a 10-year period as of the Hospital's opening date (19 January 2012). The term of the PPP agreement may be renewed for successive periods by mutual agreement and each period cannot exceed 10 years. Notwithstanding, the total duration of the PPP Agreement, including the initial period and any additional periods, cannot exceed 30 years, as of the PPP agreement's effective date (31 December 2009).

With respect to the Hospital's management, the PPP Agreement governs the relationship between the State and SGHL, sets prices and payment methods, establishes quality standards, notice and information duties, compliance levels (clinical and non-clinical), hospital operating rules (e.g. human resources) and other duties and undertakings for each party, as well as consequences for default on the contractual obligations.

In addition, the PPP Agreement establishes that annual volumes of patient treatment at Hospital Beatriz Ângelo (defined with reference to doctor consultations, emergency room visits and inpatient and outpatient surgical and non-surgical services) shall be agreed by annual negotiation between the Ministry of Health and the Hospital's management, based on historical data for public healthcare demands by the population in the Hospital's catchment area. However, it should be noted that the aforementioned production level is determined based on historical data regarding the demand for public healthcare by the population living in the Hospital's catchment area.

On the other hand, the prices charged by the hospital to the National Health Service have been contractually defined and are adjusted annually according to the growth of the inflation rate.

The PPP Agreement further provides that, at the beginning of each month, the State must pay 90% of 1/12 of the agreed annual production value (regardless of the actual production value reached). The adjustment amount (which may include the remaining 10%, plus any additional production above the agreed amount, given that there are areas where the set production limit can be surpassed, such as emergency room visits and hospitalisation) is settled over the course of the following financial year.



## 51. Managed Pension Funds

At 31 December 2016 and 2015, the Macao branch was managing seven pension funds. In these periods, the pension fund portfolio contained the following assets:

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

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

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

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

## 52. Subsequent Events

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

**REPORT AND  
OPINIONS ON THE  
CONSOLIDATED  
ACCOUNTS**

(Translation of a report originally issued in Portuguese)

## Statutory Auditor's Report

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated financial statements of Fidelidade – Companhia de Seguros, S.A. (the "Company"), which comprise the Consolidated Statement of Financial Position as at December 31, 2016 (which establishes a total of 15,896,943,229 euros and total equity of 2,089,209,003 euros, including a net profit for the year of 211,108,365 euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fidelidade – Companhia de Seguros, S.A. as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the law and we comply with the ethical requirements of the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters of the current period:

#### 1. Determination of mathematical provisions and financial liabilities (life)

In accordance with regulations in force, life insurance contracts without significant insurance risk (no profit sharing) and insurance contracts, for which the investment risk is borne by the policyholder ("*unit linked*"), are classified as investment contracts and accounted for as financial liabilities. As described in note 21 to the consolidated financial statements, as at December 31, 2016 these contracts amounted to 8,293 million euros ("m€"), representing approximately 60% of the total liabilities, 7,780 m€ of which are valued at amortised cost, which include mainly liabilities with policies guaranteeing the insured an annual rate of return until maturity.

As described in note 20, the mathematical provisions for life insurance amounted to 1,649 m€ (about 12% of the total liabilities), of which 1,405 m€ correspond to capitalisation products with profit sharing, for which the responsibility is determined based on the premiums paid capitalised at the guaranteed

## 1. Determination of mathematical provisions and financial liabilities (life)

technical rate, less the management fees and any partial redemptions made plus amounts distributed as profit sharing.

These matters were considered to be as a key audit matter based on materiality to the financial statements and the risk that future income from the asset portfolios underlying these obligations may not be sufficient to ensure compliance with the technical contract rates.

Our approach to the risk of material misstatements in the determination of the mathematical provisions (life) and financial liabilities included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the Company's internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the determination of the mathematical provisions (life) and valuation of financial liabilities;
- Analytical review procedures, recalculation and analysis of the methodologies for the projection of cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates;
- With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the Company's actuaries for the determination of liabilities arising from life insurance and investment contracts, including an analysis of their consistency with those used in the previous year and using as reference the specific terms of the products, regulatory requirements and practices in the insurance sector.
- Review the completeness and consistency of the disclosures in the consolidated financial statements of the mathematical provisions for life insurance and financial liabilities with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

## 2. Determination of claims provisions (non-life)

As described in note 20 to the financial statements as at December 31, 2016, the claims provisions arising from non-life insurance contracts amounted to 1,607 m€ (12% of total liabilities). These provisions are determined using actuarial assumptions and methodologies and are based on the history of the Company's loss ratio by business. They present the estimated value of damages to pay for claims already incurred, including claims incurred but not reported (IBNR), and management costs related to future settlement.

These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based on judgments, in particular the discount rate, mortality tables and estimation of expenses to be incurred (see details in subparagraph (d) 2.17 note).

In view of the materiality of these liabilities to the consolidated financial statements and that the process for their determination incorporates estimation based on assumptions and actuarial techniques applied to information currently available, and that the actual amounts payable in the future may be different from recorded amounts, we considered the claims provisions (non-life) to be a key audit matter.

Our approach to the risk of material misstatements in the determination of claims provisions (non-life) included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

## 2. Determination of claims provisions (non-life)

- Understanding of the internal control procedures of the Company and its subsidiaries and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the determination of claims provisions (non-life);
- Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand the annual changes and of the main factors contributing to the most significant variations;
- With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Company and its subsidiaries (when relevant) for the determination of the claims liabilities (non-life), including analysis of consistency with those used in the previous year and with the default payment history by segment and by reference to the specifics of the Company's products and its subsidiaries regulatory requirements and practices in the insurance sector;
- Recalculation of claims provisions by our actuarial specialists for the segments representing the most significant share of the liabilities of the Company (Auto and Workers' compensation), on the basis of actuarial methods recognised in the insurance sector, to assess their adequacy. Additionally, for Workers' compensation segment, we examined the financial and demographic assumptions used in the estimation of the long-term obligations;
- Review the completeness and consistency of disclosures in the consolidated financial statements for claims provisions (non-life) with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

## 3. Valuation of financial instruments at fair value

As detailed in Notes 6, 7, 8 and 22, the consolidated assets and liabilities include financial instruments valued at fair value amounting to 9,800 m€ and 29 m€, respectively, which represent about 62% of the total consolidated assets and 0.2% of the total consolidated liabilities.

The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total value of instruments with reduced liquidity, recognised in the consolidated assets and liabilities of the Company, amounting to about 2,412 m€ (15% of the asset) and 12 m€ (0.1% of the liabilities), respectively, which were classified under the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 47).

The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.

Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the internal control procedures of the Company and its subsidiaries and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the valuation of financial instruments at fair value;

### 3. Valuation of financial instruments at fair value

- Analytical review of the consolidated financial statements line items relating to financial instruments and recalculation of fair value financial instruments by comparing the rates used by the Company and its subsidiaries (when relevant) with those observed in external sources of information;
- Analysis of the methodologies and assumptions used by the Company and its subsidiaries in determining fair value, using as reference the details of its investment policy, regulatory requirements and sector practices;
- Review the completeness and consistency of disclosures of financial instruments at fair value in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

### 4. Impairment tests of *Goodwill*

The consolidated financial statements of the Company as at December 31, 2016 include in the statement of financial position as more fully disclosed in note 14, *Goodwill* arising from investments in subsidiaries of 379 m€, representing approximately 2% of the consolidated assets.

In accordance with the accounting principles, *Goodwill* should be tested annually for eventual impairment. This impairment assessment is a process that requires judgment and is based on assumptions regarding economic and financial market conditions of issuers (such as discount rates, inflation, growth rates/profit margins and prospective financial information).

The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.

Our approach to the risk of material misstatements in the valuation of *Goodwill* included a specific response by performing the following procedures:

- Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of *Goodwill*;
- Examination of the assumptions used in the valuation models approved by the management, in particular the cash flow projections, the discount rate, the rate of inflation, the growth rate in perpetuity and the sensitivity analysis, supported by internal corporate finance experts;
- Review of the consistency of the assumptions used in the construction of the business plan with previous years, comparison with historical data and with external sources. We tested the calculations of the models used;
- Review of the completeness and consistency of disclosures of *Goodwill* in the consolidated financial statements with the respective accounting data and the requirements of International Financial Reporting Standards.

## 5. Determination of impairment losses on financial assets

The income statement of the Company as at December 31, 2016, includes impairment losses from financial instruments held, classified as "available-for-sale financial assets", of 186 m€ (details disclosed in note 41).

In accordance with the accounting principles and the defined investment policy, which is described in note 2.6 (d), the Company and its subsidiaries recognise impairment losses on available-for-sale financial assets based on evidence of impairment such as, among others, financial difficulties of the issuer or a significant or prolonged decline in the fair value of financial assets below cost price.

The consideration of this matter as significant for the audit was based on the risk of judgment associated with the determination of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time, based on information currently available, and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses.

Our approach to the risk of material misstatements in the determination of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of financial instruments and recognition of impairment losses for the Company and its subsidiaries (when relevant);
- Analytical review tests on the consolidated financial statements line items related to financial assets and recalculation of impairment losses on a sample basis;
- Analysis of the policies/methodology for the recognition of impairment losses of the Company and its subsidiaries, based on the accounting principles and market practices;
- Review the completeness and consistency of disclosures in the consolidated financial statements on recognition of impairment losses on financial assets with the respective accounting data and requirements of International Financial Reporting Standards.

## 6. Process of valuation of real estate investments

The consolidated financial statements of the Group as at December 31, 2016 include real estate assets as disclosed in note 10 to the financial statements, recorded at fair value, classified as own use and investment properties, of 429 m€ and 1,757 m€, respectively, which represent a total of about 14% of the consolidated assets of the Company.

The real estate appraisals were based on the methods disclosed in note 10 to the consolidated financial statements and assumptions for which the effects of the economic and financial environment and the ability of the market to absorb the available supply is crucial.

The consideration of this matter as a key audit matter was based on their materiality to the consolidated financial statements and the inherent risk on the assumptions used in appraisals performed by external experts.

## 6. Process of valuation of real estate investments

Our approach to the risk of material misstatements included a specific strategy consisting of a combination of evaluation of controls and substantive procedures, namely:

- Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of real estate investments;
- Analytical review tests on real estate items included in the consolidated financial statements;
- Analysis of the valuation reports prepared by experts, testing the appropriateness of the valuation methods used and reasonableness of the assumptions made;
- Comparative analysis of value and assumptions of the appraisals made in the year with those of previous years and price comparison with available market information;
- Verification of the completeness and consistency of disclosures of real estate in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for:

- ▶ preparation of the consolidated financial statements which present a true and fair view of consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;
- ▶ preparation of the Management Report, in accordance with the laws and regulations;
- ▶ creation and maintenance of an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement due to fraud or error;
- ▶ adoption of appropriate accounting policies and principles for the circumstances;
- ▶ assessment of the ability of the Company and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the process of financial information preparation and disclosure and for present recommendations or proposals to ensure its integrity.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a



material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the of the Company and its subsidiaries to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the consolidated Management Report with the consolidated financial statements.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the consolidated Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited consolidated financial statements and, taking into consideration our assessment and understanding of the Company and its subsidiaries, we have not identified any material misstatement.

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

Pursuant of article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we report the following:

- ▶ We were appointed as auditors of the Company for the first time in the shareholders' general meeting held on May 15, 2014 for the year 2014. We were reappointed for a second term in the shareholders' general meeting held on March 31, 2015 for the period between 2015 and 2017.
- ▶ Management has confirmed that they are not aware of any fraud or fraud suspicion with a material impact in consolidated financial statements. In planning and executing our audit in accordance with ISA we maintained our professional scepticism and we designed audit procedures to address the possibility of a material misstatement in consolidated financial statements due to fraud.
- ▶ We confirm that our audit opinion is consistent with the additional report to the audit committee that we have prepared and delivered to those currently charged with governance.
- ▶ We declare that we have not provided any prohibited non-audit services referred to in article 77º nº 8 of the Statute of the Institute of Statutory Auditors and we remained independent of the Company in conducting the audit.
- ▶ We confirm that, in addition to the statutory audit, we have provided to the Company and its subsidiaries the following services:
  - Procedures under the appendix I of the Regulation no 5/2016 R dated May 12 of the ASF to issue an agreed upon procedures report in accordance with the no 1 of the article 4.º of the same regulation (for Longrun - SGPS, S.A., Fidelidade - Companhia de Seguros, S.A., Fidelidade Assist ncia - Companhia de Seguros, S.A., Multicare - Seguros de Sa de, S.A., Via Directa - Companhia de Seguros, S.A. and Companhia Portuguesa de Resseguros, S.A.);
  - Professional training delivered to employees of Fidelidade - Companhia de Seguros, S.A. about International Financial Reporting Standards;
  - Agreed upon procedures engagement on interim technical and financial information of Universal Seguros, S.A.;
  - Limited review report on the financial statements of Luz Sa de, S.A. as of June 30, 2016;
  - Review of the monitoring program and evaluation of the results on the assistance nature to SGHL - Sociedade Gestora do Hospital de Loures, S.A.

Lisbon, March 13, 2017

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

*(signed)*

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1.230  
Registered under CMVM with nº 20160841

Fidelidade – Companhia de Seguros, S.A.

Report and Opinion of the Supervisory Board

2016

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of its accounting records and compliance with the applicable legal and statutory regulations, having made the checks considered expedient.

We were provided with regular information and clarifications on the operation of the company and its corporate business by the Board of Directors and other governing bodies.

We have examined the Report of the Board of Directors and the other consolidated accounting documents for the year in addition to the Statutory Auditor's Report, with which we are in agreement.

In consideration of the above, the Supervisory Board issues the following

OPINION

- That the Report of the Board of Directors and other consolidated accounting documents for the year, as submitted by the Board of Directors, should be approved;

The Supervisory Board wishes to express its gratitude to the Board of Directors and other governing bodies for their excellent collaboration during the course of the year.

Lisbon, 14 March 2017

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

José António da Costa Figueiredo – Member

Luís Manuel Machado Vilhena da Cunha – Member

DECLARATION OF COMPLEMENTARY LIABILITY  
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD  
OF FIDELIDADE – COMPANHIA DE SEGUROS, S.A.  
FOR 2016

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the consolidated accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 14 March 2017.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

José António da Costa Figueiredo – Member

Luís Manuel Machado Vilhena da Cunha – Member

**REPORT OF  
THE BOARD  
OF DIRECTORS  
SEPARATE  
ACCOUNTS**



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## CORPORATE BODIES

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Key Indicators  
Our History  
About Fidelidade  
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## RISK MANAGEMENT

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## SOCIAL RESPONSIBILITY

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## PROPOSAL FOR THE APPLICATION OF INCOME

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## FINAL REMARKS

1

# CORPORATE BODIES









# FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

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## Presiding Board of the General Meeting

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President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

## Board of Directors

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Chairman	Guangchang GUO
Vice-Chairman	Jorge Manuel Baptista Magalhães Correia
Members	Qunbin WANG
	Michael LEE
	José Manuel Alvarez Quintero
	António Manuel Marques de Sousa Noronha
	Rogério Miguel Antunes Campos Henriques
	Wai Lam William MAK
	Lan KANG
	Xiaoyong WU
	Lingjiang XU

## Executive Committee

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Chairman	Jorge Manuel Baptista Magalhães Correia
Members	António Manuel Marques de Sousa Noronha
	José Manuel Alvarez Quintero
	Rogério Miguel Antunes Campos Henriques
	Wai Lam William MAK

## Supervisory Board

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Chairman	Pedro Antunes de Almeida
Members	José António da Costa Figueiredo
	Luís Manuel Machado Vilhena da Cunha
Alternate	Isabel Gomes de Novais Paiva

## Statutory Auditors

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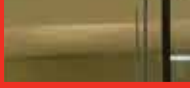
Ernst & Young Audit & Associados - SROC, S.A.,  
represented by  
Ana Rosa Ribeiro Salcedas Montes Pinto, ROC

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FIDELIDADE

2







## a. Key Indicators

**€3,601  
million**

Total Premiums Written

Life: € 2,450 million  
Non-Life: € 1,151 million

**31.8%**

Market Share (PT)

Life: 35.5%  
Non-Life: 25.8%

**2,607**

Employees

**€14.7  
billion**

Net Assets

**€100.4  
million**

Net Profits

**101.3%**

Non-Life  
Combined Ratio

## b. Our History

# 200

### 1800

1808 FUNDAÇÃO DA BONANÇA



"Depois da tempestade vem a Bonança"

### 1900



1810-20

1811 BONANÇA ADOTA ÂNCORA COMO SEU PRIMEIRO SÍMBOLO



1830-40

1835 FUNDAÇÃO DA FIDELIDADE

1845 FIDELIDADE PIONEIRA EM SEGUROS DE VIDA



1850-60

1850 BONANÇA SEGURA REAL COMPANHIA VINÍCOLA



1870-80

1880 CAMILO CASTELO BRANCO MENCIONA A FIDELIDADE NA OBRA 'A CORUJA'

1890

1891 BONANÇA SEGURA ESTAÇÃO DE COMBOIOS DO ROSSIO



1910

1913 MUNDIAL PIONEIRA EM SEGUROS DE ACIDENTES DE TRABALHO



1920

1935 FIDELIDADE COMEMORA 1.º CENTENÁRIO



1940

1945 IMPÉRIO LANÇA O INOVADOR SEGURO POPULAR DE VIDA

1942 IMPÉRIO SEGURA GRANDES RISCOS DO GRUPO CUF



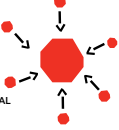
1950

1958 JOAQUIM PAÇO D'ARCOS MENCIONA A FIDELIDADE NO LIVRO 'CARNAVAL'



1960

1963 CRIAÇÃO DO 'HOMEM IMPÉRIO'



1970

1975 NACIONALIZAÇÃO DO SETOR DE SEGUROS

1978 CRIAÇÃO DA MUNDIAL CONFIANÇA, E.P.

1979 FUNDAÇÃO DO GRUPO SEGURADOR FIDELIDADE, E.P.

1980

1980 FUSÃO DA BONANÇA COM COMERCIO E INDÚSTRIA, UNIÃO E ULTRAMARINA

1988 FIDELIDADE GRUPO SEGURADOR, S.A. INDEMNIZA GRANDE INCÊNDIO DO CHIADO

1990

1990 REPRIVATIZAÇÃO DA BONANÇA

1992 REPRIVATIZAÇÃO DA IMPÉRIO E DA MUNDIAL CONFIANÇA

1995 CGD DETÉM TODO O CAPITAL SOCIAL DA FIDELIDADE



### 2000



# 1



### 2014



### 2016

LARGO DO CALHARIZ

1997 FIDELIDADE MUDA-SE PARA O CALHARIZ

1998 MUNDIAL CONFIANÇA LANÇA SEGUROS DE SAÚDE MULTICARE

1999 REBRANDING FIDELIDADE



2001

FUNDAÇÃO DA IMPÉRIO BONANÇA, S.A.



2002

FUSÃO DA FIDELIDADE E MUNDIAL CONFIANÇA



2003

2004

LANÇAMENTO DA MARCA ÚNICA FIDELIDADE MUNDIAL



2005

MULTICARE LÍDER EM SEGUROS DE SAÚDE

2006

FIDELIDADE MUNDIAL LÍDER DE MERCADO

2007

AQUISIÇÃO DA COMPANHIA PORTUGUESA DE RESEGUROS



2008

LEVE PPR LÍDER NA POUPANÇA PARA A REFORMA



2009

MULTICARE LANÇA OFERTA GLOBAL DE SAÚDE

2010

ABERTURA DE AGÊNCIAS PARTILHADAS FIDELIDADE MUNDIAL E IMPÉRIO BONANÇA EM TODO O PAÍS



2011

INÍCIO DE ATIVIDADE DA UNIVERSAL SEGUROS



2012

FUSÃO DA IMPÉRIO BONANÇA E FIDELIDADE MUNDIAL CRIAÇÃO DA FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

2013

LANÇAMENTO DA MARCA ÚNICA FIDELIDADE

ABR

AQUISIÇÃO DA GARANTIA PELA FIDELIDADE



MAI

AQUISIÇÃO DA FIDELIDADE PELA FOSUN



OUT

AQUISIÇÃO DA ESPÍRITO SANTO SAÚDE PELA FIDELIDADE

LUZ SAÚDE



Two centuries of history have contributed to Fidelidade's current credibility, size and solidity.

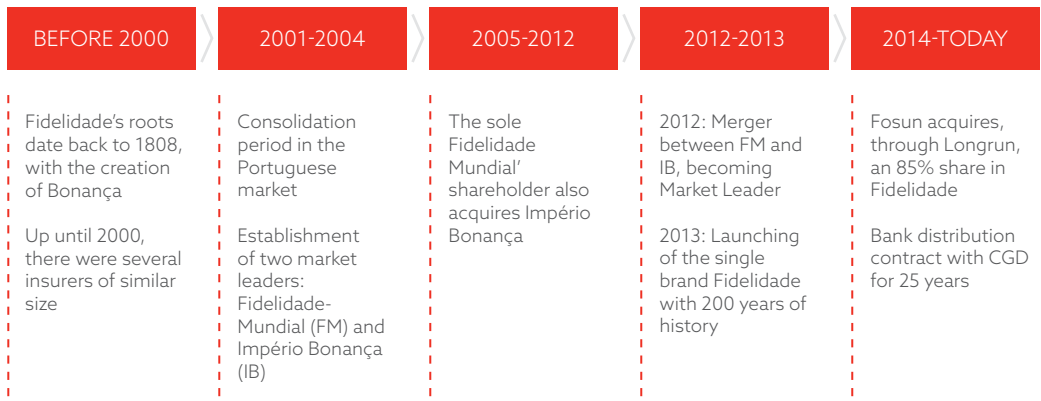
Until 2000 the Portuguese insurance sector was mostly concentrated on six insurers following the reorganisation of the industry in the 1980s.

More recently, after 2000, the Portuguese market began a new phase of consolidation, which gave rise to two major players in the sector: Fidelidade Mundial (FM) and Império Bonança (IB), held by two of the largest Portuguese financial groups (CGD and BCP, respectively).

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

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

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



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

### Discription of the Major Shareholders:

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#### 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.

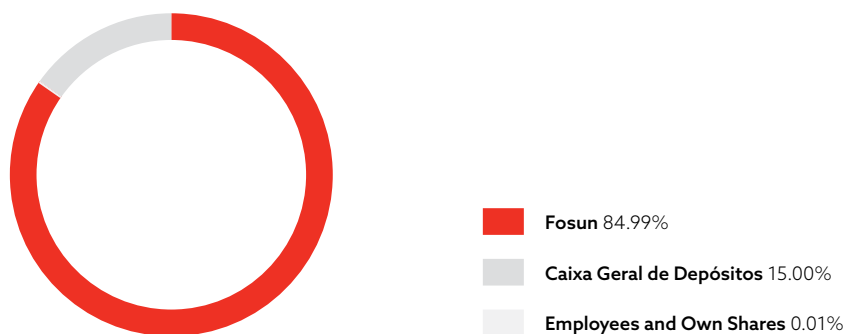
## c. About Fidelidade

### i. Shareholder Structure

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

#### Shareholder Structure

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## ii. Mission and Values

**TO BE FIDELIDADE IS TO BE PRESENT IN THE WORLD IN A SPECIAL WAY.  
KNOWING HOW TO BE CLOSE AT HAND, DRIVING CHANGE.  
REINVENTING THE FUTURE WITH A PRIDE IN OUR PAST.  
OVERCOMING CHALLENGES AND LIMITS, TO GO FURTHER EACH DAY.**

Fidelidade's mission is to support the development and construction of a sustainable society. The company is committed to educating, serving, assisting and caring for people throughout their lives with innovative products and services that protect them effectively, so that life does not stop.

From our early origins, we have always been a human company of people thinking about people. We are true in all we say and do. People know they can trust us. This is our commitment that fosters the stability of the relationships with all those who are Fidelidade – clients, employees, partners, shareholders and society itself.

**It is sharing our values that makes us Fidelidade!**

**Be proud of our past, inspire our future.**

We are Fidelidade whenever we reinvent the past with the future. Our history makes us proud, challenges us, and gives us strength, responsibility and inspiration to reinvent the future. We honour our History by sharing our knowledge.

**Be innovative, chase the progress.**

We are Fidelidade whenever we drive change. We believe that it is always possible to find better solutions to protect life. And it is this spirit that drives us to change and reinvent what we do.

**Be outstanding, overcome your limits.**

We are Fidelidade whenever we outdo ourselves. We always want to know more and we try to always go further in all we do. We dare to dream and outdo ourselves so we can continue to transform society.

**Be people driven, be there.**

We are Fidelidade whenever we are there. Fidelidade is made up of people who contribute to protecting and caring for people. We are reliable, and honour our commitments. People know they can count on our skills. Because each story is part of our story.

**Fidelidade**

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

### iii. Positioning

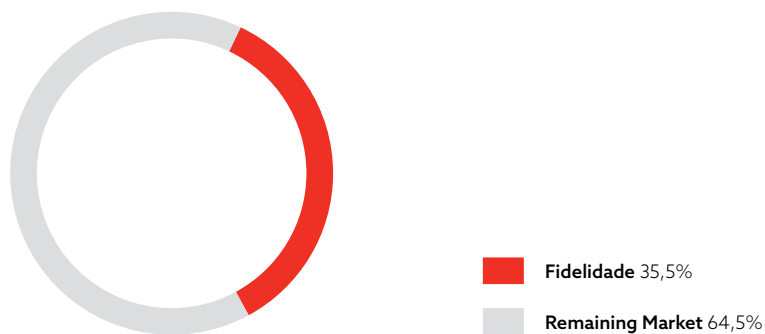
Fidelidade acts globally in the Portuguese insurance market, selling products across all lines of business, adopting a multi-brand strategy and operating through the largest commercial network in the country, including increasing growth of remote channels.

In 2016, Fidelidade once again strengthened its leadership across both the Life and Non-Life segments, recording an overall market share of 31.8%, which corresponds to an increase of 2.4pp over the previous year.

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

In the case of retirement products, and as a result of continued emphasis in this area, Fidelidade holds a 56% market share, reflecting our clients' great confidence in the Group's robustness.

#### Life Segment - Market Share



Fidelidade also grew more than most of its competitors in the Non-Life segment, increasing its market share by 0.8 pp to 25.8%. The 1.5 pp increase in the health products' market share (to 34%) was particularly significant, as was the increase in the market share of Personal Accidents to 15%.

#### Non-Life Segment - Market Share

**Fidelidade**

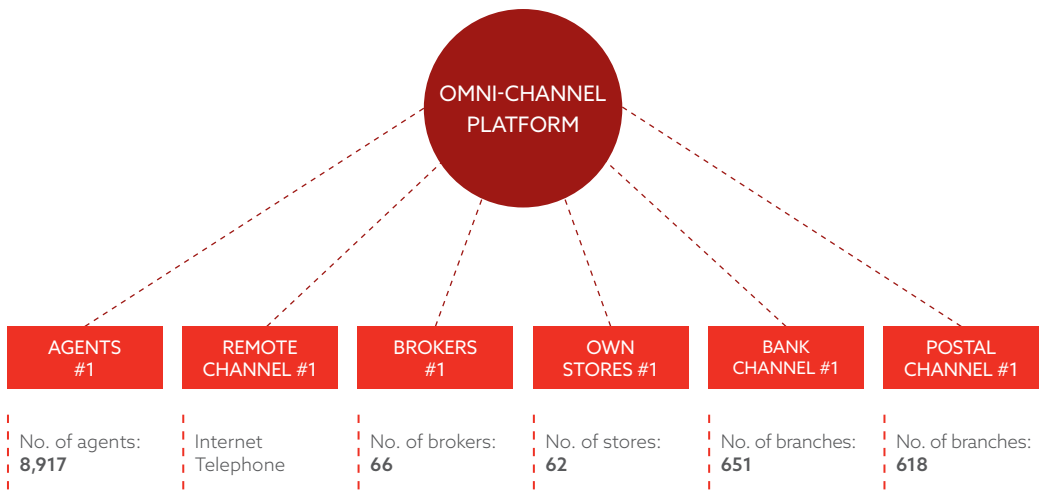
- Motor **25%**
- Workers' Compensation **24%**
- Personal Accidents **15%**
- Health **34%**
- Home **23%**
- Commercial and Industrial Property **33%**
- Other Fire and Other Damage **40%**
- Third Party Liability **27%**
- Transport **33%**



#### iv. Distribution Network

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 bank branches; the CTT (postal service) network; internet and telephone channels.

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



Fidelidade has always sought to affirm its presence in all channels where the consumer seeks added value by means of a broad range of products each with an appropriate service level.

Capitalising on its strong presence in the 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 new web platform, which was launched in 2016, seeks to align the online world with the physical world, and is one of the most important actions undertaken in this area.

#### v. Fidelidade's offer of products and brands

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

## vi. Focus on Operational Excellence and Service Quality

A focus on operational excellence and service quality has long been a priority for Fidelidade, and has a strong impact in terms of client satisfaction. Fidelidade's skill in these areas has been identified and recognised by clients.

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



### ESCOLHA DO CONSUMIDOR 2017

Best satisfaction level and intention to purchase by consumers



### MARCA DE CONFIANÇA 2016

Portuguese Trusted Brand in the insurance category



### BANCA E SEGUROS EXAME 2016

Best Large Life Insurer, in the Banking and Insurance category



### MARKTEST REPUTATION INDEX 2016

Insurer with the best reputation in Portugal



### BASEF SEGUROS GLOBAL 2016

Best Insurance  
Best Prices  
Most innovative  
Most solid



### MARKTEST REPUTATION INDEX 2016

Best Insurer in marketing, communication and advertising areas



### REPUTATION INSTITUTE

Best Public Reputation, Companies and Media



### GLOBAL BANKING & FINANCE REVIEW 2015

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



### EFMA ACCENTURE INNOVATION AWARDS 2014

Winner in the "Sustainable Business" category

## **vii. International Presence**

Fidelidade's international insurance business is an important means of sustained growth and pursuit of its medium and long-term goals. The company currently operates in three continents (Europe, Africa and Asia), through branches in Spain, France, Luxembourg, Macau and Mozambique.

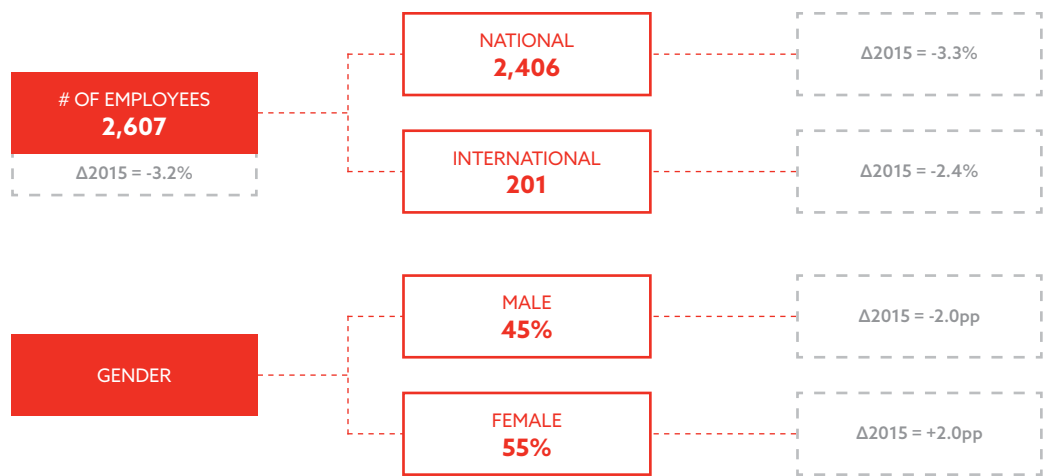
Initially, Fidelidade's process of internationalisation sought, in particular, to take advantage of markets with which Portugal has greater economic, cultural and language ties. From 2014, with the change in the shareholder structure, the Chinese community also became a priority in terms of developing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

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

## viii. The Fidelidade Team

At the end of 2016, Fidelidade had 2,607 employees, 92% based in Portugal and the remaining 8% in international operations.

In comparison with 2015, the number of employees fell by 3.2%, reflecting the evolution of the workforce in Portugal (-3.3%) and in the branches (-2.4%).



In 2016, the main goal was to rejuvenate and adapt the organisation in order to keep pace with new market challenges, which enabled an effective reduction in the average age of approximately one year (thereby counteracting the natural ageing of the workforce).

Reflecting the ongoing transformation of the business, 2016 was a year to continue the adjustments to the organisation begun in 2014, thanks to the significant involvement of all our People.

Besides the efforts in terms of organisational change and redimensioning of structures, there was also a planned effort to reformulate human resources management policies and practices.

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



## d. Fidelidade's Strategy

Fidelidade is the uncontested leader in the Portuguese insurance market, standing out in several areas, which give it competitive advantage over other insurers operating in Portugal:

- Clear market leader, with a client base of over 2.1 million, served by an omni-channel network with a high level of regional penetration;
- Brand leader in value, reputation and client recognition, resulting from the continued focus on operational excellence and service quality;
- Unique and leading position in distribution deriving from a multi-channel strategy, selling insurance through agents, brokers, own stores, banks (CGD), post office and online channels;
- Technical skills which are unique in the market, having a broad range of insurance products and recognised claims management capability, thereby guaranteeing a high level of client satisfaction;
- Prudent risk management policies and above-average provisions levels.

In this context, from a particularly strong position in Portugal, Fidelidade is seeking to both strengthen its leadership of the Portuguese market and expand internationally, becoming a recognised international player.

Accordingly, Fidelidade has three fundamental strategic objectives:

- Consolidation of the position in the Portuguese market;
- Expansion of the international business;
- Optimisation of investment management.

### FIDELIDADE STARTING POINT

- Leadership in the Portuguese market, with a client base of 2.1 million
- Unique brand in the market due to its value and recognition with clients
- Benchmark technical skills, broad product range
- Quality in claims management, recognised for its efficiency

### STRATEGIC AREAS

#### 1. Consolidation of the Position in the Portuguese Market

- Digital transformation, innovating the service offer, commercial focus, enhancing organisation

#### 2. International Business Expansion

- Diversification of the business by Fidelidade's entry into new markets

#### 3. Optimisation of Investment Management

- Adjusting the investment management model to the market context

Throughout 2016, these strategic directions provided the guiding principle for activity within Fidelidade, giving rise to a wide range of initiatives that were implemented by the different teams within the company.

### **Consolidation of the position in the Portuguese market**

Despite Fidelidade's leading position, different factors point to the need for constant evolution in the approach to the market. In some lines of business in recent years there has been a high level of competition together with the potentially disruptive impact of new business models based on new technologies.

In this context, and in preparation for the future, Fidelidade is taking a structured and coherent approach to maintain and strengthen its position in the Portuguese market.

Accordingly, the company has a series of ongoing initiatives in several areas:

- Improvement in product profitability;
- Innovation in the range of products and services;
- Improvement in performance and efficacy of sales in the distribution channels;
- Implementation of an omni-channel strategy, combining the various channels, and their product ranges and service levels, to guarantee an integrated client experience;
- Assessment of opportunities for vertical integration in the value chain;
- Digital transformation of business processes and client relations;
- Enhancement of the organisation, to become more client-focused, more efficient and more agile, capable of supporting business growth.

Success in implementing these initiatives should enable Fidelidade not only to strengthen its position in the Portuguese market, but also to acquire skills and transfer these experiences to the international operations.

### **Expansion of the international business**

Throughout Fidelidade's process of internationalisation, the Group has aimed to take advantage of markets where Portugal has greater economic, cultural and language ties. For the most part, Fidelidade followed its natural distribution partner – CGD – concentrating its operations in markets where the Bank was present.

In Europe, this strategy led to a presence in France and Luxembourg, two countries well-known for their large communities of Portuguese immigrants, and also in Spain. Fidelidade's presence in Macau followed the same logic.

In Africa, in a more recent development, Fidelidade expanded directly, through two branches, in Mozambique, a market where, for historical and cultural reasons, ties with Portugal are more evident.

Currently, international expansion is a strategic priority for Fidelidade, as a means of diversifying its activity and guaranteeing new paths for growth. Fidelidade's goal is to enter new markets where it can use its skills base to offer competitive advantages.

Accordingly, Fidelidade has been actively analysing opportunities in specific countries in Africa and Latin America, where the economic environment and the level of development of their insurance markets appears favourable to Fidelidade's successful entry.

### **Optimisation of investment management**

Fidelidade's aim in this area is to guarantee the right fit for the market and regulatory context in which it operates, naturally seeking optimisation of return and risk, but safeguarding the level of prudence that has always characterised the company's activity.

In recent years, the financial markets have offered very low interest rates. This situation is expected to continue and presents a challenge for business profitability, especially in the Life segment.

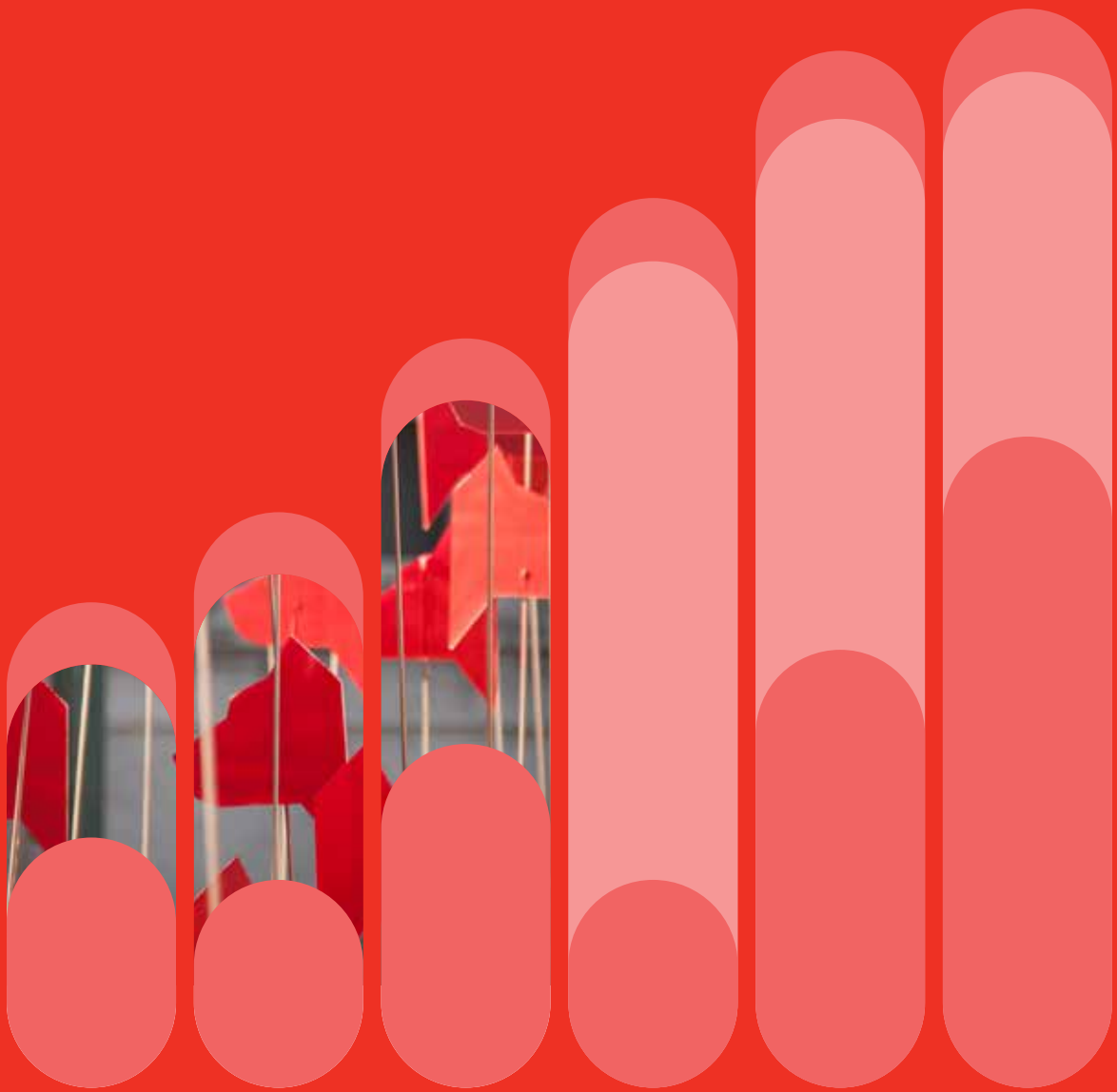
In this environment, the investment strategy involves implementing a policy of greater diversification of financial investments that guarantees appropriate exposure to different classes of assets, geographies and currencies, and also enables restructuring of the real estate investments portfolio, with emphasis on the commercial and services areas.

Naturally, this investment policy requires constant monitoring, to ensure control over the exposures incurred and appropriate alignment between assets and liabilities. Implementation of this policy is also based on the assumption that the company's capital needs are properly safeguarded, taking into account the new European Solvency II regulations, in force since January 2016.

**3**

**OUR  
PERFORMANCE**







## a. Events Summary 2016

JANUARY	<b>Solvency II</b> – entry into force of the new regulations for the insurance sector
FEBRUARY	<b>Protecting</b> – first edition of the start-ups accelerator with the support of Fidelidade and in cooperation with Beta-i, promoting innovation in the areas of health and assistance  <b>Fidelidade - Accidents Care</b> – opening of a new unit in Oporto focused on providing medical services in the area of Workers' Compensation
MARCH	<b>Web Platform Fidelidade</b> – launch of the new Fidelidade platform, guaranteeing accessibility and integration with other agent partners
APRIL	<b>Small Business Products</b> – launch of products designed specifically for the protection of people, property and their liabilities
MAY	<b>Rock in Rio</b> – Fidelidade is present at Rock in Rio 2016, as the event's official insurer, and with one of the most visited stands
JUNE	<b>GICC</b> – Global Insurance Committee of the Fosun Group in Lisbon, organised by Fidelidade with the participation of European, American and Asian insurers  <b>Multicare 24</b> – launch of Multicare's new health product, including online medical guidance, a total innovation in the Portuguese market
JULY	<b>IAPMEI and Portugal Tourism</b> – Fidelidade teams up with IAPMEI and Portugal Tourism to guarantee differentiated products for SMEs (PME Líder and PME Excelência)  <b>Munich Re</b> – start of a partnership to develop an innovative 100% digital platform to attract savings
SEPTEMBER	<b>Santalucía</b> – launch of cooperation with the market leader in Spain to promote the funeral and family assistance product in Portugal
OCTOBER	<b>Advance Medical</b> – signing of a framework agreement with Advance Medical to set up a national platform of reference in the digital health area
NOVEMBER	<b>Web Summit</b> – Official Start-up gathering held with the participation of the Secretary of State for Industry and numerous partners in the innovation ecosystem
DECEMBER	<b>My Fidelidade</b> – soft launch of Fidelidade's new mobile master app, centralising information on products and access to different Group services

## i. Evolution of the Portuguese Insurance Market

In 2016, direct insurance premiums totalled around EUR 10,872 million. Despite growth in the Non-Life segment, the market fell 14.1% compared to the previous year, reflecting a less positive trend in the Life segment.

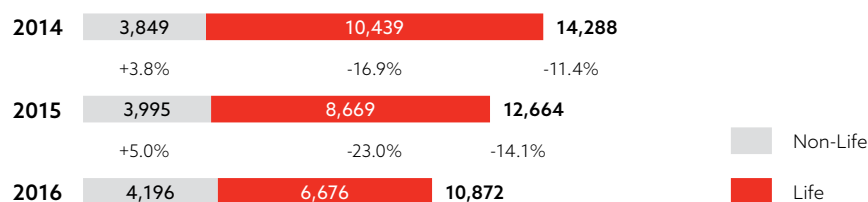
The Life segment fell 23% compared to the previous year, with total premiums of EUR 6,676 million. This sharp decline occurred for the second year running as a direct consequence of current challenges in the financial products market.

The Non-Life segment demonstrated remarkable progress in 2016, with growth of 5.0 % to EUR 4,196 million, confirming the upward trend in total premiums that began in 2015 (when growth was 3.8%). The growth rate in 2016 was the highest annual rate since 2003, in both nominal and real terms.

### Portuguese Insurance Market

Source: APS

(Million Euros)



2016 also saw some significant changes in the structure of the Portuguese insurance sector. Several acquisition operations by international financial groups will mean that the market becomes more concentrated on the larger insurers, particularly in the Non-Life segment.

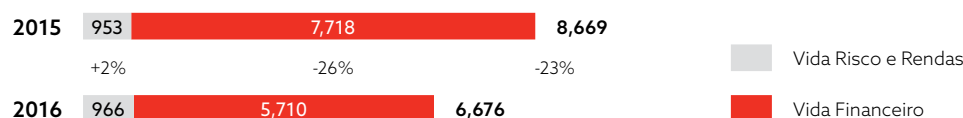
## ii. Evolution of the Life insurance market in Portugal

In 2016 the Life segment represented total premiums of EUR 6,676 million, a decrease of 23% compared to the previous year. Life Financial products fell 26% from EUR 7,718 million to EUR 5,710 million, while Life Risk and Annuities products were up 2%, from EUR 953 million to EUR 966 million.

### Life Segment Premiums

Source: APS

(Million Euros)

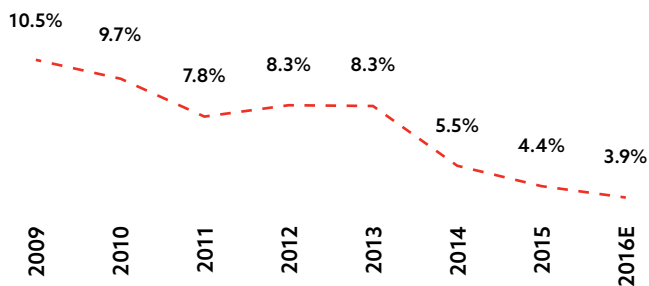




The current situation regarding the sale of Life Financial products is not the most favourable for the insurance business. On the one hand, the new Portuguese retail treasury bonds have increased the level of competition and, on the other, the macroeconomic environment of low interest rates has discouraged the accumulation of savings, particularly since 2013.

### Global rate of savings from families' disposable income

Source: INE



However, it is important to stress that the current interest rate environment is favourable to an increase in demand for credit, especially mortgages. Considering increased interest in real estate purchases in Portugal, there is potential for an increase in the sale of life insurance linked to credit, and consequently an increase in the total premiums for Life Risk products.

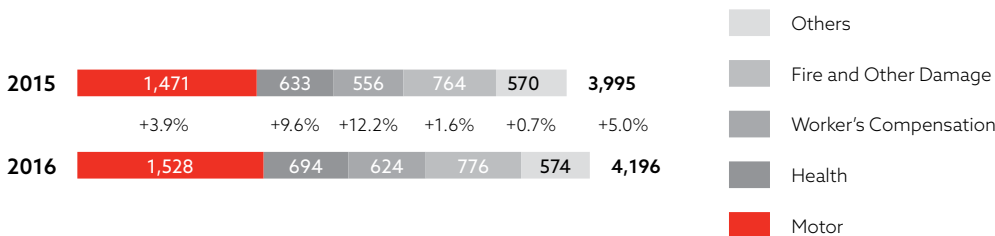
### iii. Evolution of the Non-Life insurance market in Portugal

The Non-Life segment performed well across the main lines of business, as a result of improvements in the Portuguese economy. Analysing by line of business, the main growth segments were Workers' Compensation and Health.

#### Non-Life Segment Premiums

Source: APS

(Million Euros)



Driven by tariff adjustments and increasing employment, the Workers' Compensation line of business began its recovery in 2014 and has since been consolidating its position. In 2016 it was the line of business that grew the most in the Non-Life segment, with an increase of 12.2% compared to the previous year, with premiums of EUR 624 million.

The line of business with the second highest growth was Health, with an increase of 9.6% and total premiums of EUR 694 million, in 2016. These results are due to several factors, among them employers' increasing inclusion of health insurance in employees' benefits plans, and the greater awareness of the population regarding the importance of complementing the National Health Service with assistance offered by Health insurance. In 2016, the market also benefited from a large contract of a Health-Group relating to activities previously managed by PT ACS under a self-insurance regime.

The Motor insurance line of business, the largest in the Non-Life segment, benefited from the increase in vehicle ownership associated with improvements in motor vehicle quality, as well as a more favourable economic environment. This resulted in a highly positive performance, reflecting an increase of 3.9% compared to the previous year.

Despite reduced levels of business investment, the Fire and Other Damage line of business, which also includes Home Insurance products, grew by 1.6%, with total premiums of EUR 776 million in 2016. As with life risk insurance, this line of business also benefited from the positive effect of a certain recovery in the Portuguese real estate market.

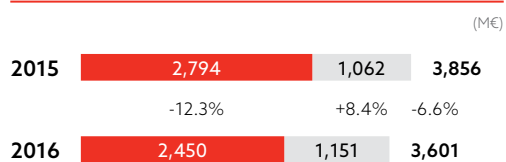
The other less significant lines of business in the Non-Life segment did not match the results of the four main lines of business. In 2016, the aggregate value of those lines increased only 0.7% compared to the previous year, to EUR 574 million.

## b. Fidelidade's Activity

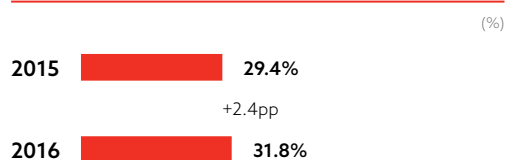
### i. Key activity indicators

In 2016, in a year marked by the trends previously referred to, Fidelidade had a very consistent performance, recording total premiums written of EUR 3,601 million. Regarding the activity in Portugal, Fidelidade registered EUR 3,452 million, which enabled it to strengthen its leadership position, increasing its total market share to 31.8%, up 2.4 pp on 2015. This growth in the market reflected trends in both the Life and Non-Life segments. The international business recorded substantial growth of 10.2%, with the strengthening of existing international operations.

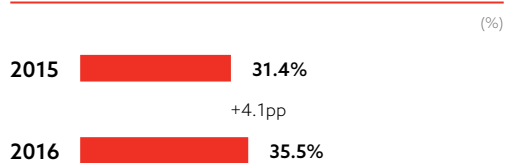
#### Total Premiums Written Life and Non-Life



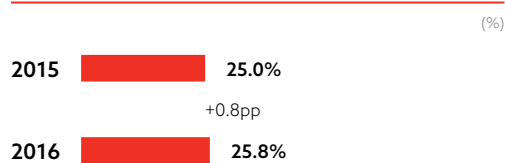
#### Total Market Share in Portugal



#### Life Market Share in Portugal



#### Non-Life Market Share in Portugal



## ii. Fidelidade's main areas of activity

Fidelidade's robust performance throughout 2016 was based on various actions that can be split into three key areas:

- I. Products and Services;
- II. Distribution;
- III. People and Organisation.

### I. Products and Services

The constant effort to innovate in its range of products and services is a feature of Fidelidade, which is seeking to increasingly position itself in the market as a company with integrated service solutions associated with people protection, rather than simply an insurance company.

Besides complying with the legal requirements of the insurance sector, which often simply means paying claims in a timely manner, the objective is to go further, exceeding our clients' expectations by providing exemplary service quality and a wide range of covers and services which respond to the broadest of needs.

Accordingly, the range of products and services has been clearly developed in recent years, with significant emphasis on differentiation and innovation and the creation of integrated solutions in the various lines of business, together with a greater level of vertical integration in terms of the companies within the Fidelidade Group, as a response to market expectations.

In 2016 the Motor line of business consolidated the success of the "Proteção Vital ao Condutor" and "Auto Estima" own damage insurance solutions. The "Proteção Vital ao Condutor" cover, which was launched in 2014, is a pioneering solution in Portugal to respond to a lack of adequate protection for the driver if he is responsible for an accident, thus guaranteeing a speedy response from the insurer when the client is most in need. The "Auto Estima" own damage insurance, launched in 2015, is a totally innovative solution in the Portuguese market designed especially for motor vehicles over four years old. It has enabled Fidelidade to enhance its penetration in the own damage segment.

The Health line of business has been one of the main growth areas within Fidelidade. Back in 2015, Fidelidade was already offering an innovative insurance product in the Portuguese market - Seguro Proteção Vital, with a specific cover for Oncology, for diagnosis and treatment, with a sum insured of €1,000,000. This cover, supported by an excellent medical network, involves heavy emphasis on prevention with periodic and differentiated check-ups being performed, with the aim of providing timely screening and the earliest possible diagnosis of oncology-related issues. During 2016, Multicare launched its new range of Health insurance, which involved the creation of three new Healthcare Plans, with increasing levels of protection, in a simplified approach which is also a better response to client needs. Additionally, as part of the partnership with Advance Medical, and enhancing Fidelidade's digital focus, this new offer also provides access to the Multicare24 platform, through which clients can obtain medical advice online, as well as other health and wellbeing support services.

2016 was also a year of consolidation in Personal Accidents, namely with the boosting of sales of the "Proteção Vital das Pessoas" insurance. This product was launched in 2015 and involves an innovative and highly competitive approach that complements people protection in accidents when they are not covered by mandatory insurance, such as motor insurance and/or workers' compensation insurance, for example, during free-time activities or in the event of an accident at home. There has been a high take-up of the product in the market.

In the Workers' Compensation line of business there has been continued effort to rebalance the technical results, also by working in close cooperation with our selected network of healthcare providers. In cooperation with Luz Saúde, a specific medical treatment unit was set up in the Oporto area, which has allowed the Group to guarantee better service quality for its clients and greater control over the healthcare services provided.

New solutions have also been rolled out in Fidelidade's Life segment, which is adapting to the new macroeconomic situation, with the aim of increasingly responding to clients' needs.

In the Life Financial area, which has been heavily affected by the environment of low interest rates, a low rate of savings by private individuals and high competition from new public debt products for individuals, Fidelidade has improved its offer of unit-linked products, which allow clients to obtain more attractive returns, without jeopardising the solidity of the investments. In addition to this improved offer, Fidelidade has also maintained a range of savings products with guaranteed capital and interest rates, in line with the concerns of a large proportion of clients in Portugal.

In Life Risk, in addition to the new offers aimed at specific segments, Fidelidade has positioned itself to benefit from renewed interest in the Portuguese real estate market where mortgages play a key role in business development. As a result, the existing products, sold mostly through branches of Portugal's largest retail bank, Caixa Geral de Depósitos, have performed solidly.

## **II. Distribution**

Fidelidade's distribution channels constitute an important competitive advantage, enabling it to be closer to its clients and to provide them with high levels of service quality. As a result of an omni-channel strategy, based on the multi-channel distribution platform, Fidelidade has encouraged interaction between the various channels, their product ranges and service levels, to provide the client with an integrated response to his needs.

Recent years have also seen consolidation of the activity in the various distribution channels – agents, own stores, brokers, bank (CGD), post office and online channels.

Initiated in 2015 and pursued in 2016, the internal structure for providing support to agents was streamlined to restructure the network of own agencies, with the aim of better adjusting the existing means to the needs of our commercial network. Emphasis was also placed on enhancing the network of exclusive agents, namely with the opening of new agencies with the Fidelidade brand all over the country, and on creating closer ties with the brokers' channel, with good results in terms of commercial performance being achieved in both cases. At the same time, a range of initiatives have been implemented in the banking and postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

Also of note in 2016 is the launch of the new web platform ([www.fidelidade.pt](http://www.fidelidade.pt)) which is an important milestone in implementing Fidelidade's omni-channel strategy. This platform allows motor insurance, health insurance and home insurance to be simulated and contracted online, in close cooperation with the agents' network, thereby boosting the company's digital focus.

### III. People and Organisation

A “new” Fidelidade that positions itself increasingly as a partner in people protection, by guaranteeing faultless service quality, innovative products, ever more transparent practices and greater proximity to clients, staff and partners: this is the great challenge that drives the day-to-day of the people at Fidelidade.

Our aim is make the organisation more agile, more digital, and more innovative, giving people the opportunity to be more creative and play a bigger part in this transformation. For all these reasons, People Management and alignment with the company's strategy and the needs of the business units are key issues.

As a first step, the Human Resources Division was repositioned as the People and Organisation Division, adopting a stance of greater partnership with all the areas in the company, and as an agent of change. An integrated action plan in the area of People Management was also defined, with a working plan and specific projects structured in four key areas:

- People Development – Guaranteeing that People are prepared to face future challenges, attracting, developing and retaining the best staff for the Fidelidade Group. Implementing meritocracy-based People Management Models which promote opportunities for employees' growth and development. Ensuring succession and promoting mobility to guarantee a pool of global talent that can rise to the challenges of the different Group operations at the national and international level;
- Transformation of the Organisation – Support in designing the organisational structure to better respond to the challenges of the business and support in workforce planning, contributing to rejuvenating the Organisation, retaining knowledge, and introducing new skills profiles. Creating transversal Group policies, respecting the specific characteristics of each company and guaranteeing fairness to employees;
- Change Management and Business Partnerships – Supporting business unit leaders in managing their people. Understanding and working alongside the business, proactively identifying its needs, supporting change in every area, focusing on the market, proximity to the client and results;
- Corporate Culture – Supporting and consolidating a corporate culture for the Fidelidade Group, by developing and promoting the company's cultural identity (Vision; Values) and optimising communication channels with employees which foster engagement and proximity between the People and the Organisation. Promoting the Fidelidade Group's image as an employer with an attractive value proposition among potential applicants, academic institutions, senior executives and members of staff.

Fidelidade has also made a continuous effort to improve and digitalise processes, which is key to promoting greater agility and enhancing the technical and claims management skills that are essential in the insurance business.

Incorporating the most recent digital developments in its insurance business, Fidelidade has been implementing advanced analytics, based on machine learning tools, which enable the Group to improve the underwriting process, increase the level of automation in claims management processes and improve fraud prevention capabilities. These developments, which are being applied across the various lines of business, have great potential to transform processes and improve performance.

With the aim of implementing this emphasis on Analytics and Big Data more consistently, Fidelidade has created the Advanced Analytics Centre. This unit is focused specifically on this area and will develop internal capabilities and, in close cooperation with the various business areas, promote the application of these technologies in the Fidelidade Group.

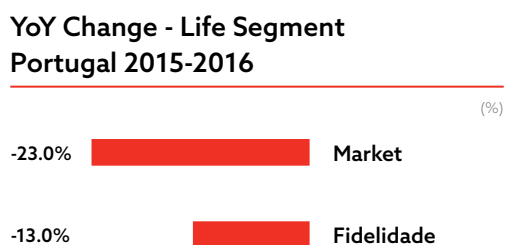
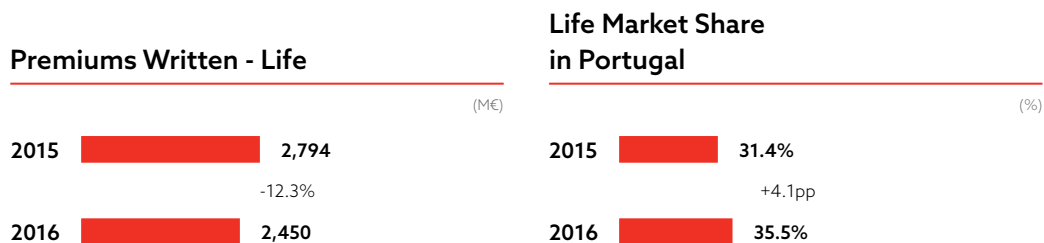
### iii. Life Segment

#### Key activity indicators - Life Segment

2016 was particularly demanding for the Life segment of the Portuguese insurance market. The premiums written by Fidelidade in this segment decreased by 12.3% to EUR 2,450 million.

Fidelidade's commercial performance was clearly positive in comparison with most of the market, particularly in Portugal. Although Fidelidade's premiums fell 13.0%, the market as a whole declined by 23.0%. This performance led to a strengthening of Fidelidade's leadership position, increasing its market share to 35.5%, which represents an increase of 4.1 pp over 2015.

In a context dominated by low interest rates, a low rate of savings by private individuals and high competition from new public debt products for individuals, which have placed great pressure on the Life Financial segment, Fidelidade was able to innovate in its range of products, leveraging its multi-channel distribution network and taking advantage of its high levels of service quality, reputation and client satisfaction in order to strengthen its position in the Life segment.



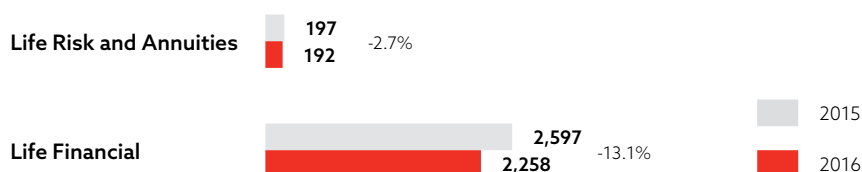
### Evolution of the Life segment by line of business

The Life segment is composed of Life Risk and Annuities products and Life Financial products, with the latter being responsible for the great majority of premiums, representing over 80% of the total.

The Life Risk and Annuities products displayed sustained performance despite a decline of 2.7% to a total of EUR 192 million. The positive contribution of the changes in the real estate sector to the increase in sales of life risk insurance associated with mortgages was not sufficient to prevent a slight drop in overall premiums.

Life Financial premiums fell 13.1% to a total of EUR 2,258 million, in line with the decline in the insurance market in Portugal for this type of product, as a result of the low interest rates, low rate of savings by private individuals and high competition from new public debt products for individuals. This performance is clearly positive in comparison with most of the Portuguese market.

### Life Segment Premiums - Fidelidade



### Evolution of the Life segment by distribution channel

The banking and postal channels combined continue to be the most significant for Life segment products. They represent around 80% of Life premiums.

However, it should be stressed that in 2016 there was significant growth (+54%) in the traditional channels (agents, own stores and brokers), which increased their share of the sales.

### Life Segment

(million euros)

Distribution Channel	2016	2015	Change
Traditional	464	301	+54.1%
Bank and Postal	1,906	2,423	-21.3%
International	80	71	13.7%
<b>Fidelidade</b>	<b>2,450</b>	<b>2,794</b>	<b>-12.3%</b>
<b>Market</b>	<b>6,676</b>	<b>8,669</b>	<b>-23.0%</b>



## iv. Non-Life Segment

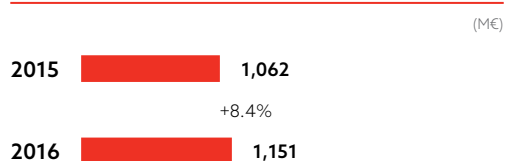
### Key activity indicators - Non-Life Segment

Fidelidade's performance was clearly positive in the Non-Life segment, with the premiums written increasing 8.4% to EUR 1,151 million.

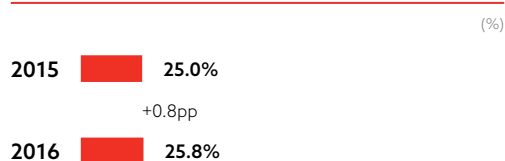
Fidelidade's commercial performance followed the positive trend of most of the market. In the Portuguese market, Fidelidade's premiums grew by 8.6%, in comparison with an increase of 5.0% in the market overall. These results enabled Fidelidade to strengthen its leadership position, increasing its market share to 25.8%, which represents a 0.8 pp increase over 2015.

Contributing to Fidelidade's positive performance in the Non-Life segment was the enhancement of the range of products and services, with heavy emphasis on differentiation and innovation, with the creation of integrated solutions supported by the high level of vertical integration within the Fidelidade Group, responding to market expectations.

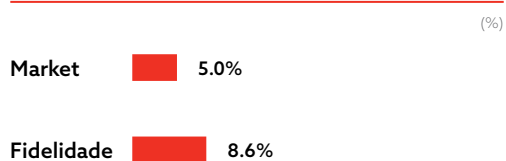
### Premiums Written - Non-Life



### Non-Life Market Share in Portugal



### YoY Change - Non-Life Portugal 2015-2016



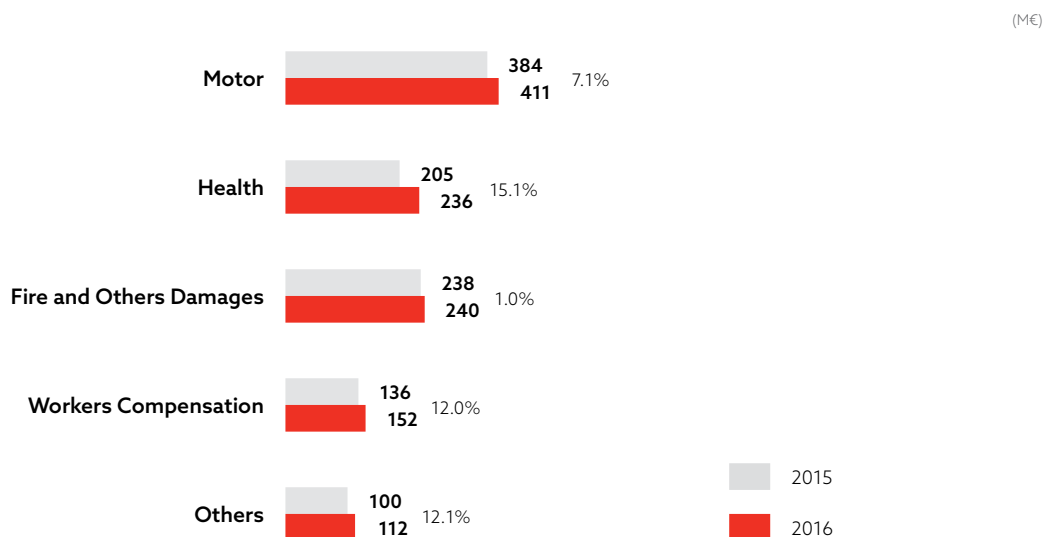
### Evolution of the Non-Life segment by line of business

The Non-Life segment comprises a wide range of lines of business, although the four main lines –Motor, Health, Fire and Other Damage, and Workers’ Compensation – represent approximately 90% of the total premiums written.

All the Non-Life lines of business displayed positive performance throughout 2016, but particularly significant was the performance of the Health, Workers’ Compensation and Personal Accidents lines of business, which all had growth of over 10%. Contributing to this growth was the focus on the differentiation and innovation of the products and services offered in these lines, for example, Multicare’s introduction of new health products including medical advice online, and boosting of the sales of the personal accidents product, “Proteção Vital das Pessoas”, which was launched in 2015. In 2016, in the Health business, Fidelidade also benefited from a large contract of a Health-Group relating to activities previously managed by PT ACS under a self-insurance regime.

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the segment total. The performance of this line of business was particularly solid, with premiums increasing 7.1% due to both an improved structure of vehicle ownership, with growth and improved quality, and Fidelidade’s capacity to capitalise on the product and service innovations introduced in recent years, for example, the launch of the “Proteção Vital dos Condutores” and the “Auto Estima” own damage insurance.

### Premiums Written - Non-Life - By Line of Business



### Evolution of the Non-Life segment by distribution channel

All the distribution channels in the Non-Life segment evolved positively from 2015 to 2016 in terms of product sales.

The traditional channels (agents, own stores and brokers) continued to present the greatest share of product sales in the Non-Life segment, representing around 80% of the segment total. These distribution channels had significant growth of 9.1%, thereby contributing greatly to the segment's performance.

### Non-Life Segment

(million euros)

Distribution Channel	2016	2015	Change
Traditional	991	909	+9.1%
Bank and Postal	101	98	+3.2%
International	58	55	+5.7%
<b>Fidelidade</b>	<b>1,151</b>	<b>1,062</b>	<b>+8.4%</b>
<b>Market</b>	<b>4,196</b>	<b>3,994</b>	<b>+5.0%</b>

### v. International Activity

Fidelidade operates internationally through branches in Spain, France, Luxembourg, Macau and Mozambique.

In 2016, the total direct insurance premiums of the Fidelidade branches reached EUR 138 million, up 10.2% compared to the previous year.

The year was marked by important growth in the business in general across the branches and by consolidation of their business models. In 2016, Non-Life premiums were impacted negatively by the evolution, in 2015, of the Non-Life branch of Macau into a company under the local law (Fidelidade Macau - Companhia de Seguros).

The table below shows the evolution of premiums in the branches between 2015 and 2016:

### International Activity - Direct Insurance Premiums

INTERNATIONAL ACTIVITY (Direct Insurance Premiums)	2016		2015	
	Value (M€)	Change (%)	Value (M€)	Change (%)
<b>SPAIN BRANCH</b>				
Life (Insurance and Investment contracts)	34.1	20.7%	28.3	20.0%
Non-Life	18.4	24.8%	14.7	-4.9%
<b>Total</b>	<b>52.5</b>	<b>22.1%</b>	<b>43.0</b>	<b>10.1%</b>
<b>FRANCE BRANCH</b>				
Life (Insurance and Investment contracts)	35.1	16.8%	30.0	15.9%
Non-Life	38.6	32.1%	29.2	23.1%
<b>Total</b>	<b>73.6</b>	<b>24.3%</b>	<b>59.2</b>	<b>19.4%</b>
<b>LUXEMBOURG BRANCH</b>				
Life (Insurance and Investment contracts)	0.5	-89.2%	5.0	38.3%
Non-Life				
<b>Total</b>	<b>0.5</b>	<b>-89.2%</b>	<b>5.0</b>	<b>38.3%</b>
<b>MACAU BRANCH</b>				
Life (Insurance and Investment contracts)	10.5	44.4%	7.3	-39.9%
Non-Life			11.0	1.1%
<b>Total</b>	<b>10.5</b>	<b>44.4%</b>	<b>18.3</b>	<b>-20.5%</b>
<b>MOZAMBIQUE BRANCH</b>				
Life (Insurance and Investment contracts)	0.0	378.9%	0.0	248.7%
Non-Life	1.4	421.9%	0.3	8285.1%
<b>Total</b>	<b>1.4</b>	<b>420.4%</b>	<b>0.27</b>	<b>3924.1%</b>
<b>INTERNATIONAL ACTIVITY - TOTAL</b>				
Life (Insurance and Investment contracts)	80.2	13.7%	70.5	8.3%
Non-Life	58.3	5.7%	55.1	10.2%
<b>Total</b>	<b>138.5</b>	<b>10.2%</b>	<b>125.7</b>	<b>9.1%</b>

## c. Operational and Financial Performance

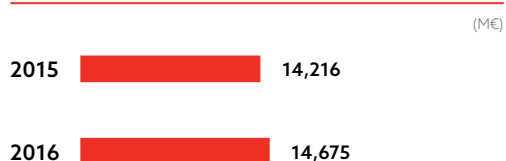
### Key indicators of the operational and financial performance

In 2016 Fidelidade reported solid profitability, with a net profit of EUR 100.4 million, which was lower than in 2015, which had included extraordinary gains from investments.

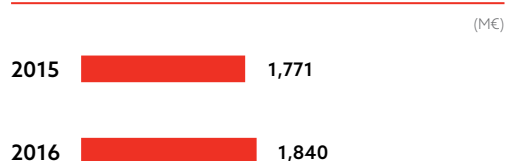
Significant improvement in the combined ratio and consistent performance in investment management both made a positive contributions to this net profit.

The combined ratio was 101.3% in 2016, 3.7pp lower than in the previous year, mostly benefiting from an increase in efficiency leading to a reduction in the expense ratio.

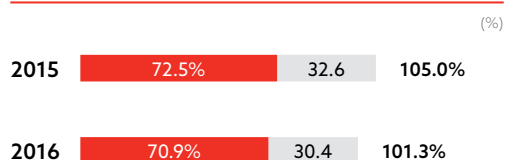
#### Net Assets



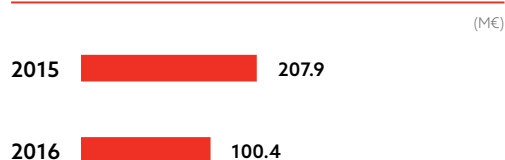
#### Shareholders' Equity



#### Combined Ratio \*



#### Net Profit



Expense Ratio

Loss Ratio

## i. Operational Performance

Operational performance improved substantially during 2016, with a drop in the combined ratio from 105% to 101.3% (-3.7 pp). This result was due to improvement in both the expense ratio and the claims ratio.

The expense ratio fell 2.2 pp, from 32.6% to 30.4%, in 2016. This result reflects the increase in Fidelidade's operational efficiency, in addition to an effort to optimise and contain costs at the same time as the volume of Non-Life premiums has been increasing.

The claims ratio, including costs allocated to the claims function, decreased 1.6 pp, from 72.5% to 70.9%, in 2016. This is the result of a combination of factors, including a significant increase in profitability in the Workers' Compensation and Health lines of business, largely due to tariff adjustments and improvements in underwriting and claims management.

On the other hand, the Motor line of business recorded an increase in claims, as a result of increased use of motor vehicles. Hence, in 2016, this line of business did not make a positive contribution to the decrease in the overall claims ratio which Fidelidade has consistently registered in recent years.

## ii. Financial Performance

Fidelidade's Net Assets were EUR 14,675 million in 2016, representing a rise of 3.2% compared to 2015.

In its definition and application, the Fidelidade Group's investment policy considers the challenges currently facing the insurance business:

- The prolonged environment of low interest rates, which means assets must be sought which have a higher return than traditional fixed rate investments, although also ensuring that an appropriate level of risk is maintained;
- The need to optimise the capital structure, in line with the framework of the Solvency II regulations.

Fidelidade's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 13.6 billion, similar to that registered in 2015.

In 2016, the policy of diversifying by class of asset and geographical location was followed, to maximise yields with an appropriate level of risk, in an environment of low interest rates.

Overall, investments performed well, resulting in an investment income of EUR 327 million and an investment yield of 2.4%. This rate was impacted negatively by the existence of a large amount of investment in subsidiaries which did not pay out dividends in 2016.

### **iii. Capital and Solvency**

Shareholders' Equity of EUR 1,840 million in 2016 represented an increase of around 4% compared to 2015.

Also Fidelidade successfully transitioned to the new Solvency II regulatory framework, increasing its solvency levels throughout 2016. In fact, on the date the new Solvency rules came into force, Fidelidade had a solvency ratio of 104.5%, in its separate perimeter. This figure rose throughout the year.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that Fidelidade complies with the capital requirements based on the information currently available.

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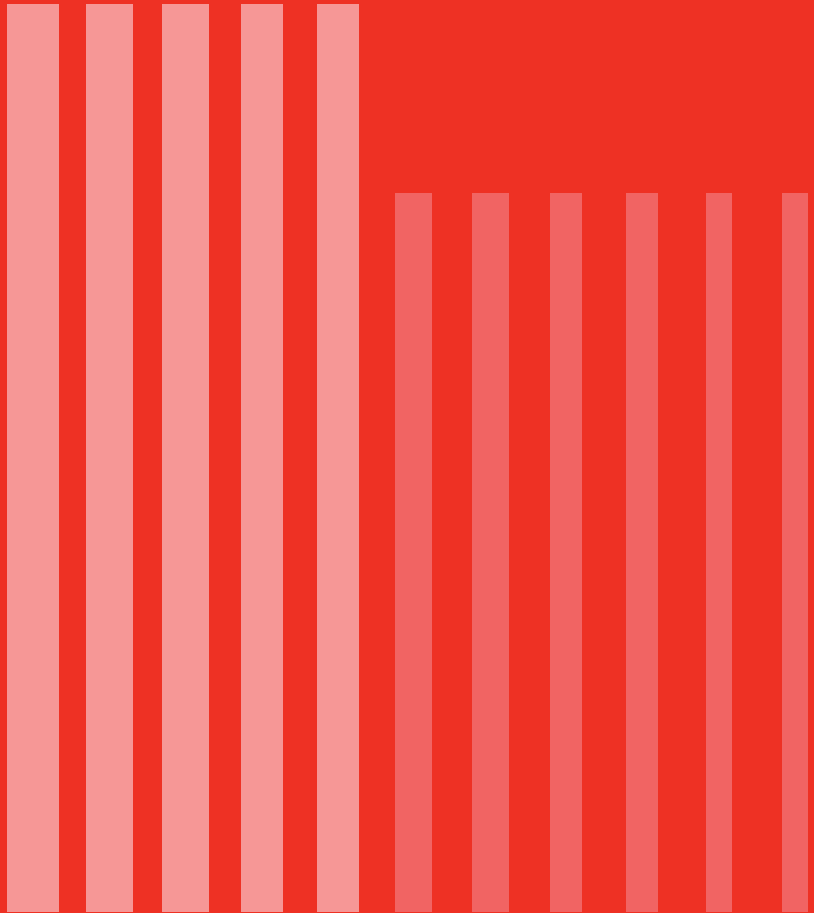
**FUTURO**

MAIS FORTE

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## a. Macroeconomic Development

In 2016, the Portuguese economy continued to display some of the key features that have characterised the economic recovery in progress since 2013, although the rhythm of economic growth was lower than in previous economic cycles.

Accordingly, there was a slowing of the annual Gross Domestic Product (GDP) growth from 1.6% in 2015 to 1.2% in 2016. This figure was lower than the ECB estimate for the euro area (1.7%), and mostly reflected the contraction in investment (-1.7%), in particular in the public and residential components.

On the other hand, unemployment declined by 1.3 pp compared to 2015, to 11.1%, having benefited from a boost in certain activities, namely those connected with tourism.

The forecasts available for 2017 indicate that the trends described above will continue, although with greater GDP growth (1.4%), reflecting higher investment (with expected growth of 4.4%). On the other hand, there should be some moderation in private consumption, which is expected to increase by 1.3%, slightly lower than GDP growth, resulting from lower consumption of consumer durable.

The unemployment rate is expected to fall once again to 10.1%, with the economy continuing to benefit from boosts in exports, in particular in the tourism sector.

Lastly, although the forecast pattern of growth includes a range of characteristics which should lead to a more sustained recovery of the Portuguese economy, several structural constraints to growth will persist, namely the high level of indebtedness in the public and private sectors, adverse demographic evolution and a high level of long-term unemployment.

## b. Prospects for the Insurance Market in 2017

The insurance market must be analysed separately for the two major business segments, the Life segment, heavily influenced by the behaviour of financial products, and the Non-Life segment, the evolution of which is closely linked to the economic activity.

In 2016, the area associated with financial products saw a decrease of 23%, reflecting continuing low interest rates (which discourage long-term saving) and competition from new savings products launched by the State.

On the other hand, the Non-Life segment intensified its growth to 5.0% in 2016, the highest annual growth rate since 2003, the main drivers of which were the Health and Workers' Compensation lines of business, with growth of 9.6% and 12.2%, respectively.

For 2017, Life Financial premiums should maintain the downward trend of the last two years, reflecting the environment of low interest rates, pressure from competition from State financial products and the new regulatory framework in force which, in terms of solvency, penalises this type of product.

In the Non-Life segment, the growth trend will continue, in line with that of the Portuguese economy, with some of the more dynamic lines of business, such as Health and Personal Accidents, also benefiting from this.

Fidelidade is aware of the social changes facing society and of the need to constantly adapt the business to the new context in which it finds itself

The Non-Life segment should also benefit from an increase in the lines of business more linked to business activity (Workers' Compensation, Property and Third Party Liability), reflecting the evolution forecast for investment and for the unemployment rate.

In short, 2017 will certainly be a challenging year, in which it is likely that the environment of moderate growth of the economy and pressure from competition will continue to condition the evolution of the Non-Life segment, and in which the global dimension of the Life segment will decline, in particular due to regression in the Life Financial segment.

## c. Main Challenges for the Future

After discussion of the most significant aspects of the sector and the economic situation in which insurers are currently working, it is important to also understand the key issues that will dominate the future.

Monitoring changes that appear on the horizon almost daily, Fidelidade has been preparing its response to external factors which may affect its business and influence its capacity to create value, in the following areas:

- Ageing of the population;
- New needs in the digital economy;
- Regulatory changes;
- Uncertainty in the financial markets.

### 1. Ageing of the population

Of all the demographic factors, **ageing** of the population is the one which warrants the greatest attention. The increase in the average life expectancy, combined with a decrease in the fertility rate, has led to a population which is increasingly concentrated on older population, which is only partially compensated by migratory flows.

#### Main impacts:

- Increasing ageing of the population, with a major impact on social protection systems, leading to decline in the State commitment to retirement;
- Growing need for healthcare and assistance services;
- Growing concern with channelling savings to retirement.

The insurance sector faces the challenge of adapting its business models, taking into account not only the needs and risk profile of consumers but also the potential expansion of the social and assistance role that has characterised the activity in the sector.

Fidelidade aims to accompany its clients throughout their lives by developing innovative products and services adapted to their specific needs at each different stage.

Activities in this area include the creation of new insurance solutions technically adapted to the senior market within the scope of health plans; detailed study of future needs in terms of assistance, long-term care and retirement; development of services using new technologies; and the establishment of strategic partnerships with key entities with the aim of jointly developing new solutions.

## 2. New needs in the digital context

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Society is evolving towards a new **Digital Era**, in which technology plays a prominent role. New dimensions are appearing in products and in the transmission of and access to information, and methods of consumption are changing.

The insurance sector has identified significant and potentially disruptive developments in terms of protection needs, purchasing behaviour and client relationships.

### **Main Impacts:**

- Demand for new protection solutions
- Purchasing process and client relations characterised by multiple contact points using new technologies
- Growing demand for customised services and greater demands in terms of the quality of those services.

The Insurance Sector is facing a significant challenge in this area, which requires the implementation of significant changes in the processes for sales and client contact, and also in the core business management processes, to remain effective in this new environment.

Fidelidade is focused on the development of a truly customer centric culture, in which digital tools are essential, but in which the human perspective is also a priority.

As part of its digital agenda, Fidelidade is currently engaged in transforming its main business and client relations processes using new technologies (mobile, analytics, internet of things, and so on), preserving the capacity to combine the role of the various elements, the distribution channels and digital and physical services, in a truly omni-channel approach, which seeks to satisfy the needs of different generations of consumers throughout the life cycle of its products and services.

Fidelidade believes that technological development is crucial in the continuous search for new solutions for clients and in the transformation of business processes

Fidelidade is governed by compliance with all regulatory requirements and, in particular, is aligned with the necessary requirements of Solvency II

### 3. Regulatory changes

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Regulation of the insurance industry has always been a very important factor in the development of the business in its different forms.

The insurance sector is currently adapting to the guidelines of new European directives, in particular **Solvency II**, which has been applied since 1 January 2016 and which has brought significant changes for those operating in the market.

#### **Main Impacts:**

- Need to strategically consider the potential capital requirements of business development decisions;
- Significant change in the way investment portfolios are managed, so as to obtain the proper balance between return and capital needs;
- Greater relevance of internal control and risk management systems.

The effective adaptation and application of the Solvency II rules and other directives must continue to be a priority for the Insurance Sector.

Fidelidade has successfully transitioned to the new Solvency II regulatory framework, having prepared and implemented in advance the changes in terms of management processes, capital and internal control mechanisms which are necessary for compliance with the new requirements imposed by the new Solvency II directive, which has been effective since 1 January 2016.

#### 4. Uncertainty in the financial markets

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The macroeconomic environment and political uncertainty which currently characterise the Euro area, the slim prospects for economic growth and the volatility in the world financial markets are major sources of risks for the insurance sector.

One of the most important macroeconomic variables for insurers is interest rates. The persistence of low **interest rates** has a significant impact on investment yields, particularly in the Life segment, which is heavily penalised by the current environment.

##### **Main Impacts:**

- Yields offered on financial products are less attractive;
- Across-the-board reduction in margins and financial results of the sector;
- Impacts on the companies' solvency position

The environment in which insurers have been operating, and the underlying uncertainty regarding macroeconomic and political variables, represent a significant challenge to financial yields and stability, obliging insurers to adjust their business model.

As part of this, Fidelidade has taken steps to conduct a prospective analysis, in order to assess the sustainability of its business and investment strategies within the scope of the current macroeconomic constraints.

In the current environment, in which low interest rates and great volatility in the financial markets are expected to continue, combined with the new requirements imposed by the Solvency II directive, Fidelidade has made the changes deemed necessary regarding the product development process and investment and risk management policies, to minimise any negative impacts that may result from the current macroeconomic context.

Aware of the macroeconomic challenges and the volatility of the financial markets, Fidelidade has adopted a proactive attitude involving early adopting of the strategies which are most appropriate to deal with current uncertainties

## d. Fidelidade's Future Positioning

In recent years, Fidelidade has pursued its strategy with highly positive overall results. It has been able to successfully overcome the challenges of the Portuguese market, despite the difficult environment in which it is working. In 2014 Fidelidade began a programme of strategic action with the key pillars being a focus on innovation and improved service quality, strengthening of the multi-channel distribution, digitalisation of the business and enhancement of the organisation's capabilities. These options and the results which have already been achieved allow us to face future challenges with determination and confidence.

For Fidelidade, 2017 will be a year of evolution and transformation, supported by projects which seek to adapt the business to an increasingly digital and global economy. Initiatives to transform the business, which are critical for consolidating the position in Portugal, international expansion and strengthening of the capital position, should remain key areas of action to ensure Fidelidade's sustainable development.

Fidelidade is also reaffirming its aim of positioning itself more as a partner for its clients in the provision of protection and assistance services which are an intrinsic part of the insurance business, but it intends to place emphasis on new services in a wider approach to the creation of a more global offer. Fidelidade has been increasing the emphasis placed on the concept of an ecosystem, that is, on the development of partnerships with key entities in other business areas and with skills which are complementary to those of Fidelidade, with the aim of creating broader and more competitive value propositions for its clients in areas such as Mobility, Health or Assistance.



The new digital capabilities will enable the development of an offer capable of responding to the changes which are already being seen in terms of client profile, and that will certainly intensify in the future. Nevertheless, the focus will remain on the client and his needs, maintaining proximity to people which sometimes it is only possible to achieve through physical channels involving human contact.

Additionally, international expansion will continue to be a priority. Anchored on the considerable skills it has in Portugal, Fidelidade intends to position itself as a leading player in the international markets in which it operates and to build a clear growth path outside the domestic market, analysing opportunities to enter attractive markets where it can gain a competitive advantage.

The coming years will certainly be decisive for sustained growth in an insurance business which is undergoing significant transformation. Based on the support of its shareholders, its strong operational capabilities and the motivation of its team, Fidelidade is confident of its success!

# FIDELIDADE BRANCHES

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Below we present a summary of the activity of the Fidelidade branches, namely key events in 2016, main indicators and next steps.

## SPAIN

**Total Premiums = M€ 52.5**

**Number of Employees = 104**

Fidelidade Spain closed 2016 with total premiums written of EUR 52.5 million, an increase of 22% compared to the previous year (+21% in Life premiums and +25% in Non-Life premiums).

Technical provisions in the Life segment were EUR 105 million, up 38% compared with 2015. This marked increase is the result of successful sales of the "Fidelidade Ahorro Platino" insurance at Banco Caixa Geral, as well as other Life Savings and Annuities products.

In 2017, Fidelidade Spain will seek to consolidate some of the strategic directions begun in 2016, in particular:

- Continued growth in the brokers' channel, through the strengthening of the binding agreements already established in 2016 with the most relevant players in the market (Marsh, Aon, Willis, Howden); by means of a strategy of "value-added offer" on insurance for industrial risks and civil liability, and also through harnessing of synergies with Chinese and Portuguese companies in the Iberian market.
- Reduction of the presence in the motor line of business, given the negative evolution of the technical account in the company and in the sector.
- Reorientation of the strategy regarding the traditional agents' channel. Adjustment of the geographical areas and focus on support resources for a smaller number of agents with greater potential. The network of exclusive agents - Chinese and local - will continue to be promoted.

## FRANCE

**Total Premiums = M€ 73.6**

**Number of Employees = 54**

In 2016, the total premiums of the France Branch reached EUR 73.6 million, representing an increase of 24% compared to the previous year - 17% in the Life segment and 32% in the Non-Life segment. The Life segment represented 48% of the total premiums, with technical provisions of EUR 292 million. The portfolio, divided between the private segment (74%) and corporate segment (26%) continued to reflect the focus on development on the offer for small and medium enterprises.

Distribution of the business is ensured by the bank channel and direct sales (52%) and by the brokers' channel (48%).

In 2016 the brand was strengthened with the Portuguese community and their descendants, among both individuals and companies, and cooperation began with partners in the Chinese community to enable Fidelidade France products to be distributed among this important community, through agreements with exclusive agents and the bank assurance channel.

## MACAU - LIFE BRANCH

**Total Premiums = M€ 10.5**

**Number of Employees = 5**

In 2016, the total premiums of the Life Branch in Macau reached EUR 10 million, which represents growth of 44% compared to the previous year. This growth was due to the increasing role of the bank assurance channel, through BNU - Banco Nacional Ultramarino, the CGD Group's bank in Macau.

The branch continued its activity of managing Pension Funds, increasing the turnover.

Benefiting from the stability of the financial result, the level of results registered in the previous year did not change significantly.

For 2017 the partnership with BNU is expected to be strengthened, with a focus on medium and long-term financial products, and also on mortgage-related products, consolidated the strategy defined and begun in previous years.

## MOZAMBIQUE

**Total Premiums = M€ 1.4**  
**Number of Employees = 5**

Fidelidade's Life and Non-Life branches in Mozambique began their commercial activity in 2015. In the second year of activity total premiums of EUR 1.413 million were achieved.

2016 was marked by the consolidation of Fidelidade's operation in Mozambique. The following aspects can be highlighted:

- Increase in awareness of the Fidelidade brand, resulting from an effort to publicise the brand, particularly by means of the Company's presence in events and advertising campaigns;
- Expansion of the offer, with the launch of health insurance, in partnership with Multicare, and the launch of new motor insurance covers – roadside assistance, legal protection and loss of use;
- In terms of distribution, opening of an own store in the city of Beira; continued development of the network of exclusive agents, which represents 24% of Fidelidade's business in Mozambique; conclusion of the second bank assurance partnership and greater proximity to the Chinese Community, with the inclusion of an exclusive agent in the network.
- Setting up and signing of contracts with the health providers network at the national level and signing of the first agreements with repair shops in order to establish the network of recommended repair shops.

In 2017, efforts will be continued regarding the consolidation, recognition and awareness of the Fidelidade brand, and growth in the total premiums and profitability. The main areas of focus will be continued development of internal skills and development of the distribution channels – extension of the use of the FidNet (front) IT platform to the rest of the Company's channels, use of the digital channel and social networks, search for new bank assurance partnerships, opening of new Fidelidade spaces (own stores or exclusive agents' stores) and continuity of the emphasis on the training school for exclusive agents.

# 6

## COMPANY ORGANISATION AND GOVERNANCE







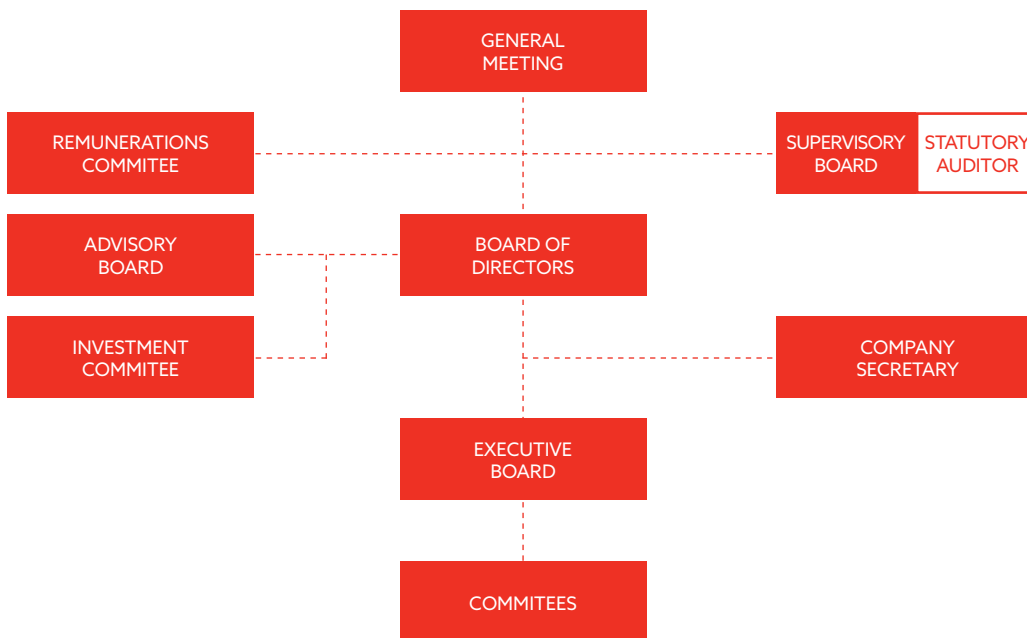


This chapter provides a brief summary of the Company's governance, which is addressed in more detail in the Corporate Governance Report.

## i. Summary

### CORPORATE BODIES AND COMMITTEES

The following table represents Fidelidade's Corporate Governance structure, encompassing the General Meeting, Management Bodies and Supervisory Bodies:



The General Meeting is the body through which the shareholders express their vision for the company, by means of its resolutions. It also has exclusive competence to appoint the Board of Directors.

The Board of Directors (BD), as a governing body of the Company, has the broadest of powers to manage and represent the company, and has delegated the day-to-day management of the company to the Executive Committee, pursuant to the law.

Accordingly, the Executive Committee is responsible for taking all decisions relating to the company's day-to-day business, except for those decisions which remain the exclusive competence of the Board of Directors. Among the EC's responsibilities are decisions relating to all insurance, representation of the company and reinsurance operations and human resources management.

The main duties of the Advisory Board, the members of which are appointed by the Board of Directors, are analysis and reflection on the Fidelidade insurance group's global strategy, with responsibility for pronouncing on the general guidelines for the annual plan of activities and budget; and supervision of the evolution in implementing the Fidelidade insurance group's internationalisation and investment strategy, assessing the issues which are submitted to it by the Board of Directors.

The Investment Committee, the members of which are also appointed by the Board of Directors, is responsible for supervising all of Fidelidade's investment decisions, and defining the investment guidelines and the decisions which require its prior approval.

Company supervision is the responsibility of the Supervisory Board and the Statutory Auditors, with the powers set out in law.

## ii. Executive Committee

### JORGE MAGALHÃES CORREIA CEO

- Mr. Magalhães Correia holds a degree in Law by Universidade de Lisboa, where he was also Professor of Laws during 9 years
- Mr. Magalhães Correia worked in the Ministry of Finance in "Inspeção Geral de Finanças", where he was responsible for the financial enforcement cabinet
- Mr. Magalhães Correia was a member of the founding team of CMVM (the Portuguese Securities Market Commission) and director of the enforcement division of this institution
- Long experience in insurance (18 years): joined Fidelidade in 1994 and holds since 1998 positions as executive Board Member of the different companies of the group
- Mr. Magalhães Correia currently holds the positions of Executive Chairman of the Board and CEO of Fidelidade
- He is also Vice-President at APS (Portuguese Insurers Association) and a member of the Geneva Association

### JOSÉ ALVAREZ QUINTERO CUO & COO (Chief Underwriting & Operations Officer)

- Mr. Quintero holds a degree in Economics by Universidad de Santiago de Compostela
- Over 30 years of experience within the Insurance sector: before joining Fidelidade in 1996, held positions in major companies of the Insurance sector, such as Catalana Occidente, Companhia Vitalício Seguros Universal Asistencia
- Previous to his current role as an Executive Board member of Fidelidade, he was an Executive Board member at Multicare, Império-Bonança, Seguro Directo and Império Espanha, among others
- Currently responsible for marketing and all the technical areas of the Company
- Mr. Quintero is currently the President of Motor & Accidents Technical Commission at APS

### ANTÓNIO DE SOUSA NORONHA CCO (Chief Commercial Officer)

- Mr. Noronha holds a degree in Business Administration by Universidade Livre de Lisboa and a Management post-graduation by Universidade Nova de Lisboa
- Before joining Fidelidade, Mr. Noronha held positions in companies such as Chase Manhattan Bank and PWC. He was Board Member of Investment Fund Management Grupo Totta/Valores Ibéricos, and Board Member of Pension Fund Management Grupo Totta
- Over 15 years of experience within the insurance sector: previous to his current role as an Executive member, Mr. Noronha was responsible for the Branch Networks at Mundial Confiança and afterwards Fidelidade Mundial, from 2001 to 2007
- He is currently responsible for the commercial network

### WILLIAM MAK CFO & CRO (Chief Financial & Risk Officer)

- Mr. Mak holds a Master of Professional Accounting by the Hong Kong Polytechnic University and a Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants
- Mr. William Mak has over 25 years' experience as an Executive Finance professional, treasury, IT and also operation experiences in the insurance and banking industries
- Before joining Fidelidade, Mr. Mak held CFO positions at Ping An Insurance (Group) Company of China, Ltd. and Ping An Life insurance Company Ltd. from 2005 to 2014. He was Business Consultant during 2003 and 2005 at the New York Life International, LLC, responsible for finance, reinsurance and actuarial global projects and the position of CIO at the Sun Life Financial Ltd., Hong Kong from 2001 to 2003
- He joined Fidelidade in 2014 to take up the position of CFO and member of the Executive Board. His areas of responsibility are the accounting and financial reporting along with risk management and investments

**ROGÉRIO CAMPOS  
HENRIQUES**  
CIO  
(Chief Information  
Officer)

- Mr. Henriques holds a degree in Economics by Universidade Católica Portuguesa and an MBA by INSEAD
- Before joining Fidelidade in 2008, he was Chief Marketing Officer of Portugal Telecom International investments, Head of Business Development at Portugal Telecom SGPS, and worked at the Boston Consulting Group as a Senior Manager in the Telecommunication and Financial Service areas
- Previous to his current role as an Executive Board member, Mr. Henriques was Head of IT Systems at Fidelidade Mundial/Império Bonança and Executive Board Member of Multicare from 2008 to 2012. Currently, he is in charge of IT Systems, Human Resources, Planning and Control, Business Development, Procurement and Chinese Business Unit
- He was also President of Segurnet Technical Commission at APS (2014-2016)
- He is currently responsible for IT, Human Resources, Planning and Control, Business Development, Procurement and china Business Unit Divisions

### iii. Remuneration Policy

The Remunerations Committee is responsible for establishing the remuneration of the members of the corporate bodies.

The members of the Remunerations Committee are persons who, due to their professional experience and curriculum vitae, have the appropriate knowledge and profile regarding the subject matter of the Remuneration Policy, which is based on the following principles:

- The remuneration of the members of the management and supervisory bodies is established by the Remunerations Committee in the light of the Remuneration Policy in force, with reference to the applicable laws and regulations;
- To ensure alignment with the interests of the company and of shareholders, the remuneration of the executive members of the management body is composed of a fixed component and a variable component;
- The fixed component is defined with reference to the amounts used in companies of a similar dimension, nature and complexity;
- The variable component is determined according to performance, assessed on the basis of a series of defined objectives, namely, financial, operational, risk and strategic objectives, and is granted on an individual and annual basis;
- The members of the Board of Directors without executive functions do not receive any remuneration, either fixed or variable;
- The members of the Supervisory Board only received fixed remuneration;
- There are no share allocation or stock option plans for members of the Company's management and supervisory bodies.

# RISK MANAGEMENT

# 7









## **i. Risk Management and Internal Control Systems**

The Legal Rules on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR), approved by Law No. 147/2015, of 9 September, which transposes the Solvency II Directive into Portuguese law, became effective on 1 January 2016.

The sector is currently awaiting publication by the Insurance and Pension Funds Supervisory Authority (ASF) of a series of rules intended to complete the resulting regulatory requirements.

These new rules introduced significant, wide-ranging changes related to the assessment and management of risk, the governance system and reporting requirements.

As part of the preparation for their application, which began on 1 January 2014, a global risk management system was developed, to meet the planned requirements.

The implementation of this system, besides complying with the rules applicable to the insurance business, was always regarded as an opportunity to improve the processes for assessing and managing risk, thereby contributing to maintaining the solidity and stability of the insurance group to which Fidelidade belongs.

The Company has policies, processes and procedures relating to the governance system which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business.

The key functions established as part of this system are allocated to the following bodies at Fidelidade: the Risk Management Division (actuarial and risk management functions), the Auditing Division and the Compliance Office.

Alongside the areas with key functions, the management of the risk management and internal control systems is also the responsibility of the following committees: Risk Committee, Underwriting Policy Acceptance and Supervision Committee, Life and Non-Life Products Committees.

The remaining Management Bodies are responsible for enhancing the risk management and internal control process, so as to ensure that the management and control of operations is performed in a sound and prudent manner. They are also responsible for the existence and updating of documentation relating to the business processes, their risks and control activities.

Regarding the reporting requirements set out in the new solvency rules, as part of the initial report as of 1 January 2016, the Company sent annual information contained in the quantitative report templates - QRT - and the respective qualitative information, which was subject to certification by the statutory auditor and by the chief actuary, pursuant to the regulations issued by the ASF.

Quarterly quantitative reporting under Solvency II also began in 2016.

The annual own risk and solvency assessment (ORSA) was conducted and the results reported to the ASF in the respective supervision report.

Lastly, also in relation to the first year under the Solvency II rules, the ASF was also sent up-to-date information on the governance system.

The measures adopted during the preparatory phase of application of the new Solvency II rules, and the activities, which are still ongoing, to consolidate their application, ensure that Fidelidade currently complies comfortably with these new rules.

## ii. Management of financial risks and hedge accounting

Fidelidade performs operations with derivative products as part of its activity, with the aim of reducing its exposure to fluctuations in exchange and interest rates.

The derivative financial instruments are recognised at their fair value at the contract date. They are also recognised in off-balance sheet accounts at their notional value. Subsequently, derivatives are measured at their fair value, which is calculated on the basis of quotes obtained in active markets or on models which incorporate valuation techniques accepted in the market.

These are derivatives used to hedge Fidelidade exposure to the risks inherent to its activity, namely currency fluctuation risk.

For all operations concerning hedge derivatives, Fidelidade prepares formal documentation, in the terms defined by IAS39.

Assessments of hedge effectiveness are periodically performed and documented by comparing the change in the fair value of the hedging instrument and that of the hedged item (part attributable to the hedged risk). In order to enable the use of hedge accounting, this ratio must fall within a range of 80% to 125%. Prospective effectiveness assessments are also performed, in order to estimate the future effectiveness of the hedge.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities headings, respectively, and valuations of hedged items are recognised in the balance sheet headings where those financial instruments are recognised.

Fidelidade began using hedge accounting in 2015.



08

**SOCIAL  
RESPONSIBILITY**







Over 200 years of experience in protecting families and companies provide the basis for the credibility of the Fidelidade Group, which has repeatedly proven its steadfastness by being present when people most need it.

For the Fidelidade Group insurers, Social Responsibility is based first and foremost on the development of products and solutions which, besides being important to developing the business, also enable it to respond to issues of broad social interest and situations which may lead to major inequality.

Hence, regarding our products and services, the focus is on improving covers and on prevention. This objective includes, for example, the creation of more wide-ranging solutions for motor insurance and personal accidents, the recent initiatives of free check-ups for Multicare insured persons or the cooperation between Fidelidade and Luz Saúde in early screening for cancer.

On the other hand, in our day-to-day business, through the "WeCare" programme, we provide a framework for all our activities as part of our assistance to those with claims, which go far beyond our contractual obligations. In this way, we try to mitigate the harm and suffering which result from the accidents and adversities to which they have fallen victim and promote their reintegration in society in the best way possible.

However, this focus driven by sustainability in terms of our products and services as insurers does not detract from the role we play in other social responsibility initiatives. Thus, we have defined the priority areas which, given the nature of the insurance activity, should guide most of our social responsibility initiatives:

- accompanying and reintegration of people who have suffered serious accidents;
- education and financial literacy;
- entrepreneurship;
- combatting poverty and social exclusion;
- promoting health and healthier lifestyles.

We are currently beginning work to reorganise the support we provide: we want to maximise our social impact and engage in projects which are increasingly structured and related to our activity.

The performance of the Fidelidade Group's insurers in terms of Social Responsibility is shared with stakeholders by means of a Sustainability Report which is published every two years and an interim accounts disclosure, both certified by an external entity.



9

**PROPOSAL FOR THE  
APPLICATION OF INCOME**









The individual net income for the 2016 financial year totalled € 100 420 503.17.

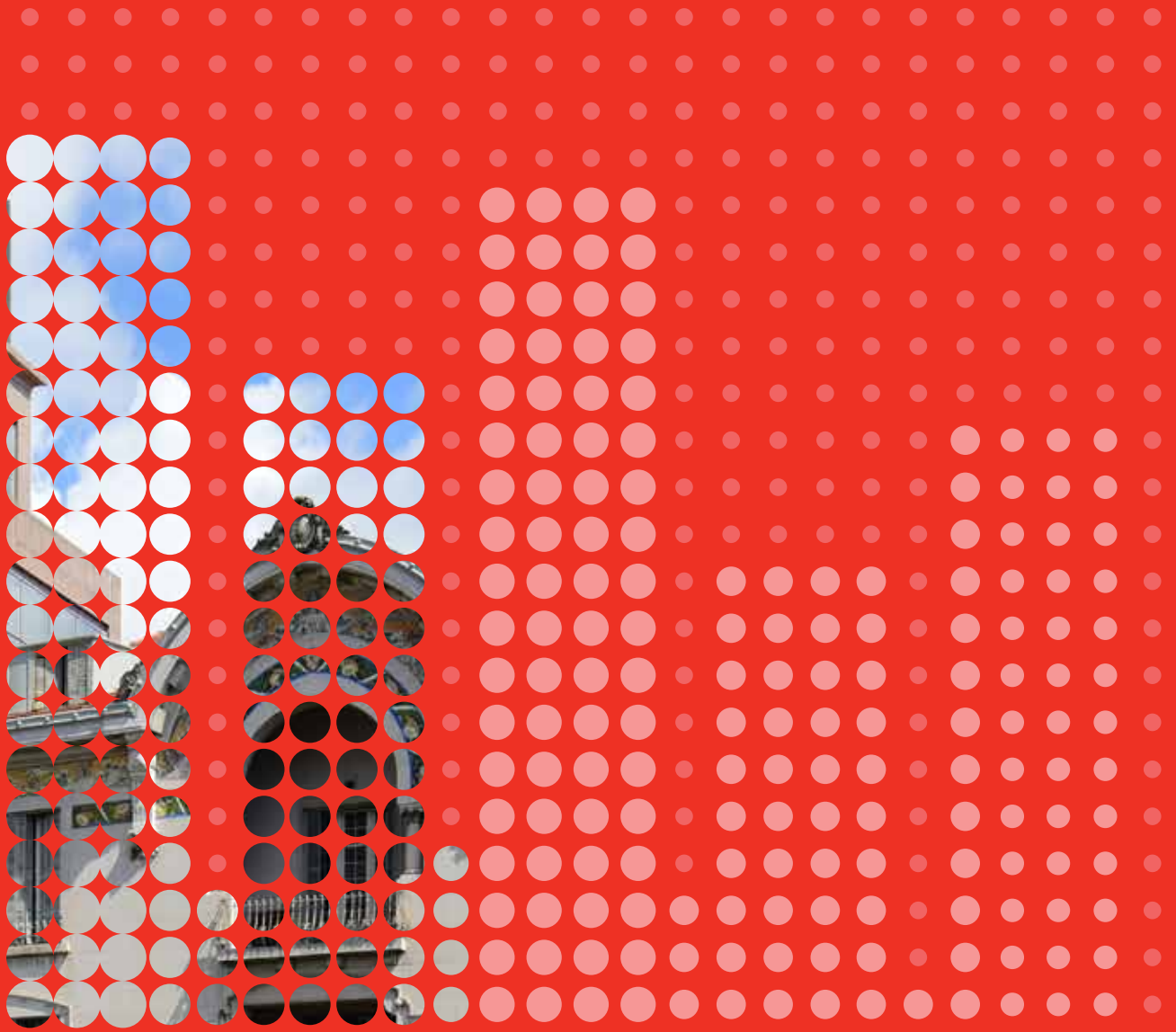
In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following application:

Legal Reserve	€ 10,042,050.32
Remaining amount at the disposal of the General Meeting	€ 90,378,452.85
	<b>€ 100,420,503.17</b>

**FINAL  
REMARKS**

**10**







In concluding this report, the Board of Directors would like to express its thanks to all those who have contributed to the development and continued robustness of the company, and in particular:

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special supervision of the sector and timely intervention;
- The Portuguese Insurance Association, for its efforts in representing insurers in common fields of interest;
- The Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for their interest, availability and constant commitment to accompanying and checking the activity;
- The insurance distribution networks and the reinsurers, for the motivation, team spirit, openness and commitment they demonstrate in developing our business;
- The employees, who, with their professionalism, dedication and skill, made it possible to achieve the results seen and to continually enhance the value of the respective companies;
- The clients for their preference and for the constant stimulus to improve service quality.

#### **THE BOARD OF DIRECTORS**

Guangchang Guo

Jorge Manuel Baptista Magalhães Correia

Qunbin Wang

José Manuel Alvarez Quintero

António Manuel Marques de Sousa Noronha

Rogério Miguel Antunes Campos Henriques

Wai Lam William Mak

Lan Kang

Lingjiang Xu

Xiaodong Yu

## **ANNEX TO THE MANAGEMENT REPORT REFERRED TO IN ARTICLE 448(4) OF THE CODE OF COMMERCIAL COMPANIES**

On the date of closing of the 2016 financial year, the following entities were in the situation provided for in Article 448(4) of the Code of Commercial Companies:

- Longrun Portugal, SGPS, S.A., holder of 102,833,140 shares representing 84.9861% of the share capital and voting rights;
- Caixa Seguros e Saúde, SGPS, S.A., holder of 18,150,000 shares representing 15% of the share capital and voting rights.

### **THE BOARD OF DIRECTORS**





# **SEPARATE FINANCIAL STATEMENTS**

# Separate Statements of Financial Position as at 31 december 2016 and 2015

(amounts in euros)

ASSETS	Notes	2016			2015
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	3 and 10	628,163,717	-	628,163,717	1,830,876,289
Investments in subsidiaries, associates and joint ventures	4 and 10	1,834,664,020	-	1,834,664,020	1,243,262,584
Financial assets held for trading	5 and 10	25,868,220	-	25,868,220	957,920
Financial assets initially recognised at fair value through profit or loss	5 and 10	666,177,620	-	666,177,620	888,059,409
Hedge derivatives	6 and 10	4,670,856	-	4,670,856	1,285,939
Available-for-sale investments	7 and 10	9,077,164,684	-	9,077,164,684	8,531,379,811
Loans and accounts receivable	8 and 10	945,455,675	-	945,455,675	667,229,402
Deposits in ceding companies	8	1,455,310	-	1,455,310	1,630,020
Other deposits	8	910,064,689	-	910,064,689	618,229,346
Loans made	8	33,905,576	-	33,905,576	46,207,878
Other	8	30,100	-	30,100	1,162,158
Properties	9 and 10	418,663,176	( 33,935,500 )	384,727,676	376,767,257
Properties for own use	9	124,784,510	( 33,935,500 )	90,849,010	97,797,645
Investment properties	9	293,878,666	-	293,878,666	278,969,612
Other tangible assets	10 and 11	62,865,569	( 53,094,286 )	9,771,283	9,686,323
Inventories	11	159,770	-	159,770	117,107
Other intangible assets	12	57,314,316	( 42,172,558 )	15,141,758	16,892,912
Technical provisions on reinsurance ceded		240,584,538	-	240,584,538	217,051,155
Provision for unearned premiums	13	65,629,771	-	65,629,771	62,838,674
Mathematical provision for life insurance	13	10,921,720	-	10,921,720	12,277,625
Claims provision	13	164,033,047	-	164,033,047	141,934,856
Assets for post-employment and long-term benefits	30	8,531,339	-	8,531,339	13,679,537
Other debtors for insurance and other operations		375,666,515	( 40,904,713 )	334,761,802	145,078,609
Accounts receivable for direct insurance operations	14	159,074,408	( 20,722,059 )	138,352,349	109,537,700
Accounts receivable for other reinsurance operations	14	27,171,253	( 6,665,093 )	20,506,160	14,976,684
Accounts receivable for other operations	14	189,420,854	( 13,517,561 )	175,903,293	20,564,225
Tax assets		477,882,783	-	477,882,783	254,339,561
Recoverable tax assets	15	74,012,230	-	74,012,230	111,056
Deferred tax assets	15	403,870,553	-	403,870,553	254,228,505
Accruals and deferrals	16	21,081,437	-	21,081,437	20,381,223
<b>TOTAL ASSETS</b>		<b>14,844,914,235</b>	<b>( 170,107,057 )</b>	<b>14,674,807,178</b>	<b>14,217,045,038</b>

# Separate Statements of Financial Position as at 31 december 2016 and 2015

(amounts in euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2016	2015
<b>LIABILITIES</b>			
Technical provisions		3,725,528,780	3,723,596,420
Provision for unearned premiums	17	248,914,375	236,826,770
Mathematical provision for life insurance	17	1,646,693,482	1,632,603,560
Claims provision		1,662,220,536	1,673,302,934
Life	17	120,970,140	124,609,448
Workers' compensation	17	792,128,013	782,022,044
Other	17	749,122,383	766,671,442
Provision for profit sharing	17	68,711,825	68,765,439
Provision for interest rate commitments	17	7,025,239	5,626,534
Provision for portfolio stabilisation	17	21,750,883	25,272,158
Equalisation provision	17	24,001,691	22,425,562
Provision for unexpired risks	17	46,210,749	58,773,463
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	18	8,293,190,335	8,075,643,230
Financial liabilities held for trading	6 and 19	33,170,490	18,448,784
Other financial liabilities		123,154,317	109,599,072
Hedge Derivatives	19	8,737,701	4,155,656
Deposits received from reinsurers	19	114,416,616	105,443,416
Liabilities for post-employment and other long-term benefits	30	72,273	90,121
Other creditors for insurance and other operations		212,503,444	113,806,797
Accounts payable for direct insurance operations	20	70,789,876	64,963,223
Accounts payable for other reinsurance operations	20	31,303,974	38,201,575
Accounts payable for other operations	20	110,409,594	10,641,999
Tax liabilities		235,585,095	174,176,813
Tax payable liabilities	15	31,304,943	56,682,631
Deferred tax liabilities	15	204,280,152	117,494,182
Accruals and deferrals	21	81,480,813	76,442,139
Other provisions	22	130,154,695	154,543,868
<b>TOTAL LIABILITIES</b>		<b>12,834,840,242</b>	<b>12,446,347,244</b>
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in-Capital	23	381,150,000	381,150,000
(Treasury shares)	23	(148,960)	(148,960)
Other Capital Instruments	23	521,530,514	521,530,514
Revaluation reserves	24	155,280,487	196,929,532
Adjustments in fair value of financial assets	24	80,728,167	113,510,530
Revaluation of properties for own use	24	25,727,507	24,007,061
Exchange differences	24	48,824,813	59,411,941
Deferred tax reserve	24	(11,689,711)	(40,993,314)
Other reserves	24	555,151,646	395,758,548
Retained earnings	24	138,272,457	108,609,257
Net income for the year	24	100,420,503	207,862,217
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,839,966,936</b>	<b>1,770,697,794</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14,674,807,178</b>	<b>14,217,045,038</b>

# Separate Income Statement for the Years Ended as at 31 december 2016 and 2015

(amounts in euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2016				2015
		Technical - life	Technical - non-life	Non-technical	Total	
Earned premiums net of reinsurance		319,013,646	722,834,546	-	1,041,848,192	966,621,744
Gross premiums written	25	333,343,302	1,150,727,778	-	1,484,071,080	1,357,973,852
Reinsurance ceded premiums	25	(14,573,371)	(415,880,493)	-	(430,453,864)	(388,289,409)
Provision for unearned premiums (change)	17 and 25	229,622	(15,573,798)	-	(15,344,176)	(4,050,419)
Provision for unearned premiums, reinsurers' share (change)	13 and 25	14,093	3,561,059	-	3,575,152	987,720
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	26	2,551,811	-	-	2,551,811	2,306,164
Claims costs, net of reinsurance		(256,980,590)	(512,309,066)	-	(769,289,656)	(778,237,963)
Amounts paid		(260,217,978)	(547,133,496)	-	(807,351,474)	(794,128,152)
Gross amounts	27 and 28	(268,891,603)	(785,918,459)	-	(1,054,810,062)	(992,687,365)
Reinsurers' share	27	8,673,625	238,784,963	-	247,458,588	198,559,213
Claims Provision (change)		3,237,388	34,824,430	-	38,061,818	15,890,189
Gross amount	27	3,638,510	12,882,892	-	16,521,402	3,339,849
Reinsurers' share	27	(401,122)	21,941,538	-	21,540,416	12,550,340
Other technical provisions, net of reinsurance	27	2,122,570	10,986,585	-	13,109,155	(2,497,321)
Mathematical provision for life insurance, net of reinsurance		(3,058,924)	-	-	(3,058,924)	47,367,857
Gross amount	17 and 27	(1,709,556)	-	-	(1,709,556)	45,434,900
Reinsurers' share	27	(1,349,368)	-	-	(1,349,368)	1,932,957
Profit sharing, net of reinsurance	17 and 27	(9,629,810)	(29,787)	-	(9,659,597)	(41,506,608)
Operating costs and expenses, net		(87,023,948)	(220,071,696)	-	(307,095,644)	(316,462,694)
Acquisition expenses	28	(69,002,655)	(228,180,988)	-	(297,183,643)	(287,834,661)
Deferred cost acquisition (change)	17	61,720	3,256,571	-	3,318,291	454,557
Administrative expenses	28	(20,388,337)	(61,679,921)	-	(82,068,258)	(78,585,797)
Commissions and reinsurance profit sharing	28	2,305,324	66,532,642	-	68,837,966	49,503,207
Financial income		260,196,804	55,875,210	4,046,659	320,118,673	392,182,796
From interest on financial assets not recognised at fair value through profit or loss	31	237,475,866	35,632,399	1,528,865	274,637,130	341,436,163
Other	31	22,720,938	20,242,811	2,517,794	45,481,543	50,746,633
Financial expenses		(3,395,383)	(9,821,497)	(2,304,514)	(15,521,394)	(15,947,284)
Other	28 and 32	(3,395,383)	(9,821,497)	(2,304,514)	(15,521,394)	(15,947,284)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		7,926,407	48,339,716	6,307,980	62,574,103	165,874,796
Available-for-sale investments	33	156,721,989	48,339,716	6,307,980	211,369,685	353,426,469
Loans and accounts receivable	33	(83,484)	-	-	(83,484)	-
Financial liabilities recognised at amortised cost	18 and 33	(148,712,098)	-	-	(148,712,098)	(187,551,641)
Other	33	-	-	-	-	(32)
Net income on financial assets and liabilities recognised at fair value through profit or loss		(47,759,786)	(29,570,015)	3,937,554	(73,392,247)	(16,967,373)
Net income on financial assets and liabilities held for trading	34	(55,502,876)	(17,383,395)	3,926,771	(68,959,500)	(37,315,005)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	34	7,450,543	(7,242,378)	10,783	218,948	16,912,834
Other	34	292,547	(4,944,242)	-	(4,651,695)	3,434,798
Exchange differences	35	27,350,550	8,676,821	3,379,116	39,406,487	45,825,181
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	36	-	12,416,743	(764,740)	11,652,003	19,557,472
Impairment losses (net of reversals)		(142,015,206)	(39,379,987)	8,498,086	(172,897,107)	(189,096,112)
Available-for-sale investments	37	(142,196,609)	(37,102,898)	(45,352)	(179,344,859)	(216,093,586)
Loans and accounts receivable at amortised cost	37	(10,597)	(5,519)	215,767	199,651	496,540
Other	37	192,000	(2,271,570)	8,327,671	6,248,101	26,500,934
Other technical income/expenses, net of reinsurance	38	520,849	979,762	-	1,500,611	1,815,865
Other income/expenses	39	-	-	(6,351,039)	(6,351,039)	3,400,984
<b>NET INCOME BEFORE TAX</b>		<b>69,818,990</b>	<b>48,927,335</b>	<b>16,749,102</b>	<b>135,495,427</b>	<b>284,237,504</b>
Income tax for the year - current taxes	15	-	-	(80,455,445)	(80,455,445)	(115,581,001)
Income tax for the year - deferred taxes	15	-	-	45,380,521	45,380,521	39,205,714
<b>NET INCOME FOR THE YEAR</b>		<b>69,818,990</b>	<b>48,927,335</b>	<b>(18,325,822)</b>	<b>100,420,503</b>	<b>207,862,217</b>

## Separate Statement of Changes in Equity for the 2016 and 2015 Financial Years

(amounts in euros)

	Paid-in-capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Legal reserves	Other reserves	
					Share premiums	Merger reserves
<b>Balance at 31 December 2014</b>	<b>381,150,000</b>	<b>478,768,842</b>	<b>(111,815,759)</b>	<b>102,172,334</b>	<b>115,103,280</b>	<b>91,335,345</b>
Appropriation of net income	-	-	-	14,774,336	-	-
Supplementary contributions	521,530,514	-	-	-	-	-
Own Shares	(148,960)	-	-	148,960	-	-
Net gains through adjustments of fair value						
for available-for-sale investments	-	(284,952,925)	68,931,457	-	-	-
Revaluations of properties for own use	-	3,115,533	101,067	-	-	-
Disposals of properties for own use	-	(1,918)	-	-	-	-
Actuarial gains and losses	-	-	1,789,921	-	-	-
Net income for the year	-	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>902,531,554</b>	<b>196,929,532</b>	<b>(40,993,314)</b>	<b>117,095,630</b>	<b>115,103,280</b>	<b>91,335,345</b>
Appropriation of net income	-	-	-	17,033,340	-	-
Net gains through adjustments of fair value						
for available-for-sale investments	-	(43,369,491)	13,904,330	-	-	-
Revaluations of properties for own use	-	1,720,446	4,404,738	-	-	-
Actuarial gains and losses	-	-	3,128,923	-	-	-
Others	-	-	7,865,612	-	-	-
Net income for the year	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>902,531,554</b>	<b>155,280,487</b>	<b>(11,689,711)</b>	<b>134,128,970</b>	<b>115,103,280</b>	<b>91,335,345</b>

(continued)

(amounts in euros)

	Other reserves	Retained earnings	Net income for the year	Total
<b>Balance at 31 December 2014</b>	<b>( 45,837,042 )</b>	<b>87,418,523</b>	<b>159,108,030</b>	<b>1,257,403,553</b>
Appropriation of net income	123,144,878	21,188,816	( 159,108,030 )	-
Supplementary contributions	-	-	-	521,530,514
Own Shares	( 148,960 )	-	-	( 148,960 )
Net gains through adjustments of fair value for available-for-sale investments	-	-	-	( 216,021,468 )
Revaluations of properties for own use	-	-	-	3,216,600
Disposals of properties for own use	-	1,918	-	-
Actuarial gains and losses	( 4,934,583 )	-	-	( 3,144,662 )
Net income for the year	-	-	207,862,217	207,862,217
<b>Balance at 31 December 2015</b>	<b>72,224,293</b>	<b>108,609,257</b>	<b>207,862,217</b>	<b>1,770,697,794</b>
Appropriation of net income	153,300,065	37,528,812	( 207,862,217 )	-
Net gains through adjustments of fair value for available-for-sale investments	-	-	-	( 29,465,161 )
Revaluations of properties for own use	-	-	-	6,125,184
Actuarial gains and losses	( 10,940,307 )	-	-	( 7,811,384 )
Others	-	( 7,865,612 )	-	-
Net income for the year	-	-	100,420,503	100,420,503
<b>Balance at 31 December 2016</b>	<b>214,584,051</b>	<b>138,272,457</b>	<b>100,420,503</b>	<b>1,839,966,936</b>

# Separate Statement of Comprehensive Income for the Years Ended as at 31 december 2016 and 2015

(amounts in euros)

	2016	2015
<b>NET INCOME FOR THE YEAR</b>	<b>100,420,503</b>	<b>207,862,217</b>
<b>Items that may be reclassified subsequently to gains and losses</b>		
Change in potential gains and losses on available for sale investments		
Gross amount		
Appreciation	( 20,685,037 )	( 198,762,710 )
Impairment	144,274,843	199,742,196
Disposal	( 153,780,750 )	( 388,802,247 )
Life insurance contracts with profit sharing	( 2,591,419 )	68,709,466
Exchange differences		
Gross amount	( 10,824,915 )	34,495,080
Life insurance contracts with profit sharing	237,787	( 334,710 )
Deferred tax	12,975,204	62,545,298
Current tax - Life insurance contracts with profit sharing	929,126	6,386,159
<b>Items that may not be reclassified subsequently to gains and losses</b>		
Change in potential gains on properties for own use		
Gross amount	1,720,446	3,115,533
Deferred tax	4,404,738	101,067
Actuarial deviations		
Post-employment benefits	( 8,777,702 )	( 4,116,264 )
Health benefits	( 2,162,605 )	( 818,320 )
Current tax	2,246,747	1,438,890
Deferred tax	882,176	351,032
<b>INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY</b>	<b>( 31,151,361 )</b>	<b>( 215,949,530 )</b>
<b>TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR</b>	<b>69,269,142</b>	<b>( 8,087,313 )</b>



# Separate Statements of Cash Flows for the 2016 and 2015 Financial Years

(amounts in euros)

	2016	2015
<b>CASH FLOWS GENERATED BY OPERATING ACTIVITIES</b>		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,053,617,216	969,684,443
Claims paid, net of reinsurance	(732,310,200)	(765,059,917)
Commissions on insurance, investment and services contracts, net	(117,101,271)	(127,116,767)
Profit sharing payments, net of reinsurance	(6,465,829)	(37,713,349)
Payments to suppliers	(98,121,647)	(97,620,279)
Payments to employees	(141,596,518)	(136,024,582)
Contributions to pension funds	(18,439,782)	(17,695,055)
Others	(23,186,816)	(11,908,179)
	<b>(83,604,847)</b>	<b>(223,453,685)</b>
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	(31,621,950)	16,943,991
Debtors - other operations	(153,876,344)	134,133,075
Other assets	(73,901,174)	(57,746)
	<b>(259,399,468)</b>	<b>151,019,320</b>
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	72,231,425	195,861,553
Deposits received from reinsurers	5,993,216	1,814,563
Creditors - direct insurance and reinsurance operations	(1,070,948)	697,329
Creditors - other operations	45,731,936	(2,150,869)
Other liabilities	82,895,836	(11,014,187)
	<b>205,781,465</b>	<b>185,208,389</b>
<b>Net cash from operating activities before tax</b>	<b>(137,222,850)</b>	<b>112,774,024</b>
Payments of income tax	(130,085,873)	(91,985,301)
<b>Net cash from operating activities</b>	<b>(267,308,723)</b>	<b>20,788,723</b>
<b>CASH FLOWS GENERATED BY INVESTING ACTIVITIES</b>		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	394,817,081	291,393,537
Available-for-sale investments	3,018,021,414	5,405,778,112
Loans and accounts receivable	6,822,818,898	5,327,929,063
Investment properties	2,532,719	4,025,090
Tangible and intangible assets	4,076,331	108,979,645
Net income from financial assets	168,189,828	180,095,804
	<b>10,410,456,271</b>	<b>11,318,201,251</b>
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(151,186,880)	(332,807,468)
Available-for-sale investments	(3,465,602,325)	(4,636,288,714)
Loans and accounts receivable	(7,091,381,912)	(4,641,182,920)
Investment properties	(5,789,770)	(13,131,991)
Tangible and intangible assets	(5,445,290)	(105,178,785)
Others	(48,887,734)	(4,051,848)
	<b>(10,768,293,911)</b>	<b>(9,732,641,726)</b>
Business combinations		
Acquisition of subsidiaries, associates and joint ventures	(591,255,741)	(610,240,274)
<b>Net cash from investing activities</b>	<b>(949,093,381)</b>	<b>975,319,251</b>
<b>CASH FLOWS GENERATED BY FINANCING ACTIVITIES</b>		
Loans made	12,302,302	-
Interest received	1,387,230	-
Capital increase	-	4,973,425
Supplementary contributions	-	521,530,514
Treasury shares	-	(148,960)
<b>Net cash from financing activities</b>	<b>13,689,532</b>	<b>526,354,979</b>
Increase (decrease) net of cash and equivalents	(1,202,712,572)	1,522,462,953
Cash and equivalents at start of the year	1,830,876,289	310,264,776
Entry into the consolidation perimeter	-	(1,851,440)
Cash and equivalents at end of the year	628,163,717	1,830,876,289

# **NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

## 1. Introductory Note

Fidelidade - Companhia de Seguros, S.A. ("Fidelidade" or "Company"), with its head office 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, effective 1 January 2012. The operation was authorised by the Portuguese insurance regulator (Insurance and Pension Funds Supervisory Authority 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 Company became part of Fosun International Holdings Ltd by way of the interest held by Longrun Portugal, SGPS, S.A.,.

The Company is engaged in the performance of insurance and reinsurance activities in all technical lines of business. Traditionally, life insurance, including investment contracts, is the most important in terms of the technical liabilities being managed. Regarding the non-life technical lines of business, those with the greatest expression in volume of premiums are motor, fire and other damage, health and workers' compensation, representing approximately 86.9% and 87.3% of total non-life premiums written during the 2016 and 2015, respectively.

In order to perform its activity, Fidelidade has a nationwide branch network, agent centres and client branches. Overseas, the Company operates in Spain, France, Luxembourg, Macao and Mozambique.

Fidelidade's financial statements at 31 December 2016 were approved by the Board of Directors on 21 February 2017. On the date of issue of the financial statements, these were pending approval by the General Meeting.

## 2. Accounting Policies

### 2.1. Basis of presentation

The financial statements at 31 December 2016 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, of the Insurance and Pension Funds Supervisory Authority (from now on ASF), and the remaining regulatory standards issued by ASF.

The standards set out in the PCES correspond in general terms to the International Financial Reporting Standards (IAS/IFRS), as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into the Portuguese legal order by Decree-Law No. 35/2005, of 17 February, with the amendments introduced by Law No. 53-A/2006, of 29 December and Decree-Law No. 237/2008, of 15 December, except with regard to the application of IFRS 4 - "Insurance Contracts", in respect of which only the classification principles relating to insurance type contracts were adopted.

In 2016 Fidelidade adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2016. These standards are listed in Note 2.19. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

The basis for the preparation of the financial statements from the accounting books and records was the accrual method, consistency of presentation, materiality and aggregation and the assumption of going concern.

The accounting policies used by the Company in the preparation of its financial statements relating to 31 December 2016 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely investments relating to life contracts where the investment risk is borne by the policyholder, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available-for-sale investments and real estate, both for own use and for income generation. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities, are recognised at amortised cost or historical cost.

The preparation of the financial statements requires the Company to make judgements and estimates and use assumptions which affect the application of the accounting policies and the amounts of the income, costs, assets and liabilities. Changes to those assumptions, or the differences between them and actual amounts, may impact these estimates and judgements. Areas which involve a higher level of judgement or complexity, or where significant estimates and assumptions are used in the preparation of the financial statements, are described in this report.

## **2.2. Investments in subsidiaries, associates and joint ventures**

Investments in subsidiaries include holdings in companies over whose day-to-day management the Company exercises effective control. Control is presumed to exist when the Company holds the ownership of the majority of voting rights. Control may also exist when the Group holds, directly or indirectly, the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, even though the percentage holding of its equity is less than 50%.

“Associates” are those entities over whose financial and operational policies the Group has the power to exercise significant influence, although it does not have control. Significant influence is presumed to exist whenever the Fidelidade Group holding in an invested company is, directly or indirectly, between 20% and 50% of the capital or voting rights. The Company may also exercise significant influence over an investee by means of a role in management of the associate or membership of the Board of Directors with executive powers.

There are also situations where the Company exercises, together with other bodies, joint control over the activity of the company in which it has a holding (so-called joint ventures), where, under the terms of IFRS 11, it exercises shared control of the voting rights and equivalent decision-making rights.

These investments are recognised at cost, and are subject to impairment tests. Dividends are recognised as income for the year in which a decision is taken to distribute them.

The recoverable amount of investments in subsidiaries and associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries or associates and the book value. The identified impairment losses are recorded in the income statement, and are subsequently reversed, if there is a reduction of the estimated loss, in a subsequent period. The recoverable amount is determined based on the highest value between the value in use of assets and the fair value less selling costs and is calculated using valuation methodologies based on techniques of discounted cash-flows, considering the conditions of market, time value and business risk. When the value of the liabilities of a subsidiary exceeds its assets, besides setting up impairment to cancel the investment, the Company records a provision when there is responsibility on the liabilities of that subsidiary, associate and joint venture.

## 2.3. Conversion of foreign currency balances and transactions

Foreign currency transactions are recognised on the basis of the exchange rates in force on the date they were performed.

At each balance sheet date, monetary assets and liabilities in a foreign currency are converted to the functional currency based on the exchange rate in force. Non-monetary assets which are valued at fair value are converted based on the exchange rate in force on the date of their latest valuation. Non-monetary assets recognised at historical cost, including tangible and intangible assets, continue to be recognised in the original exchange rate.

Exchange rate differences calculated on exchange rate conversion are recognised in the income statement, with the exception of those resulting from non-monetary financial instruments recognised at fair value, such as securities classified as available-for-sale investments, which are recognised in a specific heading of shareholders' equity until they are disposed of.

## 2.4. Financial instruments

### a) Financial assets

Financial assets are recognised at the contract date (trade date) at fair value. In the case of financial assets recognised at fair value through profit or loss, the costs directly attributable to the transaction are recognised in the "Direct investment expenditure" heading and in "Commissions on securities and investments operations". In other situations, these costs are added to the value of the asset. Regarding their initial recognition, these assets are classified in one of the following categories defined in IAS 39:

#### i) Financial assets at fair value through profit or loss

This category includes:

- Financial assets held for trading, essentially corresponding to securities acquired with the objective of making a profit as a result of short-term fluctuations in market prices. This category also includes derivative financial instruments, except those which meet hedge accounting requirements; and
- Financial assets whose initial recognition is irrevocably classified at fair value through profit or loss ("Fair Value Option"). This designation is limited to situations where its adoption leads to the production of more relevant financial information, namely:
  - If its application eliminates or significantly reduces an accounting mismatch which would otherwise occur as a result of inconsistent measuring of related assets and liabilities or recognition of related profits and losses;
  - Groups of financial assets, financial liabilities or both which are managed and the performance of which is assessed based on fair value, in line with formally documented risk management and investment strategies and information is reported to internal management bodies.

It is also possible to classify within this category financial instruments which contain one or more embedded derivative, unless:

- The embedded derivatives do not significantly modify the cash-flows which would otherwise be produced by the contract;

- It is evident, with little or no analysis, that the embedded derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value, and the profits and losses generated by their subsequent changes in value are recognised as income for the year, in "Net income on financial assets and liabilities recognised at fair value through profit or loss".

#### **ii) Held-to-maturity investments**

Securities with fixed or determinable payments and with a defined maturity date, which the Company intends and is capable of holding until maturity, are classified within this category.

These financial assets are recognised at amortised cost less impairment losses. In line with this method, the value of the financial instrument at each balance sheet date corresponds to its initial cost, less capital repayments made and impairment losses and adjusted for amortisation, based on the effective interest rate method, on any difference between the initial cost and the repayment value.

Interest is recognised on the basis of the effective interest rate method, which enables the amortised cost to be calculated and the interest to be split over the period of the operations. The effective interest rate is the rate that, it is used to discount the estimated future cash-flows associated with the financial instrument, to reflect the value of the financial instrument at the date it is initially recognised.

#### **iii) Loans and accounts receivable**

These are financial assets with fixed or determinable payments which are not quoted in an active market. This category includes deposits with ceding companies, loans made, deposits with credit institutions and also amounts receivable for the provision of services or disposal of assets, recognised in "Other debtors for insurance and other operations".

These assets are initially recognised at fair value, less any commissions included in the effective interest rate, plus all incremental costs directly attributable to the transaction. The assets are subsequently recognised in the balance sheet at amortised cost, less impairment losses. Interest is recognised based on the effective interest rate method.

#### **iv) Available-for-sale investments**

Available-for-sale investments include:

- Non-derivative financial instruments which the Company intends to hold indefinitely;
- Financial instruments that are designated as available-for-sale upon initial recognition;
- Financial instruments that do not meet the criteria of the other categories.

The following financial instruments so designated on initial recognition or which do not fit within the categories mentioned above:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments;

- Bonds and other debt instruments classified on initial recognition as available-for-sale;
- Units held in investment funds.

Available-for-sale investments are measured at fair value, except for equity instruments not quoted in an active market the fair value of which cannot be reliably measured, which continue to be recognised at cost. Revaluation gains or losses are recognised directly in shareholders' equity, in "Revaluation reserve for adjustments in fair value of financial assets". At the time of sale or if impairment is determined, the cumulative changes in fair value are transferred to the income or expenses for the year, and are recognised in "Net income on financial assets and liabilities not recognised at fair value through profit or loss" or "Impairment losses (net of reversals)", respectively.

Interest on the debt instruments classified in this category is determined on the basis of the effective interest rate method, and is recognised in "Income", in the profit and loss statement.

Dividends on equity instruments classified in this category are recognised in "Income", when the Company's right to receive them is established.

#### **Fair value**

As stated above, financial assets in the categories of "Financial assets at fair value through profit or loss" and "Available-for-sale investments" are recognised at fair value.

A financial instrument's fair value corresponds to the price that would be received for an asset if it was sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets is determined based on the closing price at the balance sheet date, for instruments traded in active markets.

Regarding debt instruments not traded in active markets (including unquoted securities or securities of limited liquidity), valuation methods and techniques are used, which include:

- Bid prices published by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;
- Bid prices obtained from financial institutions which operate as market-makers;
- Internal valuation models, which take into account the market data which would be used to define a price for the financial instrument, reflecting the market interest rates and volatility, and the liquidity and credit risk associated with the instrument.

Other unquoted equity instruments the fair value of which cannot be reliably measured (for example, due to an absence of recent transactions) continue to be recognised at cost, less any impairment losses.

#### **v) Derecognition**

These assets are derecognised upon expiration of the contractual rights of the Company to receive their cash-flows or when the Company has transferred substantially all the risks and the benefits associated with their ownership.

#### **vi) Transfers between categories of financial assets**

The Company follows the rules of IAS 39 and IFRS 7 for reclassifying financial instruments which allow an entity to transfer financial assets at fair value through profit or loss or held for trading to portfolios of available-for-sale investments, loans and accounts receivables or held-to-maturity investments, provided that those financial assets meet the criteria of each category, as follows: (i) if, on the date of reclassification, a financial instrument has the characteristics of a debt instrument for which there is no active market; or (ii) when there is a rare and highly unlikely event which is repeated within a short period, that is, when that event may be considered as a rare circumstance.

Transfers of available-for-sale investments to the loans and accounts receivable and held-to-maturity investments categories are also permitted, in certain circumstances.

The Company has not adopted this possibility to date.

#### **b) Financial liabilities**

An instrument is classified as a financial liability when there is a contractual obligation for settlement by delivering cash or another financial asset, regardless of its legal form. Non-derivative financial liabilities include loans, creditors for direct insurance and reinsurance operations and other liabilities. These financial liabilities are initially recorded at fair value less transaction costs, and subsequently at amortised cost based on the effective interest rate method. The Company derecognises financial liabilities when they are cancelled or extinguished.

Financial liabilities are recognised at the contract date at fair value, less costs directly attributable to the transaction. Financial liabilities are classified in the following categories:

##### **i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include derivative financial instruments with negative revaluation. These liabilities are recognised at fair value, and the gains or losses arising from any subsequent appreciation are recognised in "Net income on financial assets and liabilities recognised at fair value through profit or loss".

##### **ii) Other financial liabilities**

This category includes subordinated liabilities, deposits received from reinsurers and also liabilities incurred on payment for provision of services or the purchase of assets, recognised in "Other creditors for insurance and other operations".

These financial liabilities are recognised at amortised cost, and any applicable interest is recognised in line with the effective interest rate method.

#### **c) Derivatives and hedge accounting**

The Company performs operations with derivative products as part of its activity, with the aim of reducing its exposure to fluctuations in exchange and interest rates.

The derivative financial instruments are recognised at their fair value at the contract date. They are also recognised in off-balance sheet accounts at their notional value.



Subsequently, derivatives are measured at their fair value. Fair value is calculated:

- On the basis of quotes obtained in active markets (for example, regarding futures trading in organised markets);
- On the basis of models which incorporate valuation techniques accepted in the market, including discounted cash-flows and option valuation models.

#### **Embedded derivatives**

Derivatives embedded in other financial instruments are separated from the host contract and treated as autonomous derivatives within the scope of IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, as defined in IAS 39;
- The entire combined financial instrument is not recognised at fair value with the respective changes recognised in the income statement; and
- Their separation is probable and can be reliably measured (evaluating their cost / benefit and materiality).

The major impact of this procedure with regard to the Company's activity consists of the need to separate and value derivatives embedded in debt instruments, where the return is not in the form of interest (for example, return indexed to share prices and indexes, exchange rates, etc.) At the time of the separation, the derivative is recognised at its fair value, with the initial value of the host contract corresponding to the difference between the total value of the combined contract and the initial revaluation of the derivative. No income is recognised on the initial valuation of the operation.

#### **Hedge derivatives**

These are derivatives used to hedge the Company's exposure to the risks inherent to its activity, namely hedging of the fair value of foreign currency assets (currency fluctuation risk). Classification as hedging derivatives and use of the hedging accounting rules, as described below, is dependent on the requirements defined in IAS 39 being met.

At the beginning of all hedging operations, the Company prepares formal documentation, which includes the following minimum items:

- Risk management objectives and strategy associated with the performance of the hedging operation, in line with the defined hedging policies;
- Description of the hedged risk(s);
- Identification and description of the hedged and hedging financial instruments;
- Method for assessing the hedge's effectiveness and the frequency of assessment.

Assessments of hedge effectiveness are periodically performed and documented by comparing the change in the fair value of the hedging instrument and of the hedged item (that part attributable to the hedged risk). In order to enable the use of hedge accounting, in line with IAS 39, this ratio must fall within a range of 80% to 125%. Prospective effectiveness assessments are also performed, in order to estimate the future effectiveness of the hedge.

Fair value hedge derivatives are recognised at fair value, and the results are assessed daily and recognised in gains and expenses for the year. If the hedge is shown to be effective, through the determination of an effectiveness of between 80% and 125%, the Company also recognises in the income statement for the year the change in fair value of the hedged item attributable to the hedged risk. If the hedge relationship ceases to be effective, the cumulative change the fair value reflected in the hedged item is recognised in the income statement up until its maturity.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities headings, respectively.

Appreciations of hedged items are recognised in the balance sheet heading where the related instruments are recognised.

The Company began using hedge accounting in 2015.

#### **Trading derivatives**

These include all derivatives not associated with effective hedging relationships, in line with IAS 39:

- Derivatives used to hedge risk in assets and liabilities recognised at fair value through profit or loss rendering the use of hedge accounting unnecessary;
- Derivatives used to hedge risks which do not meet the criteria defined for use of hedge accounting under IAS 39, due to the difficulty in specifically identifying the hedged items, in cases other than micro-hedges, or due to the effectiveness assessment being outside the range allowed by IAS 39;
- Derivatives used for trading purposes.

Trading derivatives are recognised at fair value, and the results of revaluation are calculated daily and recognised in gains and losses for the year, in the headings "Net income on financial assets and liabilities recognised at fair value through profit or loss", with the exception of the part related to interest accrued and paid, which is recognised in "Financial Income". Positive and negative revaluations are recognised in "Financial assets held for trading" and "Other financial liabilities", respectively.

#### **d) Impairment of financial assets**

The Company periodically performs impairment analyses of its financial assets, including assets recognised at amortised cost and available-for-sale investments.

In line with IAS 39, the following events are deemed to constitute indicators of impairment:

- Significant financial difficulties of the issuer or the debtor;
- Breach of contract clauses, such as late payment of capital or interest;

- Restructuring of operations as a result of financial difficulties of the debtor or of the issuer of the debt;
- Probability that the debtor will go bankrupt or encounter financial difficulties;
- Disappearance of an active market for that financial asset as a result of financial difficulties of the issuer;
- Adverse changes in industry conditions.

#### **Financial assets at amortised cost**

Evidence of impairment is identified on an individual basis with regard to financial assets where the amount of exposure is significant, and on a collective basis regarding homogeneous assets the outstanding balances of which are not individually significant.

Whenever evidence of impairment is identified in assets analysed individually, the potential impairment loss corresponds to the difference between the present value of the expected future cash-flows (recoverable value), discounted at the asset's original effective interest rate, and the value recorded on the balance sheet at the time of analysis.

Assets which are not the object of specific analysis are included in a collective analysis of impairment, and for this purpose are classified in homogeneous groups with similar risk characteristics. Future cash-flows are estimated on the basis of historical information regarding defaults and recoveries in assets with similar characteristics.

In addition, assets which are individually assessed and for which no objective evidence of impairment has been found are also collectively assessed for impairment, in the terms set out in the previous paragraph.

Impairment losses calculated collectively incorporate the time effect of estimated discounted cash-flows receivable on each operation, at the balance sheet date.

The amount of impairment calculated is recognised in costs, in "Impairment losses (net of reversals)", and is reflected on the balance sheet as a deduction from the value of the asset to which it relates.

#### **Available-for-sale investments**

As stated in Note 2.4. a), available-for-sale investments are recognised at fair value, and changes in the fair value are reflected in shareholders' equity, in "Revaluation reserves for adjustments in fair value of financial assets".

Whenever there is objective evidence of impairment, the accumulated capital losses which have been recognised in reserves are transferred to costs for the year in the form of impairment losses, and are recognised in "Impairment losses (net of reversals)".

Besides the aforementioned evidence of impairment, the following specific evidence is also considered with regard to equity instruments:

- i) Significant changes adversely affecting the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment may not be fully recovered;
- ii) A prolonged or significant fall in market value below cost.

On each of the financial statements' reference dates the Company analyses the existence of impairment losses on available-for-sale investments, considering for the purpose the nature and specific and individual characteristics of the assets being assessed.

Besides the results of this analysis, the events presented below are considered signs of objective evidence of impairment in equity instruments:

- Existence of potential capital losses greater than 50% of the respective acquisition cost;
- Situations where the financial instrument's fair value remains below the respective acquisition cost for a period greater than 12 months.

Another indication of potential impairment is the existence of potential capital losses greater than 30%. Recognition of impairment according to this criterion is optional.

Impairment losses on equity instruments cannot be reversed, and therefore any potential capital gains occurring after the recognition of impairment losses are reflected in "Revaluation reserves for adjustments in fair value of financial assets". If additional capital losses are subsequently determined, impairment is always considered to exist, and these are therefore recognised in the income statement.

Impairment losses on debt instruments can be reversed in the results for the year if in a subsequent period the fair value of that asset increases, and that increase is clearly related to an event occurring after the impairment recognition.

The Company also periodically performs impairment analyses of financial assets recognised at cost, namely unquoted equity instruments the fair value of which cannot be reliably measured. In this case, the recoverable value corresponds to the best estimate of the future flows receivable from the asset, discounted at a rate which adequately reflects the risk associated with holding the asset.

The amount of the impairment loss is recognised directly in the income statement. Impairment losses on these assets also cannot be reversed.

## **2.5. Non-current assets held for sale and groups of assets and liabilities for disposal**

IFRS 5 – "Non-current assets held for sale and discontinued operations" applies to single assets and to groups of assets for disposal, by sale or another means, in aggregate form in a single transaction, and all liabilities directly associated with those assets which are subsequently transferred in the transaction (entitled "groups of assets and liabilities for disposal").

Non-current assets, or groups of assets and liabilities for disposal are classified as held for sale whenever their carrying amount is expected to be recovered through a sale transaction rather than through continuing use, and are transferred at their net book value at the reclassification date. For an asset (or group of assets and liabilities) to be classified in the heading the following requirements must be met:

- The probability of the sale occurring is high;
- The asset is available for immediate sale in its present condition;
- The sale should be expected to occur within one year of the asset being classified in this heading.

Assets recognised in this heading are not amortised, and are valued at the lower of their acquisition cost and fair value less costs to sell. The fair value of these assets is determined on the basis of experts' assessment.

If the amount recognised on the balance sheet is higher than the fair value less costs to sell, impairment losses are recognised in "Impairment losses (net of reversals)".

The Company does not have any non-current assets held for sale or groups of assets and liabilities for disposal.

## **2.6. Investment properties**

These are properties held by the Company to earn income through rental and/or capital appreciation.

Investment properties, are initially recognised at cost, including directly related measurement costs. They are not amortised and are recognised at fair value, determined on the basis of experts' assessments. Changes in the fair value and realised capital gains and losses are reflected in the income statement, in "Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations".

Investment properties are assessed at intervals deemed appropriate to ensure that their balance sheet value does not differ significantly from their fair value. The Company has set a maximum period of 2 years between evaluations.

## **2.7. Properties for own use**

Properties for own use are recognised at their fair value, determined on the basis of experts' assessments, less depreciation and accumulated impairment losses. Costs of repair, maintenance and other expenses associated with their use are recognised as expenses for the year, except for expenses on items where capitalisation criteria are met, which are recognised separately in "Other tangible assets" and depreciated throughout their useful life.

Properties for own use are valued with the frequency considered appropriate to ensure that their balance sheet value does not differ significantly from their fair value. The Company has set a maximum period of 2 years between evaluations.

Any change in the fair value of these assets is recognised directly in shareholders' equity in "Revaluation reserves for revaluation of properties for own use". Depreciation is calculated using the straight line method, at rates corresponding to the estimated useful life of the properties for own use. Land is not depreciated.

An impairment loss is recognised in "Impairment losses (net of reversals)" in the income statement for the year whenever the net book value of property for own use is greater than its fair value, after reversal of any previously registered revaluation reserves. Impairment losses may be reversed, also with an impact on the income statement for the year, if an increase in the asset's recoverable value subsequently occurs.

## **2.8. Other tangible assets**

These are recognised at acquisition cost, less depreciation and accumulated impairment losses. Costs of repair, maintenance and other expenses associated with their use are recognised as costs for the year.

Depreciation is calculated systematically throughout the estimated useful life of the asset, which corresponds to the period during which it is expected that the asset will be available for use, which is:

	Years of useful life
Furniture and materials	2 - 12
Machinery and tools	4 - 10
IT equipment	4
Interior installations	8 - 10
Transport material	4
Safety equipment	4 - 10

Depreciation is recognised in expenses for the year. The Company periodically assesses the adequacy of the estimated useful life of its tangible assets.

Analyses are periodically undertaken to identify evidence of impairment on other tangible assets. An impairment loss is recognised in "Impairment losses (net of reversals)" in the income statement for the year whenever the net book value of the tangible assets is greater than their fair value (the greater of the value in use and the fair value). Impairment losses may be reversed, also with an impact on the income statement for the year, if an increase in the asset's recoverable value subsequently occurs.

## 2.9. Inventories

The inventories are valued at the lower of acquisition cost and net realisable value.

Inventory costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, applying the average cost method.

The net realisable value is the estimated selling price in the ordinary course of business less any estimated costs of completion and estimated costs to conclude the sale.

Whenever the net realisable value is lower than the acquisition cost, the value of the inventories is reduced, by recognising an impairment loss, recorded under the heading "Impairment losses (net of reversals)" in the income statement. These losses may be reversed whenever the factors that giving rise to the impairment cease to exist.

## 2.10. Leases

### Operating Leases

Payments made by the Company for operating lease contracts are recognised in costs in the periods to which they relate.

## Finance Leases

Finance leases are deemed to be contracts in which the risks and rewards derived from the use of the asset are transferred to the lessee. These contracts are recognised on their commencement date in the assets and liabilities at the acquisition cost of the leased asset.

Periodic lease payments are composed of the finance charge which is recognised in the income statement and the financial amortisation of the capital which is deducted from the liability throughout the period of the lease.

All other leases are operating leases, and the lease payments made throughout the contract are recognised in costs in the periods to which they relate.

## 2.11. Intangible assets

This heading includes the costs of acquisition, development or preparation for use of the software used in the development of the Company's activities.

Intangible assets are recognised at acquisition cost, less amortisation and accumulated impairment losses.

Amortisation is recognised systematically throughout the estimated useful life of the assets, which normally corresponds to a period of 3 to 6 years.

Software maintenance expenses are accounted for as a cost for the year in which they are incurred.

## 2.12. Income tax

The Company is subject to taxation under of the Corporate Income Tax Code (CIT Code) and to Municipal Surcharge, the aggregate rate of which, in 2015 and 2016 is 22.5%. Additionally, there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 7% of any profit which exceeds this amount.

The accounts of the Company branches are included in the accounts of the head office for fiscal purposes. Besides being subject to IRC, the income of the branches is also further subject to local taxes in the countries/territories where these are established. The local taxes of the various branches are deductible from the corporate income tax of the head office pursuant to Article 91 of the Corporate Income Tax Code and to Double Taxation Agreements.

The Company is subject to CIT under the Special Rules for the Taxation of Corporate Groups (SRTCG), in line with Article 69 of the CIT Code. Under these taxation rules, Longrun Portugal, SGPS, S.A. (the controlling company) presents a single tax declaration in which the results of the subsidiaries making up the SRTCG are consolidated. The amount of CIT to be paid or received by the Company is recorded in the balance sheet as an amount receivable by or payable to Longrun Portugal, SGPS, S.A.. The tax which corresponds to the Company's activity is recognised in the income statement and/or in shareholders' equity, depending on the case.

Total income tax recognised in the income statement includes current and deferred taxes.

Current tax is calculated on the basis of the taxable profit for the year, which is different from accounting income because of adjustments to taxable income resulting from expenses or income which are not considered for fiscal purposes, or which will only be considered in other accounting periods.

Deferred tax represents tax recoverable / payable in future periods resulting from temporary deductible or taxable differences between the book value of assets and liabilities and their tax basis, used to determine taxable income.

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questionable due to other situations, including issues regarding the interpretation of the tax legislation in force.

The main situations giving rise to temporary differences correspond to i) impairments, ii) provisions temporarily not accepted for fiscal purposes, iii) fair value adjustments on available-for-sale investments, and iv) fair value adjustments on land and buildings.

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the tax rules that have been enacted, or substantially enacted, at the balance sheet date. At 31 December 2016, the deferred tax assets and liabilities recognised by the Company were determined pursuant to Law No. 7-A/2016, of 30 March.

Income tax (current or deferred) is recognised in the income statement for the year, except for cases in which the originating transactions have been recognised in other shareholders' equity headings (for example, in the case of revaluations of available-for-sale investments). The corresponding tax, in these cases, is also recognised in shareholders' equity and does not affect the income statement for the year.

## **2.13. Provisions and contingent liabilities**

Provisions are set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when such expenditure may be reliably assessed. The amount of the provision corresponds to the best estimate of the amount payable to settle the liability at the balance sheet date.

When the future expenditure of resources is not probable, this is a contingent liability. Contingent liabilities are subject to disclosure, unless the possibility of occurrence is remote.

"Other provisions" are for legal, fiscal and other contingencies resulting from the Company's activity.

## **2.14. Employee benefits**

Liabilities for employee benefits are recognised in line with the principles established in IAS 19 – Employee Benefits. The principal benefits granted by the Company correspond to retirement and survivors' pensions and healthcare benefits.



### **Defined benefit plan - Liabilities with pensions and healthcare**

In line with the collective employment agreement (CEA) then in force for the insurance activity, the Company is committed to making cash payments, to complement the retirement pensions paid by the Social Security services, to its employees hired prior to 22 June 1995, the date on which the CEA was published. The amount of these payments varies according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

In addition, the former Império Bonança is also committed to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

Liabilities recognised on the balance sheet relating to defined benefit plans correspond to the difference between the current value of liabilities and the fair value of the pension fund assets. The total amount of liabilities is determined annually by specialised actuaries using the Projected Unit Credit Method and actuarial assumptions considered appropriate (Note 30). The discount rate used to update the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with similar maturity periods to the average periods for settlement of liabilities.

Gains and losses resulting from the differences between the actuarial and financial assumptions used and the actual amounts as the pension obligation and expected return from the pension fund, as well as the results of changes to actuarial assumptions, are recognised directly in shareholders' equity.

The cost in the year for retirement and survivors' pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in "Employee Costs". The healthcare cost for the year is recognised in "Other Provisions" (Note 22).

The impact of employees' retirement prior to the standard retirement age, defined in the actuarial study, is directly recognised in "Employee Costs".

### **Defined contribution plan**

The new collective employment agreements for the insurance sector, published on 15 January 2012 and 29 January 2016, entitles all employees of working age employed as permanent staff, with indefinite employment contracts, covered by these CEAs, to an individual retirement plan ("IRP"), a defined contributions plan which replaces the system of retirement pensions defined in the former CEAs.

The provisions of the previous defined benefit plan apply to employees of working age employed as permanent staff, with employment contracts of indefinite term, who are not covered by the CEAs.

The Company's contributions to the defined contribution plan are made in line with in the terms of the CEA, and are recorded as a cost for the year to which they relate in "Employee Costs".

### **Other long-term benefits**

The liabilities regarding the seniority bonus, deriving from Clause 42 of the Collective Employment Agreement for the Insurance Activity in force, are calculated annually using generally accepted actuarial methods.

### **Short-term benefits**

Short-term benefits, including performance-related productivity bonuses paid to employees, are recognised in "Employee Costs" in the period to which they relate, on an accrual basis.

## **2.15. Insurance and investment contracts**

### **a) Classification of contracts**

Transactions associated with insurance and reinsurance contracts issued and with reinsurance contracts held by the Company are recognised in accordance with ASF regulations. Under the transition to the new PCES, the classification principles for contracts established by IFRS 4 - "Insurance Contracts", were incorporated into these regulations according to which contracts without a significant insurance risk are considered to be investment contracts and recognised in line with IAS 39 requirements.

In addition, as provided by IFRS 4, investment contracts with a discretionary profit-sharing component also continue to be classified as insurance contracts, and are therefore valued in line with the ASF regulations.

Calculation of contracts associated with insurance contracts is covered by specific regulations issued by the ASF.

An insurance or investment contract is considered to include a discretionary profit-sharing component when the respective contractual conditions provide for, in addition to the contract's guaranteed component, the allocation of additional benefits to the insured with the following characteristics:

- It is probable that they will constitute a significant part of the total benefits to be allocated within the scope of the contract;
- The amount or time of their allocation is contractually at the issuer's discretion; and
- They are dependent on the performance of a given group of contracts, on realised or unrealised income on certain assets held by the contract issuer, or on the profit of the entity responsible for issuing the contract.

Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to insurance with profit sharing and which are expected to be paid to insured persons are recognised in the profit-sharing provision.

### **b) Recognition of income and costs**

Premiums for non-life insurance contracts, life insurance contracts and investment contracts with a discretionary profit-sharing component are recognised when due in "Earned premiums net of reinsurance" in the profit and loss statement.

Premiums written on non-life insurance and reinsurance contracts and the associated acquisition costs are recognised as income and cost over the corresponding risk periods, through the use of the provision for unearned premiums.

Insured persons' liabilities relating to life insurance contracts and to investment contracts with a discretionary profit-sharing component are recognised via the life insurance mathematical provision, and their cost is recognised at the same time as recognition of the income associated with the premiums written.

#### **c) Provision for unearned premiums and deferred acquisition costs**

The provision for unearned premiums corresponds to the value of the premiums written on insurance and reinsurance contracts which relate to subsequent years, i.e. the part corresponding to the period between balance sheet and the end of the period to which the premium refers. It is calculated, for each contract, using the pro rata temporis method on the respective gross written premiums.

Expenditure incurred with the acquisition of non-life insurance contracts, including brokerage commissions and other expenses allocated to the acquisition function, is deferred over the course of the period to which it relates and is recognised as a deduction from the amount of the technical provisions on insurance contracts in provisions for unearned premiums.

In line with the ASF regulations, the deferred acquisition costs for each technical line of business may not exceed 20% of the respective deferred premiums.

#### **d) Claims provision**

This provision recognises the estimated amount of indemnities payable on claims incurred, including claims incurred but not reported (IBNR), and administrative costs to be incurred for future settlement of claims which are currently being managed and those for IBNR claims. Except for mathematical provisions and whole life assistance for workers' compensation, the claims provision set up by the Company are not discounted.

##### **Claims provision for workers' compensation**

The provision for workers' compensation claims includes the mathematical provision, provision for temporary assistance expenses and provision for whole life assistance expenses.

The mathematical provision for workers' compensation relates to:

- **Approved pensions** – pensions payable for claims where the amounts of which have already been approved by the Employment Tribunal;
- **Defined pensions** – estimate of liabilities for pensions for claims already incurred but awaiting a final agreement or ruling;
- **Presumed pensions** – estimate of liabilities for pensions relating to claims already incurred but the clinical processes of which are not yet concluded at the date of the financial statements or pensions relating to claims already incurred but not yet reported.

The hypotheses and technical bases used to calculate approved and defined mathematical provisions for workers' compensation are the following:

	Mandatorily Redeemable	Non - Redeemable
Mortality table	TD 88/90	INE 2010_2012 by gender
Discount rate	5.25%	3.84%
Management costs	2.40%	3%

The mathematical provision for presumed pensions for workers' compensation claims incurred in the tax year is based on an estimate of the number of claims for permanent disability (IP's) and death and the average mathematical provision, representing the expected cost of each of those pensions. For claims incurred in previous tax years the variation of this provision corresponds to the difference between the amount paid in pensions and redemptions less the estimated technical interest and the variation of the provision for approved and defined pensions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT ("Fundo de Acidentes de Trabalho" - Workers' Compensation Fund). The company pays the pensions in full and is subsequently reimbursed for the part corresponding to FAT's liability. FAT is managed by the ASF, and the fund's income consists of contributions made by the insurance companies and by workers' compensation insurance policyholders. A provision is set up for future contributions to FAT relating to liabilities for pensions already contracted at the balance sheet date.

The objective of the provision for temporary assistance expenses is to recognise the liability relating to expenses of workers' compensation claimants which are not whole life in nature. Using monthly development matrices, the number of claims incurred in the tax year is estimated, which is then multiplied by the estimated average cost of temporary assistance expenses for claims incurred in 2015 and 2016, in order to obtain the cost in the tax year for this type of expense. For claims incurred in previous tax years the variation of the provision corresponds to the amounts paid for temporary assistance expenses recognised in the accounts.

Provision for whole life assistance expenses (AV) relates to:

- **Provision for declared whole life assistance** - this relates to expenses which are whole life in nature, with claimants who are beneficiaries of pensions, where the service date occurs 730 days after the pension commencement date;
- **Provision for presumed whole life assistance** - expenses of a whole life nature relating to claims already incurred but which have not yet resulted in any costs.

This provision is calculated according to the following technical bases:

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Mortality table	INE 2010_2012 by gender
Discount rate	3.84%
Rate of inflation	2%
Management costs	2%

The provision for presumed whole life assistance is calculated using methodology similar to that described for the mathematical provision for presumed pensions.

#### **Claims provision for motor insurance**

The opening of a motor insurance claim automatically generates the recognition of an initial average provision for each sub-claim, which affects the unit at risk and the insurance element in question. The automatic provision also varies according to the seriousness of any bodily injury. This provision may be revised, when the claims manager confirms it is inadequate, with adjustments being made in accordance with the information gathered (specialised technical reports) during the life of the claim, i.e. a specific analysis of the provision is made.

#### **Claims provision for other types of insurance**

The claims provision for other types of insurance is calculated on a case-by-case basis by the claims manager and revised whenever updated information is obtained from specialised technical reports.

#### **Analysis of sufficiency of the claims provisions**

During the course of the year, through actuarial studies assesses/validates the sufficiency of the provisions for the various types of insurance.

The analyses performed include direct liabilities to the insured (whether or not the claims have been reported) as well as future payments, notably contributions to FAT.

The estimates are for the most part based on payment and claims costs triangles and use both deterministic and stochastic models.

#### **e) Mathematical provision for life insurance**

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative expenses or other expenditure (e.g. guaranteed payments at maturity date or guaranteed surrender values).

#### **f) Profit-sharing provision**

The profit-sharing provision includes amounts payable to policyholders or contract beneficiaries, in the form of a profit-sharing scheme, whether already allocated or yet to be allocated, provided that such amounts have not yet been distributed.

#### **Provision for profit sharing to be allocated**

This provision includes the balances arising from the net capital gains to be allocated to the insured persons which transited from the former accounting standards applicable to insurance companies until 2007, which were registered in the then named "Fund for Future Appropriations". It also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments linked to life insurance contracts with a profit-sharing component, in the portion estimated for the policyholder or contract beneficiary, provided that the balances by portfolio are not negative.

This provision is set up in "Profit sharing to be allocated", in the profit and loss statement, or directly in the revaluation reserves for adjustments to the fair value of available-for-sale investments linked to life insurance with a profit-sharing component, depending on the classification of the assets.

Throughout the duration of the contracts of each type or set of types, the balance of the provision for profit sharing to be allocated corresponding to this is used in full.

The use of the provision for profit sharing to be allocated is by portfolio, according to the following order of priorities:

- i) The balances of the net capital gains to be allocated to the insured persons which transited from the former "Fund for Future Appropriations" are used in the first place to cover the losses arising each year in the technical accounts of the respective life insurance products with a profit-sharing component, which were reflected as losses for the Company, and are recognised in its profit and loss up to the limit of the losses they seek to compensate. The Company has been using this procedure since 2011;
- ii) The amounts corresponding to the insured persons' potential sharing of the loss of the related portfolios are reflected in this provision until the corresponding positive balance is reached. Thus, amounts arising from the former "Fund for Future Appropriations" which are still available after the use referred to above in i) are used to offset potential capital losses of the respective portfolios;
- iii) If the balance of the provision for profit sharing to be allocated is positive after the movements above, and there are losses to be recovered, calculated in previous years in the technical accounts of the respective products and which have been recognised in the Company's income statement due to the fact that the income from the related portfolios was not sufficient to cover the costs resulting from the guaranteed technical rates, that positive balance is recognised in the Company's income statement up until these losses are recovered. This movement can be reversed, also having an impact on the income statement, when the balance arising from the potential gains/losses ceases to be positive.

#### **Provision for allocated profit sharing**

This provision includes the amounts intended for policyholders or beneficiaries of insurance contracts, in the form of a profit-sharing scheme, which have not yet been distributed but which have already been allocated.

For the majority of the products, this provision is calculated on the basis of the income from the related assets, including the capital gains and losses due to impairment recorded in the period, less any negative balances from previous tax years, in cases where this deduction is provided for in the contract.

#### **g) Provision for interest rate commitments**

The provision for interest rate commitments is set up for all insurance and operations in the "Life" line of business where there is an interest rate guarantee, whenever the effective profitability rate of the applications which represent the mathematical provisions of certain insurance contracts is lower than the technical interest rate used to determine the mathematical provisions of those contracts.

#### **h) Provision for portfolio stabilising**

The provision for portfolio stabilising is set up for group insurance contracts, which are renewable annually, and which guarantee as their main cover the risk of death, with the aim of responding to any increase in the risk inherent in the increasing average age of the insured group, whenever the latter are charged according to a single rate, which, by contractual agreement, must be maintained for a given period.

#### **i) Equalisation provision**

The equalisation provision is intended to respond to exceptionally large insurance claims in insurance areas which, by their nature, are predicted to fluctuate considerably. This provision is set up for loan insurance, deposit insurance, crop insurance, earthquakes and reinsurance acceptance – atomic risk, in accordance with ASF standards.

#### **j) Provision for unexpired risks**

This provision is calculated for all non-life insurance and is intended to respond to situations where premiums to be allocated to subsequent years for contracts in force at the date of the financial statements are not sufficient to pay for the indemnities and the expenses of the respective technical lines of business. This provision is calculated on the basis of the ratios for claims, operating costs, ceding and income, in accordance with ASF definitions.

#### **k) Technical provisions for reinsurance ceded**

These provisions are determined by applying the criteria described above for direct insurance, taking into account the ceding percentages, in addition to the remaining provisions of the treaties in force.

### **l) Liabilities to subscribers of Unit-linked products**

Liabilities associated with investment contracts issued by the Company in which the risk is borne by the policyholder (Unit-linked products) are recognised at fair value, determined on the basis of the fair value of the assets comprising the investment portfolio linked to each of the products, less the corresponding management costs, and are recognised in "Financial liabilities on insurance contracts and operations considered for accounting purposes as investment contracts".

Investment portfolios linked to Unit-linked products are composed of financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value, and the corresponding unrealised capital gains and losses are recognised in the profit and loss statement for the year.

For insurance and capitalisation operations on investment units with a guarantee of capital and income at the end of the contract, the provisions are set up for either the value which results from multiplying the value of the reference unit by the number of existing units, or the guaranteed capital and income at the end discounted up to the date of calculation at the guaranteed rate, whichever is higher.

### **m) Liabilities to subscribers of other investment contracts**

Liabilities to subscribers of other regulated products, classified as investment contracts under IFRS 4, and which do not include a discretionary profit-sharing component, are valued in accordance with the requirements of IAS 39 and recognised in "Financial liabilities of the deposit component of insurance contracts on insurance contracts and operations considered for accounting purposes as investment contracts".

### **n) Impairment of debtor balances related with insurance and reinsurance contracts**

For each date the financial statements are presented, the Company assesses the existence of evidence of impairment on assets from insurance or reinsurance contracts, namely accounts receivable from insured persons, agents, reinsurers and reinsured, and technical provisions for reinsurance ceded.

If impairment losses are identified, the balance sheet value of the respective assets is reduced in the profit and loss statement for the year, with the cost being recognised in "Impairment losses (net of reversals)".

## **2.16. Commissions**

The commissions related to financial instruments, namely commissions charged or paid at the commencement of such operations, are included in amortised cost and recognised in the profit and loss statement during the course of the operation, using the effective interest rate method.

Fees for services provided are normally recognised as earnings throughout the period of service provision or on a one-off basis if they relate to payment for the performance of single acts.

## **2.17. Cash and cash equivalents**

For the purposes of the statement of cash-flows, cash and cash equivalents include amounts recognised in the balance sheet with a maturity of less than three months from the date of their acquisition, readily convertible to cash and with low risk of a change in value, and cash and deposits with credit institutions which do not have an investment purpose.



## **2.18. Critical accounting estimates and most relevant judgements in the application of the accounting policies**

When applying the accounting principles described above, estimates must be made by the Company's Board of Directors. The estimates with the greatest impact on the financial statements include those presented below.

### **Determination of impairment losses on financial assets**

Impairment losses on financial assets are determined in line with the methodology defined in Note 2.4. d). Accordingly, the determination of impairment takes into account the conclusions of the specific evaluation conducted by Fidelidade on the basis of knowledge regarding the situation of the issuers of the financial instruments in question.

The Company considers that impairment determined on the basis of this methodology adequately reflects the risk associated with its portfolio of financial assets, taking into account the rules defined by IAS 39.

### **Valuation of financial instruments not traded in active markets**

In line with IAS 39, the Company recognises all financial instruments at fair value, with the exception of those recognised at amortised cost. Valuation models and techniques such as those described in Note 2.4. a) are used to value financial instruments not traded in liquid markets. The valuations obtained correspond to the best estimate of the fair value of these instruments at the balance sheet date. To guarantee adequate separation between functions, such financial instruments are valued by a body that is independent from the trading function.

### **Employee benefits**

As stated in Note 2.14., the Company's liabilities for post-employment and other long term benefits granted to its employees are determined on the basis of actuarial assessments. These assessments incorporate, in particular, financial and actuarial assumptions on mortality, disability, wage and pensions growth, assets returns and discount rates. The assumptions adopted correspond to the best estimate of the Company and its actuaries regarding the future performance of the respective variables.

### **Determination of liabilities on insurance and reinsurance contracts**

The Company's liabilities for insurance and reinsurance contracts are determined based on methodologies and assumptions described in Note 2.15. These liabilities reflect a quantified estimate of the impact of future events on the Company's accounts, calculated based on actuarial assumptions, claims history and other methods accepted in the sector.

Owing to the nature of the insurance activity, determining the claims provisions and other liabilities on insurance and reinsurance contracts is highly subjective and the actual amounts payable in the future may differ significantly from the estimates.

The Company considers, however, that the liabilities on insurance and reinsurance contracts recognised in the financial statements adequately reflect the best estimates at the balance sheet date of the amounts to be disbursed by the Company.

## Determination of income tax

The Company determines income tax (both current and deferred) based on the rules defined by the tax framework in force. However, in some situations the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recognised result from the best understanding of the Company's responsible bodies with regard to the correct presentation of its operations, which may, however, be questioned by the Tax Authorities.

## 2.19. Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union

### 2.19.1. Adopted Standards (New or Revised)

During the course of 2016 Fidelidade adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2016. The relevant changes for Fidelidade were as follows:

Standards / Interpretations	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 5 - Non-current assets held for sale and Discontinued Operations (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IFRS 7 - Financial Instruments: Disclosures (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of interests in other Entities and IAS 28 - Investments in Associates and Jointly Controlled Entities	1703/2016	01-01-2016
IFRS 11 - Accounting for acquisitions of interests in joint operations (Amendments to the Standard)	2173/2015	01-01-2016
IAS 1 - Clarification on Disclosure in Financial Reporting (Amendments to the Standard)	2406/2015	01-01-2016
IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets - Clarification on Acceptable Methods of Depreciation and Amortisation (Amendments to the Standard)	2231/2015	01-01-2016
IAS 16 - Property, plant and equipment and IAS 41 - Agriculture - Clarification on Acceptable Accounting Methods (Amendments to the Standard)	2113/2015	01-01-2016
IAS 19 - Employee Benefits (Annual improvements relating to the 2012 -2014 cycle)	2343/2015	01-01-2016
IAS 27 - Equity Method in Separate Financial Statements (Amendments to the Standard)	2441/2015	01-01-2016
IAS 34 - Interim Financial Reporting (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016

### 2.19.2. Standards, Interpretations, Amendments and Revisions with Mandatory Application in Future Accounting Periods

The following standards, interpretations, amendments and revisions with mandatory application in future accounting periods, had been endorsed by the European Union up to the date these financial statements were approved:

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Standards / Interpretations	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 9 - Financial Instruments	2067/2016	01-01-2018
IFRS 15 - Revenue from Contracts with Customers	1905/2016	01-01-2018

### 2.19.3. Standards, Interpretations, Amendments and Revisions Not Yet Endorsed by the European Union

The following standards, interpretations, amendments and revisions, of mandatory application in future accounting periods, had not been adopted by the European Union up to the date these financial statements were approved:

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Standards / Interpretations	Applicable to accounting periods beginning on or after
IFRS 14 - Regulated Assets	01-01-2016
IFRS 16 - Leases	01-01-2019
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Jointly Controlled Entities	01-01-2016
IAS 7 - Statement of Cash Flows	01-01-2017
IAS 12 - Income Taxes	01-01-2017

These standards have not been endorsed by the European Union and, as such, have not been applied by the Company for the year ended 31 December 2016.

### 3. Cash and Cash Equivalents

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Cash and cash equivalents		
Headquarters	1,645,803	596,419
Branch offices	1,273,314	2,068,082
	<b>2,919,117</b>	<b>2,664,501</b>
Sight deposits		
Domestic currency	479,105,180	1,602,686,297
Foreign currency	146,139,420	225,525,491
	<b>625,244,600</b>	<b>1,828,211,788</b>
	<b>628,163,717</b>	<b>1,830,876,289</b>

## 4. Investments in Subsidiaries, Associates and Joint Ventures

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			
	Effective share %	Gross amount	Impairment (Note 37)	Balance sheet value
<b>Valued at acquisition cost</b>				
<b>Subsidiaries</b>				
Via Directa - Companhia de Seguros, S.A.	100.00%	41,000,000	( 11,075,212 )	29,924,788
Fidelidade - Property Europe, S.A.	100.00%	751,231,363	-	751,231,363
Fidelidade - Property Internacional, S.A.	100.00%	522,576,721	-	522,576,721
Companhia Portuguesa de Resseguros, S.A.	100.00%	14,315,928	( 3,830,928 )	10,485,000
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	2,717,053	-	2,717,053
Luz Saúde, S.A. (previously Espírito Santo Saúde SGPS)	98.79%	476,516,854	-	476,516,854
FCM Beteiligungs GmbH	51.00%	14,093,818	( 8,764,142 )	5,329,676
FID I (HK) LIMITED	100.00%	-	-	-
FID III (HK) LIMITED	100.00%	-	-	-
Garantia - Companhia de Seguros de Cabo Verde, S.A.	55.89%	6,260,184	-	6,260,184
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	100,000	-	100,000
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	49,880	-	49,880
Universal Seguros, S.A.	68.70%	10,967,358	-	10,967,358
Fidelidade Macau - Companhia de Seguros, S.A.	99.99%	17,889,052	-	17,889,052
Fidelidade - Consultoria e Gestão de Risco, Lda.	80.00%	335	( 335 )	-
Fidelidade - Assistência e Serviços, Lda.	80.00%	335	( 335 )	-
		<b>1,857,718,881</b>	<b>( 23,670,952 )</b>	<b>1,834,047,929</b>
<b>Associates</b>				
Audatex Portugal - Peritagens Informatizadas				
Derivadas de Acidentes, S.A.	33.67%	616,091	-	616,091
Highgrove - Investimentos e Participações SGPS, S.A.	25.00%	2,526,943	( 2,526,943 )	-
		<b>3,143,034</b>	<b>( 2,526,943 )</b>	<b>616,091</b>
		<b>1,860,861,915</b>	<b>( 26,197,895 )</b>	<b>1,834,664,020</b>

(amounts in euros)

	Effective share %	2015		Balance sheet value
		Gross amount	Impairment (Note 37)	
<b>Valued at acquisition cost</b>				
<b>Subsidiaries</b>				
Via Directa - Companhia de Seguros, S.A.	100.00%	41,000,000	( 11,075,212 )	29,924,788
Fidelidade - Property Europe, S.A.	100.00%	324,906,730	-	324,906,730
Fidelidade - Property Internacional, S.A.	100.00%	359,286,067	-	359,286,067
Companhia Portuguesa de Resseguros, S.A.	100.00%	14,315,928	( 4,022,928 )	10,293,000
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	2,717,053	-	2,717,053
Luz Saúde, S.A. (previously Espírito Santo Saúde SGPS)	98.43%	474,876,398	-	474,876,398
FCM Beteiligungs GmbH	51.00%	14,093,820	( 8,718,507 )	5,375,313
FID I (HK) LIMITED	100.00%	-	-	-
FID III (HK) LIMITED	100.00%	-	-	-
Garantia - Companhia de Seguros de Cabo Verde, S.A.	55.89%	6,260,184	-	6,260,184
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	100,000	-	100,000
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	49,880	-	49,880
Universal Seguros, S.A.	68.70%	10,967,358	-	10,967,358
Fidelidade Macau - Companhia de Seguros, S.A.	99.99%	17,889,052	-	17,889,052
Fidelidade - Consultoria e Gestão de Risco, Lda.	80.00%	335	-	335
Fidelidade - Assistência e Serviços, Lda.	80.00%	335	-	335
		<b>1,266,463,140</b>	<b>( 23,816,647 )</b>	<b>1,242,646,493</b>
<b>Associates</b>				
Audatex Portugal - Peritagens Informatizadas				
Derivadas de Acidentes, S.A.	33.67%	616,091	-	616,091
Highgrove - Investimentos e Participações SGPS, S.A.	25.00%	2,526,943	( 2,526,943 )	-
		<b>3,143,034</b>	<b>( 2,526,943 )</b>	<b>616,091</b>
		<b>1,269,606,174</b>	<b>( 26,343,590 )</b>	<b>1,243,262,584</b>

**The following changes occurred during 2016:**

In 2016 the Company acquired shares in Luz Saúde, S.A., increasing its shareholding from 98.43% at 31 December 2015 to 98.79% at the end of the year, and totalling EUR 1,640,456.

In 2016, the Company granted Fidelidade - Property Europe, S.A. supplementary contributions of EUR 426,324,631.

In 2016, the Company granted Fidelidade - Property Internacional, S.A. supplementary contributions of EUR 163,290,654.

The financial data of the subsidiaries and associates at 31 December 2016 and 2015 was as follows:

(amounts in euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Via Directa - Companhia de Seguros, S.A.	100.00%	72,872,039	51,492,895	21,379,144	(3,792,950)	40,714,618
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,715,603	4,927,959	10,787,644	350,067	1,034,224
Universal Seguros, S.A. (b)	68.70%	99,692,896	87,600,437	12,092,459	1,859,850	80,870,354
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	26,303,692	16,309,305	9,994,387	1,044,612	9,025,528
Fidelidade Macau - Companhia de Seguros, S.A. (d)	99.99%	62,555,881	40,887,005	21,668,876	1,880,563	9,890,127
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	797,290,100	15,687,570	781,602,530	(2,958,151)	28,673,625
Fidelidade - Property Internacional, S.A.	100.00%	484,299,611	9,527,099	474,772,512	(40,025,590)	40,174,103
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	98.85%	142,521,246	23,339,811	119,181,435	10,809,608	15,085,888
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	11,467,335	83,101	11,384,234	(896,508)	1,374,371
<b>Healthcare</b>						
Luz Saúde, S.A. (previously Espírito Santo Saúde SGPS)	98.79%	581,579,825	364,532,653	217,047,172	16,985,152	450,759,517
<b>Other sectors</b>						
<b>Audatex Portugal - Peritagens Informatizadas</b>						
Derivadas de Acidentes, S.A. (f)	33.67%	3,963,903	1,248,052	2,715,851	2,630	6,495,780
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	5,850,906	978,513	4,872,393	(37,078)	6,276,399
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	855,536	601,631	253,905	72,736	1,793,741
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	4,032,714	3,588,828	443,886	112,211	21,162,866
Highgrove - Investimentos e Participações. SGPS, S.A.	25.00%	807,400	1,102,525	(295,125)	(125,538)	120,356
FCM Beteiligungs GmbH	51.00%	10,508,705	40,238	10,468,467	(3,519,695)	714
FID I (HK) LIMITED (g)	100.00%	26,960,173	2,030,015	24,930,158	(3,801,405)	3,247,642
FID III (HK) LIMITED (g)	100.00%	-	9,797	(9,797)	(3,097)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (h)	80.00%	3,670	3,327	343	(758)	52,571
Fidelidade - Assistência e Serviços, Lda. (h)	80.00%	12,031	14,150	(2,119)	(3,759)	134,412

(a) The shareholders' equity includes net income for the year.

(b) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 184.475 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 182.32425 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.4204 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.81952 MOP for the profit and loss headings.

(e) Amounts recorded as in available-for-sale investments.

(f) Values at June 2016 (accounting period June 2015 to June 2016).

(g) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.1751 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.56263 HKD for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 74.54000 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 69.82333 MZN for the profit and loss headings.

(amounts in euros)

Operating sector/entity	2015					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
<b>Insurance</b>						
Via Directa - Companhia de Seguros, S.A.	100.00%	74,226,582	48,895,604	25,330,978	228,225	40,713,189
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,490,601	5,438,915	10,051,686	651,804	972,281
Universal Seguros, S.A. (b)	68.70%	92,261,904	79,465,846	12,796,058	2,443,785	54,586,023
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	24,847,676	15,057,978	9,789,698	966,867	8,091,863
Fidelidade Macau - Companhia de Seguros, S.A. (d)	99.99%	67,177,199	48,090,710	19,086,489	679,711	2,202,858
<b>Property</b>						
Fidelidade - Property Europe, S.A.	100.00%	375,036,950	15,933,384	359,103,566	7,278,154	17,921,581
Fidelidade - Property Internacional, S.A.	100.00%	351,964,581	457,133	351,507,448	(7,845,080)	4,168,172
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	98.85%	135,212,129	26,840,302	108,371,827	5,783,522	8,827,478
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	14,898,182	117,457	14,780,725	(283,643)	532,335
<b>Healthcare</b>						
Luz Saúde, S.A. (previously Espírito Santo Saúde SGPS)	98.43%	572,986,216	337,545,619	235,440,597	19,616,035	424,189,572
<b>Other sectors</b>						
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (f)	33.67%	6,904,447	2,015,566	4,888,881	2,175,660	8,763,249
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,462,932	1,659,913	4,803,019	78,058	4,476,839
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	737,197	542,404	194,793	27,249	1,762,316
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,275,779	2,895,650	380,129	96,909	18,832,956
Highgrove - Investimentos e Participações. SGPS, S.A.	25.00%	1,123,970	1,422,266	(298,296)	(224,567)	43,917
FCM Beteiligungs GmbH	51.00%	10,581,339	41,428	10,539,911	(7,350,750)	-
FID I (HK) LIMITED (g)	100.00%	136,671,034	108,658,737	28,012,297	24,087,061	-
FID III (HK) LIMITED (g)	100.00%	-	6,349	(6,349)	(3,142)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (h)	80.00%	13,684	12,093	1,591	1,196	14,691
Fidelidade - Assistência e Serviços, Lda. (h)	80.00%	23,117	20,996	2,121	1,730	26,437

(a) The shareholders' equity includes net income for the year.

(b) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 147.83150 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 133.18254 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 8.6907 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.6433 MOP for the profit and loss headings.

(e) Amounts recorded as in available-for-sale investments.

(f) Values at June 2015 (accounting period June 2014 to June 2015).

(g) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 8.43760 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.56221 HKD for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 49.29000 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 48.86600 MZN for the profit and loss headings.



The financial data at 31 December 2016 was taken from the provisional financial statements, which are subject to alterations before they are approved by the General Meeting of Shareholders. However, it is not expected that there will be material changes to the Company's financial statements.

The subsidiaries and associates, grouped according to the nature of their main business, are the following:

## **INSURANCE**

**Via Directa - Companhia de Seguros, S.A. (OK Teleseguros)**, with its head office in Lisbon, at Avenida José Malhoa, n.º 13 - 4.º, was set up on 28 November 1997 with the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business, and may also perform activities related to insurance and reinsurance.

**Companhia Portuguesa de Resseguros, S.A.**, with its head office in Lisbon, at Largo do Calhariz n.º 30, was set up on 22 September 1979 with the corporate purpose of performing any operations regarding reinsurance of non-life lines of business, both in Portugal and abroad, in addition to participating in the redistribution in the market of certain risks of a specific type or dimension.

**Universal Seguros, S.A.**, with its head office in Luanda, at Rua 1.º Congresso MPLA, n.º 11, 1.º A, Ingombota, was set up on 2 June 2009 with the corporate purpose of performing insurance activities in the life and non-life lines of business in the national territory of the Republic of Angola.

**Garantia - Companhia de Seguros de Cabo Verde, S.A.** resulted from the split of the former Instituto de Seguros e Providência Social, EP which occurred on 30 October 1991, pursuant to Decree-Law No. 136/91, of 2 October, with all the assets and liabilities related to the insurance business being transferred to it. The Company has its head office in Chã de Areia, C.P. 138, Cidade da Praia, in the Republic of Cape Verde, and branches in the Sal, São Vicente, Boavista, São Nicolau, Fogo and Santo Antão islands. In order to attract clients to purchase insurance policies, the company also has a network of agents. The Company is engaged in the activity of direct insurance and reinsurance in all lines of business and operations, and may also perform related and complementary activities.

**Fidelidade Macau - Companhia de Seguros, S.A.**, with its head office in Macao at Avenida da Praia Grande, n.º 567, BNU Building, 14.º, was set up on 30 September 2015 with the corporate purpose of performing the insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance.

## **PROPERTY**

**Fidelidade - Property Europe, S.A.**, using this name since 2014, with its head office in Lisbon, at Largo do Calhariz, n.º 30, was set up on 19 November 1991 with the main object of renting own property which it has acquired or built and the provision of related services. On 24 November 2004 a public deed was signed for the merger by incorporation of Caixa Imobiliário - Sociedade de Gestão e Investimento Imobiliário, S.A., in Mundial Confiança - Sociedade de Gestão e Investimento Imobiliário, S.A., which altered its name to Fidelidade-Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A., and this name was altered in 2013 to Fidelidade - Investimentos Imobiliários, S.A..

**Fidelidade – Property International, S.A.** with its head office in Lisbon, at Largo do Calhariz, n° 30, was set up on 5 November 2014 with the main object of purchasing and selling real estate, including purchase for re-sale, renting or the setting up of other real rights over property and, also, developing, promoting and administering real estate projects, in the area of construction and rehabilitation, in addition to the provision of related services.

**Fundo de Investimento Imobiliário Fechado Saudeinveste** was set up on 10 December 2002 with the investment aim of achieving medium and long-term capital appreciation, through the creation and management of a portfolio of predominantly real estate assets. This fund is managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A..

**Fundo de Investimento Imobiliário Fechado Bonança I** was set up on 22 December 1993 with the investment aim of achieving medium and long-term capital appreciation, through the creation and management of a portfolio of predominantly real estate assets. This fund is managed by Fundger – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A..

#### **HEALTHCARE**

**Luz Saúde, S.A., Sociedade Aberta**, with its head office in Lisbon, at Rua Carlos Alberto da Mota Pinto, 17 - 9º, was set up on 6 July 2000 with the legal character of a “Holding Company”, pursuant to Decree-Law No. 495/88, of 30 December, and is one of the largest healthcare groups in terms of revenues in this expanding market in Portugal. The Group provides services via 18 units in the North, Centre and South of the country, and has a strong presence in Lisbon, where it operates Hospital da Luz, the largest private hospital in Portugal, and in Oporto, where it operates the Hospital da Arrábida.

#### **OTHER SECTORS**

**Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A.**, with its head office in Lisbon, at Rua Basílio Teles, n° 24 - 3º, was set up in 1994 with the corporate purpose of operating a computerised system for the direct and indirect calculation of damage resulting from accidents. The company may also provide complementary support services to the aforementioned system, namely to insurance companies, loss adjusters, repair workshops or other interested parties.

**Cetra - Centro Técnico de Reparação Automóvel, S.A. (Fidelidade Car Service)**, with its head office in Lisbon, at Rua Cidade de Bolama, n° 1 - B, was set up on 12 February 1973 with the corporate purpose of performing all and any type of activity related to motor vehicles, including repairs, loss adjustments, assessments and salvage recovery, in addition to vehicle leasing operations. The company may also perform related or complementary operations.

**E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. (Safemode)**, with its head office in Lisbon, at Rua Nova da Trindade, n° 3, was set up on 11 November 1996 with the corporate purpose of providing risk analysis and prevention services, in addition to technical consultancy and training to improve hygiene, safety and health conditions in the workplace, laboratory support, environmental recovery planning and monitoring of interventions and the management of industrial premises for treatment, recovery or recycling operations.

**GEP - Gestão de Peritagens Automóveis, S.A.**, with its head office in Lisbon, at Avenida 5 de Outubro n.º 35 8º Piso, was set up on 11 November 1996 with the corporate purpose of providing services to assess damage to light and heavy motor vehicles, motorbikes and bicycles, including their trailers and coupled items.

**Highgrove - Investimentos e Participações, SGPS, S.A.**, with its head office at Lugar de Meladas, n.º 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities. The participation in this company arose following a partnership with the Chamartin Group to rebuild the closed condominium of Convento dos Inglesinhos, located in a historical area in the Bairro Alto district, which is currently selling its last units.

**FCM Beteiligungs GmbH**, with its head office in St. Pölten in Austria, at Hollausg 12, was set up on 6 May 2014 with the corporate purpose of acquiring, alienating, holding or managing its own investments in other companies in Germany and abroad, and is active in the import, export, wholesale and retail of textiles and all types of fashion items, including related complementary businesses, in particular, with the management of Tom Tailor GmbH, in Hamburg. The company may act in its own name in these activities.

The companies **FID I (HK) LIMITED** and **FID III (HK) LIMITED** are special purpose vehicles with their head office at Level 54 Hopewell Centre 183, Queen's Road East, Hong Kong, and were set up on 4 November 2014.

**Fidelidade - Assistência e Serviços, Lda.**, with its head office at Rua 1393, n.º 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the main purpose of providing assistance services and claims management support services, as well as the provision of accounting services, human resource management and IT support, and also the provision of services for the organisation, evaluation, expert assessment and management of any repair work, restoration, installation and improvements to be made to any property, and the hiring of any entities to perform such work, acquisition and supply of various materials, products and tools, and the provision of any services which are related or complementary to these activities.

**Fidelidade - Consultoria e Gestão de Risco, Lda.**, with its head office at Rua 1393, n.º 47 (Parallel to Rua José Craveirinha), District of Polana - Maputo, Mozambique, was set up on 23 July 2015 with the purpose of performing health and safety at work activities, and providing risk analysis and prevention services, technical consultancy and human resources management and training services, laboratory support, planning and monitoring of environmental recovery interventions and facilities management.

## 5. Financial Assets Held for Trading and Financial Assets Initially Recognised at Fair Value Through Profit or Loss

At 31 December 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Held for trading (Note 6)	At fair value through profit or loss	Total	Held for trading (Note 6)	At fair value through profit or loss	Total
<b>Investments related to Unit-linked contracts</b>	-	<b>431,342,214</b>	<b>431,342,214</b>	-	<b>487,476,906</b>	<b>487,476,906</b>
<b>Other investments</b>						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	1,365,213	1,365,213	-	1,360,017	1,360,017
Foreign issuers	-	233,470,193	233,470,193	-	399,222,486	399,222,486
	-	<b>234,835,406</b>	<b>234,835,406</b>	-	<b>400,582,503</b>	<b>400,582,503</b>
<b>Derivatives instruments with positive fair value</b>						
Exchange rate futures	9,140,004	-	9,140,004	957,920	-	957,920
Exchange rate forwards	16,728,216	-	16,728,216	-	-	-
	<b>25,868,220</b>	-	<b>25,868,220</b>	<b>957,920</b>	-	<b>957,920</b>
	<b>25,868,220</b>	<b>666,177,620</b>	<b>692,045,840</b>	<b>957,920</b>	<b>888,059,409</b>	<b>889,017,329</b>

Investments in Unit-linked contracts are assets managed by the Company in which the risk is borne by the policyholder. Accordingly, the assets are recognised at fair value, and the liability to the insured is recognised in the "Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts" accounting heading.

At 31 December 2016 and 2015, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 234,835,406 and EUR 400,582,503, respectively. These securities are recognised at their fair value which is assessed on the basis of the prices indicated by the respective issuing bodies for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

In 2016 and 2015, the Company recognised net gains with the valuation of these investments of EUR 14,784,742 and EUR 52,252,423, respectively.

At 31 December 2016 and 2015, investments allocated to Unit-linked contracts were composed as follows:

(amounts in euros)

	2016	2015
<b>Financial assets initially recognised</b>		
<b>at fair value through profit or loss</b>		
Debt instruments		
Group companies	49,920,465	62,366,921
Public debt		
Domestic issuers	340,390,253	375,369,102
Foreign issuers	12,646,763	13,285,588
Other issuers		
Domestic issuers	895,071	868,840
Foreign issuers	10,255,555	14,658,379
Equity instruments		
Domestic issuers	12,029,626	14,797,953
Foreign issuers	7,177,090	8,466,661
Accounts receivable	( 31 )	( 430 )
Transactions to be settled	( 1,972,578 )	( 2,336,108 )
	<b>431,342,214</b>	<b>487,476,906</b>
<b>Other assets</b>		
Current deposits	41,786,452	25,762,641
Term deposits	39,851,839	59,812,090
	<b>81,638,291</b>	<b>85,574,731</b>
<b>Total (Note 18)</b>	<b>512,980,505</b>	<b>573,051,637</b>

The total of investment allocated to Unit-linked contracts reveals, at 31 December 2016 and 2015, a difference of EUR 3,312 and EUR 2,217 in relation to the total financial liabilities recognised at fair value (Note 18), which corresponds to the negative fair value of the swaps recognised in "Financial liabilities held for trading" (Note 19) and that are allocated to Unit-linked contracts.

## 6. Derivatives

The Company performs operations with derivative products as part of its activity, essentially with the aim of reducing its exposure to exchange rate and interest rates fluctuations.

The Company controls the risks of its derivative activities by approval procedures for operations, definition of exposure limits per product and counterparty, and monitoring of the evolution of the respective income.

At 31 December 2016 and 2015, these operations were valued in line with the criteria in Note 2.4.c). On these dates, the notional amount and the book value had the following breakdown:

(amounts in euros)

	2016							
	Notional Amount			Book value				
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives		Hedge Derivatives		Total
			Assets (Note 5)	Liabilities (Note 19)	Ativo	Liabilities (Note 19)		
<b>Fair Value Hedge</b>								
Interest rate swaps	40,668,155	-	40,668,155	-	(7,164,395)	-	-	(7,164,395)
Exchange rate futures	1,937,750,000	1,024,375,000	2,962,125,000	9,140,004	(9,277,879)	4,356,758	(8,737,701)	(4,518,818)
Exchange rate forwards	456,581,591	13,341,558	469,923,149	16,728,216	(16,728,216)	314,098	-	314,098
	<b>2,434,999,746</b>	<b>1,037,716,558</b>	<b>3,472,716,304</b>	<b>25,868,220</b>	<b>(33,170,490)</b>	<b>4,670,856</b>	<b>(8,737,701)</b>	<b>(11,369,115)</b>

(amounts in euros)

	2015							
	Notional Amount			Book value				
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives		Hedge Derivatives		Total
			Assets (Note 5)	Liabilities (Note 19)	Ativo	Liabilities (Note 19)		
<b>Fair Value Hedge</b>								
Interest rate swaps	40,668,155	-	40,668,155	-	(7,625,988)	-	-	(7,625,988)
Exchange rate futures	1,339,625,000	1,160,375,000	2,500,000,000	957,920	(10,822,796)	1,285,939	(4,155,656)	(12,734,593)
	<b>1,380,293,155</b>	<b>1,160,375,000</b>	<b>2,540,668,155</b>	<b>957,920</b>	<b>(18,448,784)</b>	<b>1,285,939</b>	<b>(4,155,656)</b>	<b>(20,360,581)</b>

The interest rate swaps contracted by the Company and classified as derivatives held for trading are essentially intended to hedge its liabilities on life insurance investment contracts which, except for Unit-linked contracts, are valued at amortised cost (Note 19).

To mitigate the risk of exchange fluctuations of financial instruments, EUR/USD and EUR/GBP futures listed on the Chicago Mercantile Exchange (CME) were contracted, in order to ensure the exchange rate alignment of the currency of the assets with the currency of the liabilities. In the case of EUR/JPY risks, the instruments contracted are over-the-counter forwards.

The distribution of Fidelidade's derivative financial instrument operations at 31 December 2016 and 2015, by period to maturity, was as follows:

(amounts in euros)

	2016					Total
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 5 years	More than 5 years	
<b>Fair Value Hedge</b>						
Interest rate swaps	-	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	2,113,125,000	-	849,000,000	-	-	2,962,125,000
Exchange rate forwards	263,738,140	71,554,940	134,630,069	-	-	469,923,149
	<b>2,376,863,140</b>	<b>71,554,940</b>	<b>983,630,069</b>	<b>40,000,000</b>	<b>668,155</b>	<b>3,472,716,304</b>

(amounts in euros)

	2015		Total
	Up to 3 months	More than 5 years	
<b>Fair Value Hedge</b>			
Interest rate swaps	-	40,668,155	40,668,155
Exchange rate futures	2,500,000,000	-	2,500,000,000
	<b>2,500,000,000</b>	<b>40,668,155</b>	<b>2,540,668,155</b>

The distribution of the Company's derivative financial operations at 31 December 2016 and 2015, by counterparty type, was as follows:

(amounts in euros)

	2016		2015	
	Notional Amount	Book Value	Notional Amount	Book Value
<b>Swaps</b>				
Interest rate swaps				
Financial institutions				
Caixa Geral Depósitos Group	40,668,155	(7,164,395)	40,668,155	(7,625,988)
<b>Futures</b>				
Exchange rate futures				
On a stock exchange				
Chicago	5,075,250,000	(4,518,818)	2,500,000,000	(12,734,593)
<b>Forwards</b>				
Financial institutions	469,923,149	314,098	-	-
	<b>5,585,841,304</b>	<b>(11,369,115)</b>	<b>2,540,668,155</b>	<b>(20,360,581)</b>

In 2016 and 2015 the following gains and losses related to fair value hedge accounting were generated:

(amounts in euros)

	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
Derivatives	336,597,725	(372,707,569)	(36,109,844)	1,582,464	(28,630,626)	(27,048,162)
Hedged assets	157,776,330	(126,318,181)	31,458,149	68,692,875	(38,209,915)	30,482,960
	<b>494,374,055</b>	<b>(499,025,750)</b>	<b>(4,651,695)</b>	<b>70,275,339</b>	<b>(66,840,541)</b>	<b>3,434,798</b>

On 30 June 2016, the Company entered into a trustee contract with its subsidiaries Fidelidade – Property Europe, S.A., Fidelidade – Property International, S.A. and FPE (Lux) Holding S.à r.l..

This contract grants Fidelidade powers to, on behalf of its subsidiaries, identify, negotiate and enter into any agreements and mechanisms considered appropriate to hedge exchange risk to which they are subject. This option derives from the specificities and complexities of the hedging operations which require technical competences which the subsidiaries do not possess. With this option Fidelidade protects exchange risks in the subsidiaries and the economic effects of this hedging are passed on to these entities.

At 31 December 2016, the Company has the following traded derivatives in its portfolio within the scope of the trustee contract:

(amounts in euros)

	2016	
	Notional Amount	Book Value
Exchange rate futures	511,625,000	16,728,216
Exchange forwards	456,581,591	1,369,636
	<b>968,206,591</b>	<b>18,097,852</b>

Due to the contract entered into, Fidelidade passed the following results to its subsidiaries:

(amounts in euros)

	2016	
	Profit or loss	Comissions
Exchange rate futures	(21,311,174)	(56,115)
Exchange forwards	(14,441,565)	-
	<b>(35,752,739)</b>	<b>(56,115)</b>



## 7. Available-for-Sale Investments

At 31 December 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016					
	Amounts before impairment	Accumulated impairment (Note 37)	Net amount	Exchange differences	Fair value reserve (Note 24)	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	5,242,026,331	-	5,242,026,331	-	(61,635,378)	5,180,390,953
Foreign issuers	222,085,597	-	222,085,597	3,458,577	2,601,487	228,145,661
Other public issuers						
Foreign issuers	3,170,107	-	3,170,107	-	353,158	3,523,265
International financial organisations	11,199,640	-	11,199,640	-	6,169,166	17,368,806
Other issuers						
Domestic issuers	213,679,769	(52,929,367)	160,750,402	-	515,146	161,265,548
Foreign issuers	1,480,617,396	(101,136,336)	1,379,481,060	49,930,007	(3,225,045)	1,426,186,022
Group companies	421,271,476	-	421,271,476	-	595,992	421,867,468
	<b>7,594,050,316</b>	<b>(154,065,703)</b>	<b>7,439,984,613</b>	<b>53,388,584</b>	<b>(54,625,474)</b>	<b>7,438,747,723</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	96,339,024	(7,456,505)	88,882,519	-	(37,827)	88,844,692
Foreign issuers	1,273,958,870	(267,476,233)	1,006,482,637	111,193,251	67,047,028	1,184,722,916
	<b>1,370,297,894</b>	<b>(274,932,738)</b>	<b>1,095,365,156</b>	<b>111,193,251</b>	<b>67,009,201</b>	<b>1,273,567,608</b>
<b>Other instruments</b>						
Participation bonds						
Residents	27,434	-	27,434	-	(11,519)	15,915
Investment units						
Residents	321,827,861	(44,211,795)	277,616,066	-	72,030,973	349,647,039
Non-residents	17,161,725	(5,867,238)	11,294,487	5	3,958,494	15,252,986
Other	(66,587)	-	(66,587)	-	-	(66,587)
	<b>338,950,433</b>	<b>(50,079,033)</b>	<b>288,871,400</b>	<b>5</b>	<b>75,977,948</b>	<b>364,849,353</b>
	<b>9,303,298,643</b>	<b>(479,077,474)</b>	<b>8,824,221,169</b>	<b>164,581,840</b>	<b>88,361,675</b>	<b>9,077,164,684</b>

(amounts in euros)

	2015					
	Amounts before impairment	Accumulated impairment (Note 37)	Net amount	Exchange differences	Fair value reserve (Note 24)	Balance Sheet Value
<b>Debt instruments</b>						
Public debt						
Domestic issuers	3,050,140,061	-	3,050,140,061	-	144,454,344	3,194,594,405
Foreign issuers	227,322,554	-	227,322,554	(706,561)	1,315,642	227,931,635
Other public issuers						
Foreign issuers	3,168,956	-	3,168,956	-	406,473	3,575,429
International financial organisations	12,239,600	-	12,239,600	-	5,128,693	17,368,293
Other issuers						
Domestic issuers	274,125,194	(52,929,367)	221,195,827	-	4,497,759	225,693,586
Foreign issuers	1,775,165,029	(65,809,952)	1,709,355,077	21,032,007	(173,035,546)	1,557,351,538
Group companies	1,293,331,790	-	1,293,331,790	-	(47,481,245)	1,245,850,545
	<b>6,635,493,184</b>	<b>(118,739,319)</b>	<b>6,516,753,865</b>	<b>20,325,446</b>	<b>(64,713,880)</b>	<b>6,472,365,431</b>
<b>Equity instruments</b>						
Recognised at fair value						
Domestic issuers	96,180,592	(7,466,493)	88,714,099	-	5,091,009	93,805,108
Foreign issuers	1,470,464,048	(134,340,698)	1,336,123,350	88,290,000	108,449,172	1,532,862,522
	<b>1,566,644,640</b>	<b>(141,807,191)</b>	<b>1,424,837,449</b>	<b>88,290,000</b>	<b>113,540,181</b>	<b>1,626,667,630</b>
<b>Other instruments</b>						
Participation bonds						
Residents	27,445	-	27,445	-	(10,770)	16,675
Investment units						
Residents	397,798,758	(58,580,397)	339,218,361	-	64,309,844	403,528,205
Non-residents	31,180,850	(7,736,857)	23,443,993	(18)	5,427,244	28,871,219
Other	(69,349)	-	(69,349)	-	-	(69,349)
	<b>428,937,704</b>	<b>(66,317,254)</b>	<b>362,620,450</b>	<b>(18)</b>	<b>69,726,318</b>	<b>432,346,750</b>
	<b>8,631,075,528</b>	<b>(326,863,764)</b>	<b>8,304,211,764</b>	<b>108,615,428</b>	<b>118,552,619</b>	<b>8,531,379,811</b>

## 8. Loans and Accounts Receivable

At 31 December 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Gross amount	Impairment loss (Note 37)	Net amount	Gross amount	Impairment loss (Note 37)	Net amount
Deposits in ceding companies	1,455,310	-	1,455,310	1,630,020	-	1,630,020
Other deposits						
Term deposits	836,996,968	-	836,996,968	553,570,119	-	553,570,119
Margin accounts	73,067,721	-	73,067,721	64,659,227	-	64,659,227
	<b>910,064,689</b>	<b>-</b>	<b>910,064,689</b>	<b>618,229,346</b>	<b>-</b>	<b>618,229,346</b>
Loans made						
Mortgage loans	21,851,904	(29,803)	21,822,101	354,625	(29,803)	324,822
Loans over policies	1,328,653	(10,597)	1,318,056	981,339	-	981,339
Other	11,855,254	(1,089,835)	10,765,419	46,201,800	(1,300,083)	44,901,717
	<b>35,035,811</b>	<b>(1,130,235)</b>	<b>33,905,576</b>	<b>47,537,764</b>	<b>(1,329,886)</b>	<b>46,207,878</b>
Others	30,100	-	30,100	1,162,158	-	1,162,158
	<b>946,585,910</b>	<b>(1,130,235)</b>	<b>945,455,675</b>	<b>668,559,288</b>	<b>(1,329,886)</b>	<b>667,229,402</b>

## 9. Properties

In 2016 and 2015, the “Properties” headings saw the following movements:

(amounts in euros)

	Properties for own use	Investment Properties	Total
Balances at 31 December 2014			
Gross amount	144,208,106	250,305,239	394,513,345
Accumulated depreciation and impairment	(33,944,214)	-	(33,944,214)
	<b>110,263,892</b>	<b>250,305,239</b>	<b>360,569,131</b>
Additions			
Subsequent expenditure	-	2,703,823	2,703,823
Revaluations			
As a credit to the income statement (Note 36)	-	18,079,066	18,079,066
As a credit to shareholders' equity	3,115,533	-	3,115,533
Additions/reversals of impairment in the year (Note 37)	(1,191,946)	-	(1,191,946)
Depreciation for the year	(2,186,761)	-	(2,186,761)
Transfers	(11,906,574)	11,906,574	-
Disposals and write-offs (net)	(296,499)	(4,025,090)	(4,321,589)
Balances at 31 December 2015			
Gross amount	131,527,588	278,969,612	410,497,200
Accumulated depreciation and impairment	(33,729,943)	-	(33,729,943)
	<b>97,797,645</b>	<b>278,969,612</b>	<b>376,767,257</b>
Additions			
Subsequent expenditure	-	1,398,913	1,398,913
Revaluations			
As a credit to the income statement (Note 36)	-	11,659,152	11,659,152
As a credit to shareholders' equity	1,720,446	-	1,720,446
Additions/reversals of impairment in the year (Note 37)	(2,314,039)	-	(2,314,039)
Depreciation for the year	(1,971,334)	-	(1,971,334)
Transfers	(4,383,708)	4,383,708	-
Disposals and write-offs (net)	-	(2,532,719)	(2,532,719)
Balances at 31 December 2016			
Gross amount	124,784,510	293,878,666	418,663,176
Accumulated depreciation and impairment	(33,935,500)	-	(33,935,500)
	<b>90,849,010</b>	<b>293,878,666</b>	<b>384,727,676</b>

As stated in Note 2.7. above, properties for own use are valued at fair value, in line with the option set out in IAS 16.

Investment properties are also valued at fair value, in line with the treatment provided for in IAS 40.

Properties are valued as deemed appropriate or at least every two years, by experts who are qualified for the purpose. The Company considers that the properties which it holds are put to the highest and best use possible, and the valuations performed to ascertain the respective fair value are therefore prepared taking into consideration their current use, as set out in IFRS 13 – “Fair Value Measurement”.

In the case of properties for own use, the respective gains and losses are accounted for in the equity heading “Revaluation reserves – Revaluation of properties for own use”, provided that:

- The accumulated value of the revaluation reserves after the adjustment is positive; or
- The revaluation is positive and exceeds the value of any negative revaluations which may have been recognised in past periods as a charge to profit or loss.

Gains and losses resulting from revaluation of investment properties are recognised in profit and loss.

#### **Valuation methods**

Properties are valued to obtain an estimation of their transaction price, which is normally the market value (fair value), i.e., the price at which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, where the property is put up for sale on the market, the conditions of sale permit a regular and ordered sale, and the period for negotiating the sale is normal, taking into account the nature of the property. If there are any rental agreements, the assessment of the estimated transaction price takes the rental value into consideration.

The valuation techniques which are normally used are:

- a) Market method: consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market;
- b) Cost method: consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of conservation and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the property in its current state, subtracting from that value, after conclusion of works, all the associated costs and margins which have not yet been made;
- c) Income method: consists of calculating the value of the property based on the ratio between the annual effective rent and an appropriate capitalisation rate.

As set out in IFRS 13, valuations of properties maximise the use of observable market data. However, since most valuations also consider unobservable data, the fair value of the Company's properties is classified as Level 3 of the fair value hierarchy defined by IFRS 13.

## Properties for own use

Buildings for own use are depreciated throughout the respective useful life defined in each valuation.

At 31 December 2016 and 2015, the fair value reserves associated with properties for own use were EUR 25,727,507 and EUR 24,007,061, respectively (Note 24).

At 31 December 2016 and 2015, the breakdown of the properties for own use according to their respective valuation date, was as follows:

(amounts in euros)

	2016	2015
2016	23,751,452	-
2015	67,097,558	78,874,554
2014	-	18,923,091
	<b>90,849,010</b>	<b>97,797,645</b>

## 10. Allocation of Investments and Other Assets

At 31 December 2016 and 2015, the allocation of investments and other assets, using a prudential perspective, for insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts, may be summarised as follows:

(amounts in euros)

	2016					Total
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investments contracts	Non-life insurance	Not allocated	
Cash and cash equivalents	155,597,476	29,889,541	196,222,828	5,340,412	241,113,460	628,163,717
Investments in subsidiaries, associates and joint ventures	-	94,995,235	1,495,123,574	208,571,079	35,974,132	1,834,664,020
Financial assets held for trading	2,008,194	254,497	4,218,997	1,288,680	18,097,852	25,868,220
Financial assets initially recognised						
at fair value through profit or loss	38,601,817	1,283,659	546,777,433	79,198,521	316,190	666,177,620
Hedge Derivatives	-	1,233	2,605,166	2,064,457	-	4,670,856
Available-for-sale investments	1,579,383,186	114,373,757	6,014,530,167	1,353,865,957	15,011,617	9,077,164,684
Loans and accounts receivable	70,642,765	6,082,778	570,688,234	197,729,289	100,312,609	945,455,675
Properties	-	-	-	354,263,260	30,464,416	384,727,676
Other tangible assets	-	-	-	-	9,771,283	9,771,283
	<b>1,846,233,438</b>	<b>246,880,700</b>	<b>8,830,166,399</b>	<b>2,202,321,655</b>	<b>451,061,559</b>	<b>13,576,663,751</b>

(amounts in euros)

	2015					
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investments contracts	Non-life insurance	Not allocated	Total
Cash and cash equivalents	118,999,851	14,506,948	1,124,679,665	96,219,658	476,470,167	1,830,876,289
Investments in subsidiaries, associates and joint ventures	-	34,731,423	970,983,255	191,191,713	46,356,193	1,243,262,584
Financial assets held for trading	-	642,969	314,951	-	-	957,920
Financial assets initially recognised						
at fair value through profit or loss	11,192,224	22,396,973	788,998,889	64,795,338	675,985	888,059,409
Hedge Derivatives	-	-	1,285,939	-	-	1,285,939
Available-for-sale investments	1,390,954,509	123,891,180	5,679,175,331	1,271,341,663	66,017,128	8,531,379,811
Loans and accounts receivable	325,018,371	13,798,251	247,830,738	32,968,156	47,613,886	667,229,402
Properties	-	-	-	345,675,036	31,092,221	376,767,257
Other tangible assets	-	-	-	-	9,686,323	9,686,323
	<b>1,846,164,955</b>	<b>209,967,744</b>	<b>8,813,268,768</b>	<b>2,002,191,564</b>	<b>677,911,903</b>	<b>13,549,504,934</b>

## 11. Other Tangible Assets and Inventories

In 2016 and 2015, the other tangible assets and inventories headings saw the following movements:

(amounts in euros)

	2016								
	Opening balances			Transfers and adjustments	Depreciation for the year	Disposals and write-offs (net)	Closing amounts		
Gross amount	Accumulated depreciation and impairment	Additions	Gross amount				Accumulated depreciation and impairment	Net amount	
Equipment									
Administrative	18,794,184	(18,720,775)	328,346	-	(342,680)	(34)	18,068,441	(18,009,400)	59,041
Machinery and tools	7,022,536	(6,407,658)	264,126	-	(206,836)	(3,074)	6,750,877	(6,081,783)	669,094
IT equipment	9,008,787	(7,672,742)	2,417,095	-	(2,086,209)	-	9,406,708	(7,739,777)	1,666,931
Interior installations	21,495,393	(17,798,242)	570,894	191,726	(880,193)	(50,495)	21,560,253	(18,031,170)	3,529,083
Transport material	338,945	(77,422)	-	-	(84,116)	-	338,945	(161,538)	177,407
Hospital equipment	6,542	(6,542)	-	-	-	-	6,542	(6,542)	-
Other equipment	4,499,364	(2,582,860)	44,359	-	(367,173)	-	4,543,723	(2,950,033)	1,593,690
Artistic assets	1,565,522	-	364,421	-	-	(3,689)	1,926,254	-	1,926,254
Leased equipment	6,915,140	(6,910,641)	-	-	-	(4,499)	114,043	(114,043)	-
Other assets	216,792	-	124,717	(191,726)	-	-	149,783	-	149,783
	<b>69,863,205</b>	<b>(60,176,882)</b>	<b>4,113,958</b>	<b>-</b>	<b>(3,967,207)</b>	<b>(61,791)</b>	<b>62,865,569</b>	<b>(53,094,286)</b>	<b>9,771,283</b>
Inventories	117,107	-	42,663	-	-	-	159,770	-	159,770
	<b>69,980,312</b>	<b>(60,176,882)</b>	<b>4,156,621</b>	<b>-</b>	<b>(3,967,207)</b>	<b>(61,791)</b>	<b>63,025,339</b>	<b>(53,094,286)</b>	<b>9,931,053</b>

(amounts in euros)

	2015										
	Opening balances				Transfers and adjustments	Depreciation for the year	Disposals and write-offs (net)	Other movements	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions						Gross amount	Accumulated depreciation and impairment	Net amount
Equipment											
Administrative	18,592,720	(18,445,232)	263,329	-	(327,203)	-	(10,205)	18,794,184	(18,720,775)	73,409	
Machinery and tools	12,441,843	(11,710,070)	269,522	36,676	(411,345)	(2,719)	(9,029)	7,022,536	(6,407,658)	614,878	
IT equipment	13,688,592	(12,257,008)	1,950,871	-	(2,047,651)	-	1,241	9,008,787	(7,672,742)	1,336,045	
Interior installations	22,650,882	(18,625,449)	452,288	195,589	(876,253)	(60,598)	(39,308)	21,495,393	(17,798,242)	3,697,151	
Transport material	144,183	(55,847)	246,250	-	(73,305)	-	242	338,945	(77,422)	261,523	
Hospital equipment	6,542	(6,397)	-	-	(145)	-	-	6,542	(6,542)	-	
Other equipment	4,311,409	(2,170,815)	197,555	-	(420,889)	(756)	-	4,499,364	(2,582,860)	1,916,504	
Artistic assets	1,573,221	-	-	-	-	-	(7,699)	1,565,522	-	1,565,522	
Leased equipment	9,123,675	(9,119,176)	-	-	-	-	-	6,915,140	(6,910,641)	4,499	
Other assets	92,443	-	369,831	(232,265)	-	(13,217)	-	216,792	-	216,792	
	<b>82,625,510</b>	<b>(72,389,994)</b>	<b>3,749,646</b>	<b>-</b>	<b>(4,156,791)</b>	<b>(77,290)</b>	<b>(64,758)</b>	<b>69,863,205</b>	<b>(60,176,882)</b>	<b>9,686,323</b>	
Inventories	107,012	-	10,095	-	-	-	-	117,107	-	117,107	
	<b>82,732,522</b>	<b>(72,389,994)</b>	<b>3,759,741</b>	<b>-</b>	<b>(4,156,791)</b>	<b>(77,290)</b>	<b>(64,758)</b>	<b>69,980,312</b>	<b>(60,176,882)</b>	<b>9,803,430</b>	

At 31 December 2016 and 2015, the heading "Tangible assets" includes fully amortised assets still in use of EUR 44,206,860 and EUR 50,774,020 respectively.

## 12. Other Intangible Assets

In 2016 and 2015, the other intangible assets headings saw the following movements:

(amounts in euros)

	2016								
	Opening balances				Transfers and adjustments	Depreciation for the year	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions				Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing systems (software)	45,775,685	(36,406,864)	348,829	1,469,187	(5,765,694)	47,593,701	(42,172,558)	5,421,143	
Intangible assets in progress	7,524,091	-	3,665,711	(1,469,187)	-	9,720,615	-	9,720,615	
	<b>53,299,776</b>	<b>(36,406,864)</b>	<b>4,014,540</b>	<b>-</b>	<b>(5,765,694)</b>	<b>57,314,316</b>	<b>(42,172,558)</b>	<b>15,141,758</b>	

(amounts in euros)

	2015									
	Opening balances				Amortisation for the year	Disposals and write-offs (net)	Other movements	Closing balances		
	Gross amount	Accumulated depreciation and impairment	Additions	Transfers and adjustments				Gross amount	Accumulated depreciation and impairment	Net amount
Automatic data processing systems (software)	150,787,366	(137,930,033)	1,477,897	2,183,166	(7,139,913)	(5,738)	(3,924)	45,775,685	(36,406,864)	9,368,821
Intangible assets in progress	5,264,862	-	4,442,395	(2,183,166)	-	-	-	7,524,091	-	7,524,091
	<b>156,052,228</b>	<b>(137,930,033)</b>	<b>5,920,292</b>	<b>-</b>	<b>(7,139,913)</b>	<b>(5,738)</b>	<b>(3,924)</b>	<b>53,299,776</b>	<b>(36,406,864)</b>	<b>16,892,912</b>



At 31 December 2016 and 2015, the values recognised in "Intangible assets in progress" refer to costs incurred with the development of new IT applications (software).

In 2016 and 2015, the Company recognised directly on the statement of gains and expenses the expenditure with external costs related with research, development and maintenance of automatic data processing systems, of EUR 15,634,897 and EUR 17,717,161, respectively.

### 13. Technical Provisions for Reinsurance Ceded

At 31 December 2016 and 2015, technical provisions for reinsurance ceded were composed as follows:

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	136,594	65,493,177	65,629,771	122,501	62,716,173	62,838,674
Mathematical provision	10,921,720	-	10,921,720	12,277,625	-	12,277,625
Claims provision						
Reported claims	7,324,643	143,693,449	151,018,092	7,882,623	124,726,223	132,608,846
Claims incurred but not reported (IBNR)	2,674,438	10,340,517	13,014,955	2,517,579	6,808,431	9,326,010
	<b>9,999,081</b>	<b>154,033,966</b>	<b>164,033,047</b>	<b>10,400,202</b>	<b>131,534,654</b>	<b>141,934,856</b>
	<b>21,057,395</b>	<b>219,527,143</b>	<b>240,584,538</b>	<b>22,800,328</b>	<b>194,250,827</b>	<b>217,051,155</b>

Information on the provision for unearned premiums on reinsurance ceded, at 31 December 2016 and 2015, is set out in the following table:

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>136,594</b>	-	<b>136,594</b>	<b>122,501</b>	-	<b>122,501</b>
<b>Non-life insurance</b>						
Workers' compensation	143,103	(5,678)	137,425	124,500	(1,070)	123,430
Personal accidents and passengers	3,462,298	(1,537,108)	1,925,190	3,834,467	(1,739,279)	2,095,188
Health	23,172,251	(148)	23,172,103	22,222,518	(254)	22,222,264
Fire and other damage	21,931,410	(3,578,390)	18,353,020	20,734,852	(3,084,693)	17,650,159
Motor	393,268	(31,364)	361,904	314,478	(11,017)	303,461
Marine, aviation and transport	227,412	(17,138)	210,274	245,011	(27,415)	217,596
Third party liability	1,822,029	(98,915)	1,723,114	1,662,577	(89,812)	1,572,765
Credit and suretyship	67,356	(1,604)	65,752	109,972	(3,881)	106,091
Legal protection	1,734,966	(84)	1,734,882	1,675,780	(84)	1,675,696
Assistance	13,866,260	(1,604)	13,864,656	13,349,344	(1,396)	13,347,948
Other	5,884,495	(1,939,638)	3,944,857	4,870,290	(1,468,715)	3,401,575
	<b>72,704,848</b>	<b>(7,211,671)</b>	<b>65,493,177</b>	<b>69,143,789</b>	<b>(6,427,616)</b>	<b>62,716,173</b>
	<b>72,841,442</b>	<b>(7,211,671)</b>	<b>65,629,771</b>	<b>69,266,290</b>	<b>(6,427,616)</b>	<b>62,838,674</b>

The following tables provide information on the movement in the provision for unearned premiums on reinsurance ceded during 2016 and 2015:

(amounts in euros)

	2016		
	Opening balance	Liabilities originated in the year	Closing balance
<b>Life insurance</b>			
<b>Provision for unearned premiums</b>	<b>122,501</b>	<b>14,093</b>	<b>136,594</b>
<b>Non-life insurance</b>			
<b>Provision for unearned premiums</b>			
Workers' compensation	124,500	18,603	143,103
Personal accidents and passengers	3,834,467	(372,169)	3,462,298
Health	22,222,518	949,733	23,172,251
Fire and other damage	20,734,852	1,196,558	21,931,410
Motor	314,478	78,790	393,268
Marine, aviation and transport	245,011	(17,599)	227,412
Third party liability	1,662,577	159,452	1,822,029
Credit and suretyship	109,972	(42,616)	67,356
Legal protection	1,675,780	59,186	1,734,966
Assistance	13,349,344	516,916	13,866,260
Other	4,870,290	1,014,205	5,884,495
	<b>69,143,789</b>	<b>3,561,059</b>	<b>72,704,848</b>
<b>Deferred acquisition costs</b>			
Workers' compensation	(1,070)	(4,608)	(5,678)
Personal accidents and passengers	(1,739,279)	202,171	(1,537,108)
Health	(254)	106	(148)
Fire and other damage	(3,084,693)	(493,697)	(3,578,390)
Motor	(11,017)	(20,347)	(31,364)
Marine, aviation and transport	(27,415)	10,277	(17,138)
Third party liability	(89,812)	(9,103)	(98,915)
Credit and suretyship	(3,881)	2,277	(1,604)
Legal protection	(84)	-	(84)
Assistance	(1,396)	(208)	(1,604)
Other	(1,468,715)	(470,923)	(1,939,638)
	<b>(6,427,616)</b>	<b>(784,055)</b>	<b>(7,211,671)</b>
	<b>62,716,173</b>	<b>2,777,004</b>	<b>65,493,177</b>
	<b>62,838,674</b>	<b>2,791,097</b>	<b>65,629,771</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Other	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>121,619</b>	<b>882</b>	<b>-</b>	<b>122,501</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	96,528	27,972	-	124,500
Personal accidents and passengers	2,957,373	969,150	(92,056)	3,834,467
Health	21,769,601	455,989	(3,072)	22,222,518
Fire and other damage	24,421,341	(1,044,034)	(2,642,455)	20,734,852
Motor	181,813	132,665	-	314,478
Marine, aviation and transport	1,886,662	(1,597,296)	(44,355)	245,011
Third party liability	1,998,787	(54,456)	(281,754)	1,662,577
Credit and suretyship	187,131	(76,781)	(378)	109,972
Legal protection	1,623,525	52,255	-	1,675,780
Assistance	12,202,518	1,146,826	-	13,349,344
Other	3,895,742	974,548	-	4,870,290
	<b>71,221,021</b>	<b>986,838</b>	<b>(3,064,070)</b>	<b>69,143,789</b>
<b>Deferred acquisition costs</b>				
Workers' compensation	-	(1,070)	-	(1,070)
Personal accidents and passengers	(1,265,533)	(516,344)	42,598	(1,739,279)
Health	(525)	271	-	(254)
Fire and other damage	(3,868,541)	117,417	666,431	(3,084,693)
Motor	-	(11,017)	-	(11,017)
Marine, aviation and transport	(202,411)	169,741	5,255	(27,415)
Third party liability	(150,094)	(4,603)	64,885	(89,812)
Credit and suretyship	(5,568)	1,508	179	(3,881)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	-	-	(1,396)
Other	(870,873)	(597,842)	-	(1,468,715)
	<b>(6,365,025)</b>	<b>(841,939)</b>	<b>779,348</b>	<b>(6,427,616)</b>
	<b>64,855,996</b>	<b>144,899</b>	<b>(2,284,722)</b>	<b>62,716,173</b>
	<b>64,977,615</b>	<b>145,781</b>	<b>(2,284,722)</b>	<b>62,838,674</b>

The heading "Other" corresponds to the split of portfolio associated with the conversion of the former Macao Non-Life branch to a local legal entity.

Information on the claims provision for reinsurance ceded, at 31 December 2016 and 2015, is set out below:

(amounts in euros)

	2016			2015		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life Insurance</b>	<b>7,324,643</b>	<b>2,674,438</b>	<b>9,999,081</b>	<b>7,882,623</b>	<b>2,517,579</b>	<b>10,400,202</b>
<b>Non-life insurance</b>						
Workers' compensation	579,480	54,226	633,706	276,387	-	276,387
Personal accidents and passengers	13,557,812	132,657	13,690,469	7,868,764	65,593	7,934,357
Health	43,988,709	3,126,392	47,115,101	45,556,497	3,246,981	48,803,478
Fire and other damage	52,751,264	4,565,835	57,317,099	33,002,573	2,345,109	35,347,682
Motor	6,127,617	1,618,479	7,746,096	5,145,921	1,057	5,146,978
Marine, aviation and transport	3,816,902	132,569	3,949,471	5,777,757	189,664	5,967,421
Third party liability	16,167,154	275,940	16,443,094	21,821,782	87,889	21,909,671
Credit and suretyship	550	17,270	17,820	396	27,441	27,837
Other	6,703,961	417,149	7,121,110	5,276,146	844,697	6,120,843
	<b>143,693,449</b>	<b>10,340,517</b>	<b>154,033,966</b>	<b>124,726,223</b>	<b>6,808,431</b>	<b>131,534,654</b>
	<b>151,018,092</b>	<b>13,014,955</b>	<b>164,033,047</b>	<b>132,608,846</b>	<b>9,326,010</b>	<b>141,934,856</b>

The following tables provide information on the movement in the claims provisions for reinsurance ceded during 2016 and 2015:

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
<b>Life insurance</b>	<b>10,400,202</b>	<b>9,417,095</b>	<b>(9,818,216)</b>	<b>9,999,081</b>
<b>Non-life insurance</b>				
Workers' compensation	276,387	1,543,951	(1,186,632)	633,706
Personal accidents and passengers	7,934,357	7,932,829	(2,176,717)	13,690,469
Health	48,803,478	178,332,516	(180,020,893)	47,115,101
Fire and other damage	35,347,682	65,647,732	(43,678,315)	57,317,099
Motor	5,146,978	4,836,413	(2,237,295)	7,746,096
Marine, aviation and transport	5,967,421	(777,500)	(1,240,450)	3,949,471
Third party liability	21,909,671	(2,434,819)	(3,031,758)	16,443,094
Credit and suretyship	27,837	34,461	(44,478)	17,820
Other	6,120,843	13,367,472	(12,367,205)	7,121,110
	<b>131,534,654</b>	<b>268,483,240</b>	<b>(245,983,928)</b>	<b>154,033,966</b>
	<b>141,934,856</b>	<b>277,900,335</b>	<b>(255,802,144)</b>	<b>164,033,047</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Others	Closing balance
<b>Life insurance</b>	<b>8,756,822</b>	<b>8,105,895</b>	<b>(6,462,515)</b>	<b>-</b>	<b>10,400,202</b>
<b>Non-life insurance</b>					
Workers' compensation	14,510	1,953,132	(1,677,004)	(14,251)	276,387
Personal accidents and passengers	7,212,035	1,344,294	(579,417)	(42,555)	7,934,357
Health	44,558,122	159,873,825	(155,628,009)	(460)	48,803,478
Fire and other damage	45,769,999	33,762,444	(27,252,419)	(16,932,342)	35,347,682
Motor	3,450,489	2,823,621	(1,127,132)	-	5,146,978
Marine, aviation and transport	8,766,670	790,013	(3,588,751)	(511)	5,967,421
Third party liability	22,198,414	1,679,291	(1,570,636)	(397,398)	21,909,671
Credit and suretyship	27,913	1,232	(1,308)	-	27,837
Other	6,233,152	9,658,974	(9,771,283)	-	6,120,843
	<b>138,231,304</b>	<b>211,886,826</b>	<b>(201,195,959)</b>	<b>(17,387,517)</b>	<b>131,534,654</b>
	<b>146,988,126</b>	<b>219,992,721</b>	<b>(207,658,474)</b>	<b>(17,387,517)</b>	<b>141,934,856</b>

The heading "Other" corresponds to the split of portfolio associated with the conversion of the former Macao Non-Life branch to a local legal entity.

Liabilities originated in the year and the claims paid are not deducted from the reinsurers' portion of the processed reimbursements.

## 14. Other Debtors for Insurance and Other Operations

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts receivable for direct insurance operations</b>		
Premiums pending collection	71,883,475	54,700,517
Claims reimbursements	22,492,630	17,099,467
Brokers	35,598,902	32,289,178
Co-insurers	22,708,040	14,585,495
Funding Institute of Agriculture and Fisheries (IFAP)	3,711,125	8,022,707
Workers' compensation fund	2,132,479	2,159,507
Others	547,757	650,596
	<b>159,074,408</b>	<b>129,507,467</b>
(Adjustments to premiums pending collection - Note 37)	( 10,148,605 )	( 9,426,553 )
(IFAP adjustments - Note 37)	( 484,133 )	( 424,635 )
(Adjustments for doubtful debts - Note 37)	( 10,089,321 )	( 10,118,579 )
	<b>( 20,722,059 )</b>	<b>( 19,969,767 )</b>
	<b>138,352,349</b>	<b>109,537,700</b>
<b>Accounts receivable for other reinsurance operations</b>		
Reinsurers' current accounts	18,436,208	17,241,642
Reinsureds' current accounts	8,735,045	6,731,614
	<b>27,171,253</b>	<b>23,973,256</b>
(Adjustments for doubtful debts - Note 37)	( 6,665,093 )	( 8,996,572 )
	<b>20,506,160</b>	<b>14,976,684</b>
<b>Accounts receivable for other operations:</b>		
Group companies	1,676,702	7,428,258
Associated companies	686,709	1,654,641
Employees	470,878	1,396,890
Pension fund	55,328	45,243
Clients - current accounts	4,673,655	2,635,719
Funding Institute of Agriculture and Fisheries (IFAP)	4,442,829	4,596,206
Debtors - items held under custody	251,840	237,035
Property rentals	2,454,038	2,494,896
Transactions to be settled	125,516,922	1,012,374
Other suppliers and services provided	466,017	657,145
Others	48,725,936	13,386,103
	<b>189,420,854</b>	<b>35,544,510</b>
(Adjustments for doubtful debts - Note 37)	( 13,517,561 )	( 14,980,285 )
	<b>175,903,293</b>	<b>20,564,225</b>
	<b>334,761,802</b>	<b>145,078,609</b>

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

Balances receivable from IFAP correspond essentially, to bonuses and compensation for excess claims regarding crop insurance campaigns from 2012 to 2016.

## 15. Tax Assets and Liabilities

The balances for tax assets and liabilities at 31 December 2016 and 2015 were as follows:

(amounts in euros)

	2016	2015
<b>Current tax assets</b>		
Income tax recoverable	73,929,009	-
Others	83,221	111,056
	<b>74,012,230</b>	<b>111,056</b>
<b>Current tax liabilities</b>		
Income tax payable	-	(26,619,583)
Others		
Stamp duty	(8,029,748)	(7,912,242)
Motor insurance guarantee fund	(1,928,482)	(1,887,358)
Workers' compensation fund	(4,159,250)	(4,736,344)
National civil protection authority tax	(1,861,103)	(1,851,218)
Insurance and pension funds supervisory authority tax	(1,897,054)	(1,714,432)
National Medical Emergency Institute Tax	(2,628,006)	(2,365,192)
Social security	(2,161,725)	(3,545,214)
Withholdings	(5,819,730)	(4,924,961)
Other	(2,819,845)	(1,126,087)
	<b>(31,304,943)</b>	<b>(56,682,631)</b>
<b>Deferred tax assets</b>	<b>403,870,553</b>	<b>254,228,505</b>
<b>Deferred tax liabilities</b>	<b>(204,280,152)</b>	<b>(117,494,182)</b>
	<b>199,590,401</b>	<b>136,734,323</b>
<b>Total</b>	<b>242,297,688</b>	<b>80,162,748</b>

At 31 December 2016 and 2015, the balances relating to current income tax assets and liabilities break down as follows:

(amounts in euros)

	2016	2015
Income tax estimate recognised as a charge to the income statement	( 80,455,445 )	( 115,581,001 )
Income tax estimate recognised as a charge to reserves	3,953,604	7,825,048
Withholding tax	3,271,172	4,803,348
Payments on account	93,069,668	74,625,530
Others	45,517	1,707,492
	<b>19,884,517</b>	<b>( 26,619,583 )</b>

At 31 December 2016 and 2015 the heading "Income tax estimate recognised as a charge to the income statement" corresponds to the amount of the estimate of CIT plus Municipal and State Surcharge and the autonomous taxation.

In 2016 and 2015, the income tax registered in reserves is the result of the change in the fair value reserve of available-for-sale investments linked to life insurance products with profit sharing and of the change in actuarial deviations relating to post-employment benefits granted to employees.

In 2016, as part of the Tax Group, "Additional Payments on Account" were made to the State by Longrun Portugal, SGPS, S.A. (the controlling company). Therefore, the Company has registered on its balance sheet an amount receivable from Longrun Portugal, SGPS, S.A. relating to "Additional Payments on Account" and an amount payable to Longrun Portugal, SGPS, S.A., relating to "Income tax estimate recognised as a charge to the income statement".



Movements of deferred taxes during 2016 and 2015 were:

(amounts in euros)

	2016				Closing balance
	Opening balance	Change in		Others	
		Shareholders' equity	Income statement		
<b>Assets</b>					
Valuation of available-for-sale investments	61,968,825	(11,276,046)	-	-	50,692,779
Properties					
For own use	14,076,307	26,152,312	-	-	40,228,619
Investment properties	35,527,156	-	87,431,227	-	122,958,383
Provisions and impairment temporarily not allowed for fiscal purposes	130,327,960	882,176	44,585,671	-	175,795,807
Employee benefits	12,328,256	3,932,807	2,653,270	(4,719,368)	14,194,965
	<b>254,228,504</b>	<b>19,691,249</b>	<b>134,670,168</b>	<b>(4,719,368)</b>	<b>403,870,553</b>
<b>Liabilities</b>					
Devaluation of available-for-sale investments	(112,970,905)	24,251,250	-	-	(88,719,655)
Properties					
For own use	(4,523,276)	(21,747,574)	-	-	(26,270,850)
Investment properties	-	-	(89,289,647)	-	(89,289,647)
	<b>(117,494,181)</b>	<b>2,503,676</b>	<b>(89,289,647)</b>	<b>-</b>	<b>(204,280,152)</b>
	<b>136,734,323</b>	<b>22,194,925</b>	<b>45,380,521</b>	<b>(4,719,368)</b>	<b>199,590,401</b>

(amounts in euros)

	2015			
	Opening balance	Change in		Closing balance
		Shareholders' equity	Income statement	
<b>Assets</b>				
Valuation of available-for-sale investments	1,613,576	60,355,249	-	61,968,825
Properties				
For own use	12,958,791	1,259,951	(142,434)	14,076,308
Investment properties	40,128,974	-	(4,601,818)	35,527,156
Provisions and impairment temporarily not allowed for fiscal purposes	87,498,058	351,032	42,478,868	130,327,958
Employee benefits	10,857,160	-	1,471,098	12,328,258
	<b>153,056,559</b>	<b>61,966,232</b>	<b>39,205,714</b>	<b>254,228,505</b>
<b>Liabilities</b>				
Devaluation of available-for-sale investments	(115,160,954)	2,190,049	-	(112,970,905)
Properties				
For own use	(3,364,394)	(1,158,883)	-	(4,523,277)
Investment properties	-	-	-	-
	<b>(118,525,348)</b>	<b>1,031,166</b>	<b>-</b>	<b>(117,494,182)</b>
	<b>34,531,211</b>	<b>62,997,398</b>	<b>39,205,714</b>	<b>136,734,323</b>

In 2016 the tax rate was 29.5%, except for the part corresponding to tax losses, where the tax rate was 21% (when applicable).

Law 64-B/2011, which approved the State Budget for 2012, was published on 30 December 2011, Article 183 of this law lays down that losses made in 2011, deriving from changes to the accounting policy for the recognition of actuarial profit resulting from recognition of liabilities with retirement pensions and other defined post-employment benefits, relating to contributions made in that period or in previous years, are not included in the limits of deductions established in Article 43 of the CIT Code, but are reported within the calculation of taxable income in the 2012 tax year and the following nine taxation periods.

Income tax recognised in profits and losses, and the tax burden, measured as the ratio between the income tax and the profit in the year before tax, may be represented as follows:

(amounts in euros)

	2016	2015
Current tax		
Estimated tax for the year	58,182,404	84,099,530
State and municipal surcharge	21,373,122	30,210,808
Autonomous taxation	888,782	838,377
	<b>80,444,308</b>	<b>115,148,715</b>
Others (Branches)	11,137	432,286
	<b>80,455,445</b>	<b>115,581,001</b>
Deferred tax	( 45,380,521 )	( 39,205,714 )
Total tax in income statement	35,074,924	76,375,287
Income before tax	135,495,427	284,237,504
Tax burden	25.89%	26.87%

Reconciliation between the nominal tax rate and the effective tax rate in 2016 and 2015 was as follows:

(amounts in euros)

	2016		2015	
	Rate	Tax	Rate	Tax
Income before tax		135,495,427		284,237,505
Income tax calculated at nominal rate	28.84%	39,076,151	29.19%	82,955,064
<b>Permanent differences to be deducted</b>				
Dividends from equity instruments	(2.02%)	( 2,741,493 )	(0.91%)	( 2,579,252 )
Real estate fair value adjustments	(1.17%)	( 1,581,031 )	0.00%	-
Capital losses included in the net profit	(29.39%)	( 39,824,057 )	(18.90%)	( 53,734,861 )
Provision not relevant for tax purposes	(6.12%)	( 4,991,734 )	0.00%	-
Negative equity variations	0.00%	-	(0.47%)	( 1,340,424 )
Reimbursement of non-deductible tax and over estimation of CIT	0.00%	-	(0.47%)	( 1,338,673 )
Post-employment benefits and other long term benefits to employees	(0.58%)	( 788,548 )	0.00%	984,013
Adjustments in respect of previous periods	0.00%	-	(0.01%)	( 34,074 )
<b>Permanent differences to be added</b>				
Not relevant for fiscal purposes provisions	0.00%	-	3.34%	9,482,316
Impairment losses non-deductible	3.85%	5,215,478	1.38%	3,931,506
Real estate fair value adjustments	0.00%	-	2.52%	7,152,873
Capital gains (computed in fiscal terms)	29.02%	39,323,752	13.82%	39,280,542
Under estimation of CIT	0.21%	281,922	0.00%	-
Adjustments in respect of previous periods	0.25%	335,073	0.00%	-
Other	0.18%	244,386	0.00%	1,866,220
<b>Tax benefits</b>				
Net job creation	(0.04%)	( 57,037 )	(0.03%)	( 75,952 )
Others	(0.23%)	( 306,719 )	(0.06%)	( 166,687 )
<b>Autonomous taxation</b>	<b>0.66%</b>	<b>888,781</b>	<b>0.29%</b>	<b>838,377</b>
<b>Deferred taxes assets and liabilities - Effect of tax rate change</b>	<b>0.00%</b>	<b>-</b>	<b>(3.82%)</b>	<b>( 10,845,701 )</b>
	25.89%	35,074,924	26.87%	76,375,287

The tax authorities have the option of inspecting the four prior years in Portugal (six years for years in which losses have been reported). Different interpretations of the legislation could lead to potential adjustments to the taxable profit of past years. Given the nature of any corrections which may be made, it is not possible to quantify these at the present time. However, in the opinion of the Board of Directors of the Company, it is unlikely that any correction concerning the years referred to above will be significant for the attached financial statements.

## 16. Accruals and Deferrals (Assets)

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accrued income</b>	<b>3,238,475</b>	<b>4,397,301</b>
<b>Deferred expenses</b>		
Commission on the issue of financial products	13,779,734	12,502,337
Insurance	421,841	204,943
Rents and leases	311,168	558,502
Assistance for IT equipment	1,596,382	887,435
Advertising	372,964	438,495
Portuguese Insurers Association subscriptions	496,645	289,348
Software licences	350,188	620,484
Other	514,040	482,378
	<b>21,081,437</b>	<b>20,381,223</b>

At 31 December 2016 and 2015, the heading "Accrued income" includes estimates of the profit commissions receivable from life reinsurers, of EUR 3,070,819 and EUR 3,658,000, respectively.

The heading "Deferred expenses - Commissions on the issue of financial products" corresponds to the deferral of commission charges made by Caixa Geral de Depósitos, S.A. on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the lifetime of the contracts.

## 17. Technical Provisions

At 31 December 2016 and 2015, technical provisions for direct insurance and reinsurance accepted were composed as follows:

(amounts in euros)

	2016			2015		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,567,236	247,347,139	248,914,375	1,796,858	235,029,912	236,826,770
Mathematical provision for life insurance	1,646,693,482	-	1,646,693,482	1,632,603,560	-	1,632,603,560
Claims provision						
Reported claims	97,168,545	1,481,614,726	1,578,783,271	98,642,986	1,472,852,674	1,571,495,660
Claims incurred but not reported (IBNR)	23,801,595	59,635,670	83,437,265	25,966,462	75,840,812	101,807,274
	<b>120,970,140</b>	<b>1,541,250,396</b>	<b>1,662,220,536</b>	<b>124,609,448</b>	<b>1,548,693,486</b>	<b>1,673,302,934</b>
Provision for profit sharing	68,711,511	314	68,711,825	68,763,675	1,764	68,765,439
Provision for interest rate commitments	7,025,239	-	7,025,239	5,626,534	-	5,626,534
Provision for portfolio stabilisation	21,750,883	-	21,750,883	25,272,158	-	25,272,158
Equalisation provision	-	24,001,691	24,001,691	-	22,425,562	22,425,562
Provision for unexpired risks	-	46,210,749	46,210,749	-	58,773,463	58,773,463
	<b>1,866,718,491</b>	<b>1,858,810,289</b>	<b>3,725,528,780</b>	<b>1,858,672,233</b>	<b>1,864,924,187</b>	<b>3,723,596,420</b>

At 31 December 2016 and 2015, the provision for unearned premiums on direct insurance and reinsurance accepted was as follows:

(amounts in euros)

	2016			2015		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
<b>Life insurance</b>	<b>1,567,236</b>	<b>-</b>	<b>1,567,236</b>	<b>1,796,858</b>	<b>-</b>	<b>1,796,858</b>
<b>Non-life insurance</b>						
Workers' compensation	12,576,577	(2,062,019)	10,514,558	12,117,531	(2,148,713)	9,968,818
Personal accidents and passengers	8,950,472	(1,593,165)	7,357,307	7,416,088	(1,285,995)	6,130,093
Health	23,172,778	(2,778,612)	20,394,166	22,261,877	(2,767,169)	19,494,708
Fire and other damage	86,238,030	(15,373,098)	70,864,932	84,782,141	(15,100,771)	69,681,370
Motor	135,244,707	(26,927,652)	108,317,055	129,443,179	(25,429,902)	104,013,277
Marine, aviation and transport	1,690,049	(264,925)	1,425,124	1,990,065	(339,722)	1,650,343
Third party liability	9,683,268	(1,779,605)	7,903,663	8,859,573	(1,405,416)	7,454,157
Credit and suretyship	143,458	(12,030)	131,428	191,325	(16,684)	174,641
Legal protection	2,110,552	(422,004)	1,688,548	2,105,806	(421,100)	1,684,706
Assistance	11,207,505	(2,232,727)	8,974,778	9,912,352	(1,974,500)	7,937,852
Other	12,086,029	(2,310,449)	9,775,580	8,449,690	(1,609,743)	6,839,947
	<b>303,103,425</b>	<b>(55,756,286)</b>	<b>247,347,139</b>	<b>287,529,627</b>	<b>(52,499,715)</b>	<b>235,029,912</b>
	<b>304,670,661</b>	<b>(55,756,286)</b>	<b>248,914,375</b>	<b>289,326,485</b>	<b>(52,499,715)</b>	<b>236,826,770</b>

The movements in the provision for unearned premiums and in the deferred acquisition costs on direct insurance and reinsurance accepted during 2016 and 2015 were as follows:

(amounts in euros)

	2016		
	Opening balance	Liabilities originated in the year	Closing balance
<b>Life insurance</b>			
<b>Provision for unearned premiums</b>	<b>1,796,858</b>	<b>(229,622)</b>	<b>1,567,236</b>
<b>Non-life insurance</b>			
<b>Provision for unearned premiums</b>			
Workers' compensation	12,117,531	459,046	12,576,577
Personal accidents and passengers	7,416,088	1,534,384	8,950,472
Health	22,261,877	910,901	23,172,778
Fire and other damage	84,782,141	1,455,889	86,238,030
Motor	129,443,179	5,801,528	135,244,707
Marine, aviation and transport	1,990,065	(300,016)	1,690,049
Third party liability	8,859,573	823,695	9,683,268
Credit and suretyship	191,325	(47,867)	143,458
Legal protection	2,105,806	4,746	2,110,552
Assistance	9,912,352	1,295,153	11,207,505
Other	8,449,690	3,636,339	12,086,029
	<b>287,529,627</b>	<b>15,573,798</b>	<b>303,103,425</b>
<b>Deferred acquisition costs</b>			
Workers' compensation	(2,148,713)	86,694	(2,062,019)
Personal accidents and passengers	(1,285,995)	(307,170)	(1,593,165)
Health	(2,767,169)	(11,443)	(2,778,612)
Fire and other damage	(15,100,771)	(272,327)	(15,373,098)
Motor	(25,429,902)	(1,497,750)	(26,927,652)
Marine, aviation and transport	(339,722)	74,797	(264,925)
Third party liability	(1,405,416)	(374,189)	(1,779,605)
Credit and suretyship	(16,684)	4,654	(12,030)
Legal protection	(421,100)	(904)	(422,004)
Assistance	(1,974,500)	(258,227)	(2,232,727)
Other	(1,609,743)	(700,706)	(2,310,449)
	<b>(52,499,715)</b>	<b>(3,256,571)</b>	<b>(55,756,286)</b>
	<b>235,029,912</b>	<b>12,317,227</b>	<b>247,347,139</b>
	<b>236,826,770</b>	<b>12,087,605</b>	<b>248,914,375</b>

(amounts in euros)

	2015			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
<b>Life insurance</b>				
<b>Provision for unearned premiums</b>	<b>1,515,796</b>	<b>281,062</b>	-	<b>1,796,858</b>
<b>Non-life insurance</b>				
<b>Provision for unearned premiums</b>				
Workers' compensation	13,297,159	371,225	(1,550,853)	12,117,531
Personal accidents and passengers	6,841,957	763,221	(189,090)	7,416,088
Health	21,935,300	342,173	(15,596)	22,261,877
Fire and other damage	87,716,222	1,179,560	(4,113,641)	84,782,141
Motor	129,062,892	998,246	(617,959)	129,443,179
Marine, aviation and transport	2,804,457	(762,448)	(51,944)	1,990,065
Third party liability	9,077,102	138,786	(356,315)	8,859,573
Credit and suretyship	300,899	(107,236)	(2,338)	191,325
Legal protection	2,118,800	(12,994)	-	2,105,806
Assistance	8,805,424	1,106,928	-	9,912,352
Other	8,697,794	(248,104)	-	8,449,690
	<b>290,658,006</b>	<b>3,769,357</b>	<b>(6,897,736)</b>	<b>287,529,627</b>
<b>Deferred acquisition costs</b>				
Workers' compensation	(2,304,492)	41,172	114,607	(2,148,713)
Personal accidents and passengers	(1,361,344)	46,192	29,157	(1,285,995)
Health	(2,712,293)	(55,321)	445	(2,767,169)
Fire and other damage	(15,324,656)	(336,144)	560,029	(15,100,771)
Motor	(25,547,306)	(4,793)	122,197	(25,429,902)
Marine, aviation and transport	(303,995)	(39,697)	3,970	(339,722)
Third party liability	(1,471,891)	40,047	26,428	(1,405,416)
Credit and suretyship	(23,398)	6,287	427	(16,684)
Legal protection	(423,284)	2,184	-	(421,100)
Assistance	(1,748,682)	(225,818)	-	(1,974,500)
Other	(1,670,845)	61,102	-	(1,609,743)
	<b>(52,892,186)</b>	<b>(464,789)</b>	<b>857,260</b>	<b>(52,499,715)</b>
	<b>237,765,820</b>	<b>3,304,568</b>	<b>(6,040,476)</b>	<b>235,029,912</b>
	<b>239,281,616</b>	<b>3,585,630</b>	<b>(6,040,476)</b>	<b>236,826,770</b>

The heading "Other" corresponds to the split of portfolio associated with the conversion of the former Macao Non-Life branch to a local legal entity.

At 31 December 2016 and 2015, the claims provisions on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016			2015		
	Reported	Not reported	Total	Reported	Not reported	Total
<b>Life insurance</b>	<b>97,168,545</b>	<b>23,801,595</b>	<b>120,970,140</b>	<b>98,642,986</b>	<b>25,966,462</b>	<b>124,609,448</b>
<b>Non-life insurance</b>						
<b>Workers' compensation</b>						
Mathematical provision	573,330,355	1,010,934	574,341,289	564,357,106	905,428	565,262,534
Provision for whole life assistance	163,207,398	7,950,714	171,158,112	160,826,545	7,911,113	168,737,658
Provision for temporary assistance	44,102,252	2,526,360	46,628,612	45,129,681	2,892,171	48,021,852
	<b>780,640,005</b>	<b>11,488,008</b>	<b>792,128,013</b>	<b>770,313,332</b>	<b>11,708,712</b>	<b>782,022,044</b>
<b>Other</b>						
Personal accidents and passengers	21,389,338	401,084	21,790,422	22,120,799	464,077	22,584,876
Health	44,000,718	3,302,247	47,302,965	45,621,781	3,429,060	49,050,841
Fire and other damage	107,518,037	13,275,799	120,793,836	92,885,909	11,445,721	104,331,630
Motor	422,184,686	15,437,791	437,622,477	420,814,909	40,669,784	461,484,693
Marine, aviation and transport	8,532,984	991,516	9,524,500	11,231,739	1,075,443	12,307,182
Third party liability	87,924,474	13,846,076	101,770,550	102,819,225	5,253,856	108,073,081
Credit and suretyship	431,202	64,140	495,342	509,294	74,844	584,138
Legal protection	12,402	6,579	18,981	15,549	8,314	23,863
Assistance	61,462	37,154	98,616	64,883	37,938	102,821
Other	8,919,418	785,276	9,704,694	6,455,254	1,673,063	8,128,317
	<b>700,974,721</b>	<b>48,147,662</b>	<b>749,122,383</b>	<b>702,539,342</b>	<b>64,132,100</b>	<b>766,671,442</b>
	<b>1,481,614,726</b>	<b>59,635,670</b>	<b>1,541,250,396</b>	<b>1,472,852,674</b>	<b>75,840,812</b>	<b>1,548,693,486</b>
	<b>1,578,783,271</b>	<b>83,437,265</b>	<b>1,662,220,536</b>	<b>1,571,495,660</b>	<b>101,807,274</b>	<b>1,673,302,934</b>



The movement in the claims provisions on direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

	2016			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
<b>Life insurance</b>	<b>124,609,448</b>	<b>263,457,446</b>	<b>( 267,096,754 )</b>	<b>120,970,140</b>
<b>Non-life insurance</b>				
Workers' compensation	782,022,044	151,665,893	( 141,559,924 )	792,128,013
Personal accidents and passengers	22,584,876	7,839,029	( 8,633,483 )	21,790,422
Health	49,050,841	179,431,986	( 181,179,862 )	47,302,965
Fire and other damage	104,331,630	128,595,612	( 112,133,406 )	120,793,836
Motor	461,484,693	296,323,509	( 320,185,725 )	437,622,477
Marine, aviation and transport	12,307,182	803,401	( 3,586,083 )	9,524,500
Third party liability	108,073,081	6,936,186	( 13,238,717 )	101,770,550
Credit and suretyship	584,138	72,646	( 161,442 )	495,342
Legal protection	23,863	( 3,177 )	( 1,705 )	18,981
Assistance	102,821	( 1,687 )	( 2,518 )	98,616
Other	8,128,317	20,325,934	( 18,749,557 )	9,704,694
	<b>1,548,693,486</b>	<b>791,989,332</b>	<b>( 799,432,422 )</b>	<b>1,541,250,396</b>
	<b>1,673,302,934</b>	<b>1,055,446,778</b>	<b>( 1,066,529,176 )</b>	<b>1,662,220,536</b>

(amounts in euros)

	2015				
	Opening balance	Liabilities originated in the year	Claims paid	Others	Closing balance
<b>Life insurance</b>	<b>123,756,345</b>	<b>285,501,475</b>	<b>( 284,648,372 )</b>	<b>-</b>	<b>124,609,448</b>
<b>Non-life insurance</b>					
Workers' compensation	779,884,465	145,750,394	( 139,112,000 )	( 4,500,815 )	782,022,044
Personal accidents and passengers	15,238,570	15,129,489	( 7,726,691 )	( 56,492 )	22,584,876
Health	42,527,278	163,358,580	( 156,833,699 )	( 1,318 )	49,050,841
Fire and other damage	120,078,046	98,749,533	( 97,269,181 )	( 17,226,768 )	104,331,630
Motor	486,201,061	265,733,570	( 287,813,241 )	( 2,636,697 )	461,484,693
Marine, aviation and transport	14,092,886	3,765,601	( 5,549,636 )	( 1,669 )	12,307,182
Third party liability	111,853,953	7,661,541	( 10,708,631 )	( 733,782 )	108,073,081
Credit and suretyship	601,479	95,485	( 112,826 )	-	584,138
Legal protection	77,460	( 46,560 )	( 7,037 )	-	23,863
Assistance	208,151	( 102,732 )	( 2,598 )	-	102,821
Other	8,695,003	15,071,057	( 15,637,743 )	-	8,128,317
	<b>1,579,458,352</b>	<b>715,165,958</b>	<b>( 720,773,283 )</b>	<b>( 25,157,541 )</b>	<b>1,548,693,486</b>
	<b>1,703,214,697</b>	<b>1,000,667,433</b>	<b>( 1,005,421,655 )</b>	<b>( 25,157,541 )</b>	<b>1,673,302,934</b>

The heading "Other" corresponds to the split of portfolio associated with the conversion of the former Macao Non-Life branch to a local legal entity.

Liabilities originated in the year and the claims paid do not include the costs allocated to claims management and are not deducted from the reimbursements processed by the Company.

At 31 December 2016 and 2015, the provisions for unexpired risks on direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016	2015
<b>Non-life insurance</b>		
Workers' compensation	16,279,028	25,113,465
Personal accidents and passengers	223,197	352,326
Health	-	3,669,909
Fire and other damage	2,748,136	3,130,461
Motor	21,024,402	19,331,931
Marine, aviation and transport	416	39,286
Third party liability	411,465	1,036,256
Credit and suretyship	15,823	55,297
Assistance	5,467,544	6,008,104
Other	40,738	36,428
	<b>46,210,749</b>	<b>58,773,463</b>

The movement in the provision for unexpired risks in direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
<b>Non-life insurance</b>			
Workers' compensation	25,113,465	(8,834,437)	16,279,028
Personal accidents and passengers	352,326	(129,129)	223,197
Health	3,669,909	(3,669,909)	-
Fire and other damage	3,130,461	(382,325)	2,748,136
Motor	19,331,931	1,692,471	21,024,402
Marine, aviation and transport	39,286	(38,870)	416
Third party liability	1,036,256	(624,791)	411,465
Credit and suretyship	55,297	(39,474)	15,823
Assistance	6,008,104	(540,560)	5,467,544
Other	36,428	4,310	40,738
	<b>58,773,463</b>	<b>(12,562,714)</b>	<b>46,210,749</b>

(amounts in euros)

	2015			Closing balance
	Opening balance	Appropriations for the year	Others	
<b>Non-life insurance</b>				
Workers' compensation	23,277,225	1,836,240	-	25,113,465
Personal accidents and passengers	250,141	102,185	-	352,326
Health	3,428,386	241,523	-	3,669,909
Fire and other damage	4,940,738	(1,776,721)	(33,556)	3,130,461
Motor	17,945,075	1,678,811	(291,955)	19,331,931
Marine, aviation and transport	4,909	34,500	(123)	39,286
Third party liability	576,568	459,688	-	1,036,256
Credit and suretyship	3,082	52,215	-	55,297
Legal protection	306	(306)	-	-
Assistance	6,586,948	(578,844)	-	6,008,104
Other	-	36,428	-	36,428
	<b>57,013,378</b>	<b>2,085,720</b>	<b>(325,635)</b>	<b>58,773,463</b>

The heading "Other" corresponds to the split of portfolio associated with the conversion of the former Macao Non-Life branch to a local legal entity.

At 31 December 2016 and 2015, the mathematical provision and the provision for profit sharing for life insurance in direct insurance and reinsurance accepted were as follows:

(amounts in euros)

	2016				Total
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	
<b>Insurance contracts</b>					
Life individual risk	60,851,119	(77,110)	60,774,009	15,722,480	76,496,489
Life group risk	148,113,688	-	148,113,688	16,441,868	164,555,556
Life individual capitalisation	30,781,307	(50,415)	30,730,892	40,937	30,771,829
Life group capitalisation	2,969,919	-	2,969,919	-	2,969,919
	<b>242,716,033</b>	<b>(127,525)</b>	<b>242,588,508</b>	<b>32,205,285</b>	<b>274,793,793</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
Life individual capitalisation	259,827,922	(11,462)	259,816,460	17,325,095	277,141,555
Life group capitalisation	301,373,036	-	301,373,036	4,585,661	305,958,697
Life individual PPR	842,944,534	(29,056)	842,915,478	14,595,470	857,510,948
	<b>1,404,145,492</b>	<b>(40,518)</b>	<b>1,404,104,974</b>	<b>36,506,226</b>	<b>1,440,611,200</b>
	<b>1,646,861,525</b>	<b>(168,043)</b>	<b>1,646,693,482</b>	<b>68,711,511</b>	<b>1,715,404,993</b>

(amounts in euros)

			2015		Total
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	
<b>Insurance contracts</b>					
Life individual risk	54,244,787	(3,544)	54,241,243	15,182,138	69,423,381
Life group risk	156,322,686	-	156,322,686	15,702,383	172,025,069
Life individual capitalisation	22,236,205	(51,388)	22,184,817	31,283	22,216,100
Life group capitalisation	2,860,953	-	2,860,953	-	2,860,953
	<b>235,664,631</b>	<b>(54,932)</b>	<b>235,609,699</b>	<b>30,915,804</b>	<b>266,525,503</b>
<b>Investment contracts with a discretionary profit sharing component</b>					
Life individual capitalisation	293,471,531	(15,358)	293,456,173	13,839,322	307,295,495
Life group capitalisation	283,509,692	-	283,509,692	6,528,762	290,038,454
Life individual PPR	820,064,029	(36,033)	820,027,996	17,479,787	837,507,783
	<b>1,397,045,252</b>	<b>(51,391)</b>	<b>1,396,993,861</b>	<b>37,847,871</b>	<b>1,434,841,732</b>
	<b>1,632,709,883</b>	<b>(106,323)</b>	<b>1,632,603,560</b>	<b>68,763,675</b>	<b>1,701,367,235</b>

The movement in the mathematical provision and in the provision for profit sharing for life insurance in direct insurance and reinsurance accepted during 2016 and 2015 was as follows:

(amounts in euros)

	2016						
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Other	Income distributed	Closing balance
<b>Direct insurance and reinsurance accepted</b>							
<b>Mathematical provision</b>							
Insurance contracts	235,609,699	6,830,602	-	(72,598)	-	220,805	242,588,508
Investment contracts with a discretionary profit sharing component	1,396,993,861	(5,121,046)	-	10,878	3,396,418	8,824,863	1,404,104,974
	<b>1,632,603,560</b>	<b>1,709,556</b>	<b>-</b>	<b>(61,720)</b>	<b>3,396,418</b>	<b>9,045,668</b>	<b>1,646,693,482</b>
<b>Profit sharing provision</b>							
Insurance contracts	30,915,804	4,941,827	(475,398)	-	-	(3,176,948)	32,205,285
Investment contracts with a discretionary profit sharing component	37,847,871	4,687,983	2,829,030	-	-	(8,858,658)	36,506,226
	<b>68,763,675</b>	<b>9,629,810</b>	<b>2,353,632</b>	<b>-</b>	<b>-</b>	<b>(12,035,606)</b>	<b>68,711,511</b>
	<b>1,701,367,235</b>	<b>11,339,366</b>	<b>2,353,632</b>	<b>(61,720)</b>	<b>3,396,418</b>	<b>(2,989,938)</b>	<b>1,715,404,993</b>

(amounts in euros)

	2015						
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insured persons from equity	Change in deferred acquisition costs	Other	Income distributed	Closing balance
<b>Direct insurance and reinsurance accepted</b>							
<b>Mathematical provision</b>							
Insurance contracts	227,523,003	7,548,184	-	(4,139)	-	542,651	235,609,699
Investment contracts with a discretionary profit sharing component	1,439,399,638	(52,983,084)	-	14,371	418,385	10,144,551	1,396,993,861
	<b>1,666,922,641</b>	<b>(45,434,900)</b>	<b>-</b>	<b>10,232</b>	<b>418,385</b>	<b>10,687,202</b>	<b>1,632,603,560</b>
<b>Profit sharing provision</b>							
Insurance contracts	31,068,577	8,279,453	(5,056,722)	-	-	(3,375,504)	30,915,804
Investment contracts with a discretionary profit sharing component	78,060,258	33,250,200	(63,318,034)	-	-	(10,144,553)	37,847,871
	<b>109,128,835</b>	<b>41,529,653</b>	<b>(68,374,756)</b>	<b>-</b>	<b>-</b>	<b>(13,520,057)</b>	<b>68,763,675</b>
	<b>1,776,051,476</b>	<b>(3,905,247)</b>	<b>(68,374,756)</b>	<b>10,232</b>	<b>418,385</b>	<b>(2,832,855)</b>	<b>1,701,367,235</b>

The provisions for profit sharing to be allocated and already allocated are accounted for in line with the policy described in note 2.15. f).

## 18. Financial Liabilities of the Deposit Component of Insurance Contracts and on Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts

Information on movements in this account heading for 2016 and 2015 is set out below:

(amounts in euros)

	2016					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	544,300,085	35,932,004	(94,527,512)	(397,810)	-	485,306,767
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	28,028,092	222,154	(1,367,109)	176,882	(110,838)	26,949,181
	<b>573,049,422</b>	<b>36,154,158</b>	<b>(95,894,621)</b>	<b>(220,928)</b>	<b>(110,838)</b>	<b>512,977,193</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	4,517,190,923	869,171,791	(594,650,712)	81,160,761	(3,285,580)	4,869,587,183
Life individual fixed rate	2,979,955,085	1,211,410,102	(1,353,631,014)	67,516,051	-	2,905,250,224
Capitalisation OP. Individual fixed rate	5,447,800	-	(107,351)	35,286	-	5,375,735
	<b>7,502,593,808</b>	<b>2,080,581,893</b>	<b>(1,948,389,077)</b>	<b>148,712,098</b>	<b>(3,285,580)</b>	<b>7,780,213,142</b>
	<b>8,075,643,230</b>	<b>2,116,736,051</b>	<b>(2,044,283,698)</b>	<b>148,491,170</b>	<b>(3,396,418)</b>	<b>8,293,190,335</b>

(amounts in euros)

	2015					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
<b>Valued at fair value</b>						
Unit-linked contracts						
Unit-linked individual capitalisation	668,648,640	3,464,807	(135,466,572)	7,653,210	-	544,300,085
Unit-linked group capitalisation	668,782	-	-	52,463	-	721,245
Unit-linked PPR	42,346,865	236,478	(14,809,031)	304,590	(50,810)	28,028,092
	<b>711,664,287</b>	<b>3,701,285</b>	<b>(150,275,603)</b>	<b>8,010,263</b>	<b>(50,810)</b>	<b>573,049,422</b>
<b>Valued at amortised cost</b>						
Other investment contracts						
PPR Life individual fixed rate	3,728,227,572	1,040,758,750	(353,146,808)	101,718,984	(367,575)	4,517,190,923
Life individual fixed rate	3,246,908,900	1,453,579,399	(1,806,342,000)	85,808,786	-	2,979,955,085
Capitalisation OP. Individual fixed rate	5,429,277	-	(5,348)	23,871	-	5,447,800
	<b>6,980,565,749</b>	<b>2,494,338,149</b>	<b>(2,159,494,156)</b>	<b>187,551,641</b>	<b>(367,575)</b>	<b>7,502,593,808</b>
	<b>7,692,230,036</b>	<b>2,498,039,434</b>	<b>(2,309,769,759)</b>	<b>195,561,904</b>	<b>(418,385)</b>	<b>8,075,643,230</b>

"Other investment contracts" corresponds, for the most part, to liabilities with contracts which guarantee the insured person a fixed yield throughout the whole of the contract, and these are recognised at amortised cost.

## 19. Financial Liabilities Held for Trading and Other Financial Liabilities

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Financial liabilities held for trading</b>		
Fair Value Hedge (Note 6)	33,170,490	18,448,784
<b>Other financial liabilities</b>		
Hedge Derivatives		
Fair Value Hedge (Note 6)	8,737,701	4,155,656
Deposits received from reinsurers		
Life	4,438,349	4,994,028
Non-life	109,978,267	100,449,388
	<b>123,154,317</b>	<b>109,599,072</b>
	<b>156,324,807</b>	<b>128,047,856</b>

## 20. Other Creditors for Insurance and Other Operations

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Accounts payable for direct insurance operations</b>		
Brokers	33,283,681	27,234,243
Policyholders	25,497,377	25,897,292
Co-insurers	12,008,818	11,831,688
	<b>70,789,876</b>	<b>64,963,223</b>
<b>Accounts payable for other reinsurance operations</b>		
Reinsurers' current accounts	29,485,681	35,843,378
Insured's current accounts	1,818,293	2,358,197
	<b>31,303,974</b>	<b>38,201,575</b>
<b>Accounts payable for other operations</b>		
Group companies	1,320,520	373,500
Aggregate tax	54,044,492	-
Suppliers of tangible assets	678,316	920,261
Suppliers' current accounts	10,089,790	6,483,868
Pension funds	385,614	387,227
Other internal regularisation accounts	9,604,819	1,340,869
Miscellaneous creditors	34,286,043	1,136,274
	<b>110,409,594</b>	<b>10,641,999</b>
	<b>212,503,444</b>	<b>113,806,797</b>

At 31 December 2016, the balance of the heading "Aggregate tax" corresponds to the amount of tax payable by the Company to Longrun Portugal, SGPS, S.A., as a result of applying the Tax Group.

The heading "Other internal regularisation accounts" recognises various transactions made in the last days of December, which will be settled in the first days of the following month.

## 21. Accruals and Deferrals (Liabilities)

At 31 December 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Deferred income</b>		
Rents and leases	1,056,644	1,063,778
	<b>1,056,644</b>	<b>1,063,778</b>
<b>Accrued expenses</b>		
Holiday and holiday subsidies payable	13,228,881	13,365,646
Insurance	1,717,020	92,255
Variable remuneration payable to employees	1,478,875	2,184,644
Performance bonus	9,894,764	9,917,685
Seniority bonus	595,503	828,451
Other employee costs	21,449	743,212
Commissions payable	39,812,261	35,225,115
Deferred payments - marketing	4,879,121	4,972,178
Municipal tax on real estate	760,816	785,000
Audit	213,848	269,611
Advertising	5,301	66,824
Invoices pending conferral	4,300,996	3,127,164
Other	3,515,334	3,800,576
	<b>80,424,169</b>	<b>75,378,361</b>
	<b>81,480,813</b>	<b>76,442,139</b>



## 22. Other Provisions

Information on the above account heading movements for 2016 and 2015 is set out below:

(amounts in euros)

	2016				
	Opening balances	Increases	Recoveries and cancellations	Actuarial gains and losses from equity	Closing balances
Provisions for tax	20,520,772	3,000,000	(19,670,772)	-	3,850,000
Provisions for the cost of employee benefits (Note 29)					
Health benefits	22,191,389	-	(716,713)	2,162,605	23,637,281
Pension costs	3,017,807	-	(65,318)	352,414	3,304,903
Provision for Workers' compensation fund	47,036,302	1,500,000	-	-	48,536,302
Provision for restructuring	60,524,302	-	(25,099,384)	-	35,424,918
Others	1,253,296	14,147,995	-	-	15,401,291
	<b>154,543,868</b>	<b>18,647,995</b>	<b>(45,552,187)</b>	<b>2,515,019</b>	<b>130,154,695</b>

(amounts in euros)

	2015				
	Opening balances	Increases	Recoveries and cancellations	Actuarial gains and losses from equity	Closing balances
Provisions for tax	15,000,173	5,520,599	-	-	20,520,772
Provisions for the cost of employee benefits (Note 29)					
Health benefits	22,021,108	-	(648,039)	818,320	22,191,389
Pension costs	2,893,589	-	(15,689)	139,907	3,017,807
Provision for Workers' compensation fund	45,236,302	1,800,000	-	-	47,036,302
Provision for restructuring	52,153,927	25,100,000	(16,729,625)	-	60,524,302
Others	41,403,630	-	(40,150,334)	-	1,253,296
	<b>178,708,729</b>	<b>32,420,599</b>	<b>(57,543,687)</b>	<b>958,227</b>	<b>154,543,868</b>

Fidelidade set up a provision related to the employee restructuring and rejuvenation program which consists of hiring new qualified employees and a negotiated exit solution for a group of employees prior to retirement age. Accordingly, the plan was initiated in 2014 and 2015 and covered employees who meet the criteria below.

The extent of the plan was as follows:

- In 2014: 153 departures, 100 of these of employees aged between 56 and 60 and 53 aged over 60.
- In 2015: 110 departures, 75 of these of employees aged between 56 and 60 and 35 aged over 60.

In 2014 Fidelidade reviewed the development of the plan and decided to adjust it, for the period between 2015 and 2018, while maintaining the same conditions as in 2013. Consequently the provision for restructuring was increased by EUR 27,299,163. With the development of the plan, 86 employees departed in 2014, resulting in use of EUR 7,038,236 of the provision. At 31 December 2014, EUR 52,153,927 was recognised in the provision for restructuring. In the same period 91 employees were hired.

In 2015 Fidelidade reviewed the development of the plan and decided to adjust it, for the period between 2016 and 2019, while maintaining the same conditions previously disclosed. Consequently the provision for restructuring was increased by EUR 25,100,000. With the development of the plan, 147 employees departed in 2015, resulting in use of EUR 16,729,625 of the provision. At 31 December 2015, EUR 60,524,302 was recognised in the provision for restructuring. In the same period 126 employees were hired.

In carrying out the plan, 177 employees left in 2016, which led to EUR 25,099,384 being used. At 31 December 2016, EUR 35,424,918 was recognised in the provision for restructuring. 118 employees were hired during the same period.

When calculating the provision, the actual cost of the recently negotiated redundancies of employees was considered, with an increase in the amount to reflect the additional expense resulting from the increase in the statutory retirement age to 66 years and 3 months.

The other amounts recognised in the heading "Others" are to respond to ongoing legal cases and other contingencies resulting from the Company's activity.

In 2016 and 2015, the "Other Provisions" headings include the use of EUR 5,374,533 and EUR 6,453,883, respectively, which are registered under the heading "Impairment Losses (net of reversals)".

The heading "Provisions for costs of employee benefits - Health benefits" represents the liabilities assumed by the Company in relation to employees' health benefits. The heading "Provisions for costs of employee benefits - Pension costs" represents the liabilities assumed by the Company resulting from the complement to the retirement pension granted to some of its employees, and which are not covered by the pension fund set up by the Company to cover liabilities with post-employment benefits in the defined benefit pensions plan (Note 30).

## 23. Paid-in Capital

The share capital of EUR 381,150,000 is composed of 121 million shares with the nominal unit value of EUR 3.15 and is fully paid up.

On December 2015 supplementary contributions were made by shareholders in order to strengthen Fidelidade's equity amounting to EUR 521,530,515 as follows:

- Longrun Portugal, SGPS, S.A.: EUR 500,000,000;
- Caixa Seguros e Saúde, SGPS, S.A.: EUR 21,530,515.

In 2015, pursuant to a deliberation of the General Meeting of 31 March 2015 under item 9 of its agenda, 13,300 own shares were acquired at a unit price of EUR 11.20, with a total value of EUR 148,960. This acquisition was completed on 22 December 2015.

The Company's shareholder structure at 31 December 2016 and 2015 was as follows:

(amounts in euros)

Shareholders	2016		2015	
	Number of Shares	% Share	Number of Shares	% Share
Longrun Portugal, SGPS, S.A.	102,833,140	84.9861%	102,833,140	84.9861%
Caixa Seguros e Saúde, SGPS, S.A.	18,150,000	15.0000%	18,150,000	15.0000%
Employees and former employees				
of Fidelidade - Companhia de Seguros, S.A.	3,560	0.00290%	3,560	0.00290%
Own Shares	13,300	0.01100%	13,300	0.01100%
	<b>121,000,000</b>	<b>100%</b>	<b>121,000,000</b>	<b>100%</b>

The Company became a part of the Fosun Group as of 15 May 2014 through Longrun Portugal, SGPS, S.A. acquired 80% of the share capital of Fidelidade.

The income of 2015 and 2014 was applied as indicated below:

(amounts in euros)

	2015	2014
Application of income for the year		
Legal Reserve	17,033,340	14,774,336
Free Reserves	153,300,064	123,144,878
Retained earnings	37,528,813	21,188,816
	<b>207,862,217</b>	<b>159,108,030</b>

The income per share at 31 December 2016 and 2015 was as follows:

(amounts in euros)

	2016	2015
Net Income for the year	100,420,503	207,862,217
Number of shares (at the end of the year)	121,000,000	121,000,000
<b>Income per Share (in Euros)</b>	<b>0.83</b>	<b>1.72</b>

## 24. Reserves, Retained Earnings and Income for the Year

At 31 December 2016 and 2015, reserves and retained earnings were composed as follows:

(amounts in euros)

	2016	2015
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains (Note 7)	88,361,675	118,552,619
Amount attributable to policyholders	(7,633,508)	(5,042,089)
	<b>80,728,167</b>	<b>113,510,530</b>
Revaluations of properties for own use (Note 9)	25,727,507	24,007,061
Exchange differences		
Gross gains	48,824,813	59,649,728
Amount attributable to policyholders	-	(237,787)
	<b>48,824,813</b>	<b>59,411,941</b>
	<b>155,280,487</b>	<b>196,929,532</b>
Deferred tax reserve		
Available-for-sale investments	(38,026,876)	(51,002,080)
Properties for own use	5,509,502	1,104,764
Actuarial gains and losses		
Post-employment benefits	24,747,576	14,391,010
Health benefits	2,976,512	2,338,543
Tax (paid)/deducted from potential capital gains or losses	(6,896,425)	(7,825,551)
	<b>(11,689,711)</b>	<b>(40,993,314)</b>
Other reserves		
Legal reserve	134,128,970	117,095,630
Share premiums	115,103,280	115,103,280
Actuarial gains and losses		
Post-employment benefits	(55,296,129)	(46,518,428)
Health benefits	(6,415,803)	(4,253,197)
Merger reserves	-	91,335,345
Other reserves	367,631,328	122,995,918
	<b>555,151,646</b>	<b>395,758,548</b>
Retained earnings	138,272,457	108,609,257
Income for the year	100,420,503	207,862,217
	<b>937,435,382</b>	<b>868,166,240</b>

In accordance with the legislation in force, a percentage of not less than 10% of the net profits for each year must be transferred to the legal reserve, until it totals the amount of share capital. The legal reserve may not be distributed, but may be used to increase the share capital or to offset accumulated losses.

"Revaluation reserves" reflects potential capital gains and losses on available-for-sale investments and properties for own use.

The change in "Other reserves" corresponds to the application of the previous year's distributable income recognised in Free Reserves.

## 25. Earned Premiums, Net of Reinsurance

In 2016 and 2015 this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Gross premiums written</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	159,818,165	(13,345,085)	146,473,080	162,408,104	(13,405,451)	149,002,653
Insurance contracts with profit sharing	40,955,826	(1,228,286)	39,727,540	41,084,870	(1,406,524)	39,678,346
Investment contracts with a discretionary profit sharing component	132,569,311	-	132,569,311	92,714,169	-	92,714,169
	<b>333,343,302</b>	<b>(14,573,371)</b>	<b>318,769,931</b>	<b>296,207,143</b>	<b>(14,811,975)</b>	<b>281,395,168</b>
<b>Non-life insurance</b>						
Workers' compensation	151,693,550	(5,450,072)	146,243,478	135,486,173	(7,863,888)	127,622,285
Personal accidents and passengers	27,947,171	(11,367,269)	16,579,902	26,248,757	(7,901,689)	18,347,068
Health	236,441,704	(234,505,517)	1,936,187	205,453,693	(203,726,850)	1,726,843
Fire and other damage	239,829,977	(92,504,600)	147,325,377	237,545,722	(91,917,046)	145,628,676
Motor	371,866,729	(2,050,893)	369,815,836	348,826,967	(1,652,885)	347,174,082
Marine, aviation and transport	17,536,243	(10,147,350)	7,388,893	17,507,196	(10,047,537)	7,459,659
Third party liability	33,964,902	(9,450,320)	24,514,582	32,559,376	(9,576,722)	22,982,654
Credit and suretyship	612,631	(447,616)	165,015	706,003	(445,583)	260,420
Legal protection	5,113,947	(3,459,955)	1,653,992	5,065,014	(3,343,837)	1,721,177
Assistance	28,495,775	(28,156,925)	338,850	24,662,853	(27,002,744)	(2,339,891)
Other	37,225,149	(18,339,976)	18,885,173	27,704,955	(9,998,653)	17,706,302
	<b>1,150,727,778</b>	<b>(415,880,493)</b>	<b>734,847,285</b>	<b>1,061,766,709</b>	<b>(373,477,434)</b>	<b>688,289,275</b>
	<b>1,484,071,080</b>	<b>(430,453,864)</b>	<b>1,053,617,216</b>	<b>1,357,973,852</b>	<b>(388,289,409)</b>	<b>969,684,443</b>
<b>Change in provision for unearned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	246,544	18,840	265,384	(362,384)	3,224	(359,160)
Insurance contracts with profit sharing	(10,765)	(4,747)	(15,512)	40,435	(2,342)	38,093
Investment contracts with a discretionary profit sharing component	(6,157)	-	(6,157)	40,887	-	40,887
	<b>229,622</b>	<b>14,093</b>	<b>243,715</b>	<b>(281,062)</b>	<b>882</b>	<b>(280,180)</b>

(continued)

(amounts in euros)

	2016			2015		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
<b>Non-life insurance</b>						
Workers' compensation	( 459,046 )	18,603	( 440,443 )	( 371,225 )	27,972	( 343,253 )
Personal accidents and passengers	( 1,534,384 )	( 372,169 )	( 1,906,553 )	( 763,221 )	969,150	205,929
Health	( 910,901 )	949,733	38,832	( 342,173 )	455,989	113,816
Fire and other damage	( 1,455,889 )	1,196,558	( 259,331 )	( 1,179,560 )	( 1,044,034 )	( 2,223,594 )
Motor	( 5,801,528 )	78,790	( 5,722,738 )	( 998,246 )	132,665	( 865,581 )
Marine, aviation and transport	300,016	( 17,599 )	282,417	762,448	( 1,597,296 )	( 834,848 )
Third party liability	( 823,695 )	159,452	( 664,243 )	( 138,786 )	( 54,456 )	( 193,242 )
Credit and suretyship	47,867	( 42,616 )	5,251	107,236	( 76,781 )	30,455
Legal protection	( 4,746 )	59,186	54,440	12,994	52,255	65,249
Assistance	( 1,295,153 )	516,916	( 778,237 )	( 1,106,928 )	1,146,826	39,898
Other	( 3,636,339 )	1,014,205	( 2,622,134 )	248,104	974,548	1,222,652
	<b>( 15,573,798 )</b>	<b>3,561,059</b>	<b>( 12,012,739 )</b>	<b>( 3,769,357 )</b>	<b>986,838</b>	<b>( 2,782,519 )</b>
	<b>( 15,344,176 )</b>	<b>3,575,152</b>	<b>( 11,769,024 )</b>	<b>( 4,050,419 )</b>	<b>987,720</b>	<b>( 3,062,699 )</b>
<b>Earned premiums</b>						
<b>Life insurance</b>						
Insurance contracts without profit sharing	160,064,709	( 13,326,245 )	146,738,464	162,045,720	( 13,402,227 )	148,643,493
Insurance contracts with profit sharing	40,945,061	( 1,233,033 )	39,712,028	41,125,305	( 1,408,866 )	39,716,439
Investment contracts with a discretionary profit sharing component	132,563,154	-	132,563,154	92,755,056	-	92,755,056
	<b>333,572,924</b>	<b>( 14,559,278 )</b>	<b>319,013,646</b>	<b>295,926,081</b>	<b>( 14,811,093 )</b>	<b>281,114,988</b>
<b>Non-life insurance</b>						
Workers' compensation	151,234,504	( 5,431,469 )	145,803,035	135,114,948	( 7,835,916 )	127,279,032
Personal accidents and passengers	26,412,787	( 11,739,438 )	14,673,349	25,485,536	( 6,932,539 )	18,552,997
Health	235,530,803	( 233,555,784 )	1,975,019	205,111,520	( 203,270,861 )	1,840,659
Fire and other damage	238,374,088	( 91,308,042 )	147,066,046	236,366,162	( 92,961,080 )	143,405,082
Motor	366,065,201	( 1,972,103 )	364,093,098	347,828,721	( 1,520,220 )	346,308,501
Marine, aviation and transport	17,836,259	( 10,164,949 )	7,671,310	18,269,644	( 11,644,833 )	6,624,811
Third party liability	33,141,207	( 9,290,868 )	23,850,339	32,420,590	( 9,631,178 )	22,789,412
Credit and suretyship	660,498	( 490,232 )	170,266	813,239	( 522,364 )	290,875
Legal protection	5,109,201	( 3,400,769 )	1,708,432	5,078,008	( 3,291,582 )	1,786,426
Assistance	27,200,622	( 27,640,009 )	( 439,387 )	23,555,925	( 25,855,918 )	( 2,299,993 )
Other	33,588,810	( 17,325,771 )	16,263,039	27,953,059	( 9,024,105 )	18,928,954
	<b>1,135,153,980</b>	<b>( 412,319,434 )</b>	<b>722,834,546</b>	<b>1,057,997,352</b>	<b>( 372,490,596 )</b>	<b>685,506,756</b>
	<b>1,468,726,904</b>	<b>( 426,878,712 )</b>	<b>1,041,848,192</b>	<b>1,353,923,433</b>	<b>( 387,301,689 )</b>	<b>966,621,744</b>

In 2016 and 2015, premiums for life insurance contracts may be broken down as follows:

(amounts in euros)

	2016	2015
Direct insurance gross written premiums	333,282,291	296,143,907
Individual contracts	135,977,388	100,626,124
Group contracts	197,304,903	195,517,783
	<b>333,282,291</b>	<b>296,143,907</b>
Periodic	270,325,214	225,414,110
Non-periodic	62,957,077	70,729,797
	<b>333,282,291</b>	<b>296,143,907</b>
Contracts without profit sharing	159,834,765	162,550,304
Contracts with profit sharing	173,447,526	133,593,602
	<b>333,282,291</b>	<b>296,143,906</b>
Reinsurance accepted gross written premiums	61,011	63,236
Gross written premiums from direct insurance and reinsurance accepted	333,343,302	296,207,143
Reinsurance balance	( 5,330,819 )	( 2,838,127 )

## 26. Fees from Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts or Service Contracts

In 2016 and 2015, the commissions received relating to insurance contracts and operations considered for accounting purposes as investment contracts totalled EUR 2,551,811 and EUR 2,306,164 respectively.

## 27. Claims Costs, Net of Reinsurance

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
<b>Life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>	<b>268,891,603</b>	<b>(3,638,510)</b>	<b>265,253,093</b>	<b>287,989,956</b>	<b>829,851</b>	<b>288,819,807</b>
<b>Reinsurance ceded</b>	<b>(8,673,625)</b>	<b>401,122</b>	<b>(8,272,503)</b>	<b>(5,772,359)</b>	<b>(1,781,096)</b>	<b>(7,553,455)</b>
	<b>260,217,978</b>	<b>(3,237,388)</b>	<b>256,980,590</b>	<b>282,217,597</b>	<b>(951,245)</b>	<b>281,266,352</b>
<b>Non-life insurance</b>						
<b>Direct insurance and reinsurance accepted</b>						
Workers' compensation	146,353,272	10,009,221	156,362,493	144,970,698	6,424,230	151,394,928
Personal accidents and passengers	10,564,468	(805,322)	9,759,146	9,118,891	7,403,727	16,522,618
Health	178,026,806	(2,295,651)	175,731,155	152,410,633	6,648,135	159,058,768
Fire and other damage	118,836,719	15,318,401	134,155,120	100,893,690	3,065,919	103,959,609
Motor	294,698,298	(27,623,610)	267,074,688	263,808,152	(22,175,310)	241,632,842
Marine, aviation and transport	3,633,674	(2,782,210)	851,464	5,920,824	(1,779,976)	4,140,848
Third party liability	13,531,159	(6,176,893)	7,354,266	9,912,674	(3,018,668)	6,894,006
Credit and suretyship	314,750	(88,428)	226,322	666,296	(17,708)	648,588
Legal protection	89,106	(4,881)	84,225	93,486	(53,598)	39,888
Assistance	488,943	(4,205)	484,738	414,063	(105,329)	308,734
Other	19,381,264	1,570,686	20,951,950	16,488,002	(561,122)	15,926,880
	<b>785,918,459</b>	<b>(12,882,892)</b>	<b>773,035,567</b>	<b>704,697,409</b>	<b>(4,169,700)</b>	<b>700,527,709</b>
<b>Reinsurance ceded</b>						
Workers' compensation	(801,405)	(357,318)	(1,158,723)	(1,363,944)	(276,128)	(1,640,072)
Personal accidents and passengers	(1,678,033)	(5,756,111)	(7,434,144)	(556,676)	(764,878)	(1,321,554)
Health	(176,790,769)	2,236,152	(174,554,617)	(151,147,132)	(4,369,070)	(155,516,202)
Fire and other damage	(42,768,843)	(22,003,460)	(64,772,303)	(24,518,679)	(6,494,436)	(31,013,115)
Motor	(971,548)	(2,599,118)	(3,570,666)	(840,976)	(1,696,489)	(2,537,465)
Marine, aviation and transport	(941,300)	2,015,562	1,074,262	(3,531,023)	2,794,449	(736,574)
Third party liability	(2,509,125)	5,513,008	3,003,883	(1,127,291)	(75,079)	(1,202,370)
Credit and suretyship	(35,272)	10,017	(25,255)	33,457	76	33,533
Assistance	(185)	-	(185)	-	-	-
Other	(12,288,483)	(1,000,270)	(13,288,753)	(9,734,590)	112,311	(9,622,279)
	<b>(238,784,963)</b>	<b>(21,941,538)</b>	<b>(260,726,501)</b>	<b>(192,786,854)</b>	<b>(10,769,244)</b>	<b>(203,556,098)</b>
	<b>547,133,496</b>	<b>(34,824,430)</b>	<b>512,309,066</b>	<b>511,910,555</b>	<b>(14,938,944)</b>	<b>496,971,611</b>
	<b>807,351,474</b>	<b>(38,061,818)</b>	<b>769,289,656</b>	<b>794,128,152</b>	<b>(15,890,189)</b>	<b>778,237,963</b>

"Claims paid" includes costs with claims management and refunds processed by the Company.



The following is a breakdown of claims costs and changes in other life insurance technical provisions in 2016 and 2015:

(amounts in euros)

	2016						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit Sharing	
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	96,504,550	(3,236,393)	93,268,157	(3,521,275)	6,830,602	4,941,827	101,519,311
Investment contracts with a discretionary profit sharing component	172,387,053	(402,117)	171,984,936	1,398,705	(5,121,046)	4,687,983	172,950,578
	<b>268,891,603</b>	<b>(3,638,510)</b>	<b>265,253,093</b>	<b>(2,122,570)</b>	<b>1,709,556</b>	<b>9,629,810</b>	<b>274,469,889</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(8,673,625)	401,122	(8,272,503)	-	1,349,368	-	(6,923,135)
	<b>(8,673,625)</b>	<b>401,122</b>	<b>(8,272,503)</b>	<b>-</b>	<b>1,349,368</b>	<b>-</b>	<b>(6,923,135)</b>
<b>Net</b>							
Insurance contracts	87,830,925	(2,835,271)	84,995,654	(3,521,275)	8,179,970	4,941,827	94,596,176
Investment contracts with a discretionary profit sharing component	172,387,053	(402,117)	171,984,936	1,398,705	(5,121,046)	4,687,983	172,950,578
	<b>260,217,978</b>	<b>(3,237,388)</b>	<b>256,980,590</b>	<b>(2,122,570)</b>	<b>3,058,924</b>	<b>9,629,810</b>	<b>267,546,754</b>

(amounts in euros)

	2015						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit Sharing	
<b>Direct insurance and reinsurance accepted</b>							
Insurance contracts	103,493,007	792,819	104,285,826	770,000	7,548,184	8,279,453	120,883,463
Investment contracts with a discretionary profit sharing component	184,496,949	37,032	184,533,981	(1,828,216)	(52,983,084)	33,250,200	162,972,881
	<b>287,989,956</b>	<b>829,851</b>	<b>288,819,807</b>	<b>(1,058,216)</b>	<b>(45,434,900)</b>	<b>41,529,653</b>	<b>283,856,344</b>
<b>Reinsurance ceded</b>							
Insurance contracts	(5,772,359)	(1,781,096)	(7,553,455)	-	(1,932,957)	(3,671)	(9,490,083)
	<b>(5,772,359)</b>	<b>(1,781,096)</b>	<b>(7,553,455)</b>	<b>-</b>	<b>(1,932,957)</b>	<b>(3,671)</b>	<b>(9,490,083)</b>
<b>Net</b>							
Insurance contracts	97,720,648	(988,277)	96,732,371	770,000	5,615,227	8,275,782	111,393,380
Investment contracts with a discretionary profit sharing component	184,496,949	37,032	184,533,981	(1,828,216)	(52,983,084)	33,250,200	162,972,881
	<b>282,217,597</b>	<b>(951,245)</b>	<b>281,266,352</b>	<b>(1,058,216)</b>	<b>(47,367,857)</b>	<b>41,525,982</b>	<b>274,366,261</b>

In 2016 and 2015, changes in other technical provisions include the reversal of the provision to stabilise the portfolio of EUR 3,521,275 and the allocation of EUR 770,000, respectively. In 2016 and 2015, this heading also includes the allocation of EUR 1,398,705 and the reversal of EUR 1,828,216 respectively, to the provision for interest rate commitments.

## 28. Net Operating Costs, by Type and Function

In 2016 and 2015, Fidelidade's operating costs, by type, were as follows:

(amounts in euros)

	2016	2015
Employee costs (Note 29)	156,545,613	146,517,464
External supplies and services		
Electricity	2,093,518	2,162,754
Fuel	446,786	498,947
Water	186,909	161,287
Printed Material	360,240	400,828
Office supplies	246,823	309,357
Conservation and repair	5,165,012	5,392,341
Rents and leases	16,166,801	16,841,810
Representation expenses	1,515,757	1,064,016
Communication	6,147,426	7,989,624
Travel and accommodation	3,957,065	4,296,021
Insurance	648,469	665,951
Expenditure with self-employed workers	509,798	848,174
Advertising and publicity	10,018,846	8,888,515
Litigation and notary expenses	202,789	304,196
Security and surveillance	1,233,654	1,310,386
Specialist work	37,423,292	37,275,247
Contributions	1,179,910	887,514
Cleanliness, hygiene and comfort	1,603,643	1,638,457
Expenses with premium collections	1,631,890	1,213,267
Software licences	5,262,096	4,694,128
Others	2,714,822	2,536,963
	<b>98,715,546</b>	<b>99,379,783</b>
Taxes and charges	11,957,054	11,157,486
Depreciation and amortisation for the year (Notes 9, 11 and 12)	11,704,235	13,483,465
Other provisions	( 21,529,659 )	( 18,669,205 )
Commissions	6,229,783	6,868,066
Interest paid	2,365,968	1,216,807
	<b>265,988,540</b>	<b>259,953,866</b>

In 2016 and 2015, the balance of reinsurance commissions and profit sharing is as follows:

(amounts in euros)

	2016		Total
	Commissions	Reinsurance profit sharing	
Related to life insurance	582,825	1,722,499	2,305,324
Related to non-life insurance	60,442,879	6,089,763	66,532,642
	<b>61,025,704</b>	<b>7,812,262</b>	<b>68,837,966</b>

(amounts in euros)

	2015		Total
	Commissions	Reinsurance profit sharing	
Related to life insurance	857,519	1,629,035	2,486,554
Related to non-life insurance	42,970,987	4,045,666	47,016,653
	<b>43,828,506</b>	<b>5,674,701</b>	<b>49,503,207</b>

In 2016 and 2015 profit and loss statement, these costs were as follows:

(amounts in euros)

	2016			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	6,097,280	49,164,887	-	55,262,167
Technical costs	262,794,323	736,753,572	-	999,547,895
	<b>268,891,603</b>	<b>785,918,459</b>	<b>-</b>	<b>1,054,810,062</b>
<b>Acquisition costs</b>				
Cost allocations	28,816,184	91,856,306	-	120,672,490
Brokerage commissions	40,466,369	136,131,315	-	176,597,684
Others	(279,898)	193,367	-	(86,531)
	<b>69,002,655</b>	<b>228,180,988</b>	<b>-</b>	<b>297,183,643</b>
<b>Administrative expenses</b>				
Cost allocations	20,325,135	55,156,339	-	75,481,474
Brokerage commissions	63,666	6,569,846	-	6,633,512
Others	(464)	(46,264)	-	(46,728)
	<b>20,388,337</b>	<b>61,679,921</b>	<b>-</b>	<b>82,068,258</b>
<b>Financial expenses (Note 32)</b>				
Cost allocations	2,667,227	9,625,577	2,279,605	14,572,409
Others	728,156	195,920	24,909	948,985
	<b>3,395,383</b>	<b>9,821,497</b>	<b>2,304,514</b>	<b>15,521,394</b>
<b>Total operating costs allocations</b>	<b>57,905,826</b>	<b>205,803,109</b>	<b>2,279,605</b>	<b>265,988,540</b>

(amounts in euros)

	2015			Total
	Life technical account	Non life technical account	Non technical account	
<b>Claims costs - amounts paid</b>				
Cost allocations	6,295,487	50,154,953	-	56,450,440
Technical costs	281,694,469	654,542,456	-	936,236,925
	<b>287,989,956</b>	<b>704,697,409</b>	<b>-</b>	<b>992,687,365</b>
<b>Acquisition costs</b>				
Cost allocations	28,547,744	89,607,803	-	118,155,547
Brokerage commissions	46,977,610	121,266,690	-	168,244,300
Others	297,903	1,136,911	-	1,434,814
	<b>75,823,257</b>	<b>212,011,404</b>	<b>-</b>	<b>287,834,661</b>
<b>Administrative expenses</b>				
Cost allocations	19,891,302	52,359,418	-	72,250,720
Brokerage remuneration	66,807	6,224,561	-	6,291,368
Others	456	43,253	-	43,709
	<b>19,958,565</b>	<b>58,627,232</b>	<b>-</b>	<b>78,585,797</b>
<b>Financial expenses (Note 32)</b>				
Cost allocations	4,111,885	6,801,908	2,183,366	13,097,159
Others	2,396,096	454,029	-	2,850,125
	<b>6,507,981</b>	<b>7,255,937</b>	<b>2,183,366</b>	<b>15,947,284</b>
<b>Total operating costs allocations</b>	<b>58,846,418</b>	<b>198,924,082</b>	<b>2,183,366</b>	<b>259,953,866</b>

## 29. Employee Costs

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
Remuneration		
Statutory bodies	2,769,876	2,827,386
Employees	91,944,075	93,577,266
Remuneration expenses	21,618,674	20,961,761
Post-employment benefits	16,961,450	11,849,852
Termination of employment benefits	10,329,741	7,122,549
Mandatory insurance	1,693,887	1,594,491
Social action costs	9,741,337	7,518,665
Other employee costs	1,486,573	1,065,494
	<b>156,545,613</b>	<b>146,517,464</b>

The existence of structures which are transversal to some of the companies in the Group creates the need to allocate common costs between several companies, based on breakdown keys subordinated to the cost-benefit principle. Consequently, in 2016 and 2015, employee costs included the impact resulting from the following movements with related entities:

(amounts in euros)

	2016	2015
Expenses with Company employees performing functions for		
Multicare - Seguros de Saúde, S.A.	(1,777,215)	(2,358,068)
Sogrupa - Sistemas de Informação, S.A.	(802,583)	(900,416)
Fidelidade - Property Europe, S.A.	708,108	725,686
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	245,584	(177,079)
Others	(303,237)	(63,817)
	<b>(1,929,343)</b>	<b>(2,773,694)</b>

In 2016 and 2015, the costs of post-employment benefits were as follows:

(amounts in euros)

	2016	2015
Post-employment benefits		
Defined benefit plan (Note 30)	15,144,847	10,335,928
Individual retirement plan	1,076,204	1,152,615
Employee transfer	(23,239)	(76,975)
Other costs	763,638	438,284
	<b>16,961,450</b>	<b>11,849,852</b>

In 2016 and 2015, the heading "Post-employment benefits - Employee transfer" corresponds to the cost of post-employment benefits for employees of the Company who were assigned to other entities in the Group.

In 2016 and 2015, the number of employees working for the Company, by category, was as follows:

	2016	2015
Senior management	67	67
Line management	124	130
Technical	1,445	1,457
Administrative	966	1,025
Ancillary	11	15
	<b>2,613</b>	<b>2,694</b>

In 2016 and 2015, the Company recorded a reversal in the estimate for seniority bonuses of EUR 17,744 and EUR 96,789, respectively. The heading "Accruals and deferred income" includes EUR 595,503 for seniority bonuses.

## 30. Retirement Pensions and Other Long-Term Benefits

At 31 December 2016 and 2015, the headings "Assets for post-employment benefits and other long-term benefits" and "Liabilities for post-employment benefits and other long-term benefits" were as follows:

(amounts in euros)

	2016	2015
<b>Assets</b>		
Defined benefit plan	8,531,339	13,679,537
<b>Liabilities</b>		
Defined contribution plan	(72,273)	(90,121)
	<b>8,459,066</b>	<b>13,589,416</b>

Regarding 2016, in the "Defined contribution plan" the Company recorded a cost of EUR 1,066,097, with the payment of EUR 72,273 still pending, which corresponds to December 2015 contributions that were paid in January 2017.

### Defined Contribution Plan

Within the scope of the new collective employment agreements for the insurance sector, publicised on 15 January 2012 and 29 January 2016, all employees of working age employed as permanent staff, with employment contracts of indefinite term, covered by these CEAs, are entitled to an individual retirement plan ("IRP"), a defined contributions plan which replaces the system of retirement pensions set out in the former CEAs.

The provisions of the previous defined benefit plan apply to employees of working age employed as permanent staff, with employment contracts of indefinite term, who are not covered by the CEAs..

In line with the rules set out in the new CEAs, the capitalised amount of the payments into the IRP can be claimed by the employee, in accordance with the law, on the date he/she retires due to disability or old age granted by the Social Security, and there is a capital guarantee on the amounts of the initial transfer and the contributions made by the Company and by the beneficiaries themselves.

In the event of the death of an employee, the capitalised amount of the payments reverts to the beneficiaries named by the employee or, where these are not named, to his/her legal heirs.

The Company's contributions to the individual retirement plan are made in line with the provisions of Annex V to the CEAs, and correspond to the amount which results from applying the percentages indicated in the following table to the employee's basic annual salary:

Civil year	IRP Contribution
2012	1.00%
2013	2.25%
2014	2.50%
2015	2.75%
2016	3.00%
2017 and after	3.25%

Furthermore, in line with the provisions set out in Chapter IX of the Pre-retirement and Savings Plan of the aforementioned CEAs, the first annual contribution by the Company to the IRP will be:

- In 2015, for current employees admitted to the insurance activity prior to 22 June 1995;
- In 2012, for current employees admitted to the insurance activity between 22 June 1995 and 31 December 2009;
- In the year following the completion of two years of service within the Company, for employees admitted after 1 January 2010.

#### Defined Benefit Plan

In line with the collective employment agreement previously in force for the insurance activity, Fidelidade granted to its employees hired by the insurance activity prior to June 1995, cash payments, to complement the retirement pensions paid by the Social Security services. The amount of these payments varied according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

In addition, the former Império Bonança granted the following benefits:

- Between 1999 and 2005, it assumed, in situations of early retirement, the payment of a whole life pension which corresponded to the difference between 80% of the last remuneration and the amount paid by the Social Security.
- It assumed the commitment to extend the benefits set out in the collective employment agreement to employees hired up to June 2005 and also to grant to the beneficiaries of the pensions fund, the additional benefits guaranteed by the complementary plan which was in force at the Millenniumbcp Group, to which the company belonged until 31 January 2005. The liabilities associated with the complementary plan are financed by the related pension fund.
- For a very small group of employees (4), with "XVII internal salary levels", coming from the former-Império, there is a commitment, when they retire, to award a supplement to the Social Security pension, to 80% of their remuneration at the time they retire.

### Determination of liabilities with defined benefit plans

Liabilities for current payments of retirement pensions and the past services of current employees, at 31 December 2016 and 2015, were determined by Fidelidade's life insurance actuarial department.

The assumptions and technical bases used to calculate the liabilities were as follows:

	2016	2015
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table		
Men	TV 73/77 (-2)	TV 73/77 (-2)
Women	TV 88/90 (-2)	TV 88/90 (-2)
Discount rate	1.80%	2.50%
Salary growth rate	2.00%	2.00%
Pensions growth rate	0.75%	0.75%
Pre-retirement growth rate	1.25%	1.25%
Exclusions table	n/a	n/a

The following table provides a comparison between the actuarial and financial assumptions used to determine Fidelidade's pension costs for 2016 and 2015 and the actual amounts:

	2016		2015	
	Assumptions	Real	Assumptions	Real
Salary growth rate	2.00%	1.12%	2.00%	0.91%
Pensions growth rate	0.75%	0.24%	0.75%	0.00%

At 31 December 2016 and 2015, Fidelidade's liabilities for past service, based on the actuarial studies performed, and the funds and provisions available, were as follows:

(amounts in euros)

	2016	2015
Liabilities for past services		
Active employees	10,217,625	6,301,565
Retired and pre-retired	182,184,965	181,856,040
	<b>192,402,590</b>	<b>188,157,605</b>
Autonomous pension funds	153,835,385	151,192,163
Mathematical provisions	47,098,544	50,644,979
	<b>200,933,929</b>	<b>201,837,142</b>
Difference	8,531,339	13,679,537
Funding level	104.43%	107.27%



Pursuant to Standard No. 5/2007-R, of 27 April, of the ASF, insurance companies must ensure at the end of each year:

- a) the full funding of the current amount of the liability with current pensions, including pre-retirement and early retirement provisions payable up until the normal age of retirement and subsequently; and
- b) the funding of at least 95% of the current amount of the liability for past service of employees of working age, excluding those who are pre-retired or in early retirement.

At 31 December 2016 and 2015, Fidelidade's liabilities for past service were fully funded.

The pensions plan is non-contributory and independent of social security, and is funded by the Company's pension fund.

Fidelidade's defined benefit pension funds have the following average durations:

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Fidelidade - Companhia de Seguros, S.A.:	
Fidelidade Pension Fund	8.73 years
Mundial Confiança Pension Fund	7.38 years
Império Bonança Pension Fund	10.02 years

At 31 December 2016 and 2015, the number of beneficiaries was as follows:

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	2016	2015
Active employees	1,117	1,106
Retired and pre-retired	2,115	2,085
Annuity holders	541	589
	<b>3,773</b>	<b>3,780</b>

The movements in the pension fund and in the mathematical provisions during 2016 and 2015 were as follows:

(amounts in euros)

<b>Balances at 31 December de 2014</b>	<b>203,641,129</b>
Contributions	17,785,176
Change in mathematical provisions	( 3,466,048 )
Pensions paid	( 18,322,837 )
(Payments)/ Receipts relating to other benefits	( 864,970 )
Net income of pension funds	3,064,692
<b>Balances at 31 December 2015</b>	<b>201,837,142</b>
Contributions	18,421,934
Change in mathematical provisions	( 3,546,435 )
Pensions paid	( 18,556,669 )
(Payments)/ Receipts relating to other benefits	( 581,429 )
Net income of pension funds	3,359,386
<b>Balances at 31 December 2016</b>	<b>200,933,929</b>

At 31 December 2016 and 2015, Fidelidade's Pension Funds were managed by CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2016 and 2015, the pension fund assets were composed as follows, according to the respective valuation sources:

(amounts in euros)

	2016			2015		
	Market value	Other	Portfolio value	Market value	Other	Portfolio value
<b>Cash and cash equivalents</b>	<b>25,177,330</b>	-	<b>25,177,330</b>	<b>40,783,467</b>	-	<b>40,783,467</b>
<b>Debt instruments</b>						
Public debt	3,811,388	-	3,811,388	4,295,171	-	4,295,171
	<b>3,811,388</b>	-	<b>3,811,388</b>	<b>4,295,171</b>	-	<b>4,295,171</b>
<b>Investment funds</b>						
National shares	663,286	-	663,286	597,855	-	597,855
European shares	5,627,802	-	5,627,802	2,614,508	-	2,614,508
Other shares	97,814	-	97,814	-	-	-
Real Estate	12,731,703	2,281,180	15,012,883	12,682,271	2,299,686	14,981,957
Bonds						
Public debt	17,424,477	-	17,424,477	19,573,182	-	19,573,182
Other issuers	85,373,345	-	85,373,345	67,738,200	-	67,738,200
Hedge funds	636,026	-	636,026	576,717	-	576,717
	<b>122,554,453</b>	<b>2,281,180</b>	<b>124,835,634</b>	<b>103,782,733</b>	<b>2,299,686</b>	<b>106,082,419</b>
<b>Others</b>	<b>11,033</b>	-	<b>11,033</b>	<b>31,107</b>	-	<b>31,107</b>
	<b>151,554,204</b>	<b>2,281,180</b>	<b>153,835,385</b>	<b>148,892,478</b>	<b>2,299,686</b>	<b>151,192,163</b>

On these dates, the pension fund portfolio contained the following assets issued or managed by entities in the CGD Group:

(amounts in euros)

	2016	2015
<b>Cash and cash equivalents</b>	<b>24,603,410</b>	<b>31,906,566</b>
<b>Investment funds</b>		
National shares	657,727	597,855
Real estate	2,281,180	2,299,686
Bonds		
Other issuers	14,626,113	12,767,171
	<b>17,565,020</b>	<b>15,664,712</b>
	<b>42,168,431</b>	<b>47,571,278</b>

The change in the difference between the Company's liabilities for past services and the respective cover, and the corresponding impact on the financial statements at 31 December 2015 and 2014, can be demonstrated as follows:

(amounts in euros)

	Liabilities	Cover	Difference
<b>Position at 31 December 2014</b>	<b>193,434,487</b>	<b>203,641,129</b>	<b>10,206,642</b>
Current services expenses	107,997	-	(107,997)
Net defined benefit interest	3,254,051	3,509,216	255,165
Normal cost for the year	3,362,048	3,509,216	147,168
Increased liabilities for early retirements	9,618,124	-	(9,618,124)
Other changes in the income statement	-	(864,972)	(864,972)
<b>Changes having an impact in the income statement (Note 29)</b>	<b>12,980,172</b>	<b>2,644,244</b>	<b>(10,335,928)</b>
Actuarial gains and losses			
return on plan assets, not included in interest income	-	(444,522)	(444,522)
resulting from changes in financial assumptions	3,033,125	-	(3,033,125)
resulting from differences between assumptions and actual amounts	498,706	-	(498,706)
<b>Changes with an impact on shareholders' equity</b>	<b>3,531,831</b>	<b>(444,522)</b>	<b>(3,976,353)</b>
Contributions to the plan			
paid by entity	-	17,785,176	17,785,176
Change in mathematical provisions	(3,466,048)	(3,466,048)	-
Payment made by the plan			
pensions paid	(18,322,837)	(18,322,837)	-
<b>Position at 31 December 2015</b>	<b>188,157,605</b>	<b>201,837,142</b>	<b>13,679,537</b>
Current services expenses	100,714	-	(100,714)
Net defined benefit interest	2,885,271	3,193,061	307,790
Normal cost for the year	2,985,985	3,193,061	207,076

(continued)

(amounts in euros)

	Liabilities	Cover	Difference
Increased liabilities for early retirements	14,770,494	-	(14,770,494)
Other changes in the income statement	-	(581,429)	(581,429)
<b>Changes having an impact in the income statement (Note 29)</b>	<b>17,756,479</b>	<b>2,611,632</b>	<b>(15,144,847)</b>
Actuarial gains and losses			
return on plan assets, not included in interest income	-	166,327	166,327
resulting from changes in financial assumptions	5,397,670	-	(5,397,670)
resulting from differences between assumptions and actual amounts	3,193,944	-	(3,193,944)
<b>Changes with an impact on shareholders' equity</b>	<b>8,591,614</b>	<b>166,327</b>	<b>(8,425,287)</b>
Contributions to the plan			
paid by entity	-	18,421,936	18,421,936
Change in mathematical provisions	(3,546,434)	(3,546,434)	-
Payment made by the plan			
pensions paid	(18,556,674)	(18,556,674)	-
<b>Position at 31 December 2016</b>	<b>192,402,590</b>	<b>200,933,929</b>	<b>8,531,339</b>

### Medical assistance

The Company contributes part of the cost of health insurance provided for its retired and pre-retired employees. In addition, the former Império Bonança also committed itself to providing whole life medical assistance benefits to those in retirement or pre-retirement who had switched to that status between June 1998 and July 2005.

At 31 December 2015 and 2014, these liabilities totalled EUR 23,637,281 and EUR 22,191,389, respectively, and were covered by provisions (Note 22). The actuarial deviations determined at 31 December 2016 and 2015 relating to this benefit amounted to EUR 2,515,019 and EUR 958,227, respectively.

Liabilities for past service with medical assistance were determined on the basis of actuarial studies performed by Fidelidade's life actuarial department, using actuarial assumptions identical to those presented above for liabilities with pensions.

## Sensitivity analysis

At 31 December 2016, the sensitivity of the defined benefit liabilities assumed by the Company, due to significant changes in the assumptions, excluding the liabilities covered by whole life annuities, corresponds to:

Scenarios	2016	A	B	C
<b>Financial Assumptions</b>				
Discount Rate	1.80%	1.55%	2.05%	1.80%
Salary Growth Rate	2.00%	2.00%	2.00%	2.00%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
<b>Demographic Assumptions</b>				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in euros)

Liabilities at 31 December 2016		2016	A	B	C
Scenarios					
Retirees	Old age	59,254,964	60,492,118	58,061,599	63,848,247
	Early retirement	15,243,729	15,602,394	14,898,248	16,408,415
	Disability	12,145,006	12,557,522	11,753,358	12,472,152
Pensioners	Widow/Widower	3,955,739	4,045,662	3,869,392	3,971,076
	Orphan	158,661	165,865	151,944	159,701
Pre-retirees	Pension up to Retirement Age	34,800,980	35,042,180	34,563,016	34,849,194
	Costs up to Retirement Age	5,776,711	5,818,296	5,735,691	5,798,598
	Pension after Retirement Age				
	> CEA Plan	3,491,452	3,613,107	3,375,438	3,700,592
	> Complementary Plan	259,179	270,157	248,784	263,720
Active employees	CEA Plan	6,838,701	7,270,128	6,437,766	7,224,304
	Complementary Plan	3,378,924	3,619,242	3,156,955	3,574,616
<b>Totals</b>		<b>145,304,046</b>	<b>148,496,671</b>	<b>142,252,191</b>	<b>152,270,615</b>

The information in the above table was prepared based on the method used to calculate the liabilities for accounting purposes, not including mathematical provisions, of EUR 47,098,544.

## 31. Income

In 2016 and 2015, the investment income headings were composed as follows:

(amounts in euros)

	2016				2015			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments allocated to technical provisions for life insurance</b>								
Investments in subsidiaries,								
associates and joint ventures	-	54,169	-	54,169	-	-	-	-
Financial assets initially recognised								
at fair value through profit or loss	497,344	-	-	497,344	55,362	-	-	55,362
Available-for-sale investments	46,081,793	977,796	-	47,059,589	44,841,108	7,068,334	-	51,909,442
Loans and accounts receivable	3,749,353	-	-	3,749,353	6,529,125	-	-	6,529,125
Sight deposits	27,148	-	-	27,148	74,933	-	-	74,933
	<b>50,355,638</b>	<b>1,031,965</b>	<b>-</b>	<b>51,387,603</b>	<b>51,500,528</b>	<b>7,068,334</b>	<b>-</b>	<b>58,568,862</b>
<b>Investments related to contracts considered for accounting purposes</b>								
as investment contracts								
Investments in subsidiaries,								
associates and joint ventures	-	1,241,295	-	1,241,295	-	732,472	-	732,472
Financial assets held for trading	(1,491,921)	-	-	(1,491,921)	(1,393,936)	-	-	(1,393,936)
Financial assets initially recognised								
at fair value through profit or loss	22,264,680	155,370	-	22,420,050	28,004,652	181,991	-	28,186,643
Available-for-sale investments	174,077,687	9,298,064	-	183,375,751	207,664,994	23,502,287	-	231,167,281
Loans and accounts receivable	3,144,985	-	-	3,144,985	4,225,264	-	-	4,225,264
Sight deposits	119,041	-	-	119,041	179,335	-	-	179,335
	<b>198,114,472</b>	<b>10,694,729</b>	<b>-</b>	<b>208,809,201</b>	<b>238,680,309</b>	<b>24,416,750</b>	<b>-</b>	<b>263,097,059</b>
	<b>248,470,110</b>	<b>11,726,694</b>	<b>-</b>	<b>260,196,804</b>	<b>290,180,837</b>	<b>31,485,084</b>	<b>-</b>	<b>321,665,921</b>
<b>Investments allocated to technical provisions for non-life insurance</b>								
Properties	-	-	18,709,499	18,709,499	-	-	18,302,839	18,302,839
Financial assets initially recognised								
at fair value through profit or loss	1,533,312	-	-	1,533,312	1,445,438	-	-	1,445,438
Available-for-sale investments	26,074,809	8,821,457	-	34,896,266	29,174,152	10,891,464	-	40,065,616
Loans and accounts receivable	736,133	-	-	736,133	1,038,555	-	-	1,038,555
Sight deposits	-	-	-	-	10,289	-	-	10,289
	<b>28,344,254</b>	<b>8,821,457</b>	<b>18,709,499</b>	<b>55,875,210</b>	<b>31,668,434</b>	<b>10,891,464</b>	<b>18,302,839</b>	<b>60,862,737</b>

(continued)

(amounts in euros)

	2016				2015			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
<b>Investments not allocated</b>								
Properties	-	-	2,504,415	2,504,415	-	-	2,532,728	2,532,728
Investments in subsidiaries, associates and joint ventures	-	13,624	-	13,624	-	830,053	-	830,053
Financial assets held for trading	(460)	-	-	(460)	(1,128)	-	-	(1,128)
Financial assets initially recognised at fair value through profit or loss	215	-	-	215	56,160	-	-	56,160
Available-for-sale investments	416,422	3,164	-	419,586	4,039,706	1,113,095	-	5,152,801
Loans and accounts receivable	1,160,628	-	-	1,160,628	1,079,801	-	-	1,079,801
Sight deposits	(51,349)	-	-	(51,349)	3,723	-	-	3,723
	<b>1,525,456</b>	<b>16,788</b>	<b>2,504,415</b>	<b>4,046,659</b>	<b>5,178,262</b>	<b>1,943,148</b>	<b>2,532,728</b>	<b>9,654,138</b>
	<b>278,339,820</b>	<b>20,564,939</b>	<b>21,213,914</b>	<b>320,118,673</b>	<b>327,027,533</b>	<b>44,319,696</b>	<b>20,835,567</b>	<b>392,182,796</b>

## 32. Financial Expenses

In 2016 and 2015, the financial expenses headings were composed as follows:

(amounts in euros)

	2016				2015			
	Life technical account	Non life technical account	Non-technical account	Total	Life technical account	Non life technical account	Non-technical account	Total
Investment Expenses (Note 28)								
Costs allocated	2,667,227	9,625,577	2,279,605	14,572,409	4,111,886	6,801,907	2,183,366	13,097,159
Other Investment expenses	728,156	195,920	24,909	948,985	2,396,095	454,030	-	2,850,125
	<b>3,395,383</b>	<b>9,821,497</b>	<b>2,304,514</b>	<b>15,521,394</b>	<b>6,507,981</b>	<b>7,255,937</b>	<b>2,183,366</b>	<b>15,947,284</b>

### 33. Net Income on Financial Assets and Liabilities not Recognised at Fair Value through Profit or Loss

In 2016 and 2015, these headings were composed as follows:

(amounts in euros)

	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Available-for-sale investments	31,669,603	(12,469,189)	19,200,414	69,102,039	(3,139,736)	65,962,303
	<b>31,669,603</b>	<b>(12,469,189)</b>	<b>19,200,414</b>	<b>69,102,039</b>	<b>(3,139,736)</b>	<b>65,962,303</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Available-for-sale investments	152,637,370	(15,115,795)	137,521,575	344,052,783	(109,071,621)	234,981,162
Loans and accounts receivable	-	(83,484)	(83,484)	-	-	-
Financial liabilities at amortised cost	342	(148,712,440)	(148,712,098)	108,274	(187,659,915)	(187,551,641)
	<b>152,637,712</b>	<b>(163,911,719)</b>	<b>(11,274,007)</b>	<b>344,161,057</b>	<b>(296,731,536)</b>	<b>47,429,521</b>
	<b>184,307,315</b>	<b>(176,380,908)</b>	<b>7,926,407</b>	<b>413,263,096</b>	<b>(299,871,272)</b>	<b>113,391,824</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Available-for-sale investments	51,465,858	(3,126,142)	48,339,716	55,873,139	(8,111,447)	47,761,692
	<b>51,465,858</b>	<b>(3,126,142)</b>	<b>48,339,716</b>	<b>55,873,139</b>	<b>(8,111,447)</b>	<b>47,761,692</b>
<b>Investments not allocated</b>						
Investments in subsidiaries, associates and joint ventures	-	-	-	-	(32)	(32)
Available-for-sale investments	7,804,113	(1,496,133)	6,307,980	4,856,544	(135,232)	4,721,312
	<b>7,804,113</b>	<b>(1,496,133)</b>	<b>6,307,980</b>	<b>4,856,544</b>	<b>(135,264)</b>	<b>4,721,280</b>
	<b>243,577,286</b>	<b>(181,003,183)</b>	<b>62,574,103</b>	<b>473,992,779</b>	<b>(308,117,983)</b>	<b>165,874,796</b>



## 34. Net Income on Financial Assets and Liabilities Recognised at Fair Value through Profit or Loss

In 2016 and 2015, these headings were composed as follows:

(amounts in euros)

Realised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	-	(26,311,206)	(26,311,206)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	1,182,238	(525,056)	657,182	-	(17,931)	(17,931)
	<b>1,182,238</b>	<b>(26,836,262)</b>	<b>(25,654,024)</b>	<b>-</b>	<b>(17,931)</b>	<b>(17,931)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	83,278	(74,903,075)	(74,819,797)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	38,470,125	(3,031,295)	35,438,830	6,460,844	(4,720,254)	1,740,590
	<b>38,553,403</b>	<b>(77,934,370)</b>	<b>(39,380,967)</b>	<b>6,460,844</b>	<b>(4,720,254)</b>	<b>1,740,590</b>
	<b>39,735,641</b>	<b>(104,770,632)</b>	<b>(65,034,991)</b>	<b>6,460,844</b>	<b>(4,738,185)</b>	<b>1,722,659</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	-	(13,384,794)	(13,384,794)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	3,068,718	(6,958,200)	(3,889,482)	9,513,605	(77,343)	9,436,262
	<b>3,068,718</b>	<b>(20,342,994)</b>	<b>(17,274,276)</b>	<b>9,513,605</b>	<b>(77,343)</b>	<b>9,436,262</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	1,890,958	(13,232,440)	(11,341,482)	-	-	-
Financial assets and liabilities initially recognised at fair value through profit or loss	12,292	(19,359)	(7,067)	147,350	(834)	146,516
	<b>1,903,250</b>	<b>(13,251,799)</b>	<b>(11,348,549)</b>	<b>147,350</b>	<b>(834)</b>	<b>146,516</b>
	<b>44,707,609</b>	<b>(138,365,425)</b>	<b>(93,657,816)</b>	<b>16,121,799</b>	<b>(4,816,362)</b>	<b>11,305,437</b>

(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(98,715,172)	7,962,725	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value through profit or loss	1,134,621	(1,915,217)	(780,596)	-	(396,363)	(396,363)
Other	4,594,621	(5,731,918)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>112,407,139</b>	<b>(106,362,307)</b>	<b>6,044,832</b>	<b>10,802,510</b>	<b>(17,676,966)</b>	<b>(6,874,456)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,117,079	(233,451,677)	37,665,402	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value through profit or loss	9,216,071	(37,080,944)	(27,864,873)	21,824,451	(17,729,182)	4,095,269
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>639,721,988</b>	<b>(628,491,615)</b>	<b>11,230,373</b>	<b>269,346,258</b>	<b>(292,520,064)</b>	<b>(23,173,806)</b>
	<b>752,129,127</b>	<b>(734,853,922)</b>	<b>17,275,205</b>	<b>280,148,767</b>	<b>(310,197,029)</b>	<b>(30,048,262)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,695	(73,444,296)	(3,998,601)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value through profit or loss	3,069,945	(6,422,841)	(3,352,896)	3,182,191	(1,361,189)	1,821,002
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,003	(68,266,228)	1,073,775
	<b>202,906,235</b>	<b>(215,201,974)</b>	<b>(12,295,739)</b>	<b>75,433,888</b>	<b>(73,743,159)</b>	<b>1,690,729</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	167,801,517	(152,533,264)	15,268,253	1,589	(4,354)	(2,765)
Financial assets and liabilities initially recognised at fair value through profit or loss	43,441	(25,591)	17,850	195,679	(108,191)	87,488
	<b>167,844,958</b>	<b>(152,558,855)</b>	<b>15,286,103</b>	<b>197,268</b>	<b>(112,545)</b>	<b>84,723</b>
	<b>1,122,880,320</b>	<b>(1,102,614,751)</b>	<b>20,265,569</b>	<b>355,779,924</b>	<b>(384,052,734)</b>	<b>(28,272,810)</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for life insurance</b>						
Financial assets and liabilities held for trading	106,677,897	(125,026,378)	(18,348,481)	6,222,644	(11,933,610)	(5,710,966)
Financial assets and liabilities initially recognised at fair value through profit or loss	2,316,859	(2,440,273)	(123,414)	-	(414,294)	(414,294)
Other	4,594,621	(5,731,918)	(1,137,297)	4,579,866	(5,346,993)	(767,127)
	<b>113,589,377</b>	<b>(133,198,569)</b>	<b>(19,609,192)</b>	<b>10,802,510</b>	<b>(17,694,897)</b>	<b>(6,892,387)</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>						
Financial assets and liabilities held for trading	271,200,357	(308,354,752)	(37,154,395)	6,685,390	(37,082,616)	(30,397,226)
Financial assets and liabilities initially recognised at fair value through profit or loss	47,686,196	(40,112,239)	7,573,957	28,285,295	(22,449,436)	5,835,859
Other	359,388,838	(357,958,994)	1,429,844	240,836,417	(237,708,266)	3,128,151
	<b>678,275,391</b>	<b>(706,425,985)</b>	<b>(28,150,594)</b>	<b>275,807,102</b>	<b>(297,240,318)</b>	<b>(21,433,216)</b>
	<b>791,864,768</b>	<b>(839,624,554)</b>	<b>(47,759,786)</b>	<b>286,609,611</b>	<b>(314,935,214)</b>	<b>(28,325,603)</b>
<b>Investments allocated to technical provisions for non-life insurance</b>						
Financial assets and liabilities held for trading	69,445,695	(86,829,090)	(17,383,395)	2,911,694	(4,115,742)	(1,204,048)
Financial assets and liabilities initially recognised at fair value through profit or loss	6,138,663	(13,381,041)	(7,242,378)	12,695,796	(1,438,532)	11,257,264
Other	130,390,595	(135,334,837)	(4,944,242)	69,340,003	(68,266,228)	1,073,775
	<b>205,974,953</b>	<b>(235,544,968)</b>	<b>(29,570,015)</b>	<b>84,947,493</b>	<b>(73,820,502)</b>	<b>11,126,991</b>
<b>Investments not allocated</b>						
Financial assets and liabilities held for trading	169,692,475	(165,765,704)	3,926,771	1,589	(4,354)	(2,765)
Financial assets and liabilities initially recognised at fair value through profit or loss	55,733	(44,950)	10,783	343,029	(109,025)	234,004
	<b>169,748,208</b>	<b>(165,810,654)</b>	<b>3,937,554</b>	<b>344,618</b>	<b>(113,379)</b>	<b>231,239</b>
	<b>1,167,587,929</b>	<b>(1,240,980,176)</b>	<b>(73,392,247)</b>	<b>371,901,723</b>	<b>(388,869,096)</b>	<b>(16,967,373)</b>

## 35. Exchange Differences

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Investments allocated to technical provisions for life insurance</b>		
Financial assets held for trading	( 1,735,182 )	-
Financial assets initially recognised		
at fair value through profit or loss	1,446,002	( 255,290 )
Available-for-sale investments	14,290,983	6,112,499
Loans and accounts receivable	1,530,103	2,262,421
Sight Deposits	( 1,256,939 )	1,244,251
Others	( 44,556 )	629
	<b>14,230,411</b>	<b>9,364,510</b>
<b>Investments related to contracts considered for accounting purposes as investment contracts</b>		
Financial assets held for trading	( 3,968,620 )	-
Financial assets initially recognised		
at fair value through profit or loss	716,302	12,784,221
Available-for-sale investments	19,590,088	19,367,695
Loans and accounts receivable	795,172	955,274
Sight Deposits	( 432,336 )	3,048,332
Others	( 3,580,467 )	107
	<b>13,120,139</b>	<b>36,155,629</b>
	<b>27,350,550</b>	<b>45,520,139</b>
<b>Investments allocated to technical provisions for non-life insurance</b>		
Financial assets held for trading	( 1,096,369 )	-
Financial assets initially recognised		
at fair value through profit or loss	5,311,591	2,738,194
Available-for-sale investments	539,464	4,198,551
Loans and accounts receivable	674,892	1,580,987
Sight Deposits	4,562,981	( 392,643 )
Others	( 1,315,738 )	202
	<b>8,676,821</b>	<b>8,125,291</b>
<b>Investments not allocated</b>		
Financial assets held for trading	891,127	-
Financial assets initially recognised		
at fair value through profit or loss	( 1,332 )	146,797
Available-for-sale investments	804	890
Loans and accounts receivable	( 731,131 )	-
Sight Deposits	3,219,646	( 7,967,977 )
Others	2	41
	<b>3,379,116</b>	<b>( 7,820,249 )</b>
	<b>39,406,487</b>	<b>45,825,181</b>

## 36. Net Income on the sale of Non-Financial Assets which have not been Recognised as Non-Current Assets Held for Sale and Discontinued Operations

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

Realised gains and losses	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	-	-	-	3,496	-	3,496
Investment properties	55,493	(62,642)	(7,149)	1,474,910	-	1,474,910
	<b>55,493</b>	<b>(62,642)</b>	<b>(7,149)</b>	<b>1,478,406</b>	-	<b>1,478,406</b>

(amounts in euros)

Unrealised gains and losses	2016			2015		
	Gains	Losses	Net (Note 9)	Gains	Losses	Net (Note 9)
<b>Investments allocated to technical provisions for non-life insurance</b>						
Investment properties	21,220,121	(8,796,229)	12,423,892	34,224,307	(15,757,828)	18,466,479
	<b>21,220,121</b>	<b>(8,796,229)</b>	<b>12,423,892</b>	<b>34,224,307</b>	<b>(15,757,828)</b>	<b>18,466,479</b>
<b>Investments not allocated</b>						
Investment properties	2,201,098	(2,965,838)	(764,740)	2,337,721	(2,725,134)	(387,413)
	<b>2,201,098</b>	<b>(2,965,838)</b>	<b>(764,740)</b>	<b>2,337,721</b>	<b>(2,725,134)</b>	<b>(387,413)</b>
	<b>23,421,219</b>	<b>(11,762,067)</b>	<b>11,659,152</b>	<b>36,562,028</b>	<b>(18,482,962)</b>	<b>18,079,066</b>

(amounts in euros)

Total	2016			2015		
	Gains	Losses	Net	Gains	Losses	Net
<b>Investments allocated to technical provisions for non-life insurance</b>						
Properties for own use	-	-	-	3,496	-	3,496
Investment properties	21,275,614	(8,858,871)	12,416,743	35,699,217	(15,757,828)	19,941,389
	<b>21,275,614</b>	<b>(8,858,871)</b>	<b>12,416,743</b>	<b>35,702,713</b>	<b>(15,757,828)</b>	<b>19,944,885</b>
<b>Investments not allocated</b>						
Investment properties	2,201,098	(2,965,838)	(764,740)	2,337,721	(2,725,134)	(387,413)
	<b>2,201,098</b>	<b>(2,965,838)</b>	<b>(764,740)</b>	<b>2,337,721</b>	<b>(2,725,134)</b>	<b>(387,413)</b>
	<b>23,476,712</b>	<b>(11,824,709)</b>	<b>11,652,003</b>	<b>38,040,434</b>	<b>(18,482,962)</b>	<b>19,557,472</b>

## 37. Impairment Losses (Net of Reversals)

Information on impairment losses movements in 2016 and 2015 is set out below:

(amounts in euros)

	2016				
	Opening balances	Increases	Recoveries and cancellations	Use	Closing balances
Impairment of investments in subsidiaries (Note 4)	23,816,647	917,455	(1,063,150)	-	23,670,952
Impairment of investments in associated (Note 4)	2,526,943	-	-	-	2,526,943
Impairment of available-for-sale investments (Note 7)					
Debt instruments	118,739,319	43,429,562	(8,103,178)	-	154,065,703
Equity instruments	141,807,191	140,049,097	-	(6,923,550)	274,932,738
Other instruments	66,317,254	3,969,378	-	(20,207,599)	50,079,033
Impairment of loans and accounts receivable (Note 8)	1,329,886	141,117	(340,768)	-	1,130,235
Impairment of property for own use (Note 9)	8,418,939	2,676,292	(362,253)	(2,093,398)	8,639,580
Adjustments to premiums pending collection (Note 14)	9,426,553	722,052	-	-	10,148,605
Value adjustments - IFAP (Note 14)	424,635	59,498	-	-	484,133
Adjustments for doubtful debts (Note 14)	34,095,436	-	(3,823,461)	-	30,271,975
	<b>406,902,803</b>	<b>191,964,451</b>	<b>(13,692,810)</b>	<b>(29,224,547)</b>	<b>555,949,897</b>

(amounts in euros)

	2015				
	Opening balances	Increases	Recoveries and cancellations	Use	Closing balances
Impairment of investments in subsidiaries (Note 4)	11,970,061	12,269,379	(422,793)	-	23,816,647
Impairment of investments in associated (Note 4)	1,753,541	773,402	-	-	2,526,943
Impairment of available-for-sale investments (Note 7)					
Debt instruments	47,930,890	70,808,429	-	-	118,739,319
Equity instruments	54,836,667	141,202,804	-	(54,232,280)	141,807,191
Other instruments	74,987,041	4,082,353	-	(12,752,140)	66,317,254
Impairment of loans and accounts receivable (Note 8)	1,826,426	-	(496,540)	-	1,329,886
Impairment of property for own use (Note 9)	9,183,321	2,573,328	(1,381,382)	(1,956,328)	8,418,939
Adjustments to premiums pending collection (Note 14)	9,055,886	-	987,623	(616,956)	9,426,553
Value adjustments - IFAP (Note 14)	650,826	-	(226,191)	-	424,635
Adjustments for doubtful debts (Note 14)	68,716,153	(34,620,418)	-	(299)	34,095,436
	<b>280,910,812</b>	<b>197,089,277</b>	<b>(1,539,283)</b>	<b>(69,558,003)</b>	<b>406,902,803</b>

In 2016 and 2015, the account heading "Impairment losses (net of reversals)" included uses of "Other provisions" (Note 22), of EUR 5,374,533 and EUR 6,453,883 respectively.

## 38. Other Technical Income/Expenses, Net of Reinsurance

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016			2015		
	Income	Expenses	Net	Income	Expenses	Net
<b>Related to life insurance</b>						
Co-insurance management commissions	12,610	(21,730)	(9,120)	15,513	(19,710)	(4,197)
Pension fund management commissions	516,728	-	516,728	534,654	-	534,654
Other	18,141	(4,900)	13,241	13,183	(10,954)	2,229
	<b>547,479</b>	<b>(26,630)</b>	<b>520,849</b>	<b>563,350</b>	<b>(30,664)</b>	<b>532,686</b>
<b>Related to non-life insurance</b>						
Co-insurance management commissions	718,734	(195,586)	523,148	837,706	(406,759)	430,947
Other	467,169	(10,555)	456,614	1,276,426	(424,194)	852,232
	<b>1,185,903</b>	<b>(206,141)</b>	<b>979,762</b>	<b>2,114,132</b>	<b>(830,953)</b>	<b>1,283,179</b>
	<b>1,733,382</b>	<b>(232,771)</b>	<b>1,500,611</b>	<b>2,677,482</b>	<b>(861,617)</b>	<b>1,815,865</b>

## 39. Other Income/Expenses

In 2016 and 2015, this heading was composed as follows:

(amounts in euros)

	2016	2015
<b>Non-current income and gains</b>		
Tax rebates	154,538	4,511,201
Other	65,644	98,733
	<b>220,182</b>	<b>4,609,934</b>
<b>Financial income and gains</b>		
Interest obtained	276,817	385,608
Exchange rate gains	6,610,752	10,413,103
Cash discounts	618	3,227
Other	887,475	129,645
	<b>7,775,662</b>	<b>10,931,583</b>
<b>Income from other assets</b>		
Gains on other tangible assets	50	6,391
	<b>50</b>	<b>6,391</b>

(continued)

(amounts in euros)

	2016	2015
<b>Gains with pensions plans</b>		
Pension funds management fees (Macao Branch Life)	13,388	12,657
	<b>13,388</b>	<b>12,657</b>
<b>Other non-technical income</b>		
Adjustments to balances	16,957	182,930
Provisions of services	545,646	250,621
	<b>562,603</b>	<b>433,551</b>
<b>Non-current expenses and losses</b>		
Donations	(20,199)	(5,051)
Sponsorship	(549,529)	(430,978)
Gifts to clients	(6,994)	(5,641)
Fines and penalties	(41,231)	(26,535)
Miscellaneous contributions	(86,117)	(73,909)
Insufficient tax estimate	(955,667)	(1,301,256)
Corrections to previous years	(661,379)	(27,007)
Bad debts	(4,118,765)	(1,655,232)
Adjustments to balances	(454,208)	62,531
Other	(59,189)	(277,619)
	<b>(6,953,278)</b>	<b>(3,740,697)</b>
<b>Financial expenses and losses</b>		
Interest paid	(17,082)	76,787
Exchange rate losses	(5,848,795)	(8,602,589)
Banking services	(269,601)	(199,523)
Other	(1,773,376)	(53,560)
	<b>(7,908,854)</b>	<b>(8,778,885)</b>
<b>Losses in other assets</b>		
Losses in other intangible assets	-	(9,361)
Losses in other tangible assets	(60,792)	(64,189)
	<b>(60,792)</b>	<b>(73,550)</b>
	<b>(6,351,039)</b>	<b>3,400,984</b>



## 40. Segment Reporting

The Company presents operating segments based on management information produced internally. An operating segment is an identifiable component of the Company which is engaged in supplying a product or individual service or a set of related products and services within a specific economic environment, and which is subject to risks and benefits which can be differentiated from others which operate in different economic environments.

In order to report the business by segment, the Company selected the following:

Sub-segment:	Sub-segment areas:
<b>Life</b>	
Risk	Risk
Capitalisation with profit sharing	Capitalisation with profit sharing
Financial liabilities	Financial liabilities
<b>Non-Life</b>	
Workers' compensation	Workers' compensation
Health	Health
Property	Fire and other damage
	Credit
	Suretyship
	Miscellaneous pecuniary losses on property
Motor	Passengers
	Land vehicles
	Third party liability for land motor vehicles
	Miscellaneous pecuniary losses related to motor
	Legal protection for motor
	Motor assistance
Transported goods	Transported goods
	Marine and transport
	Aviation
Third party liability	Third party liability
Other	Personal accidents
	Legal protection - other
	Assistance - other
	Miscellaneous insurance

For reporting by geographical segment, the Company selected the following:

- Portugal
- Rest of the European Union
- Rest of the World

The distribution of income by lines of business and geographical markets in 2016 and 2015 was as follows:

	Insurance Segment			Total
	Life	Non-life	Not allocated	
<b>2016</b>				(amounts in euros)
<b>Gains and losses</b>				
Earned premiums net of reinsurance	319,013,646	722,834,546	-	1,041,848,192
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,551,811	-	-	2,551,811
Claims costs, net of reinsurance	(256,980,590)	(512,309,066)	-	(769,289,656)
Other technical provisions, net of reinsurance	2,122,570	10,986,585	-	13,109,155
Mathematical provision for life insurance and profit sharing, net of reinsurance	(12,688,735)	(29,786)	-	(12,718,521)
Operating costs and expenses, net	(87,023,948)	(220,071,696)	-	(307,095,644)
Financial income	260,196,805	55,875,209	4,046,659	320,118,673
Financial expenses and net income on financial assets and liabilities	(15,878,212)	35,690,424	4,906,740	24,718,952
Impairment losses (net of reversals)	(143,182,995)	(38,934,252)	9,220,140	(172,897,107)
Other income/expenses and negative goodwill	590,634	962,935	(6,403,997)	(4,850,428)
Current income tax	(13,140,691)	(28,060,004)	6,125,771	(35,074,924)
	<b>55,580,295</b>	<b>26,944,895</b>	<b>17,895,313</b>	<b>100,420,503</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	437,388,309	15,744,250	175,031,158	628,163,717
Investments in associates and joint ventures	1,590,118,809	208,571,079	35,974,132	1,834,664,020
Financial assets held for trading	6,481,688	1,288,680	18,097,852	25,868,220
Financial assets initially recognised at fair value through profit or loss	586,662,909	79,198,521	316,190	666,177,620
Hedge derivatives	2,606,399	2,064,457	-	4,670,856
Available-for-sale assets	7,708,287,110	1,353,865,957	15,011,617	9,077,164,684
Loans and accounts receivable	647,413,777	197,729,289	100,312,609	945,455,675
Properties	-	354,260,496	30,467,180	384,727,676
Other tangible and intangible assets	5,509,082	19,300,380	263,349	25,072,811
Technical provisions for reinsurance ceded	21,057,394	219,527,144	-	240,584,538
Asset for post-employment and other long-term benefits	-	-	8,531,339	8,531,339
Other debtors for insurance and other operations	165,454,722	131,623,786	39,931,640	337,010,148
Tax assets	183,909,583	183,023,126	111,132,699	478,065,408
Accruals and deferrals	14,526,019	2,306,259	4,249,159	21,081,437
	<b>11,369,415,801</b>	<b>2,768,503,424</b>	<b>539,318,924</b>	<b>14,677,238,149</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,567,237	247,347,138	-	248,914,375
Mathematical provision for life insurance	1,646,693,482	-	-	1,646,693,482
Claims provision	120,970,140	1,541,250,396	-	1,662,220,536
Provision for profit sharing	68,711,511	314	-	68,711,825
Provision for interest rate commitments	7,025,239	-	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	21,750,883
Equalisation provision	-	24,001,691	-	24,001,691
Provision for unexpired risks	-	46,210,749	-	46,210,749
Financial liabilities	8,316,314,310	112,719,917	20,480,915	8,449,515,142
Liabilities for post-employment and other long-term benefits	-	-	72,273	72,273
Other creditors for insurance and other operations	45,344,341	75,557,815	93,849,635	214,751,791
Tax liabilities	59,853,347	107,436,994	68,477,378	235,767,719
Accruals and deferrals	32,876,354	45,489,767	3,114,692	81,480,813
Other provisions	-	48,536,302	81,618,393	130,154,695
	<b>10,321,106,844</b>	<b>2,248,551,083</b>	<b>267,613,286</b>	<b>12,837,271,213</b>
<b>Total segments</b>				<b>1,739,546,433</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>				<b>1,739,546,433</b>

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	177,456,172	141,557,474	-	319,013,646
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	2,551,811	2,551,811
Claims costs, net of reinsurance	(83,062,265)	(173,918,325)	-	(256,980,590)
Other technical provisions, net of reinsurance	3,521,275	(1,398,705)	-	2,122,570
Mathematical provision for life insurance and profit sharing, net of reinsurance	(4,458,075)	(8,230,660)	-	(12,688,735)
Operating costs and expenses, net	(29,594,458)	(9,549,766)	(47,879,724)	(87,023,948)
Financial income	8,121,115	43,266,489	208,809,201	260,196,805
Financial expenses and net income on financial assets and liabilities	5,351,539	7,317,343	(28,547,094)	(15,878,212)
Impairment losses (net of reversals)	(1,085,100)	(1,064,528)	(141,033,367)	(143,182,995)
Other income/expenses and negative goodwill	504,038	72,028	14,568	590,634
Current income tax	(10,384,335)	(676,530)	(2,079,826)	(13,140,691)
	<b>66,369,906</b>	<b>(2,625,180)</b>	<b>(8,164,431)</b>	<b>55,580,295</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	39,938,418	162,551,538	234,898,353	437,388,309
Investments in associates and joint ventures	94,995,235	-	1,495,123,574	1,590,118,809
Financial assets held for trading	333,966	1,928,725	4,218,997	6,481,688
Financial assets initially recognised at fair value through profit or loss	2,093,808	37,791,668	546,777,433	586,662,909
Hedge derivatives	1,233	-	2,605,166	2,606,399
Available-for-sale assets	272,543,245	1,421,213,698	6,014,530,167	7,708,287,110
Loans and accounts receivable	10,736,328	65,989,215	570,688,234	647,413,777
Properties	-	-	-	-
Other tangible and intangible assets	2,392,203	777,672	2,339,207	5,509,082
Technical provisions for reinsurance ceded	21,057,394	-	-	21,057,394
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	32,316,355	5,289,562	127,848,805	165,454,722
Tax assets	31,366,730	2,129,937	150,412,916	183,909,583
Accruals and deferrals	278,346	765,892	13,481,781	14,526,019
	<b>508,053,261</b>	<b>1,698,437,907</b>	<b>9,162,924,633</b>	<b>11,369,415,801</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,549,119	18,118	-	1,567,237
Mathematical provision for life insurance	208,887,693	1,437,805,789	-	1,646,693,482
Claims provision	101,262,397	19,707,743	-	120,970,140
Provision for profit sharing	32,164,348	36,547,163	-	68,711,511
Provision for interest rate commitments	-	7,025,239	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	21,750,883
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	4,584,477	1,863,273	8,309,866,560	8,316,314,310
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	5,816,763	16,669,315	22,858,263	45,344,341
Tax liabilities	3,565,986	2,952,867	53,334,494	59,853,347
Accruals and deferrals	4,578,518	3,177,206	25,120,630	32,876,354
Other provisions	-	-	-	-
	<b>384,160,184</b>	<b>1,525,766,713</b>	<b>8,411,179,947</b>	<b>10,321,106,844</b>

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	145,803,035	1,975,019	156,865,338	371,567,677	7,653,297	23,850,338	15,119,842	722,834,546
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(155,203,770)	(1,176,535)	(74,797,432)	(266,493,703)	(1,918,664)	(10,358,148)	(2,360,814)	(512,309,066)
Other technical provisions, net of reinsurance	8,834,437	3,669,909	(1,158,639)	(1,178,045)	38,869	624,791	155,263	10,986,585
Mathematical provision for life insurance and profit sharing, net of reinsurance	(12,375)	(7,284)	(12,792)	(1,623)	-	7,656	(3,368)	(29,786)
Operating costs and expenses, net	(33,078,811)	2,361,098	(63,435,874)	(107,591,861)	(2,383,531)	(10,852,665)	(5,090,052)	(220,071,696)
Financial income	20,699,521	2,625,497	8,681,531	19,071,822	544,990	3,631,612	620,236	55,875,209
Financial expenses and net income on financial assets and liabilities	(136,671)	1,990,418	9,586,450	20,165,461	612,061	4,023,491	(550,786)	35,690,424
Impairment losses (net of reversals)	(11,933,623)	(2,320,491)	(6,107,487)	(15,280,138)	(344,411)	(2,677,756)	(270,346)	(38,934,252)
Other income/expenses and negative goodwill	243,104	158,891	633,352	(49,535)	(585)	2,752	(25,044)	962,935
Current income tax	(761,574)	(2,574,146)	(9,314,093)	(11,021,429)	(664,897)	(1,895,541)	(1,828,324)	(28,060,004)
	<b>(25,546,727)</b>	<b>6,702,376</b>	<b>20,940,354</b>	<b>9,188,626</b>	<b>3,537,129</b>	<b>6,356,530</b>	<b>5,766,607</b>	<b>26,944,895</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	3,807,473	536,914	3,831,483	5,892,837	81,386	994,582	599,575	15,744,250
Investments in associates and joint ventures	96,321,852	8,039,931	22,604,707	68,889,328	1,081,673	9,772,064	1,861,524	208,571,079
Financial assets held for trading	802,035	32,287	113,882	284,400	4,477	43,941	7,658	1,288,680
Financial assets initially recognised at fair value through profit or loss	48,101,219	2,213,326	6,349,164	19,007,009	298,503	2,715,844	513,456	79,198,521
Hedge derivatives	-	147,868	415,740	1,266,993	19,894	179,725	34,237	2,064,457
Available-for-sale assets	669,017,720	46,550,370	152,823,396	405,046,980	6,363,514	60,380,149	13,683,828	1,353,865,957
Loans and accounts receivable	47,070,787	9,926,863	34,330,762	85,267,592	1,390,180	12,238,236	7,504,869	197,729,289
Properties	87,583,315	18,881,238	52,119,874	166,532,089	2,685,350	23,699,208	2,759,422	354,260,496
Other tangible and intangible assets	2,316,232	1,242,902	4,612,455	8,702,412	100,915	1,152,662	1,172,802	19,300,380
Technical provisions for reinsurance ceded	771,130	70,287,205	86,819,655	23,703,252	4,159,745	18,166,208	15,619,949	219,527,144
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	26,566,043	15,055,984	48,894,839	25,809,747	6,025,041	6,266,722	3,005,410	131,623,786
Tax assets	49,767,395	11,304,145	37,692,621	65,423,520	2,417,221	10,174,337	6,243,887	183,023,126
Accruals and deferrals	302,711	221,961	563,347	982,108	14,176	102,735	119,221	2,306,259
	<b>1,032,427,912</b>	<b>184,440,994</b>	<b>451,171,925</b>	<b>876,808,267</b>	<b>24,642,075</b>	<b>145,886,413</b>	<b>53,125,838</b>	<b>2,768,503,424</b>
<b>Liabilities</b>								
Provision for unearned premiums	10,514,558	20,394,166	78,515,480	121,305,371	1,426,785	7,903,663	7,287,115	247,347,138
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	792,128,013	47,302,965	130,239,070	438,532,197	9,525,078	101,770,550	21,752,523	1,541,250,396
Provision for profit sharing	-	-	-	-	-	-	314	314
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	23,940,009	-	-	61,682	-	24,001,691
Provision for unexpired risks	16,279,028	-	2,804,697	26,603,814	416	411,465	111,329	46,210,749
Financial liabilities	1,451,213	69,592,511	20,092,179	4,235,335	954,050	1,395,799	14,998,830	112,719,917
Liabilities for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other creditors for insurance and other operations	8,394,725	14,773,729	26,831,909	15,145,008	2,726,864	5,688,560	1,997,020	75,557,815
Tax liabilities	54,858,428	4,499,593	13,553,518	29,769,739	475,967	3,416,618	863,131	107,436,994
Accruals and deferrals	7,342,243	3,755,892	11,238,963	19,095,662	452,759	1,919,716	1,684,532	45,489,767
Other provisions	48,536,302	-	-	-	-	-	-	48,536,302
	<b>939,504,510</b>	<b>160,318,856</b>	<b>307,215,825</b>	<b>654,687,126</b>	<b>15,561,919</b>	<b>122,568,053</b>	<b>48,694,794</b>	<b>2,248,551,083</b>

	Insurance Segment			Total
	Life	Non-life	Not allocated	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	281,114,730	685,507,014	-	966,621,744
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,306,164	-	-	2,306,164
Claims costs, net of reinsurance	(281,266,352)	(496,971,611)	-	(778,237,963)
Other technical provisions, net of reinsurance	1,058,216	(3,555,537)	-	(2,497,321)
Mathematical provision for life insurance and profit sharing, net of reinsurance	5,841,875	19,374	-	5,861,249
Operating costs and expenses, net	(93,305,500)	(223,157,194)	-	(316,462,694)
Financial income	321,665,920	60,862,739	9,654,137	392,182,796
Financial expenses and net income on financial assets and liabilities	124,078,380	87,184,815	(12,920,403)	198,342,792
Impairment losses (net of reversals)	(177,089,162)	(44,468,473)	32,461,523	(189,096,112)
Other income/expenses and negative goodwill	458,319	1,483,671	3,274,859	5,216,849
Current income tax	(37,594,504)	(37,829,683)	(951,100)	(76,375,287)
	<b>147,268,086</b>	<b>29,075,115</b>	<b>31,519,016</b>	<b>207,862,217</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	1,317,923,251	106,971,028	405,982,010	1,830,876,289
Investments in associates and joint ventures	1,005,714,678	191,191,712	46,356,194	1,243,262,584
Financial assets held for trading	957,920	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	822,588,087	64,795,338	675,984	888,059,409
Hedge derivatives	1,285,939	-	-	1,285,939
Available-for-sale assets	7,194,021,019	1,271,341,664	66,017,128	8,531,379,811
Loans and accounts receivable	586,647,360	32,968,156	47,613,886	667,229,402
Properties	-	345,673,762	31,093,495	376,767,257
Other tangible and intangible assets	6,053,731	20,366,877	275,734	26,696,342
Technical provisions for reinsurance ceded	22,800,329	194,250,826	-	217,051,155
Asset for post-employment and other long-term benefits	-	-	13,679,537	13,679,537
Other debtors for insurance and other operations	33,863,834	93,289,561	23,500,428	150,653,823
Tax assets	140,821,700	74,213,864	40,262,666	255,298,230
Accruals and deferrals	13,178,755	2,033,441	5,169,027	20,381,223
	<b>11,145,856,603</b>	<b>2,397,096,229</b>	<b>680,626,089</b>	<b>14,223,578,921</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,796,858	235,029,912	-	236,826,770
Mathematical provision for life insurance	1,632,603,560	-	-	1,632,603,560
Claims provision	124,609,449	1,548,693,485	-	1,673,302,934
Provision for profit sharing	68,763,676	1,763	-	68,765,439
Provision for interest rate commitments	5,626,534	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	25,272,158
Equalisation provision	-	22,425,562	-	22,425,562
Provision for unexpired risks	-	58,773,463	-	58,773,463
Financial liabilities	8,100,730,635	102,850,375	110,076	8,203,691,086
Liabilities for post-employment and other long-term benefits	-	-	90,121	90,121
Other creditors for insurance and other operations	33,082,605	75,707,065	10,592,341	119,382,011
Tax liabilities	99,975,509	66,193,032	8,966,940	175,135,481
Accruals and deferrals	31,486,077	42,207,925	2,748,137	76,442,139
Other provisions	-	47,036,302	107,507,566	154,543,868
	<b>10,123,947,061</b>	<b>2,198,918,884</b>	<b>130,015,181</b>	<b>12,452,881,126</b>
<b>Total segments</b>				<b>1,562,835,578</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>				<b>1,562,835,578</b>

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	181,952,275	99,162,455	-	281,114,730
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	2,306,164	2,306,164
Claims costs, net of reinsurance	(92,887,925)	(188,378,427)	-	(281,266,352)
Other technical provisions, net of reinsurance	(770,000)	1,828,216	-	1,058,216
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,866,579)	14,708,454	-	5,841,875
Operating costs and expenses, net	(29,202,042)	(9,613,709)	(54,489,749)	(93,305,500)
Financial income	9,828,340	48,740,522	263,097,058	321,665,920
Financial expenses and net income on financial assets and liabilities	38,851,404	27,701,977	57,524,999	124,078,380
Impairment losses (net of reversals)	(3,753,009)	(4,832,066)	(168,504,087)	(177,089,162)
Other income/expenses and negative goodwill	532,328	(73,739)	(270)	458,319
Current income tax	(17,331,697)	(144,456)	(20,118,351)	(37,594,504)
	<b>78,353,095</b>	<b>(10,900,773)</b>	<b>79,815,764</b>	<b>147,268,086</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	33,038,534	120,261,980	1,164,622,737	1,317,923,251
Investments in associates and joint ventures	34,731,423	-	970,983,255	1,005,714,678
Financial assets held for trading	642,969	-	314,951	957,920
Financial assets initially recognised at fair value through profit or loss	23,342,557	10,246,641	788,998,889	822,588,087
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale assets	246,997,359	1,267,848,329	5,679,175,331	7,194,021,019
Loans and accounts receivable	67,651,045	271,165,577	247,830,738	586,647,360
Properties	-	-	-	-
Other tangible and intangible assets	2,498,992	944,051	2,610,688	6,053,731
Technical provisions for reinsurance ceded	22,800,329	-	-	22,800,329
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	5,803,393	2,685,615	25,374,826	33,863,834
Tax assets	15,058,346	955,821	124,807,533	140,821,700
Accruals and deferrals	249,623	310,808	12,618,324	13,178,755
	<b>452,814,570</b>	<b>1,674,418,822</b>	<b>9,018,623,211</b>	<b>11,145,856,603</b>
<b>Liabilities</b>				
Provision for unearned premiums	1,784,898	11,960	-	1,796,858
Mathematical provision for life insurance	210,563,925	1,422,039,635	-	1,632,603,560
Claims provision	104,451,604	20,157,845	-	124,609,449
Provision for profit sharing	30,884,520	37,879,156	-	68,763,676
Provision for interest rate commitments	-	5,626,534	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	25,272,158
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	5,050,621	2,672,231	8,093,007,783	8,100,730,635
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	8,962,654	7,590,295	16,529,656	33,082,605
Tax liabilities	11,218,864	2,271,061	86,485,584	99,975,509
Accruals and deferrals	4,322,097	2,743,109	24,420,871	31,486,077
Other provisions	-	-	-	-
	<b>402,511,341</b>	<b>1,500,991,826</b>	<b>8,220,443,894</b>	<b>10,123,947,061</b>

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
<b>Gains and losses</b>								
Earned premiums net of reinsurance	127,279,029	1,840,659	156,529,775	351,498,007	6,655,819	22,789,412	18,914,313	685,507,014
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(149,754,856)	(3,542,567)	(77,652,255)	(241,467,555)	(3,410,916)	(5,691,635)	(15,451,827)	(496,971,611)
Other technical provisions, net of reinsurance	(1,836,240)	(241,523)	220,017	(1,096,035)	(34,500)	(461,446)	(105,810)	(3,555,537)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(8,177)	(3,729)	(10,742)	(2,470)	-	(8,094)	52,586	19,374
Operating costs and expenses, net	(31,502,623)	(4,749,946)	(63,888,731)	(101,855,278)	(2,459,923)	(9,812,360)	(8,888,333)	(223,157,194)
Financial income	24,237,454	2,360,243	7,518,581	20,572,064	1,396,580	3,988,840	788,977	60,862,739
Financial expenses and net income on financial assets and liabilities	33,842,249	2,623,094	11,168,127	30,425,072	2,177,853	5,916,534	1,031,886	87,184,815
Impairment losses (net of reversals)	(17,156,165)	(1,503,207)	(5,691,875)	(15,264,252)	(1,082,952)	(3,001,945)	(768,077)	(44,468,473)
Other income/expenses and negative goodwill	274,528	446,388	104,368	537,512	11,750	99,270	9,855	1,483,671
Current income tax	(2,769,601)	(1,485,774)	(11,436,745)	(17,841,133)	(872,191)	(3,044,217)	(380,022)	(37,829,683)
	<b>(17,394,402)</b>	<b>(4,256,362)</b>	<b>16,860,520</b>	<b>25,505,932</b>	<b>2,381,520</b>	<b>10,774,359</b>	<b>(4,796,452)</b>	<b>29,075,115</b>
<b>Assets</b>								
Cash and cash equivalents and sight deposits	55,090,645	3,576,044	10,714,715	30,533,995	598,474	4,706,907	1,750,248	106,971,028
Investments in associates and joint ventures	78,942,486	8,313,074	21,140,392	68,880,838	1,371,024	10,156,932	2,386,966	191,191,712
Financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	31,007,686	2,475,583	6,458,379	20,618,506	412,372	3,109,191	713,621	64,795,338
Hedge derivatives	-	-	-	-	-	-	-	-
Available-for-sale assets	608,771,231	47,344,037	132,198,331	396,958,172	7,998,019	62,030,304	16,041,570	1,271,341,664
Loans and accounts receivable	11,935,693	610,958	9,126,170	5,280,093	203,361	1,497,276	4,314,605	32,968,156
Properties	86,539,106	18,883,350	46,053,527	162,368,630	3,269,011	24,240,464	4,319,674	345,673,762
Other tangible and intangible assets	2,595,505	1,394,323	5,212,550	8,827,496	149,343	1,097,978	1,089,682	20,366,877
Technical provisions for reinsurance ceded	399,817	71,025,743	62,654,182	20,463,667	6,185,017	23,482,436	10,039,964	194,250,826
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	18,066,313	7,311,021	37,042,356	19,617,607	1,750,133	5,668,165	3,833,966	93,289,561
Tax assets	16,299,744	3,440,497	14,876,578	32,237,871	1,015,595	5,324,962	1,018,617	74,213,864
Accruals and deferrals	274,450	186,109	530,709	844,870	16,394	80,371	100,538	2,033,441
	<b>909,922,676</b>	<b>164,560,739</b>	<b>346,007,889</b>	<b>766,631,745</b>	<b>22,968,743</b>	<b>141,394,986</b>	<b>45,609,451</b>	<b>2,397,096,229</b>
<b>Liabilities</b>								
Provision for unearned premiums	9,968,818	19,494,707	74,636,893	115,759,728	1,667,479	7,454,157	6,048,130	235,029,912
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	782,022,044	49,050,841	112,064,460	462,712,425	12,315,164	108,073,081	22,455,470	1,548,693,485
Provision for profit sharing	-	-	-	-	-	-	1,763	1,763
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	22,363,880	-	-	61,682	-	22,425,562
Provision for unexpired risks	25,113,465	3,669,909	3,222,186	25,425,770	39,286	1,036,256	266,591	58,773,463
Financial liabilities	1,946,637	70,524,190	16,356,595	3,246,120	1,270,831	1,050,509	8,455,493	102,850,375
Liabilities for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other creditors for insurance and other operations	9,429,856	13,840,674	21,736,048	13,728,535	1,269,987	5,383,157	10,318,808	75,707,065
Tax liabilities	21,309,779	3,326,782	12,242,523	25,059,107	637,132	2,862,574	755,135	66,193,032
Accruals and deferrals	6,739,164	3,287,324	10,995,037	17,614,274	574,481	1,518,245	1,479,400	42,207,925
Other provisions	47,036,302	-	-	-	-	-	-	47,036,302
	<b>903,566,065</b>	<b>163,194,427</b>	<b>273,617,622</b>	<b>663,545,959</b>	<b>17,774,360</b>	<b>127,439,661</b>	<b>49,780,790</b>	<b>2,198,918,884</b>

## Geographical markets

2016

(amounts in euros)

	Geographical segment			Total
	Portugal	Rest of European Union	Rest of World	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	975,046,402	55,810,454	10,991,336	1,041,848,192
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,508,587	43,224	-	2,551,811
Claims costs, net of reinsurance	( 729,217,975 )	( 36,601,325 )	( 3,470,356 )	( 769,289,656 )
Other technical provisions, net of reinsurance	12,123,301	( 598,878 )	1,584,732	13,109,155
Mathematical provision for life insurance and profit sharing, net of reinsurance	11,559,074	( 14,781,367 )	( 9,496,228 )	( 12,718,521 )
Operating costs and expenses, net	( 286,952,254 )	( 17,523,987 )	( 2,619,403 )	( 307,095,644 )
Financial income	308,525,917	10,750,600	842,156	320,118,673
Financial expenses and net income on financial assets and liabilities	25,357,036	( 1,366,913 )	728,829	24,718,952
Impairment losses (net of reversals)	( 173,692,660 )	869,640	( 74,087 )	( 172,897,107 )
Other income/expenses and negative goodwill	( 5,482,886 )	529,329	103,129	( 4,850,428 )
Current income tax	( 34,759,793 )	( 303,994 )	( 11,137 )	( 35,074,924 )
	<b>105,014,749</b>	<b>( 3,173,217 )</b>	<b>( 1,421,029 )</b>	<b>100,420,503</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	535,723,585	89,870,704	2,569,428	628,163,717
Investments in associates and joint ventures	1,834,664,020	-	-	1,834,664,020
Financial assets held for trading	25,813,330	54,890	-	25,868,220
Financial assets initially recognised at fair value through profit or loss	659,941,212	6,236,408	-	666,177,620
Hedge derivatives	4,670,856	-	-	4,670,856
Available-for-sale assets	8,704,742,877	371,952,260	469,547	9,077,164,684
Loans and accounts receivable	872,520,985	37,696,210	35,238,480	945,455,675
Properties	384,727,676	-	-	384,727,676
Other tangible and intangible assets	22,964,231	997,693	1,110,887	25,072,811
Technical provisions for reinsurance ceded	192,318,297	47,937,087	329,154	240,584,538
Asset for post-employment and other long-term benefits	8,531,339	-	-	8,531,339
Other debtors for insurance and other operations	298,622,645	16,349,406	561,495	315,533,546
Tax assets	475,643,034	2,671,515	9,537	478,324,086
Accruals and deferrals	20,705,460	326,390	49,587	21,081,437
	<b>14,041,589,547</b>	<b>574,092,563</b>	<b>40,338,115</b>	<b>14,656,020,225</b>
<b>Liabilities</b>				
Provision for unearned premiums	236,388,910	12,152,476	372,989	248,914,375
Mathematical provision for life insurance	1,285,368,204	328,988,118	32,337,160	1,646,693,482
Claims provision	1,607,676,218	54,313,413	230,905	1,662,220,536
Provision for profit sharing	64,798,795	3,872,094	40,936	68,711,825
Provision for interest rate commitments	6,799,165	226,074	-	7,025,239
Provision for portfolio stabilisation	21,750,883	-	-	21,750,883
Equalisation provision	23,967,554	34,137	-	24,001,691
Provision for unexpired risks	43,906,248	1,392,468	912,033	46,210,749
Financial liabilities	8,360,137,467	89,377,675	-	8,449,515,142
Liabilities for post-employment and other long-term benefits	72,273	-	-	72,273
Other creditors for insurance and other operations	172,687,117	20,096,794	491,278	193,275,189
Tax liabilities	230,698,623	5,254,829	72,945	236,026,397
Accruals and deferrals	80,160,017	1,200,025	120,771	81,480,813
Other provisions	130,080,186	74,509	-	130,154,695
	<b>12,264,491,660</b>	<b>516,982,612</b>	<b>34,579,017</b>	<b>12,816,053,289</b>
<b>Total segments</b>				<b>1,739,546,433</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>				<b>1,739,546,433</b>



	Geographical segment			Total
	Portugal	Rest of European Union	Rest of World	
<b>Gains and losses</b>				
Earned premiums net of reinsurance	893,283,526	61,369,308	11,968,910	966,621,744
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	2,262,057	44,107	-	2,306,164
Claims costs, net of reinsurance	(727,205,693)	(42,502,387)	(8,529,883)	(778,237,963)
Other technical provisions, net of reinsurance	(2,922,822)	611,009	(185,508)	(2,497,321)
Mathematical provision for life insurance and profit sharing, net of reinsurance	26,061,952	(15,203,985)	(4,996,718)	5,861,249
Operating costs and expenses, net	(292,611,745)	(22,253,769)	(1,597,180)	(316,462,694)
Financial income	377,820,412	13,399,935	962,449	392,182,796
Financial expenses and net income on financial assets and liabilities	188,420,887	7,152,768	2,769,137	198,342,792
Impairment losses (net of reversals)	(183,463,418)	(5,476,769)	(155,925)	(189,096,112)
Other income/expenses and negative goodwill	4,438,252	53,370	725,227	5,216,849
Current income tax	(76,905,212)	581,331	(51,406)	(76,375,287)
	<b>209,178,196</b>	<b>(2,225,082)</b>	<b>909,103</b>	<b>207,862,217</b>
<b>Assets</b>				
Cash and cash equivalents and sight deposits	1,795,817,797	34,564,887	493,605	1,830,876,289
Investments in associates and joint ventures	1,243,262,584	-	-	1,243,262,584
Financial assets held for trading	957,920	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	881,736,504	6,322,905	-	888,059,409
Hedge derivatives	1,285,939	-	-	1,285,939
Available-for-sale assets	8,260,078,134	271,301,677	-	8,531,379,811
Loans and accounts receivable	520,923,092	120,166,176	26,140,134	667,229,402
Properties	376,767,257	-	-	376,767,257
Other tangible and intangible assets	25,327,863	1,368,479	-	26,696,342
Technical provisions for reinsurance ceded	183,715,250	33,328,887	7,018	217,051,155
Asset for post-employment and other long-term benefits	13,679,537	-	-	13,679,537
Other debtors for insurance and other operations	140,202,830	10,211,230	239,763	150,653,823
Tax assets	251,627,045	3,671,112	73	255,298,230
Accruals and deferrals	19,538,852	842,371	-	20,381,223
	<b>13,714,920,604</b>	<b>481,777,724</b>	<b>26,880,593</b>	<b>14,223,578,921</b>
<b>Liabilities</b>				
Provision for unearned premiums	227,457,322	9,369,448	-	236,826,770
Mathematical provision for life insurance	1,295,650,361	314,046,651	22,906,548	1,632,603,560
Claims provision	1,635,996,454	37,259,771	46,709	1,673,302,934
Provision for profit sharing	63,303,685	5,430,473	31,281	68,765,439
Provision for interest rate commitments	5,626,534	-	-	5,626,534
Provision for portfolio stabilisation	25,272,158	-	-	25,272,158
Equalisation provision	22,417,559	8,003	-	22,425,562
Provision for unexpired risks	57,727,665	1,045,798	-	58,773,463
Financial liabilities	8,150,539,073	53,152,013	-	8,203,691,086
Liabilities for post-employment and other long-term benefits	90,121	-	-	90,121
Other creditors for insurance and other operations	102,917,350	14,299,885	2,164,776	119,382,011
Tax liabilities	170,072,883	5,044,598	18,000	175,135,481
Accruals and deferrals	75,263,572	1,150,254	28,313	76,442,139
Other provisions	154,482,559	61,309	-	154,543,868
	<b>11,986,817,296</b>	<b>440,868,203</b>	<b>25,195,627</b>	<b>12,452,881,126</b>
<b>Total segments</b>				<b>1,562,835,578</b>
<b>Shareholders' equity, reserves, retained earnings and non-controlling interests</b>				<b>1,562,835,578</b>

The headings "Other debtors for insurance and other operations", "Tax assets", "Other creditors for insurance and other operations" and "Tax liabilities" are broken down differently between Assets and Liabilities, when compared to the Financial Statements due to the fact that the process of allocation by segments leads to a different breakdown of balances.

## 41. Related Parties

The Company's related parties are deemed to be the subsidiaries and associates of the Fosun Group, and Caixa Geral de Depósitos, S.A., and respective management bodies.

At 31 December 2016 and 2015 the Company's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2016	(amounts in euros)				
	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Via Directa - Companhia de Seguros, S.A. (2)	Universal Seguros, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)	Garantia - Companhia de Seguros de Cabo Verde, S.A. (2)
<b>Assets</b>					
Cash and cash equivalents	-	-	-	173,393,334	-
Investments in subsidiaries, associates and joint ventures	-	29,924,788	10,967,358	-	6,260,184
Financial assets initially recognised at					
fair value through profit or loss	-	-	-	49,920,435	-
Available-for-sale investments	-	-	-	23,728,405	-
Loans and accounts receivable	-	-	507,804	73,890,684	141,795
Technical provisions on reinsurance ceded	16,939,939	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	1,786,052	-
Accounts receivable for other reinsurance operations	-	53,197	8,273,448	-	37,321
Accounts receivable for other operations	17,872	-	5,417,201	16,187	-
Accruals and deferrals	-	-	-	18,497	-
<b>Liabilities</b>					
Provision for unearned premiums	-	-	1,311,423	-	50,997
Claims provision	-	459,906	725,368	-	773,978
Financial liabilities held for trading	-	-	-	7,164,396	-
Other financial liabilities	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	4,610,738	-
Accounts payable for other reinsurance operations	545,876	-	-	-	-
Accounts payable for other operations	-	3,311	1,263,661	53,731	43,230
Accruals and deferrals	22,150	-	-	16,389,822	-
<b>Gains and Losses</b>					
Gross premiums written	-	1,708,413	4,146,371	-	1,262,545
Reinsurance ceded premiums	(39,131,126)	-	-	-	-
Provision for unearned premiums (change)	-	-	(297,596)	-	(73,886)
Provision for unearned premiums, reinsurers' share (change)	601,526	-	-	-	-
Claims costs, net of reinsurance	(1,467)	(485,660)	74,526	(261,298)	(309,001)
Operating costs and expenses, net	3,023,068	176,028	(386,921)	(45,082,657)	(303,719)
Financial income	265,662	240,256	14,452	10,069,844	328,212
Financial expenses	-	-	(247,163)	(2,492,973)	(46,370)
Net income on financial assets and liabilities					
not recognised at fair value through profit or loss	-	-	-	-	-
Net income on financial assets and liabilities					
recognised at fair value through profit or loss	-	-	-	-	-
Exchange differences	-	-	35,793	2,376,017	-
Impairment losses (net of reversals)	-	-	-	-	-
Other income/expenses	-	290	1,207,872	(55,945)	-

(continued)

(amounts in euros)

	Fidelidade Property Europe, S.A. (2)	Fundo de Investimento Imobiliário Fechado Saudeinvest (2)	Fundo de Investimento Imobiliário Fechado Bonança I (2)	Multicare - Seguros de Saúde, S.A. (2)	Companhia Portuguesa de Resseguros, S.A. (2)
<b>Assets</b>					
Cash and cash equivalents	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	751,231,363	-	-	-	10,485,000
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-
Available-for-sale investments	-	117,156,094	11,615,058	-	-
Loans and accounts receivable	9,039,022	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	70,246,856	3,601,708
Accounts receivable for direct insurance operations	-	-	-	379,764	-
Accounts receivable for other reinsurance operations	-	-	-	-	71,943
Accounts receivable for other operations	4,807	-	-	-	33,619
Accruals and deferrals	17,147	-	-	-	-
<b>Liabilities</b>					
Provision for unearned premiums	-	-	-	-	776,446
Claims provision	-	-	-	-	1,289,197
Financial liabilities held for trading	130,865	-	-	-	-
Other financial liabilities	-	-	-	69,479,349	119,371
Accounts payable for direct insurance operations	-	-	-	4,209,184	-
Accounts payable for other reinsurance operations	-	-	-	4,188,777	190,812
Accounts payable for other operations	13,186,846	-	-	333,503	-
Accruals and deferrals	-	-	-	47,071	-
<b>Gains and Losses</b>					
Gross premiums written	-	-	-	-	2,011,885
Reinsurance ceded premiums	-	-	-	(233,725,837)	(2,252,438)
Provision for unearned premiums (change)	-	-	-	-	(856,862)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	949,896	856,862
Claims costs, net of reinsurance	43,629	-	-	174,224,177	1,656,962
Operating costs and expenses, net	39,673	-	-	36,766,637	(5,414)
Financial income	1,343,380	-	-	564,551	-
Financial expenses	(1,069,517)	-	-	(873,696)	(2,114)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	(40,525)	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	(13,380,717)	-	-	-	-
Exchange differences	44,692	-	-	-	-
Impairment losses (net of reversals)	-	-	-	-	192,000
Other income/expenses	-	-	-	(73,396)	48,101

(continued)

(amounts in euros)

	FCM Beteiligungs GmbH (2)	Tom Tailor, GmbH (2)	Luz Saúde, S.A. (2)	Fidelidade - Property International, S.A. (2)	HOLDING GAILLON II (5)	Fidelidade Macau - Companhia de Seguros, S.A. (2)
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	5,329,676	-	476,516,854	522,576,721	-	17,889,052
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale investments	-	20,675,880	-	-	149,936,082	-
Loans and accounts receivable	-	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	-	32,802
Accounts receivable for other operations	-	-	4,905	5,410,134	-	-
Accruals and deferrals	-	-	-	-	-	-
<b>Liabilities</b>						
Provision for unearned premiums	-	-	-	-	-	29,036
Claims provision	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	17,880,630	-	-
Other financial liabilities	-	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	-	-	-
Accounts payable for other operations	-	-	4,905	-	-	-
Accruals and deferrals	-	-	-	-	-	-
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	-	-	207,728
Reinsurance ceded premiums	-	-	-	-	-	-
Provision for unearned premiums (change)	-	-	-	-	-	(35,330)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	-
Claims costs, net of reinsurance	-	-	-	-	-	-
Operating costs and expenses, net	-	-	(90)	-	-	(38,946)
Financial income	-	-	-	-	7,731,074	-
Financial expenses	-	-	-	17,605	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	(13,452,137)	-	-
Exchange differences	-	-	-	783,324	-	-
Impairment losses (net of reversals)	(45,636)	(7,282,173)	-	-	-	-
Other income/expenses	-	-	-	-	-	(202,486)

(continued)

(amounts in euros)

	Xingtao Assets Limited (5)	BHF (ex. RHJ International, SA) (5)	Peak Reinsurance Company (5)	Longrun Portugal, SGPS, S.A. (1)	Others	TOTAL
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	173,393,334
Investments in subsidiaries, associates and joint ventures	-	-	-	-	3,483,024	1,834,664,020
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	49,920,435
Available-for-sale investments	302,242,500	-	-	-	-	625,354,019
Loans and accounts receivable	-	-	-	-	30,100	83,609,405
Technical provisions on reinsurance ceded	-	-	148,379	-	-	90,936,882
Accounts receivable for direct insurance operations	-	-	-	-	526,304	2,692,120
Accounts receivable for other reinsurance operations	-	-	68,299	-	-	8,537,010
Accounts receivable for other operations	-	-	-	151,113	504,663	11,560,501
Accruals and deferrals	-	-	-	-	-	35,644
<b>Liabilities</b>						
Provision for unearned premiums	-	-	192,065	-	-	2,359,967
Claims provision	-	-	-	-	-	3,248,449
Financial liabilities held for trading	-	-	-	-	-	25,175,891
Other financial liabilities	-	-	604,002	-	-	70,202,722
Accounts payable for direct insurance operations	-	-	-	-	-	8,819,922
Accounts payable for other reinsurance operations	-	-	692,814	-	-	5,618,279
Accounts payable for other operations	-	-	1,913	54,063,821	1,198,194	70,153,115
Accruals and deferrals	-	-	-	-	9,453	16,468,496
<b>Gains and Losses</b>						
Gross premiums written	-	-	254,596	-	-	9,591,538
Reinsurance ceded premiums	-	-	(6,525,292)	-	-	(281,634,693)
Provision for unearned premiums (change)	-	-	(192,065)	-	-	(1,455,739)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	2,408,284
Claims costs, net of reinsurance	-	-	2,102,117	-	(648,870)	176,395,115
Operating costs and expenses, net	-	-	1,132,840	-	(1,170,641)	(5,850,142)
Financial income	21,168,883	-	-	-	260,828	41,987,142
Financial expenses	-	-	-	-	(42,420)	(4,756,648)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	(10,197)	11,090,496	-	-	-	26,273,370
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-	(26,538,734)
Exchange differences	-	-	-	-	-	3,239,826
Impairment losses (net of reversals)	-	-	-	-	(670)	(7,136,479)
Other income/expenses	-	-	-	149	3,881	928,466

2015

(amounts in euros)

	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Via Directa - Companhia de Seguros, S.A. (2)	Universal Seguros, S.A. (2)	Caixa Geral de Depósitos, S.A. (5)	Garantia - Companhia de Seguros de Cabo Verde, S.A. (2)	Fidelidade Property Europe, S.A. (2)
<b>Assets</b>						
Cash and cash equivalents	-	-	-	1,584,896,634	-	-
Investments in subsidiaries, associates and joint ventures	-	29,924,788	10,967,358	-	6,260,184	324,906,732
Financial assets initially recognised at fair value through profit or loss	-	-	-	62,366,492	-	-
Available-for-sale investments	-	-	-	487,078,867	-	-
Loans and accounts receivable	-	-	730,541	73,941,363	74,564	8,984,116
Technical provisions on reinsurance ceded	16,338,413	-	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	2,598,733	-	-
Accounts receivable for other reinsurance operations	-	-	5,944,285	-	533,630	-
Accounts receivable for other operations	12,795	9,242	2,483,483	-	-	-
Accruals and deferrals	-	-	-	20,533	-	19,439
<b>Liabilities</b>						
Provision for unearned premiums	-	-	1,182,072	-	-	-
Claims provision	-	525,926	1,301,379	-	859,107	-
Financial liabilities held for trading	-	-	-	7,625,988	-	-
Other financial liabilities	-	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	5,067,344	-	-
Accounts payable for other reinsurance operations	407,466	6,873	-	-	-	-
Accounts payable for other operations	2,097	-	1,488,372	129,118	34,903	1,763
Accruals and deferrals	22,115	-	-	13,445,555	-	-
<b>Gains and Losses</b>						
Gross premiums written	-	1,613,795	4,051,875	-	1,514,125	-
Reinsurance ceded premiums	(37,754,377)	-	-	-	-	-
Provision for unearned premiums (change)	-	-	1,932,436	-	-	-
Provision for unearned premiums, reinsurers' share (change)	1,208,158	-	-	-	-	-
Claims costs, net of reinsurance	9,952	(380,390)	(1,880,499)	(371,973)	(604,238)	22,797
Operating costs and expenses, net	2,873,907	72,313	(649,590)	(44,586,339)	(364,605)	(131,412)
Financial income	265,379	469,913	90,554	22,194,514	355,876	185,516
Financial expenses	-	371	(237,160)	(2,991,094)	-	(856,284)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	(696,602)	-	-
Exchange differences	-	-	245,543	1,404,621	-	-
Impairment losses (net of reversals)	-	(3,395,812)	-	-	-	-
Other income/expenses	-	1	1,421,168	(22,485)	-	-

(continued)

(amounts in euros)

	Fundo de Investimento Imobiliário Fechado Saudeinvest (2)	Fundo de Investimento Imobiliário Fechado Bonança I (2)	Multicare - Seguros de Saúde, S.A. (2)	Companhia Portuguesa de Resseguros, S.A. (2)	FCM Beteiligungs GmbH (2)	Tom Tailor, GmbH (5)
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	10,293,000	5,375,313	-
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale investments	106,887,373	14,815,022	-	-	-	21,051,291
Loans and accounts receivable	-	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	70,673,754	527,026	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	282,308	-	-
Accounts receivable for other operations	-	-	37,237	-	-	-
Accruals and deferrals	-	-	-	-	-	-
<b>Liabilities</b>						
Provision for unearned premiums	-	-	-	-	-	-
Claims provision	-	-	-	591,929	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Other financial liabilities	-	-	70,454,022	281,871	-	-
Accounts payable for direct insurance operations	-	-	2,502,250	-	-	-
Accounts payable for other reinsurance operations	-	-	2,967,329	38,463	-	-
Accounts payable for other operations	-	-	372,736	23,172	-	-
Accruals and deferrals	-	-	46,996	-	-	-
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	1,647,310	-	-
Reinsurance ceded premiums	-	-	(203,456,683)	(1,912,644)	-	-
Provision for unearned premiums (change)	-	-	-	-	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	454,927	-	-	-
Claims costs, net of reinsurance	-	-	155,097,953	103,997	-	-
Operating costs and expenses, net	-	-	28,077,030	(4,119)	-	-
Financial income	-	-	563,949	197,278	-	-
Financial expenses	-	-	(814,511)	-	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Impairment losses (net of reversals)	-	-	-	267,733	(8,718,507)	(21,840,553)
Other income/expenses	-	-	(69,977)	2,537	-	-

(continued)

(amounts in euros)

	Luz Saúde, S.A. (2)	Fidelidade - Property International, S.A. (2)	HOLDING GAILLON II (5)	Fidelidade Macau - Companhia de Seguros, S.A. (2)	HOLDING GAILLON II (5)	Fidelidade - Consultoria e Gestão de Risco Ltd (2)
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	474,876,398	359,286,067	-	-	-	335
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-
Available-for-sale investments	-	-	-	-	142,205,008	-
Loans and accounts receivable	-	-	34,299,681	-	-	-
Technical provisions on reinsurance ceded	-	-	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	-	-
Accounts receivable for other operations	-	-	357,266	3,144	-	10,217
Accruals and deferrals	-	-	-	-	-	6,785
<b>Liabilities</b>						
Provision for unearned premiums	-	-	-	-	-	-
Claims provision	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	-	-	-
Accounts payable for other operations	-	-	-	-	-	-
Accruals and deferrals	-	-	-	-	-	-
<b>Gains and Losses</b>						
Gross premiums written	-	-	-	-	-	-
Reinsurance ceded premiums	-	-	-	-	-	-
Provision for unearned premiums (change)	-	-	-	-	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	-
Claims costs, net of reinsurance	-	-	-	-	-	(3,846)
Operating costs and expenses, net	-	-	-	-	-	(7,693)
Financial income	-	-	-	-	6,631,484	-
Financial expenses	-	-	-	-	-	(1,282)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	-	-	(16)
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	16
Impairment losses (net of reversals)	-	-	-	-	-	-
Other income/expenses	-	-	(4,062)	117	-	(677)



(continued)

(amounts in euros)

	Fidelidade - Assistência e Serviços, S.A. (2)	Fidelidade Macau - Companhia de Seguros, S.A. (2)	Bona Film Group Ltd (5)	Xingtao Assets Limited (5)	BHF (ex. RHJ International, SA) (5)	Others	TOTAL
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	-	1,584,896,634
Investments in subsidiaries, associates and joint ventures	335	17,889,052	-	-	-	3,483,022	1,243,262,584
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-	62,366,492
Available-for-sale investments	-	-	-	669,756,750	66,079,133	-	1,507,873,444
Loans and accounts receivable	-	-	-	-	-	797,737	118,828,002
Technical provisions on reinsurance ceded	-	-	-	-	-	4,618	87,543,811
Accounts receivable for direct insurance operations	-	-	-	-	-	-	2,598,733
Accounts receivable for other reinsurance operations	-	-	-	-	-	-	6,760,223
Accounts receivable for other operations	20,849	6,774,066	-	-	-	225,547	9,933,846
Accruals and deferrals	-	-	-	-	-	32,850	79,607
<b>Liabilities</b>							
Provision for unearned premiums	-	-	-	-	-	-	1,182,072
Claims provision	-	-	-	-	-	-	3,278,341
Financial liabilities held for trading	-	-	-	-	-	-	7,625,988
Other financial liabilities	-	-	-	-	-	732,222	71,468,115
Accounts payable for direct insurance operations	-	-	-	-	-	-	7,569,594
Accounts payable for other reinsurance operations	-	-	-	-	-	1,681,438	5,101,569
Accounts payable for other operations	-	6,569,849	-	-	-	232,087	8,854,097
Accruals and deferrals	-	-	-	-	-	9,703	13,524,369
<b>Gains and Losses</b>							
Gross premiums written	-	-	-	-	-	-	8,827,105
Reinsurance ceded premiums	-	-	-	-	-	(5,015,387)	(248,139,091)
Provision for unearned premiums (change)	-	-	-	-	-	-	1,932,436
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-	-	1,663,085
Claims costs, net of reinsurance	(7,304)	-	-	-	-	(601,021)	151,385,428
Operating costs and expenses, net	(14,609)	-	-	-	-	(454,665)	(15,189,782)
Financial income	-	-	-	32,085,859	-	925,049	63,965,371
Financial expenses	(2,435)	-	-	-	-	(23,034)	(4,925,429)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	(16)	-	58,770,367	(155,680)	-	-	71,046,838
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	-	-	-	(696,602)
Exchange differences	16	-	8,543,466	-	-	-	10,193,662
Impairment losses (net of reversals)	-	-	-	-	-	(773,402)	(34,460,541)
Other income/expenses	(73)	204,217	-	-	-	(335)	1,530,431

The related parties are divided into the following categories

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint Ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.

## Payment of remuneration to statutory bodies

The Remuneration Commission is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholders.

The remuneration and benefits paid to the members of the Corporate Bodies during 2016 were as follows:

(amounts in euros)

Board of Directors	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Non-executive members</b>					
<b>Chairman</b>					
Guangchang Guo	-	-	-	-	-
<b>Vice chairman</b>					
João Nuno de Oliveira Jorge Palma	-	-	-	-	-
<b>Members</b>					
Qunbin Wang	-	-	-	-	-
Nuno Maria Pinto de Magalhães Fernandes Thomaz	-	-	-	-	-
Michael Lee	-	-	-	-	-
José Pedro Cabral dos Santos	-	-	-	-	-
Lan Kang	-	-	-	-	-
Xiaoyong Wu	-	-	-	-	-
Lingjiang Xu	-	-	-	827	-

(amounts in euros)

Executive members	Fixed Remuneration	Capitalisation insurance Deferred receipt	Variable Remuneration*	Meal allowance	Health insurance	Life insurance
<b>Vice chairman and chairman of executive committee</b>						
Jorge Manuel Baptista Magalhães Correia	350,000	-	240,000	2,564	1,935	181
<b>Members of executive committee</b>						
António Manuel Marques Sousa Noronha	290,000	-	120,400	2,564	1,853	181
José Manuel Alvarez Quintero	290,000	-	120,400	2,564	2,448	181
Rogério Miguel Antunes Campos Henriques	290,000	-	120,400	2,506	2,961	181
Wai Lam William Mak	290,000	-	120,400	2,574	827	181

(amounts in euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
<b>Chairman</b>					
Pedro Antunes de Almeida	42,000	-	-	-	-
<b>Members</b>					
José António da Costa Figueiredo	30,800	-	-	-	-
Luís Manuel Machado Vilhena da Cunha	30,800	-	-	-	-

\*Concerning the financial year 2015

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, related to 2016, are EUR 462,000, EUR 380,000 of which are related to the Statutory Audit, EUR 47,000 to compliance and assurance services and EUR 25,000 to other services.

## 42. Disclosures Relating to Financial Instruments

### STATEMENTS OF FINANCIAL POSITION

At 31 December 2016 and 2015, the financial instruments had the following balance sheet value:

(amounts in euros)

	2016		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	628,163,717	628,163,717
Investments in subsidiaries, associates and joint ventures	-	1,834,664,020	1,834,664,020
Financial assets held for trading	25,868,220	-	25,868,220
Financial assets initially recognised at fair value through profit or loss	666,177,620	-	666,177,620
Hedge derivatives	4,670,856	-	4,670,856
Available-for-sale investments	9,021,042,515	56,122,169	9,077,164,684
Loans and accounts receivable	-	945,455,675	945,455,675
Other debtors	-	152,951,281	152,951,281
	<b>9,717,759,211</b>	<b>3,617,356,862</b>	<b>13,335,116,073</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,404,104,974	1,404,104,974
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	512,977,194	7,780,213,141	8,293,190,335
Financial liabilities held for trading	33,170,490	-	33,170,490
Hedge derivatives	8,737,701	-	8,737,701
Deposits received from reinsurers	-	114,416,616	114,416,616
Other creditors	-	102,093,850	102,093,850
	<b>554,885,385</b>	<b>9,400,828,581</b>	<b>9,955,713,966</b>

(amounts in euros)

	2015		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
<b>Assets</b>			
Cash and cash equivalents	-	1,830,876,289	1,830,876,289
Investments in subsidiaries, associates and joint ventures	-	1,243,262,584	1,243,262,584
Financial assets held for trading	957,920	-	957,920
Financial assets initially recognised			
at fair value through profit or loss	888,059,409	-	888,059,409
Hedge derivatives	1,285,939	-	1,285,939
Available-for-sale investments	8,477,411,151	53,968,660	8,531,379,811
Loans and accounts receivable	-	667,229,402	667,229,402
Other debtors	-	114,106,209	114,106,209
	<b>9,367,714,419</b>	<b>3,909,443,144</b>	<b>13,277,157,563</b>
<b>Liabilities</b>			
Mathematical provision for life insurance	-	1,396,993,861	1,396,993,861
Financial liabilities of the deposit component of insurance contracts			
and on insurance contracts and operations considered			
for accounting purposes as investment contracts	573,049,422	7,502,593,808	8,075,643,230
Financial liabilities held for trading	18,448,784	-	18,448,784
Hedge derivatives	4,155,656	-	4,155,656
Deposits received from reinsurers	-	105,443,416	105,443,416
Other creditors	-	103,164,798	103,164,798
	<b>595,653,862</b>	<b>9,108,195,883</b>	<b>9,703,849,745</b>

The amount in the heading "Mathematical provision for life insurance" corresponds to the value of the mathematical provisions of capitalisation products in the life insurance business with profit sharing.

The amount considered in the headings "Other debtors" and "Other creditors" essentially corresponds to the balances receivable and payable from and to insured persons, reinsurers, reinsured persons, brokers, agents and other external entities.

## GAINS AND LOSSES

In the years ended on 31 December 2016 and 2015, the net gains and losses on financial instruments had the following breakdown

(amounts in euros)

	2016			2015		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Earned premiums net of reinsurance	132,563,154	-	132,563,154	92,755,056	-	92,755,056
Claims costs, net of reinsurance	(171,984,936)	-	(171,984,936)	(184,533,981)	-	(184,533,981)
Mathematical provision for life insurance, net of reinsurance	5,121,046	-	5,121,046	52,983,084	-	52,983,084
Income from financial instruments						
Assets held for trading	(1,492,381)	-	(1,492,381)	(1,395,064)	-	(1,395,064)
Financial assets at fair value through profit or loss	24,450,921	-	24,450,921	29,743,603	-	29,743,603
Available-for-sale investments	265,751,192	-	265,751,192	328,295,140	-	328,295,140
Loans and accounts receivable	8,791,099	-	8,791,099	12,872,745	-	12,872,745
Sight deposits	94,840	-	94,840	268,280	-	268,280
Other financial assets	1,309,088	-	1,309,088	1,562,525	-	1,562,525
Net gains from financial assets and liabilities not recognised at fair value through profit or loss						
Available-for-sale investments	211,369,685	(43,369,491)	168,000,194	353,426,469	(284,952,925)	68,473,544
Loans and accounts receivable	(83,484)	-	(83,484)	-	-	-
Financial liabilities at amortised cost	(148,712,098)	-	(148,712,098)	(187,551,641)	-	(187,551,641)
Other	-	-	-	(32)	-	(32)
Net gains from financial assets and liabilities recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	(68,959,500)	-	(68,959,500)	(37,315,005)	-	(37,315,005)
Financial assets and liabilities initially recognised at fair value through profit or loss	218,948	-	218,948	16,912,834	-	16,912,834
Other	(4,651,695)	-	(4,651,695)	3,434,798	-	3,434,798
Exchange differences	39,406,487	-	39,406,487	45,825,181	-	45,825,181
Impairment losses (net of reversals)						
Available-for-sale investments	(179,344,859)	-	(179,344,859)	(216,093,586)	-	(216,093,586)
Loans and accounts receivable at amortised cost	199,651	-	199,651	496,540	-	496,540
Other	145,695	-	145,695	(12,619,988)	-	(12,619,988)
Interest on deposits received from reinsurers	(2,334,984)	-	(2,334,984)	(1,196,610)	-	(1,196,610)
	<b>111,857,869</b>	<b>(43,369,491)</b>	<b>68,488,378</b>	<b>297,870,348</b>	<b>(284,952,925)</b>	<b>12,917,423</b>

In the years ended on 31 December 2016 and 2015, the income and expenses with interest, calculated according to the effective rate method, relating to financial assets and liabilities not recognised at fair value through profit or loss, had the following breakdown:

(amounts in euros)

	2016	2015
<b>Assets</b>		
Available-for-sale investments	246,650,711	285,719,961
Loans and accounts receivable	8,791,099	12,872,745
Sight deposits in credit institutions	94,840	268,280
	<b>255,536,650</b>	<b>298,860,985</b>
<b>Liabilities</b>		
Mathematical provision for life insurance	( 29,945,814 )	( 32,296,814 )
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	( 148,712,098 )	( 187,551,641 )
Deposits received from reinsurers	( 2,334,984 )	( 1,196,610 )
	<b>( 180,992,896 )</b>	<b>( 221,045,065 )</b>

## OTHER DISCLOSURES

### Fair Value of Financial Instruments

At 31 December 2016 and 2015, the method for assessing the fair value of the financial instruments reflected in the Company's financial statements can be summarised as follows:

(amounts in euros)

	2016			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	628,163,717	628,163,717
Investments in subsidiaries, associates and joint ventures	-	-	-	1,834,664,020	1,834,664,020
Financial assets held for trading	9,140,005	16,728,215	-	-	25,868,220
Financial assets initially recognised at fair value through profit or loss	372,148,596	293,958,635	70,389	-	666,177,620
Hedge derivatives	4,356,758	314,098	-	-	4,670,856
Available-for-sale investments	6,620,979,199	1,438,520,031	961,543,285	56,122,169	9,077,164,684
Loans and accounts receivable	-	-	-	945,455,675	945,455,675
Other debtors	-	-	-	152,951,281	152,951,281
	<b>7,006,624,558</b>	<b>1,749,520,979</b>	<b>961,613,674</b>	<b>3,617,356,862</b>	<b>13,335,116,073</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,404,104,974	1,404,104,974
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	512,977,194	-	7,780,213,141	8,293,190,335
Financial liabilities held for trading	9,277,880	23,892,610	-	-	33,170,490
Hedge derivatives	8,737,701	-	-	-	8,737,701
Deposits received from reinsurers	-	-	-	114,416,616	114,416,616
Other creditors	-	-	-	102,093,850	102,093,850
	<b>18,015,581</b>	<b>536,869,804</b>	<b>-</b>	<b>9,400,828,581</b>	<b>9,955,713,966</b>
	<b>6,988,608,977</b>	<b>1,212,651,175</b>	<b>961,613,674</b>	<b>(5,783,471,719)</b>	<b>3,379,402,107</b>

(amounts in euros)

	2015			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
<b>Assets</b>					
Cash and cash equivalents	-	-	-	1,830,876,289	1,830,876,289
Investments in subsidiaries, associates and joint ventures	-	-	-	1,243,262,584	1,243,262,584
Financial assets held for trading	957,920	-	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	411,966,336	468,164,968	7,928,105	-	888,059,409
Hedge derivatives	1,285,939	-	-	-	1,285,939
Available-for-sale investments	5,014,963,043	1,737,629,286	1,724,818,822	53,968,660	8,531,379,811
Loans and accounts receivable	-	-	-	667,229,402	667,229,402
Other debtors	-	-	-	114,106,209	114,106,209
	<b>5,429,173,238</b>	<b>2,205,794,254</b>	<b>1,732,746,927</b>	<b>3,909,443,144</b>	<b>13,277,157,563</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	-	-	-	1,396,993,861	1,396,993,861
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	573,049,422	-	7,502,593,808	8,075,643,230
Financial liabilities held for trading	10,822,796	7,625,988	-	-	18,448,784
Hedge derivatives	4,155,656	-	-	-	4,155,656
Deposits received from reinsurers	-	-	-	105,443,416	105,443,416
Other creditors	-	-	-	103,164,798	103,164,798
	<b>14,978,452</b>	<b>580,675,410</b>	<b>-</b>	<b>9,108,195,883</b>	<b>9,703,849,745</b>
	<b>5,414,194,786</b>	<b>1,625,118,844</b>	<b>1,732,746,927</b>	<b>(5,198,752,739)</b>	<b>3,573,307,818</b>

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 – “Fair Value Measurement”, of the financial instruments held by the Company at 31 December 2016 and 2015 which are valued at fair value, in line with the following assumptions:

- Level 1 – Financial instruments valued on the basis of quoted prices in active markets to which the Company has access. Included in this category are securities valued on the basis of executable prices (with immediate liquidity) published by external sources.
- Level 2 – Financial instruments which are valued based on data which is observable, either directly or indirectly, in active markets. Included in this category are securities valued on the basis of bids supplied by external counterparties and internal valuation techniques which only use observable market data.
- Level 3 – All the financial instruments measured at fair value which do not fit within Levels 1 and 2.



The movement in 2015 and 2016 in the financial instruments classified within Level 3 of the fair value hierarchy can be broken down as follows:

(amounts in euros)

	Available-for-sale investments	Financial assets initially recognised at fair value through profit or loss
<b>Balances at 31 December 2014</b>	<b>944,692,201</b>	<b>25,166,801</b>
Acquisitions	170,767,929	-
Revaluations		
as a charge to the income statement	2,549,809	2,968
as a charge to shareholders' equity	7,105,402	-
Increase / reversal of impairment in the year	8,682,335	-
Transfers from		
from level 2 to level 3	689,243,417	-
Disposals	(98,222,271)	(17,241,664)
<b>Balances at 31 December 2015</b>	<b>1,724,818,822</b>	<b>7,928,105</b>
Acquisitions	1,019,692	-
Revaluations		
as a charge to the income statement	(18,757,025)	200,469
as a charge to shareholders' equity	64,272,276	-
Increase / reversal of impairment in the year	(3,659,236)	-
Disposals	(806,151,244)	(8,058,185)
<b>Balances at 31 December 2016</b>	<b>961,543,285</b>	<b>70,389</b>

At 31 December 2016 and 2015, the balance sheet value and the fair value of the financial assets valued at amortised cost or at historical cost were as follows:

(amounts in euros)

	2016		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	628,163,717	628,163,717	-
Available-for-sale investments	56,122,169	56,122,169	-
Loans and accounts receivable	945,455,675	945,455,675	-
Other debtors	152,951,281	152,951,281	-
	<b>1,782,692,842</b>	<b>1,782,692,842</b>	<b>-</b>

(amounts in euros)

	2015		
	Balance sheet value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	1,830,876,289	1,830,876,289	-
Available-for-sale investments	53,968,660	53,968,660	-
Loans and accounts receivable	667,229,402	667,229,402	-
Other debtors	114,106,209	114,106,209	-
	<b>2,666,180,560</b>	<b>2,666,180,560</b>	<b>-</b>

The main assumptions used to calculate the fair value of these assets were:

- The fair value of the financial applications recognised in "Cash and cash equivalents" is the same as their balance sheet value, as essentially they correspond to short-term deposits.
- The heading "Loans and accounts receivable" includes:
  - i) Term deposits – fair value is the same as their balance sheet value, as essentially they correspond to short-term deposits;
  - ii) Mortgage loans – fair value has not been calculated, given the intangible nature of the value and the fact that these are loans given to employees, with real guarantees.

#### Management policies on financial risks inherent to Fidelidade's activity

The Company's objectives, rules and procedures on market risk management are governed by the Investments Policy defined on the basis of guidelines approved by the Executive Committee. This Policy is regularly updated and undergoes mandatory review every three years.

The Investments Policy defines the guiding principles for managing investments and provides support for the Company's entire investment process, including asset and liability management (ALM), strategic asset allocation (SAA), tactical asset allocation (TAA), dynamic management of the investment portfolio and control and reporting activities regarding investment activity. The Investments Policy aims to ensure alignment with the objectives and respective investment strategy, and to enable an effective process for accompanying and supervising the activity.

The investment process which the Company follows is based on best governance practice in order to enable rational and substantiated decisions when selecting assets and an appropriate risk-return ratio.

The Company's investment activity follows a structured process containing 5 key steps:

- **Identification of the opportunity:** identification, by the team or body with responsibility for assets management, of investment opportunities which fit within the Investments Policy and the guidelines approved by the Investment Committee and which have an appropriate risk-profitability ratio for the Company;
- **Assessment of the opportunity:** the assessment is also performed by the team or body with responsibility for assets management, taking into account both qualitative aspects (e.g. expected trend for a given class of asset, industry or geographical location) and quantitative aspects (e.g. expected return, credit risk);

• **Investment proposal:** the proposal written by the team or body with responsibility for assets management should be submitted for the consideration of the person in charge of taking the respective decision, the head of the Investment Division or the head of Fidelidade Property, according to the delegation of competence, in accordance with the following guidelines:

a. Operations have to be documented and validated by the person responsible for approving the operation, in a simple format describing the operation, its rationale, amount, date and the signature of the person responsible for the approval. To the extent possible, and so as not to create additional complexity in the investment process, this process should be computerised;

b. For operations which exceed the delegated authority of the related structural body, an investment proposal should be submitted to the Executive Committee.

• **Performance of the transaction:** if the investment proposal receives a favourable opinion, the body responsible for supervising it, should authorise and confirm the completion of the operation, including performance and payment, through the bodies with responsibility for the process;

• **Control:** effective control of the investment should be ensured by the Risk Management Division, which guarantees compliance with the regulations in force and coherence with the levels of risk and return defined by the Company.

The following items are also decisive within the scope of the investment activity:

### 1. Definition of the portfolio objective

The primary objective of the investments portfolio is to generate income for the Company, restricted by the risks and other constraints defined by the Asset and Liability Management Strategic and Tactical Committees.

From an operational point of view, the main objective of the activity is to create value by selecting assets with the best risk and return profile. Specifically, the Company's asset management activity seeks to:

- Support generation of financial income;
- Guarantee the competitiveness of the insurance offer;
- Ensure mitigation of risk in the insurance activity;
- Comply with the regulations in force in the Company and in the ASF regarding the activity.

### 2. Definition of classes of assets and respective investment universe

The classes of assets eligible for investment by the Company, and the respective investment universes, are:

- Treasury: instruments essentially geared to short-term liquidity management;
- Fixed income: medium or long-term debt instruments;
- Variable income: instruments which provide variable gains and which must be quoted on the stock market and are subject to regulation and supervision;
- Real estate: category of investments linked to the real estate market;
- Alternative investments:

- Private Equity: category of investments in private venture capital funds;
- Infrastructures: investment category exclusively for funds with a focus on investment in infrastructures;
- Hedge Funds: category of investments in hedge funds;
- Commodities: investment in assets linked to the evolution of the value of commodities, for example, precious metals or cereals;
- Funds which cannot be allocated to a single class of assets: this category includes funds of funds and funds which cover several classes of assets and for which there is no monthly “look through” of the fund;
- Other similar instruments approved by the Executive Committee.

### 3. Definition of exposure limits in asset risk management

The investment portfolio of financial assets and real estate should establish a balanced exposure to different classes of assets, always considering the return versus risk ratio. In order to ensure adequate risk management and a balanced portfolio, it is essential to define the maximum limits of portfolio exposure, and the mechanisms which allow for adequate control and management of the levels of risk and potential losses. Here the importance of ensuring compliance with the applicable legal rules of the ASF should be noted.

Consequently, maximum exposure limits have been defined for Fidelidade’s portfolio, at any given point in time, based on 5 specific criteria:

- Class of asset;
- Rating level;
- Sector of activity;
- Geographical location;
- Concentration by position.

### 4. Definition of the risk management and control process

- **Asset risk management** - Limits are defined regarding the exposure to different classes of assets, considering the risk versus return ratio, which enable adequate risk management and a balanced portfolio. Mechanisms have also been established to enable management and control of the levels of risk and potential losses.
- **Risk management and control process** - The Risk Management Division monitors the limits of exposure to different classes of assets, in periodic reports for the activity. In this context, situations of real or potential non-compliance are identified. In the first case non-compliance is due to the established limit being broken, while in the second relevant observation of the assets portfolio is close to the defined maximum limit defined for it. For both real and potential non-compliance, a process of identification, approval and application of corrective measures has been established.

- **Asset losses control mechanisms** - Control mechanisms have been set up for losses in the Company's investment activity resulting from variations in market conditions, in order to set in motion actions to limit the loss. Accordingly, when the loss limit is reached, procedures are triggered similar to those provided for non-compliance with exposure limits. Loss limits which restrict the investment activity's impact on the solvency ratio, measured as part of Solvency II, have also been determined. The Risk Management Division regularly checks the loss limits, in order to enable a preventive reaction to fluctuations.

- **Reporting and monitoring of the investment activity** - A regular process of reporting has been set up for the various levels of the Company involved in asset management activities, in order to enable adequate supervision of the investment activity, and the activation of risk mitigation management mechanisms. Accordingly, the information which should be produced has been defined, considering the recipient, the type of report, its content, its frequency and the body responsible for producing it.

### Credit risk

At 31 December 2016 and 2015, the Company's exposure to credit risk was as follows:

(amounts in euros)

	2016			2015		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	625,244,600	-	625,244,600	1,828,211,788	-	1,828,211,788
Financial assets initially recognised						
at fair value through profit or loss	648,943,513	-	648,943,513	867,131,333	-	867,131,333
Available-for-sale investments	7,592,829,341	(154,065,703)	7,438,763,638	6,591,121,425	(118,739,319)	6,472,382,106
Loans and accounts receivable	946,585,910	(1,130,235)	945,455,675	668,559,288	(1,329,886)	667,229,402
Other debtors	179,854,300	(26,903,019)	152,951,281	142,647,913	(28,541,704)	114,106,209
<b>Maximum exposure to credit risk</b>	<b>9,993,457,664</b>	<b>(182,098,957)</b>	<b>9,811,358,707</b>	<b>10,097,671,747</b>	<b>(148,610,909)</b>	<b>9,949,060,838</b>

In 2016 and 2015, the net book value of the available-for-sale investments presented in the table includes shares with credit risk of EUR 15,915 and EUR 16,675, respectively, which are recognised under the heading "Other Instruments" (Note 7).

## Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2016 and 2015, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in euros)

Class of asset	2016			
	Country of origin			Total
	Portugal	Rest of European Union	Others	
Deposits in credit institutions				
A- to A+	2,350,713	518,496,012	5,432,620	526,279,345
BBB- to BBB+	275,151,897	80,251,303	-	355,403,200
BB- to BB+	153,112,041	47,434,547	-	200,546,588
B- to B+	390,610,110	22,048,823	36,686,693	449,345,626
Not rated	3,605,521	-	129,009	3,734,530
	<b>824,830,282</b>	<b>668,230,685</b>	<b>42,248,322</b>	<b>1,535,309,289</b>
Deposits in ceding companies				
Not rated	805,710	-	649,600	1,455,310
	<b>805,710</b>	<b>-</b>	<b>649,600</b>	<b>1,455,310</b>
<b>Total</b>	<b>825,635,992</b>	<b>668,230,685</b>	<b>42,897,922</b>	<b>1,536,764,599</b>

(amounts in euros)

Class of asset	2015			
	Country of origin			Total
	Portugal	Rest of European Union	Others	
Deposits in credit institutions				
A- to A+	439,816,765	2,787,209	286,790	442,890,764
BBB- to BBB+	-	120,731,993	1,432	120,733,425
BB- to BB+	1,795,650,032	51,793,678	-	1,847,443,710
B- to B+	1,821,489	33,382	24,303,916	26,158,787
Not rated	1,793,059	4,904,958	2,516,431	9,214,448
	<b>2,239,081,345</b>	<b>180,251,220</b>	<b>27,108,569</b>	<b>2,446,441,134</b>
Deposits in ceding companies				
Not rated	824,915	-	805,105	1,630,020
	<b>824,915</b>	<b>-</b>	<b>805,105</b>	<b>1,630,020</b>
<b>Total</b>	<b>2,239,906,260</b>	<b>180,251,220</b>	<b>27,913,674</b>	<b>2,448,071,154</b>

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 910,064,689 and EUR 618,229,346, in 2016 and 2015, respectively.

At 31 December 2016 and 2015, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

(amounts in euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
Corporate					
AA- to AA+	-	1,680,353	106,914	-	1,787,267
A- to A+	-	1,221,073	304,438	-	1,525,511
BBB- to BBB+	198,468	1,766,637	506,974	-	2,472,079
BB- to BB+	-	106,531	-	83,955,509	84,062,040
Not rated	-	66,326,470	-	52,155,838	118,482,308
	<b>198,468</b>	<b>71,101,064</b>	<b>918,326</b>	<b>136,111,347</b>	<b>208,329,205</b>
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- to AA+	-	4,430,571	-	-	4,430,571
BBB- to BBB+	-	5,194,071	-	-	5,194,071
BB- to BB+	340,390,253	-	-	-	340,390,253
	<b>340,390,253</b>	<b>12,646,763</b>	<b>-</b>	<b>-</b>	<b>353,037,016</b>
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- to AA+	-	401,844	-	122,943	524,787
A- to A+	104,694	2,143,312	150,331	57,457	2,455,794
BBB- to BBB+	572,605	866,375	399,258	-	1,838,238
B- to B+	49,920,216	-	-	-	49,920,216
	<b>50,597,515</b>	<b>3,832,643</b>	<b>549,589</b>	<b>180,400</b>	<b>55,160,147</b>
Other issuers					
A- to A+	-	31,032,376	-	-	31,032,376
BBB- to BBB+	19,556	-	-	-	19,556
BB- to BB+	1,365,213	-	-	-	1,365,213
	<b>1,384,769</b>	<b>31,032,376</b>	<b>-</b>	<b>-</b>	<b>32,417,145</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>392,571,005</b>	<b>118,612,846</b>	<b>1,467,915</b>	<b>136,291,747</b>	<b>648,943,513</b>

(amounts in euros)

Class of asset	2016				
	Country of origin				
	Portugal	Rest of European Union	North America	Others	Total
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AA- to AA+	-	78,760	-	-	78,760
A- to A+	-	26,083,116	17,282,756	11,959,433	55,325,305
BBB- to BBB+	-	49,173,392	9,670,137	60,960,826	119,804,355
BB- to BB+	11,007,422	72,254,210	33,669,233	262,293,225	379,224,090
B- to B+	-	41,994,341	79,985,564	15,903,776	137,883,681
CCC- to CCC+	-	74,678,857	58,814,938	13,286,098	146,779,893
CC- to CC+	-	-	-	4,865,122	4,865,122
D	-	13,980,385	-	8,343,684	22,324,069
Not rated	147,932,976	95,896,563	17,369,544	490,949,614	752,148,697
	<b>158,940,398</b>	<b>374,139,624</b>	<b>216,792,172</b>	<b>868,561,778</b>	<b>1,618,433,972</b>
Governments and other local authorities					
AAA	-	23,721,984	-	-	23,721,984
AA- to AA+	-	24,335,399	-	-	24,335,399
BBB- to BBB+	-	47,109,386	-	-	47,109,386
BB- to BB+	5,100,331,948	-	-	136,032,610	5,236,364,558
B- to B+	80,059,005	-	-	-	80,059,005
Not rated	-	-	-	469,547	469,547
	<b>5,180,390,953</b>	<b>95,166,769</b>	<b>-</b>	<b>136,502,157</b>	<b>5,412,059,879</b>
Financial institutions					
AAA	-	4,648,425	-	9,386,706	14,035,131
AA- to AA+	-	22,017,804	-	10,447,169	32,464,973
A- to A+	-	85,458,868	10,830,139	-	96,289,007
BBB- to BBB+	51,988	37,113,821	41,668,978	-	78,834,787
BB- to BB+	15,915	20,738,441	-	52,362,986	73,117,342
B- to B+	15,599,667	27,400,743	-	-	43,000,410
CCC- to CCC+	8,940,208	-	-	-	8,940,208
Not rated	-	-	30,035,950	7,783,752	37,819,702
	<b>24,607,778</b>	<b>197,378,102</b>	<b>82,535,067</b>	<b>79,980,613</b>	<b>384,501,560</b>
Other issuers					
AAA	-	-	-	17,368,807	17,368,807
BBB- to BBB+	1,461,690	-	-	-	1,461,690
BB- to BB+	-	-	4,937,730	-	4,937,730
	<b>1,461,690</b>	<b>-</b>	<b>4,937,730</b>	<b>17,368,807</b>	<b>23,768,227</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>5,365,400,819</b>	<b>666,684,495</b>	<b>304,264,969</b>	<b>1,102,413,355</b>	<b>7,438,763,638</b>



(amounts in euros)

Class of asset	2015				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Others	
<b>Financial assets initially recognised at fair value through profit or loss</b>					
Corporate					
AA- to AA+	-	2,693,958	868,985	-	3,562,943
A- to A+	-	1,499,730	337,539	-	1,837,269
BBB- to BBB+	-	1,335,526	299,999	-	1,635,525
BB- to BB+	-	2,003,138	-	60,416,747	62,419,885
Not rated	-	15,770,185	-	278,034,438	293,804,623
	-	<b>23,302,537</b>	<b>1,506,523</b>	<b>338,451,185</b>	<b>363,260,245</b>
Governments and other local authorities					
AAA	-	2,502,873	-	-	2,502,873
AA- to AA+	-	4,739,835	-	-	4,739,835
BBB- to BBB+	-	6,042,880	-	-	6,042,880
BB- to BB+	375,369,103	-	-	-	375,369,103
	<b>375,369,103</b>	<b>13,285,588</b>	-	-	<b>388,654,691</b>
Financial Institutions					
AAA	-	221,375	-	-	221,375
AA- to AA+	-	604,336	175,233	122,057	901,626
A- to A+	-	2,657,612	199,059	57,623	2,914,294
BBB- to BBB+	2,927,391	9,789,720	572,793	-	13,289,904
B- to B+	52,432,843	7,807,269	-	-	60,240,112
	<b>55,360,234</b>	<b>21,080,312</b>	<b>947,085</b>	<b>179,680</b>	<b>77,567,311</b>
Other issuers					
A- to A+	-	36,220,115	-	-	36,220,115
BBB- to BBB+	68,259	-	-	-	68,259
BB- to BB+	1,360,017	-	-	-	1,360,017
Not rated	-	695	-	-	695
	<b>1,428,276</b>	<b>36,220,810</b>	-	-	<b>37,649,086</b>
<b>Total Financial assets initially recognised at fair value through profit or loss</b>	<b>432,157,613</b>	<b>93,889,247</b>	<b>2,453,608</b>	<b>338,630,865</b>	<b>867,131,333</b>

(amounts in euros)

Class of asset	2015				
	Country of origin				
	Portugal	Rest of European Union	North America	Others	Total
<b>Available-for-sale investments (net of impairment)</b>					
Corporate					
AA- to AA+	-	5,274,332	2,153	-	5,276,485
A- to A+	-	29,777,246	1,337,559	2,928,662	34,043,467
BBB- to BBB+	59,118,922	67,942,035	30,630,403	120,218,644	277,910,004
BB- to BB+	4,833,521	197,579,321	25,992,173	141,492,872	369,897,887
B- to B+	-	72,456,570	35,124,110	85,415,405	192,996,085
Less than B-	-	23,325,719	8,120,774	23,454,046	54,900,539
Not rated	148,333,396	89,014,928	-	870,524,939	1,107,873,263
	<b>212,285,839</b>	<b>485,370,151</b>	<b>101,207,172</b>	<b>1,244,034,568</b>	<b>2,042,897,730</b>
Governments and other local authorities					
AAA	-	23,994,043	-	-	23,994,043
AA- to AA+	-	41,353,500	-	-	41,353,500
BBB- to BBB+	-	61,264,952	-	61,634,918	122,899,870
BB- to BB+	3,194,594,405	-	-	43,259,650	3,237,854,055
	<b>3,194,594,405</b>	<b>126,612,495</b>	<b>-</b>	<b>104,894,568</b>	<b>3,426,101,468</b>
<b>Financial Institutions</b>					
AAA	-	10,433,834	-	11,444,702	21,878,536
AA- to AA+	-	19,832,995	-	10,721,865	30,554,860
A- to A+	-	112,218,747	16,077,803	-	128,296,550
BBB- to BBB+	5,440,754	97,234,668	51,470,295	50,508,917	204,654,634
BB- to BB+	55,303,203	21,826,402	-	37,610,741	114,740,346
B- to B+	389,585,881	61,087,560	-	8,930,663	459,604,104
Less than B-	8,671,530	-	-	-	8,671,530
Not rated	-	-	-	7,443,422	7,443,422
	<b>459,001,368</b>	<b>322,634,206</b>	<b>67,548,098</b>	<b>126,660,310</b>	<b>975,843,982</b>
Other issuers					
AAA	-	-	-	17,368,293	17,368,293
BBB- to BBB+	10,170,633	-	-	-	10,170,633
	<b>10,170,633</b>	<b>-</b>	<b>-</b>	<b>17,368,293</b>	<b>27,538,926</b>
<b>Total Available-for-sale investments (net of impairment)</b>	<b>3,876,052,245</b>	<b>934,616,852</b>	<b>168,755,270</b>	<b>1,492,957,739</b>	<b>6,472,382,106</b>

The Company periodically undertakes a collective analysis of the debt recovery risk of premiums pending collection recognised in the balance sheet, in order to identify and quantify impairment losses to be recognised as "Adjustments for premiums pending collection" (Note 37). At 31 December 2016 and 2015, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in euros)

	2016						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	3,826,993	731,568	155,223	107,538	21,957	( 39,457 )	4,803,822
Life risk products	492,382	462,034	501,367	1,152,489	2,849,246	( 3,233,415 )	2,224,103
<b>Non-life insurance</b>							
Motor	7,785,472	1,585,453	1,063,429	473,150	748,747	( 2,735,556 )	8,920,695
Workers' compensation	3,526,553	1,427,244	1,386,203	364,183	292,216	( 1,869,322 )	5,127,077
Health	7,116,633	4,931,550	988,207	284,951	196,078	( 698,886 )	12,818,533
Fire and other damage	10,106,110	3,821,642	732,255	648,473	347,357	( 700,832 )	14,955,005
Transports	756,803	186,432	167,391	89,376	37,593	( 118,759 )	1,118,836
Third party liability	1,488,238	409,882	69,481	40,420	52,041	( 173,192 )	1,886,870
Other (includes personal accidents)	4,420,513	5,061,179	228,751	217,479	531,193	( 579,186 )	9,879,929
	<b>39,519,697</b>	<b>18,616,984</b>	<b>5,292,307</b>	<b>3,378,059</b>	<b>5,076,428</b>	<b>( 10,148,605 )</b>	<b>61,734,870</b>

(amounts in euros)

	2015						Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 days and 1 year overdue	Over 1 year overdue	Impairment losses	
<b>Life insurance</b>							
Capitalisation products	5,311,904	350,804	285,433	263,121	30,885	( 94,815 )	6,147,332
Life risk products	406,439	484,521	740,379	1,003,917	1,918,155	( 2,010,268 )	2,543,143
<b>Non-life insurance</b>							
Motor	7,984,273	1,447,424	1,285,302	513,760	586,579	( 3,114,979 )	8,702,359
Workers' compensation	1,932,055	1,907,122	344,880	1,503,935	993,306	( 783,824 )	5,897,474
Health	2,303,232	1,626,560	561,622	124,019	175,036	( 547,720 )	4,242,749
Fire and other damage	5,756,700	2,142,628	1,135,399	2,539,838	401,684	( 1,426,638 )	10,549,611
Transports	765,296	295,354	93,945	137,856	75,914	( 220,509 )	1,147,856
Third party liability	808,039	386,835	376,630	351,909	80,182	( 432,129 )	1,571,466
Other (includes personal accidents)	2,368,641	879,603	552,048	850,369	616,984	( 795,671 )	4,471,974
	<b>27,636,579</b>	<b>9,520,851</b>	<b>5,375,638</b>	<b>7,288,724</b>	<b>4,878,725</b>	<b>( 9,426,553 )</b>	<b>45,273,964</b>

## Liquidity risk

At 31 December 2016 and 2015, the estimated undiscounted cash-flows of the financial instruments, according to the respective contractual maturity, were as follows:

(amounts in euros)

	2016									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	628,163,717	-	-	-	-	-	-	-	-	628,163,717
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	1,834,664,020	1,834,664,020
Financial assets held for trading	-	-	-	-	-	-	-	-	25,868,220	25,868,220
Financial assets initially recognised at fair value through profit or loss	1,384,972	2,337,973	102,330,176	287,227,133	241,383,564	6,206,546	69,759,937	1,220,395	17,234,107	729,084,803
Hedge derivatives	-	-	-	-	-	-	-	-	4,670,856	4,670,856
Available-for-sale investments	351,406,155	321,015,812	410,815,972	1,102,175,510	1,483,939,429	1,556,594,314	3,501,575,810	137,958,826	1,638,401,046	10,503,882,874
Loans and accounts receivable	224,836,976	536,960,218	39,836,603	71,234,980	49,519,634	23,601,503	12,022,463	168,679	30,100	958,211,156
Other debtors	152,951,281	-	-	-	-	-	-	-	-	152,951,281
	<b>1,358,743,101</b>	<b>860,314,003</b>	<b>552,982,751</b>	<b>1,460,637,623</b>	<b>1,774,842,627</b>	<b>1,586,402,363</b>	<b>3,583,358,210</b>	<b>139,347,900</b>	<b>3,520,868,349</b>	<b>14,837,496,927</b>
<b>Liabilities</b>										
Mathematical provision for life insurance	40,214,577	16,550,164	22,990,288	98,152,490	292,708,367	279,575,920	292,957,743	299,375,626	-	1,342,525,175
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	113,606,065	276,221,337	186,111,430	886,928,427	2,633,721,193	2,344,235,626	1,906,575,498	731,039,535	4,884,887	9,083,323,998
Financial liabilities held for trading	-	761,600	(7,350)	771,155	3,050,810	3,050,810	4,410	-	26,006,095	33,637,530
Hedge derivatives	-	-	-	-	-	-	-	-	8,737,701	8,737,701
Deposits received from reinsurers	119,184	238,368	357,552	115,131,720	-	-	-	-	-	115,846,824
Other creditors	102,093,850	-	-	-	-	-	-	-	-	102,093,850
	<b>256,033,676</b>	<b>293,771,469</b>	<b>209,451,920</b>	<b>1,100,983,792</b>	<b>2,929,480,370</b>	<b>2,626,862,356</b>	<b>2,199,537,651</b>	<b>1,030,415,161</b>	<b>39,628,683</b>	<b>10,686,165,078</b>

(amounts in euros)

	2015									Total
	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	
<b>Assets</b>										
Cash and cash equivalents	1,830,876,289	-	-	-	-	-	-	-	-	1,830,876,289
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	1,243,262,584	1,243,262,584
Financial assets held for trading	-	-	-	-	-	-	-	-	957,920	957,920
Financial assets initially recognised										
at fair value through profit or loss	464,479	22,789,216	13,790,540	171,288,653	585,984,987	94,219,635	8,584,790	1,283,576	20,928,076	919,333,952
Hedge derivatives	-	-	-	-	-	-	-	-	1,285,939	1,285,939
Available-for-sale investments	93,177,536	511,403,333	302,034,965	1,104,207,262	1,332,428,863	864,617,710	3,583,561,637	138,043,857	2,058,997,705	9,988,472,868
Loans and accounts receivable	35,944,418	505,614,506	9,815,977	23,878,083	116,109,773	2,499,461	13,244,673	182,348	1,162,158	708,451,397
Other debtors	114,106,209	-	-	-	-	-	-	-	-	114,106,209
	<b>2,074,568,931</b>	<b>1,039,807,055</b>	<b>325,641,482</b>	<b>1,299,373,998</b>	<b>2,034,523,623</b>	<b>961,336,806</b>	<b>3,605,391,100</b>	<b>139,509,781</b>	<b>3,326,594,382</b>	<b>14,806,747,158</b>
<b>Liabilities</b>										
Mathematical provision										
for life insurance	18,906,447	18,131,552	29,194,259	114,815,915	313,858,262	272,610,603	296,527,095	262,947,204	24,447,238	1,351,438,575
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes										
as investment contracts	202,567,306	316,818,662	381,412,507	726,684,822	2,639,287,973	1,954,294,091	1,968,549,843	470,787,709	4,040,053	8,664,442,966
Financial liabilities held for trading	-	715,400	(7,016)	725,289	2,867,346	2,867,346	1,439,419	-	10,822,796	19,430,580
Hedge derivatives	-	-	-	-	-	-	-	-	4,155,656	4,155,656
Deposits received from reinsurers	109,837	219,674	329,511	106,102,437	-	-	-	-	-	106,761,459
Other creditors	103,164,798	-	-	-	-	-	-	-	-	103,164,798
	<b>324,748,388</b>	<b>335,885,288</b>	<b>410,929,261</b>	<b>948,328,463</b>	<b>2,956,013,581</b>	<b>2,229,772,040</b>	<b>2,266,516,357</b>	<b>733,734,913</b>	<b>43,465,743</b>	<b>10,249,394,034</b>

The amounts presented above are not comparable with the accounting balances as they include cash-flow projections and are not discounted.

The calculation of the estimated cash-flows of the financial instruments is based on the principles and assumptions that Fidelidade uses as part of its activity to manage and control liquidity, with the adjustments needed to comply with the applicable disclosure requirements. The main assumptions used to calculate the cash-flow estimates were:

- Cash and cash equivalents were classified as payable on demand and included in the "up to 1 month" category;
- The amount of "Loans and accounts receivable", classified as being of "Indefinite" maturity, relates to operations with Group companies, without a defined repayment period or defined rate of interest, in addition to deposits of precious materials;

- The amounts included in "Other debtors" and "Other creditors" are payable on demand, and classified with maturity of "Up to 1 month";
- Equity instruments were classified as being of "Indefinite" maturity;
- In debt instruments the contractual maturity was considered to be the earlier of the following dates: call, put or maturity;
- The amounts recognised in "Deposits received from reinsurers" correspond to provisions retained from reinsurers, as part of the reinsurance treaty in force, and are renewable for annual periods. The cash-flow estimates were calculated on the basis of the next due date;
- "Hedge Derivatives" were classified as "Indefinite", since they are foreign exchange futures and forwards contracts;
- To calculate the projected cash-flows of "Financial liabilities held for trading" the contracts' maturity dates were considered;
- The following assumptions were considered when calculating the estimated cash-flows of the mathematical provision for life insurance and financial liabilities of the deposit component of insurance contracts and investment contracts:
  - Mortality was determined according to the Company's history of the last five years;
  - The estimation of future outflows for redemption of capitalisation contracts was based on a generalised linear model with four factors: type of product, the initial contract duration and the difference between the market interest rate, the source company and the technical rate;
  - Expected yields were determined based on the rates of the interest rate curve, the duration of the liability and plus / minus unrealised gains;
  - The expected costs were estimated based on the values recorded in 2015.

## Market risk

At 31 December 2016 and 2015, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

(amounts in euros)

	2016			Total
	Exposure to Fixed rate	Exposure to Variable rate	Not subject to Interest rate risk	
<b>Assets</b>				
Cash and cash equivalents	-	625,244,600	2,919,117	628,163,717
Investments in subsidiaries, associates and joint ventures	-	-	1,834,664,020	1,834,664,020
Financial assets held for trading	-	-	25,868,220	25,868,220
Financial assets initially recognised at fair value through profit or loss	565,541,526	83,401,987	17,234,107	666,177,620
Hedge derivatives	-	-	4,670,856	4,670,856
Available-for-sale investments	7,232,834,564	205,929,074	1,638,401,046	9,077,164,684
Loans and accounts receivable	-	945,425,575	30,100	945,455,675
Other debtors	-	-	152,951,281	152,951,281
	<b>7,798,376,090</b>	<b>1,860,001,236</b>	<b>3,676,738,747</b>	<b>13,335,116,073</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,404,104,974	-	1,404,104,974
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	7,780,213,141	512,977,194	-	8,293,190,335
Financial liabilities held for trading	119,643	7,044,752	26,006,095	33,170,490
Hedge derivatives	-	-	8,737,701	8,737,701
Deposits received from reinsurers	-	114,416,616	-	114,416,616
Other creditors	-	-	102,093,850	102,093,850
	<b>7,780,332,784</b>	<b>2,038,543,536</b>	<b>136,837,646</b>	<b>9,955,713,966</b>

(amounts in euros)

	2015			
	Exposure to		Not subject to Interest rate risk	Total
	Fixed rate	Variable rate		
<b>Assets</b>				
Cash and cash equivalents	-	1,828,211,788	2,664,501	1,830,876,289
Investments in subsidiaries, associates and joint ventures	-	-	1,243,262,584	1,243,262,584
Financial assets held for trading	-	-	957,920	957,920
Financial assets initially recognised at fair value through profit or loss	767,747,193	99,384,140	20,928,076	888,059,409
Hedge derivatives	-	-	1,285,939	1,285,939
Available-for-sale investments	6,164,374,206	308,007,900	2,058,997,705	8,531,379,811
Loans and accounts receivable	-	666,067,244	1,162,158	667,229,402
Other debtors	-	-	114,106,209	114,106,209
	<b>6,932,121,399</b>	<b>2,901,671,072</b>	<b>3,443,365,092</b>	<b>13,277,157,563</b>
<b>Liabilities</b>				
Mathematical provision for life insurance	-	1,396,993,861	-	1,396,993,861
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	7,502,593,808	573,049,422	-	8,075,643,230
Financial liabilities held for trading	134,708	7,491,280	10,822,796	18,448,784
Hedge derivatives	-	-	4,155,656	4,155,656
Deposits received from reinsurers	-	105,443,416	-	105,443,416
Other creditors	-	-	103,164,798	103,164,798
	<b>7,502,728,516</b>	<b>2,082,977,979</b>	<b>118,143,250</b>	<b>9,703,849,745</b>

At 31 December 2016 and 2015, the sensitivity of the fair value of the Company's financial instruments with exposure to interest rate risk to positive and negative changes of 50, 100 and 200 basis points (bps), respectively, was:

(amounts in euros)

	2016					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised at fair value through profit or loss	(9,003,039)	(4,582,206)	(2,311,785)	2,354,210	4,751,944	9,682,552
Available-for-sale investments	(570,219,634)	(295,589,945)	(150,545,138)	156,327,822	318,740,368	663,138,179
Loans and accounts receivable	(2,727,470)	(1,374,565)	(690,032)	695,616	1,396,906	2,816,866
	<b>(581,950,143)</b>	<b>(301,546,716)</b>	<b>(153,546,955)</b>	<b>159,377,648</b>	<b>324,889,218</b>	<b>675,637,597</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	<b>(3,884)</b>	<b>(1,970)</b>	<b>(992)</b>	<b>1,007</b>	<b>2,030</b>	<b>4,125</b>



(amounts in euros)

	2015					
	Change +200bp's	Change +100bp's	Change +50bp's	Change -50bp's	Change -100bp's	Change -200bp's
<b>Assets</b>						
Financial assets initially recognised						
at fair value through profit or loss	(24,190,422)	(12,379,968)	(6,263,297)	6,414,359	12,984,381	26,610,650
Available-for-sale investments	(594,119,227)	(309,419,497)	(157,965,849)	164,839,258	336,938,868	704,610,692
Loans and accounts receivable	(2,857,232)	(1,444,442)	(726,256)	734,487	1,477,373	2,989,028
	<b>(621,166,881)</b>	<b>(323,243,907)</b>	<b>(164,955,402)</b>	<b>171,988,104</b>	<b>351,400,622</b>	<b>734,210,370</b>
<b>Liabilities</b>						
Financial liabilities held for trading	(4,108)	(2,090)	(1,054)	1,074	2,167	4,418
	<b>(4,108)</b>	<b>(2,090)</b>	<b>(1,054)</b>	<b>1,074</b>	<b>2,167</b>	<b>4,418</b>

The sensitivity of the fair value of the financial assets and technical liabilities was calculated by considering the future cash-flows discounted at the YTM, with positive and negative changes of 50, 100 and 200 bps, in the respective yields.

At 31 December 2016 and 2015, the breakdown of financial instruments by currency was as follows:

(amounts in euros)

	2016				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
<b>Assets</b>					
Cash and cash equivalents	482,021,083	94,264,108	18,351,424	33,527,102	628,163,717
Investments in subsidiaries, associates and joint ventures	1,799,547,427	-	-	35,116,593	1,834,664,020
Financial assets held for trading	16,728,215	8,876,976	-	263,029	25,868,220
Financial assets initially recognised at fair value through profit or loss	483,977,487	177,964,590	3,970,887	264,656	666,177,620
Hedge derivatives	314,098	4,356,758	-	-	4,670,856
Available-for-sale investments	6,887,063,570	1,512,525,734	609,532,075	68,043,305	9,077,164,684
Loans and accounts receivable	789,249,966	107,130,829	10,749,597	38,325,283	945,455,675
Other debtors	144,951,748	7,581,013	56,750	461,500	153,051,011
	<b>10,603,853,594</b>	<b>1,908,343,250</b>	<b>642,660,733</b>	<b>176,001,468</b>	<b>13,335,215,803</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,400,822,441	-	-	3,282,533	1,404,104,974
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,293,190,335	-	-	-	8,293,190,335
Financial liabilities held for trading	23,892,611	9,014,850	-	263,029	33,170,490
Hedge derivatives	-	6,931,648	-	1,806,053	8,737,701
Deposits received from reinsurers	114,416,616	-	-	-	114,416,616
Other creditors	100,344,132	1,602,698	110,962	135,788	102,193,580
	<b>9,932,666,135</b>	<b>17,549,196</b>	<b>110,962</b>	<b>5,487,403</b>	<b>9,955,813,696</b>

(amounts in euros)

	2015				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
<b>Assets</b>					
Cash and cash equivalents	1,605,349,484	194,190,433	18,497,757	12,838,615	1,830,876,289
Investments in subsidiaries, associates and joint ventures	1,208,145,321	-	-	35,117,263	1,243,262,584
Financial assets held for trading	-	957,920	-	-	957,920
Financial assets initially recognised at fair value through profit or loss	533,445,761	350,910,816	3,320,494	382,338	888,059,409
Hedge derivatives	-	1,285,939	-	-	1,285,939
Available-for-sale investments	6,111,512,229	1,693,392,152	627,249,388	99,226,042	8,531,379,811
Loans and accounts receivable	541,649,053	65,499,091	4,629,835	55,451,423	667,229,402
Other debtors	107,430,824	5,944,356	-	735,735	114,110,915
	<b>10,107,532,672</b>	<b>2,312,180,707</b>	<b>653,697,474</b>	<b>203,751,416</b>	<b>13,277,162,269</b>
<b>Liabilities</b>					
Mathematical provision for life insurance	1,394,623,898	-	-	2,369,963	1,396,993,861
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,075,643,230	-	-	-	8,075,643,230
Financial liabilities held for trading	7,625,988	10,822,796	-	-	18,448,784
Hedge derivatives	-	4,155,656	-	-	4,155,656
Deposits received from reinsurers	105,443,416	-	-	-	105,443,416
Other creditors	99,542,045	1,514,057	4,556	2,108,846	103,169,504
	<b>9,682,878,577</b>	<b>16,492,509</b>	<b>4,556</b>	<b>4,478,809</b>	<b>9,703,854,451</b>

The headings "Other debtors" and "Other creditors" are broken down differently between Assets and Liabilities, when compared with the Financial Statements due to the fact that the allocation by currency leads to a different breakdown of balances.

## 43. Disclosures Related to Insurance Contract Risks

Below is a summary of the acceptance and risk management policies in force.

### 43.1. Risk underwriting

Risk acceptance and management is structured at two levels, following a model for delegating competence.

Each level has specific methodologies and procedures, in line with its competence, enabling interconnection and harmonisation between the two

The second level, for commercial networks, includes delegated competence for risk acceptance, duly established by written standards and procedures, essentially based on the following criteria:

- Products with standard clauses;
- Risks or activities with a stable claims history;
- Homogeneous and easily identifiable risk universe;
- Small amounts of capital allowing dilution of higher risk;
- Risks with known and controllable accumulation, regarding cover and/or geographical spread;
- Premiums in line with a product tariff, adjustable by a delegated discount of reduced scope.

The following instruments are available: tariffs, simulators, underwriting manuals and rules on delegation of competence, product manuals, general conditions and pre-contractual information, insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The first level is for the Technical Divisions, which have additional instruments for risk analysis.

The Technical Divisions have a multidisciplinary technical staff who are highly specialised in the different insurance lines of business, and are assisted by actuarial specialists. When the characteristics of the risk so justify, they use risk analyses performed by specialist companies.

Risk acceptance is based on strict technical standards, which seek to identify risks with high potential losses (in terms of severity and frequency), apply adjusted contract conditions and define premiums appropriate to the specific risk, in order to obtain sustained growth in the portfolio and a stable technical result. All risks which do not fit within the Reinsurance Treaties are analysed by the Technical Divisions, and Facultative Reinsurance may be used when the conditions for accepting the risk are deemed to have been met.

When the risks analysed do not fit within the Reinsurance Charging Manuals or the conditions for acceptance defined by the Company, they are sent to the Reinsurers' Underwriting Departments for proposals for acceptance of the conditions of these risks to be presented.

The Technical Divisions also have access to reports and analyses of a technical and actuarial nature which allow them to gain knowledge on the technical evolution of the insurance business and on the evolution of risk behaviour in relation to the cover and main characteristics of the insurable objects.

The Risk Acceptance Policy identifies situations with a particularly high risk and/or a high level of uncertainty. These situations are not delegated to the Technical Divisions, and competence to accept them is reserved for the Underwriting Policy Acceptance and Supervision Committee, which meets whenever it is necessary to assess risks with these characteristics.

## **43.2. Technical management**

The technical management of the Lines of Business includes product design, definition of clauses and prices, definition and control of the underwriting policy, calculation of maximum risks and also monitoring of the technical results, namely supervision of the evolution of processed income, the number of insurance contracts, portfolio distribution by risk segments and guarantees, average premiums, risk characteristics, claims and the technical margin.

In order to monitor the above, periodic reports are produced containing management indicators and information is regularly prepared for the Reinsurance Division, with information on portfolio profiles, with the aim of aiding negotiation of the Reinsurance Treaties.

### **43.3. Risk control management instruments**

#### **Internal risks of the organisation**

In order to control and minimise the organisation's internal risk, acceptance rules and procedures and product manuals have been published. These are freely available and employees are well aware of their content, and the process for application them is duly monitored by the competent areas.

#### **Portfolio profile studies**

Regular studies are produced on the risk profile of the portfolios, by class of capital/liabilities assumed, type of activity, type of objects insured and covers.

Studies are also regularly made of the claims rate behaviour of products according to the most important characteristics for defining the risk.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate (by scales of sums insured, types of objects insured, types of activities, covers), with the aim of gauging the existing delegations and correcting any distortions, and also, correlating the main price determination factors and deciding on changes in products being commercialised or the creation of new ones.

#### **Periodic analyses of portfolio evolution**

The portfolio being managed is subject to periodic analysis of the behaviour of the policy movements, both in terms of numbers of policies and in terms of new and cancelled policies, variations in premiums/average rates and changes in the distribution of contracts across the various business segments.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims. This analysis is produced not only in terms of groups of business, but mainly in terms of products being managed.

In specific cases in the motor insurance line of business, extensive and detailed diagnoses are made regarding the portfolio's evolution, with the aim of identifying operational problems in the business, together with their causes, both from a commercial and technical perspective. Proposals are developed as a result of these diagnoses.

#### **Portfolio selection and reorganisation**

The aim of this function is to improve the profitability of the portfolio being managed, both by reorganising loss-making risks (high frequency and/or level of claims), and by introducing changes to the conditions of the contract (cover, deductibles, premiums), and also by providing advice to the Client (recommending the implementation of prevention and safety measures which improve the quality of the risk).

This function also includes the assessment of irregularities which are detected in contracts or in claims, which may lead to the implementation of measures which, depending on the seriousness of the irregularity, may lead to cancellation of the insured person's contract or portfolio.

## Insurance risk concentrations

By producing regular studies on the risk profile of the portfolios, by class of capital/liabilities assumed, by activities and objects insured, and by cover, indicators are obtained which enable an estimate to be made of the impact of potential changes to the cover, and an analysis of the impact of any changes to the reinsurance treaties and to the Group's retention policy. In some cases, specific studies are conducted to assess these impacts.

These studies are also focused on specific cover, the geographical area, the type of responsibilities assumed or on the type of object insured, enabling the determination and quantification of maximum risk by classes, and also evaluating the impact of catastrophic claims circumstances on the portfolio.

## Behaviour of the non-life portfolio – Direct insurance

### Direct insurance

(amounts in euros)

	2016			2015		
	Gross premiums earned	Claims and expenses ratio	Post-Investment claims and expenses ratio	Gross premiums earned	Claims and expenses ratio	Post-Investment claims and expenses ratio
Accidents	177,009,518	1.15	1.14	157,544,162	1.35	1.34
Health	235,163,325	0.88	0.87	204,581,671	0.93	0.92
Fire and other damage	232,500,910	0.88	0.87	224,880,622	0.76	0.74
Motor	364,502,656	1.01	1.00	342,372,648	0.99	0.97
Marine	4,215,745	0.32	0.31	3,601,197	0.58	0.57
Aviation	6,086,809	-0.19	-0.21	7,380,193	-0.01	-0.02
Transported goods	7,079,288	0.45	0.43	6,761,309	0.57	0.55
Third party liability	32,496,223	0.57	0.56	31,209,992	0.55	0.53
Other lines of business (Credit and Suretyship and Other)	66,525,720	0.76	0.76	57,392,626	0.68	0.67

Note: Ratios for the years of occurrence 2016 and 2015.

In the last 12 months some variations in the post-investment claims/expenses ratio were seen. Marine, Transported Goods, Accidents and Health saw a decrease in the ratio of 46.3%, 21.3%, 14.5% and 5.7% respectively.

In the lines of Aviation, Fire and Other Damage, Other Lines of Business, Third Party Liability and Motor the ratio tended to increase.

An analysis of the above table reveals that in the last 12 months premiums in the Accidents line of business were not sufficient to meet the liabilities.

Fidelidade Portugal's pre-tax technical results for non-life were positive in December 2016, reaching over EUR 49 million.

## **Premiums sufficiency and creation of a provision for unexpired risks**

### **Direct insurance**

Fidelidade's direct non-life insurance premiums for accidents were insufficient to meet the liabilities associated with claims, operating costs and investments. A reduction of 12.5% in the costs would be needed to eliminate the premiums shortfall recognised in this line of business. This insufficiency is due to Workers' Compensation.

For the remaining groups of business the premiums acquired were sufficient to meet the assumed liabilities.

In overall terms, the operating income in non-life direct insurance, in the last 12 months, was sufficient to meet the liabilities associated with its operation.

### **Net of reinsurance**

With the exception of the Aviation and Marine lines of business, the insurance company's premiums net of reinsurance were insufficient, in 2016, to meet the costs associated with the operation of most of the lines of business.

Consequently, a provision for unexpired risks was set up, in line with the rules in force, which is lower than the provision set up in 2015.

### **Provision for unearned premiums**

The provision is calculated in line with the rules in force, and tests are carried out in order to determine the adequacy of the level of provisions.

### **Equalisation provision**

The calculation for the equalisation provision is defined in the rules of the ASF which are applied both in terms of the algorithms and regarding the lines of business to be considered. The insurance company follows the criteria listed there.

### **Claims provision**

The claims provision is calculated as described in the accounting policies.

Throughout the year actuaries monitor the levels of the provisions set up, and statistical methods are used which are appropriate to the nature of the risks, namely estimating using stochastic methods of future cash-flows associated with the assumed liabilities.

### **Risk concentration and mitigation**

At Fidelidade, the Accidents, Health, Fire and Other Damage and Motor lines of business represent approximately 89.7% of the Gross Premiums Earned and 95.6% of the claims.

In order to control the risks assumed, the insurance company has underwriting and acceptance rules to select and control the level of exposure to which the Company is subject.

In non-life risk mitigation is mostly by means of specific reinsurance programmes for each type of risk, and high demands are placed on the quality of the reinsurers involved.

The following table presents the rating of the main reinsurers, updated at the end of December 2016.

#### Distribution of Reinsurers by Rating

Rating	% Reinsurers	
	2016	2015
A -	14.3%	11.1%
A	25.0%	33.3%
A +	25.0%	27.8%
AA -	25.0%	19.4%
AA	3.6%	2.8%
AA+	3.6%	2.8%
No Rating	3.6%	2.8%

There is a specific "Excess of Loss" treaty to guarantee catastrophic risks, with a retention of EUR 100,000,000 and a capacity of EUR 420,000,000.

At Fidelidade 60.23% of the sums insured retained for cover for Seismic Phenomena are located in Zone I, the most serious in terms of seismic risk. The sums insured considered in this analysis are estimates.

#### Comparison between estimated and actual claims

Fidelidade's claims provision at 31 December 2015 totalled EUR 1,548 million. During 2016, EUR 310,485,264 were paid for claims which occurred in 2015 and previous years.

In December 2016, natural consumption would lead to a provision of EUR 1,238,208,222. However, there was a negative readjustment of over EUR 38 million, and the provision at the end of December 2015 was EUR 1,200,035,019.

There were negative readjustments for all lines of business except Accidents, Health and Other Lines of Business. The most significant, in absolute terms, was in Motor, which was greater than EUR 40 million.

## Desenvolvimento da Provisão para Sinistros Relativa a Sinistros Ocorridos em Exercícios Anteriores e dos seus Reajustamentos (Correções)

(amounts in euros)

Headings	Claims Provision at 31 December 2015 (1)	Claims Paid in the Year* (2)	Claims Provision at 31 December 2016* (3)	Readjustments (3)+-(2)-(1)
Accidents and Health	853,657,761	135,360,428	729,215,228	10,917,895
Fire and other damag	104,331,630	42,703,351	53,169,902	( 8,458,377 )
Motor	461,484,693	111,023,493	310,289,660	( 40,171,540 )
Marine and Transport	3,774,810	430,809	3,141,969	( 202,032 )
Aviation	2,828,990	313,889	1,037,633	( 1,477,468 )
Transported Goods	5,703,382	1,316,836	2,935,644	( 1,450,902 )
Third party liability	108,073,081	8,539,103	93,006,601	( 6,527,377 )
Credit and Suretyship	584,138	91,594	492,365	( 179 )
Legal protection	23,863	401	1,479	( 21,983 )
Assistance	102,821	1,605	6,715	( 94,501 )
Other	8,128,317	10,703,755	6,737,823	9,313,261
<b>Total</b>	<b>1,548,693,486</b>	<b>310,485,264</b>	<b>1,200,035,019</b>	<b>( 38,173,203 )</b>

\* Claims occurred in the year 2015 and previous years.

### Insurance Risks

The Insurer underwrites contracts in all the non-life lines of business, the most significant risks of which are:

- Changes in the longevity of pensioners in the Workers' Compensation line of business and in income rates associated with assets allocated to the respective mathematical provisions;
- Climate change and natural disasters;
- Inflation risk, in the lines of business in which claims take longer to be fully settled;
- In health insurance, the most significant risks are the result of changes in lifestyle and scientific and technological developments.

Exposure to risks is mitigated by the diversification obtained due to the size of the insurer's portfolio of policies and the extent of the risks underwritten in all non-life lines of business. Variability of the risks is improved by the selection of risks to be underwritten and the implementation of underwriting strategies and policies which are defined so as to ensure that the risks are diversified in terms of the type of risk and the level of guarantees taken out.

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out. Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The insurer carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

In relation to whole life provisions in the Workers' Compensation line of business, the mortality table applied is regularly assessed, in order to reflect the real longevity of the beneficiaries of these covers.



The Insurer also limits its exposure to risk by both imposing maximum amounts of indemnifiable damage in most contracts and using reinsurance programmes which limit its exposure in particular to catastrophic events.

Regular studies are carried out on the risk profile of portfolios, by class of capital/liabilities assumed, by activities and objects insured and by covers. These studies produce indicators which allow an estimate to be made of the impact of any possible changes to covers, as well as an assessment of the impact of any changes to reinsurance treaties and to the Group's retention policy. In some cases, specific studies are carried out to assess those impacts.

These studies also focus on specific coverage, in a geographical area, on the type of liabilities assumed or on the type of object insured, enabling the maximum risks by class to be determined and quantified, and an assessment to be made of the impact of catastrophic claims scenarios in the portfolio.

The assessment of exposure to seismic risk is studied by the insurer's reinsurers, and their conclusions are considered when the reinsurance treaties are acquired and renewed.

### **Risk Assessment Assumptions**

#### **Non-life lines of business, except annuities**

The main assumption for estimating the insurer's liabilities is that future development of claims and indemnities will follow a similar pattern to known past experience for those variables. These assumptions include probabilities relating to the average cost of claims, claims management costs, inflation and the number of claims per year.

Qualitative judgements are also used to assess the adequacy of the past trends and whether they can be applied in the future or not, for example:

- Changes in market conditions, such as clients' attitudes regarding reporting claims;
- Economic conditions;
- Internal factors, such as the composition of the portfolios of policies, policy guarantees, and procedures, and greater or lesser speed in managing claims;
- External factors, namely changes to legislation or rules and court decisions and relevant regulations or legislation that may affect the cost estimate.

#### **Annuities and whole life assistance in the Workers' Compensation line of business**

For whole life liabilities in the Workers' Compensation line of business, assumptions are adopted regarding the longevity of the beneficiaries of these provisions, discount rates and the costs of their management.

The table below shows the impact on the insurer's liabilities of changes which are reasonably possible in the assumptions indicated. All the others remain constant.

Assumption	Factor	Increase in Liability
Longevity	+ 20%	5.20%
Expense	+ 10%	0.80%
Revision	4%	2.1%
Interest Rate	-1%	12.08%

#### 43.4. Reinsurance Policies

The decisive factors for limiting or transferring the risk insured are the nature of the business and the amounts of the risks to be insured, and a distinction is made between those which are considered mass lines of business (Motor, Workers' Compensation, Personal Accidents and Multi-risks Home Insurance) and those which are dealt with more on a case-by-case basis, such as the remaining lines of business of Property, Engineering and Machinery, Marine risks, Transported Goods, Third Party Liability and Other risks.

Compliance with the Underwriting Rules is associated with the cover available and in force in Reinsurance, and these are decisive for the acceptance or refusal of certain types of risks.

Risks involving significant amounts insured or serious situations are subject to prior analysis and their acceptance is strictly interdependent with and supported by Reinsurance.

The Company has based its Reinsurance Policy on the existence of Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other types of reinsurance which prove necessary to obtain adequate Reinsurance protection for the risks accepted.

In Fire and Other Damage, Engineering and Aviation, the Company works with Proportional Treaties.

The Reinsurance cover in the main property lines of business, and the respective retention, takes into consideration the portfolio structure's ratio of sums insured and the respective volume of premiums for each line of business and also considers the statistical monitoring of the profitability of that portfolio, the Retention/Premiums ratio at the end of one year or one cycle and the Company's financial capacity, in terms of whether it is sufficient to absorb frequent claims.

For Motor, Workers' Compensation, Personal Accidents, Marine Hull, Transported Goods and Third Party Liability, the risks are covered by an Excess of Loss treaty, which proves more appropriate to the nature of the risks and the portfolio and the Company's financial capacity. To establish the priority the statistical behaviour of the claims rate and the resulting quotes from potential different levels are taken into consideration.

The Maximum Risk in Retentions is protected by the Excess of Loss Treaties which are appropriate to each situation.

Accumulations resulting from "Cover for Seismic Phenomena and Natural Risks", which are catastrophic in Retentions, are reinsured by Excess of Loss, and the Retention is determined by the Company's financial capacity.

When determining the Retention by event, the infrequency of catastrophes in Portugal is taken into account, and the retention reflects what is technically foreseeable from the point of view of the impact of a catastrophe on the Company's capital and its absorption over a defined period, working with a conservative scenario with a period of return of 500 years, which is unusual in markets exposed to catastrophes.

The criteria for selecting reinsurers take into account their reliability and financial solvency and their capacity to provide services, and constant observation and monitoring of this is carried out.

The information obtained in the International Market from Rating Agencies is a fundamental reference regarding the sound financial health of the Reinsurers.

The rating by the S&P Rating Agency or equivalent (A.M. Best, Fitch or Moody's) is therefore a factor in the selection of Reinsurers. The minimum rating required for a reinsurer to be part of our Panel of Reinsurers is "A-".

### **43.5. Life Insurance**

In the Life Insurance Line of Business there are three major groups of insurance contracts, covered by IFRS 4, in relation to which the nature of risks covered is characterised as follows:

#### **Risk products**

With regard to these products, the greatest risk factor is mortality, and there are a large number of contracts which also have an associated disability risk, with a significant part of these being transferred to reinsurers.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

#### **Annuity products**

The greatest risk factor for these products is longevity.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Premiums} + \text{Income} - \text{Claims} - \text{Management Expenses} - \text{Changes in Mathematical Provision} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and in the profit sharing coefficient, given that the plans for awarding it only define minimum amounts for the latter figure.

### Capitalisation products

The greatest risk factor for these products is interest rate risk.

Only the contracts with profit sharing are covered by IFRS 4, so the income awarded to the insured persons has a fixed component and a variable component which depends on the profitability of a given portfolio of assets partially dependent on the Company's discretion.

Profit sharing typically follows a technical/financial account, such as:

$(\text{Percentage of Income} - \text{Technical Income} - \text{Management Costs} - \text{Potential Negative Balance from the previous year}) \times \text{Profit-sharing coefficient}$ .

The discretionary nature of this profit sharing is associated with its use in determining income and the profit sharing coefficient, the percentage of income and the management costs, given that the plans for awarding it only define minimum amounts for these figures.

Expected cash inflows and outflows for the next three years are presented for each of these groups of products (PS - Profit sharing).

(amounts in euros)

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2017	153,454,465	112,097,998	0	14,906,603	20,340,612	183,003,475
2018	125,996,491	93,416,508	0	14,082,327	18,117,145	148,594,511
2019	117,168,474	86,157,865	0	13,269,645	16,147,734	161,021,051

The following tables provide information on the change in these cash inflows and outflows, considering a 5% increase in expected redemptions.

(amounts in euros)

Year	Risk		Annuities		Capitalisation with PS	
	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
2017	149,834,305	109,774,572	0	14,906,603	19,823,380	232,113,377
2018	116,350,417	87,306,965	0	14,082,327	16,750,376	182,733,543
2019	102,411,776	76,907,012	0	13,269,645	14,165,737	179,155,331

## 44. Capital Management

The capital management objectives of the Fidelidade comply with the following general principles:

- To comply with the legal requirements imposed on Fidelidade by the Supervisory Authorities, namely the ASF;
- To produce sufficient profits for the Company to create value for the shareholder and provide it with a return on capital applied;
- To sustain the development of the operations which Fidelidade is legally authorised to perform, maintaining a solid capital structure, sufficient to respond to growth in the activity and to the risks resulting from it.

In order to achieve these objectives, Fidelidade draws up a plan of its short and medium-term capital needs, with a view to financing its activity, above all using self-financing.

From 1 January 2016, the new solvency regime (Solvency II), approved by Directive 2009/138/EC of the European Parliament and of the Council of 25 November, is applicable to the insurance sector.

Thus, Law 147/2015 of 9 September was published, which transposes this Directive into national law and which introduces very significant changes to the legal framework on the taking-up and pursuit of the business of insurance (RJASR) as well as making some changes to both the insurance contract rules and the rules for pension funds, among others.

The Solvency II rules are divided into three pillars.

### **Pillar I (quantitative requirements)**

The Solvency II rules defined criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance Company's assets and liabilities. They also define two levels of capital requirements: the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer's compliance with its liabilities. The SCR is calculated taking into account all the risks that an Insurance Company may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which an Insurance Company may be exposed.

In the terms set out in the RJASR, if the Insurance Company detects that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the Company's risk profile has been reduced.

In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the Company's risk profile.

### **Pillar II (qualitative requirements and supervision)**

The Solvency II rules defined qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who effectively run the Company, supervise it and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA), which must be performed at least once a year. Through this exercise, the Company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The subsequent report must be sent to the supervisor.

### **Pillar III (prudential reporting and public disclosures)**

Pillar III establishes new obligations regarding the disclosure of public information and to the supervisor. Within this scope, the Insurance Company reported the Solvency II opening information (1 January 2016) to the ASF and sends quarterly reports. In addition, the Insurance Company's "Solvency and Financial Condition Report", which must be certified by the Statutory Auditor and by the Insurance Company's Chief Actuary, will now be published annually, in the second quarter of each year.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that Fidelidade demonstrates compliance with the capital requirements considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

In order to analyse and ensure compliance with the legal and prudency requirements to which it is subject, Fidelidade has several bodies which perform key functions in the area of Risk Management and Internal Control:

- a. Risk Management Division (DGR);
- b. Compliance Office (GC);
- c. Audit Division (DAU);
- d. Risk Committee;
- e. Underwriting Policy Acceptance and Supervision Committee;
- f. Life and Non-Life Products Committee.

#### **Risk Management Division**

The DGR is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its mission is based on defining, implementing and maintaining a risk management system which enables identification, measuring, monitoring and communication of risks, individually or collectively, including risks not contemplated in the capital solvency requirements, enabling the Executive Committee and the various Divisions involved to incorporate this knowledge into their decision-making process.

DGR's main functions are:

- a. Ensuring and controlling the adequacy of the information provided as support for decision-making;

b. Managing the Internal Control and Risk Management Systems:

- Assessing and monitoring the current and future solvency situation, and risk mitigation instruments;
- Monitoring compliance with the level of liquidity and cover for the estimated payments from the estimated receipts, in relation to that which is defined;
- Identifying, assessing and monitoring the market risks and counterparty credit risks, underwriting risks and credit risks of the respective mitigation instruments;
- Identifying, assessing and monitoring operating risks incurred, as well as identifying and characterising the existing control tools;
- Drawing up, proposing and revising the Provisions Policy, the Asset and Liability Management Policy, and the Capital Management Policy, including the medium-term Capital Management Plan and the respective Contingency Plans;
- Cooperating on the drawing up and revision of the Investment and Liquidity Policies, and on the Underwriting and Reinsurance Policies.

c. Undertaking actuarial assessment of the Life and Non-life portfolios.

**Compliance Office**

The GC is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its main mission is to contribute to ensuring that the management bodies, the management structure and the employees comply with the legislation, rules, codes and standards in force, both internally and externally, in order to avoid situations which harm the Company's image and its reputation in the market, as well as any potential financial losses.

GC's main functions are:

**a. Prevention of Money-Laundering**

Ensuring coordination of the prevention and detection of money laundering activities and the funding of terrorism, guaranteeing that internal procedures are carried out regarding this issue.

**b. Compliance**

Ensuring management of the compliance function, in the order to comply with legislation and other regulations as well as policies and procedures aimed at avoiding legal or regulatory sanctions and financial or reputational losses.

### **Audit Division**

The DAU is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its mission is to guarantee assessment and monitoring of the Company's risk management and internal control systems, and to confirm compliance with the internal rules and the legislation in force. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the efficacy and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

Performing a key role in risk management and internal control, DAU carries out the following functions:

- a. Drawing up and carrying out an annual audit which focuses on assessing the efficacy of the internal control and risk management systems;
- b. Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of efficacy;
- c. Confirming compliance with the laws and regulations which govern the activity;
- d. Drawing up a report to be presented to the Executive Committee and to the Supervisory Bodies at least once a year on Auditing Issues, with a summary of the main deficiencies detected in the auditing actions and which identifies the recommendations that were followed.

### **Risk Committee**

The Risk Committee is responsible for assessing Risk Management and Internal Control issues which are submitted to it by the Executive Committee, based on the definition of the risk strategy to be followed by the 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 functions of the Underwriting Policy Acceptance and Supervision Committee are the acceptance of risks which exceed the competence of the Technical Divisions, supervision of the quotation processes which require their intervention and analysis of the competitiveness and profitability indices of the various lines of business and segments.

### **Life and Non-Life Products Committees**

The Products Committees' main mission is to coordinate the release of products of all Group companies, ensuring that supply is consistent with the multi-channel and value creation strategy, ensuring alignment of the new offer and the existing offer with the Company's strategic planning and appetite for risk defined by the Executive Committee.

Accordingly, the measures adopted during the preparatory phase for applying the new Solvency II rules, and the activities, which are still ongoing, aimed at its consolidation, place the Company at a comfortable level of compliance with these new rules.



## 45. Managed Pension Funds

At 31 December 2016 and 2015, the Macao branch was managing seven pension funds. In these periods period, the pension fund portfolio contained the following assets:

	2016						
	BNU Pension Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund
<b>Amounts in Patacas</b>							
Cash and deposits	24,399,235	32,857,477	34,154,957	392,968	180,119	688,283	360,681
Debt instruments	112,727,740	387,450,630	-	3,593,161	2,363,705	4,460,539	2,931,578
Equity instruments	23,285,816	185,620,055	-	1,256,682	3,683,091	6,312,482	5,051,920
Other	(20,049)	(318,112)	(174,828)	(43,055)	(53,486)	(93,521)	(68,720)
	<b>160,392,742</b>	<b>605,610,050</b>	<b>33,980,129</b>	<b>5,199,756</b>	<b>6,173,429</b>	<b>11,367,783</b>	<b>8,275,459</b>
<b>Amounts in Euros</b>							
Cash and deposits	2,897,634	3,902,128	4,056,216	46,669	21,391	81,740	42,834
Debt instruments	13,387,457	46,013,328	-	426,721	280,712	529,730	348,152
Equity instruments	2,765,405	22,044,090	-	149,243	437,401	749,665	599,962
Other	(2,381)	(37,779)	(20,762)	(5,113)	(6,352)	(11,106)	(8,161)
	<b>19,048,115</b>	<b>71,921,767</b>	<b>4,035,454</b>	<b>617,520</b>	<b>733,152</b>	<b>1,350,029</b>	<b>982,787</b>

Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.4204 MOP.

	2015						
	BNU Pension Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund
<b>Amounts in Patacas</b>							
Cash and deposits	29,379,892	33,533,911	19,024,486	145,066	276,413	296,111	161,614
Debt instruments	119,581,696	341,211,575	-	2,911,298	2,197,092	3,913,697	2,426,652
Equity instruments	13,880,493	150,483,532	-	951,536	3,295,957	5,971,497	4,373,318
Other	(98,635)	(275,745)	(140,720)	(37,375)	(53,373)	(95,060)	(70,591)
	<b>162,743,446</b>	<b>524,953,273</b>	<b>18,883,766</b>	<b>3,970,525</b>	<b>5,716,089</b>	<b>10,086,245</b>	<b>6,890,993</b>
<b>Amounts in Euros</b>							
Cash and deposits	3,380,613	3,858,597	2,189,063	16,692	31,806	34,072	18,596
Debt instruments	13,759,731	39,261,691	-	334,990	252,810	450,332	279,224
Equity instruments	1,597,166	17,315,467	-	109,489	379,251	687,113	503,218
Other	(11,349)	(31,729)	(16,192)	(4,301)	(6,141)	(10,938)	(8,123)
	<b>18,726,161</b>	<b>60,404,026</b>	<b>2,172,871</b>	<b>456,870</b>	<b>657,726</b>	<b>1,160,579</b>	<b>792,915</b>

Amounts in Euros, considering the exchange rate at 31 December 2015 of 1 EUR/ 8.6907 MOP.

## 46. Subsequent Events

After the Statements of Financial Position date, no events were recorded which affect the value of the assets and liabilities and financial statement disclosures for the period.

# **REPORT AND OPINIONS ON THE SEPARATE ACCOUNTS**

*(Translation of a report originally issued in Portuguese)*

## Statutory Auditor's Report

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying separated financial statements of Fidelidade - Companhia de Seguros, S.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2016 (which establishes a total of 14,674,807,178 euros and total equity of 1,839,966,936 euros, including a net profit for the year of 100,420,503 euros), the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separated financial statements present fairly, in all material respects, the financial position of Fidelidade - Companhia de Seguros, S.A. as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões" - "ASF").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the law and we comply with the ethical requirements of the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We describe below the key audit matters of the current period:

#### 1. Determination of mathematical provisions and financial liabilities (life)

In accordance with regulations in force, life insurance contracts without significant insurance risk (no profit sharing) and insurance contracts, for which the investment risk is borne by the policyholder ("unit linked"), are classified as investment contracts and accounted for as financial liabilities. As described in note 18 to the financial statements, as at December 31, 2016 these contracts amounted to 8,293 million euros ("m€"), representing approximately 65% of the total liabilities, 7,780 m€ of which are valued at amortised cost, which include mainly liabilities with policies guaranteeing the insured an annual rate of return until maturity.

As described in note 17, the mathematical provisions for life insurance amounted to 1,647 m€ (about 13% of the total liabilities), of which 1,404 m€ correspond to capitalisation products with profit sharing, for which the responsibility is determined based on the premiums paid capitalised at the guaranteed technical rate, less the management fees and any partial redemptions made plus amounts distributed as profit sharing.

## 1. Determination of mathematical provisions and financial liabilities (life)

These matters were considered to be as a key audit matter based on materiality to the financial statements and the risk that future income from the asset portfolios underlying these obligations may not be sufficient to ensure compliance with the technical contract rates.

Our approach to the risk of material misstatements in the determination of the mathematical provisions (life) and financial liabilities included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the Company's internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the determination of the mathematical provisions (life) and valuation of financial liabilities;
- Analytical review procedures, recalculation and analysis of the methodologies for the projection of cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates;
- With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the Company's actuaries for the determination of liabilities arising from life insurance and investment contracts, including an analysis of their consistency with those used in the previous year and using as reference the specific terms of the products, regulatory requirements and practices in the insurance sector.
- Review the completeness and consistency of the disclosures in the financial statements of the mathematical provisions for life insurance and financial liabilities with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

## 2. Determination of claims provisions (non-life)

As detailed in note 17 to the financial statements as at December 31, 2016, the claims provisions arising from non-life insurance contracts amounted to 1,541 m€ (12% of total liabilities). These provisions are determined using actuarial assumptions and methodologies and are based on the history of the Company's loss ratio by business. They present the estimated value of damages to pay for claims already incurred, including claims incurred but not reported (IBNR), and management costs related to future settlement.

These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based on judgments, in particular the discount rate, mortality tables and estimation of expenses to be incurred (see details in subparagraph (d)) 2.15 note).

In view of the materiality of these liabilities to the financial statements and that the process for their determination incorporates estimation based on assumptions and actuarial techniques applied to information currently available, and that the actual amounts payable in the future may be different from recorded amounts, we considered the claims provisions (non-life) to be a key audit matter.

Our approach to the risk of material misstatements in the determination of claims provisions (non-life) included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

## 2. Determination of claims provisions (non-life)

- Understanding of the internal control procedures of the Company and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the determination of claims provisions (non-life);
- Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand the annual changes and of the main factors contributing to the most significant variations;
- With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Company for the determination of the claims liabilities (non-life), including analysis of consistency with those used in the previous year and with the default payment history by segment and by reference to the specifics of the Company's products, regulatory requirements and practices in the insurance sector;
- Recalculation of claims provisions by our actuarial specialists for the segments representing the most significant share of the liabilities of the Company (Auto and Workers' compensation), on the basis of actuarial methods recognised in the insurance sector, to assess their adequacy. Additionally, for Workers' compensation segment, we examined the financial and demographic assumptions used in the estimation of the long-term obligations;
- Review the completeness and consistency of disclosures in the financial statements for claims provisions (non-life) with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

## 3. Valuation of financial instruments at fair value

As detailed in Notes 5, 6, 7 and 19, the assets and liabilities include financial instruments valued at fair value amounting to 9,800 m€ and 42 m€, respectively, which represent about 67% of the total assets and 0.3% of the total liabilities.

The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total value of instruments with reduced liquidity, recognised in the assets and liabilities of the Company, amounting to about 2,711 m€ (18% of the asset) and 24 m€ (0.2% of the liabilities), respectively, which were classified under the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 42).

The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.

Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the internal control procedures of the Company and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant to the valuation of financial instruments at fair value;

### 3. Valuation of financial instruments at fair value

- Analytical review of the financial statements line items relating to financial instruments and recalculation of fair value financial instruments by comparing the rates used by the Company with those observed in external sources of information;
- Analysis of the methodologies and assumptions used by the Company in determining fair value, using as reference the details of its investment policy, regulatory requirements and sector practices;
- Review the completeness and consistency of disclosures of financial instruments at fair value in the financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

### 4. Impairment tests on investments in subsidiaries, associates and joint ventures

The financial statements of the Company as at December 31, 2016 include in the statement of financial position as more fully disclosed in note 4, investments in subsidiaries and associates of 1.835 m€, representing approximately 13% of the assets.

These assets are subject to impairment tests at least annually. This impairment assessment is a process that requires judgment and is based on assumptions regarding economic and financial market conditions of issuers (such as discount rates, inflation, growth rates/profit margins and prospective financial information).

The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.

Our approach to the risk of material misstatements in the valuation of investments in subsidiaries, associates and joint ventures included a specific response by performing the following procedures:

- Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of these investments;
- Examination of the assumptions used in the valuation models approved by the management, in particular the cash flow projections, the discount rate, the rate of inflation, the growth rate in perpetuity and the sensitivity analysis, supported by internal corporate finance experts;
- Review of the consistency of the assumptions used in the construction of the business plan with previous years, comparison with historical data and with external sources. We tested the calculations of the models used;
- Review of the completeness and consistency of disclosures of investments in subsidiaries, associates and joint ventures in the financial statements with the respective accounting data and the requirements of International Financial Reporting Standards.

## 5. Determination of impairment losses on financial assets

The income statement of the Company as at December 31, 2016, includes impairment losses from financial instruments held, classified as "available-for-sale financial assets", of 179 m€ (details disclosed in note 37).

In accordance with the accounting principles and the defined investment policy, which is described in note 2.4 (d), the Company recognizes impairment losses on available-for-sale financial assets based on evidence of impairment such as, among others, financial difficulties of the issuer or a significant or prolonged decline in the fair value of financial assets below cost price.

The consideration of this matter as significant for the audit was based on the risk of judgment associated with the determination of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time, based on information currently available, and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses.

Our approach to the risk of material misstatements in the determination of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

- Understanding of the existing internal control procedures and execution of specific audit procedures to assess the operational effectiveness of the controls identified as significant in the process of valuation of financial instruments and recognition of impairment losses for the Company;
- Analytical review tests on the financial statements line items related to financial assets and recalculation of impairment losses on a sample basis;
- Analysis of the policies/methodology for the recognition of impairment losses of the Company, based on the accounting principles and market practices;
- Review the completeness and consistency of disclosures in the financial statements of recognition of impairment losses on financial assets with the respective accounting data and requirements of International Financial Reporting Standards.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for:

- ▶ preparation of the financial statements which present a true and fair view of financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;
- ▶ preparation of the Management Report, in accordance with the laws and regulations;
- ▶ creation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement due to fraud or error;
- ▶ adoption of appropriate accounting policies and principles for the circumstances;
- ▶ assessment of the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the process of financial information preparation and disclosure and for present recommendations or proposals to ensure its integrity.

## Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the of the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of Management Report with financial statements.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited financial statements and, taking into consideration our assessment and understanding of the Company, we have not identified any material misstatement.

### About additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant of article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we report the following:

- ▶ We were appointed as auditors of the Company for the first time in the shareholders' general meeting held on May 15, 2014 for the year 2014. We were reappointed for a second term in the shareholders' general meeting held on March 31, 2015 for the period between 2015 and 2017.
- ▶ Management has confirmed that they are not aware of any fraud or fraud suspicion with a material impact in the financial statements. In planning and executing our audit in accordance with ISA we maintained our professional scepticism and we designed audit procedures to address the possibility of a material misstatement in the financial statements due to fraud.
- ▶ We confirm that our audit opinion is consistent with the additional report to the audit committee that we have prepared and delivered to those currently charged with governance.
- ▶ We declare that we have not provided any prohibited non-audit services referred to in article 77º nº 8 of the Statute of the Institute of Statutory Auditors and we remained independent of the Company in conducting the audit.
- ▶ We confirm that, in addition to the statutory audit, we have provided to the Company the following services:
  - Procedures under the appendix I of the Regulation no 5/2016 R dated May 12 of the ASF to issue an agreed upon procedures report in accordance with the no 1 of the article 4.º of the same regulation;
  - Professional training delivered to employees of the Company about International Financial Reporting Standards.

Lisbon, March 13, 2017

Ernst & Young Audit & Associados – SROC, S.A.  
Sociedade de Revisores Oficiais de Contas  
Represented by:

*(signed)*

Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1.230  
Registered under CMVM with nº 20160841

Fidelidade – Companhia de Seguros, S.A.

Report and Opinion of the Supervisory Board

2016

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of its accounting records and compliance with the applicable legal and statutory regulations, having made the checks considered expedient.

We were provided with regular information and clarifications on the operation of the company and its corporate business by the Board of Directors and other governing bodies.

We have examined the Report of the Board of Directors and the other separate accounting documents for the year in addition to the Statutory Auditor's Report, with which we are in agreement.

In consideration of the above, the Supervisory Board issues the following

OPINION

- That the Report of the Board of Directors and other separate accounting documents for the year, as submitted by the Board of Directors, should be approved;
- That the proposal for the application of income set out in the Report of the Board of Directors should be approved;

The Supervisory Board wishes to express its gratitude to the Board of Directors and other governing bodies for their excellent collaboration during the course of the year.

Lisbon, 14 March 2017

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

José António da Costa Figueiredo – Member

Luís Manuel Machado Vilhena da Cunha – Member

DECLARATION OF COMPLEMENTARY LIABILITY  
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD  
OF FIDELIDADE – COMPANHIA DE SEGUROS, S.A.  
FOR 2016

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the separate accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 14 March 2017.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

José António da Costa Figueiredo – Member

Luís Manuel Machado Vilhena da Cunha – Member

# **CORPORATE GOVERNANCE REPORT**

## **INTRODUCTION**

Fidelidade – Companhia de Seguros, S.A., (hereinafter “Company” or “Fidelidade”) produces its Corporate Governance Report in a clear and transparent manner, applying the rules in force and observing best practice and recommendations, to make public its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2016 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies and in Article 32(1) a) iv) of Regulatory Standard No. 8/2016 – R, of 16 August.

## INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

### A. SHAREHOLDER STRUCTURE

#### I. Capital Structure

##### 1. Capital Structure

Fidelidade's share capital, of 381,150,000.00 euros, is represented by 121,000,000 nominative shares, with the nominal value of 3.15 euros each, which are fully subscribed and paid up. All the shares grant identical rights and are mutually fungible.

In line with its Articles of Association, besides the ordinary shares, Fidelidade may issue preferential shares without a vote, up to 20% of the share capital. Fidelidade has only issued ordinary shares.

The shareholder structure of the company became the following:

Shareholder	% of Capital	No. of shares
Longrun Portugal, SGPS, S.A.	84.9861%	102,833,140
Caixa Seguros e Saúde, SGPS, S.A.	15.0000%	18,150,000
Employees	0.0029%	3,560
Own Shares	0.0110%	13,300
<b>TOTAL</b>	<b>100%</b>	<b>121,000,000</b>

##### 2. Restrictions on the transfer of shares

Pursuant to Article 7(1) of Decree-Law No. 80/2013, of 12 June, which approved the procedure for the sale of Fidelidade's share capital, and paragraphs 4 and 5 of Council of Ministers' Resolution No. 83/2013, of 9 December, the shares representing the share capital acquired within the scope of the Direct Reference Sale (DRS) Agreement entered into as part of the privatisation process, and respective voting rights, are subject to the inalienability regime for a period of four years.

Under the Shareholders' Agreement signed on 7 February 2014, Caixa Seguros e Saúde, SGPS, S.A., hereinafter "CSS", and Longrun Portugal, SGPS, S.A., hereinafter "Longrun", assumed the obligation, regarding the transferability of the shares, for a period of 4 (four) years counting from the completion date of the DRS, not to dispose of, promise to dispose of, pledge or promise to pledge any shares representing Fidelidade's share capital and in general not to enter into legal transactions which seek to pledge or transfer the respective ownership, even if subject to future completion, or which enable the exercise of voting rights through an intermediary, including indirectly via the transfer of shares representing LongRun's share capital, without prejudice to specific situations contemplated in the aforementioned Shareholders' Agreement.

### **3. Number of own shares, percentage of corresponding share capital and percentage of voting rights to which the own shares would correspond**

At 31 December 2016, Fidelidade holds 13,300 own shares, which corresponds to 0.0110% of the share capital and percentage of votes.

### **4. Regime which is subject to the renewal or withdrawal of counter measures , in particular those which provide for limitation of the number of votes which may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders**

The Company's Articles of Association do not provide for any limitation to the number of votes which may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders.

### **5. Shareholders agreements which the company is aware of and which may lead to restrictions regarding the transfer of securities or voting rights**

See Point 2 above.

## **II. Shareholdings held**

### **6. Identification of the natural or legal persons who are holders of qualifying shares, with an indication of the percentage of capital and votes attributed and the source and causes of attribution**

The qualifying shares in the company's share capital at 31 December 2016, with an indication of the percentage of capital and votes and of votes attributed and the source and causes of attribution, are set out in the following table:

<b>Shareholder</b>	<b>No. of Shares</b>	<b>% of Share Capital</b>	<b>% of Voting Rights</b>	<b>Method of Attribution</b>
LongRun Portugal, SGPS, S.A.	102,833,140	84.9861%	84.9861%	Acquisition
Caixa Seguros e Saúde, S.A.	18,150,000	15%	15%	Acquisition

### **7. Indication of the number of shares and bonds held by the members of the management and supervisory bodies**

At 31 December 2016, the members of the management and supervisory bodies did not hold shares in the Company.

At 31 December 2016, the members of the management and supervisory bodies did not hold bonds in the Company.

## B. GOVERNING BODIES AND COMMISSIONS

### I. General Meeting

#### a) Composition of the Presiding Board of the General Meeting

#### 8. Identification and position of the members of the presiding board of the general meeting and respective mandate

The Presiding Board of the General Meeting on 31 December 2015 had the following composition:

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Position	Name
President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

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#### b) Exercise of the right to vote

#### 9. Potential restrictions on the right to vote, such as limitations to the exercise of the vote subject to ownership of a number or percentage of shares, time limits imposed for the exercise of the vote or systems whereby the financial rights attaching to securities are separated from the holding of securities

Pursuant to Article 10 of the Company's Articles of Association, one vote corresponds to every 100 (one hundred) shares. Shareholders with a number of shares lower than this minimum number may form a group to make up the necessary number to exercise the vote and be represented by one of the group members.

Fidelidade shareholders may only participate, debate and vote in the General Meeting, in person or via a representative, if, on the date of registration, corresponding to 0.00 (GMT) of the fifth trading day prior to the day on which the General Meeting is held, they held shares which grant them, according to the law and the Articles of Association, at least one vote and which comply with the applicable legal formalities, in the terms set out in the corresponding meeting notification.

No shareholder may be represented by two or more persons.

Postal voting is not permitted.

#### 10. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in a relationship with him as set out in article 20(1) of the Securities Code

The Articles of Association do not contemplate any maximum percentage of voting rights which may be exercised by a single shareholder or by a shareholder that is in a relationship with him as set out in Article 20(1) of the Securities Code.



## **11. Identification of the shareholders' resolutions which, by imposition of the articles of association, may only be taken by a qualified majority, besides those provided for in law, and indication of those majorities**

Resolutions of the General Meeting are approved by a majority of the votes of the shareholders present or represented at the General Meeting, whenever the law or the Articles of Association do not require a greater number (Article 11(2) of the Articles of Association).

Resolutions concerning any amendments to the Company's Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company, suppression or reduction of the preference right of the Company shareholders in increases in share capital, cancellation of shares representing the share capital, the suspension or cessation of the exercise of the principal activity included in the Company's corporate purpose, authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis, 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 entirety of the share capital.

## **II. Management**

### **Board of Directors**

#### **Composition**

## **12. Identification of the corporate governance model adopted**

Fidelidade adopts a unitary corporate governance model with a Board of Directors which includes an Executive Committee.

## **13. Articles of association rules on the appointment and replacement of members of the board of directors**

The members of the Board of Directors are elected by the General Meeting. The Chair and Deputy Chairs of the Board of Directors are chosen by the Board of Directors itself, except when they are appointed by the General Meeting of shareholders which elects the Board of Directors.

Vacancies or impediments in the Board of Directors are filled by co-opting until a resolution is submitted to the first subsequent General Meeting.

## **14. Composition of the board of directors, with an indication of the articles of association's minimum and maximum number of members, duration of the mandate, number of effective members, date when first appointed and duration of the mandate of each member**

Pursuant to the Company's Articles of Association, the Board of Directors is composed of at least five and at most seventeen members, elected for mandates of three years, which are renewable.

At 31 December 2016, the Board of Directors was composed of eleven members appointed to exercise duties for the three-year period 2014-2016, six of whom were non-executive members and five of whom were executive members, as reflected in the following table:

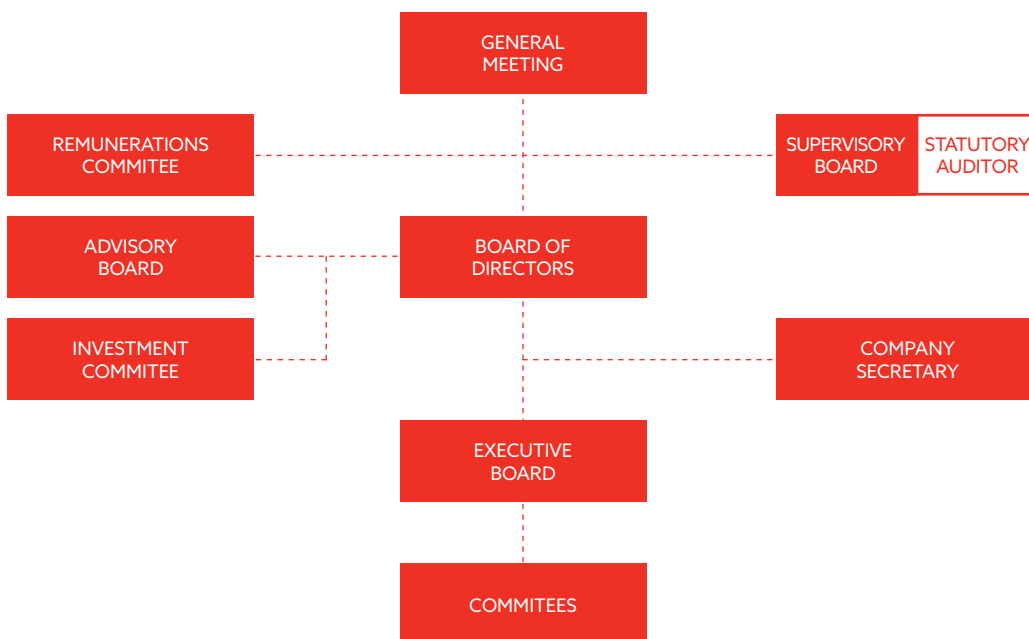
Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Guangchang GUO	Chair	15-05-2014	2014/2016	Non-executive
Jorge Manuel Baptista Magalhães Correia	Vice-Chair	15-05-2014	2014/2016	Executive
Qunbin Wang	Member	15-05-2014	2014/2016	Non-executive
Michael Lee	Member	15-05-2014	2014/2016	Non-executive
José Manuel Alvarez Quintero	Member	15-05-2014	2014/2016	Executive
António Manuel Marques de Sousa Noronha	Member	15-05-2014	2014/2016	Executive
Rogério Miguel Antunes Campos Henriques	Member	15-05-2014	2014/2016	Executive
Wai Lam William Mak	Member	05-06-2014	2014/2016	Executive
Lan Kang	Member	31-10-2014	2014/2016	Non-executive
Xiaoyong Wu	Member	13-01-2015	2014/2016	Non-executive
Lingjiang Xu	Member	24-09-2015	2014/2016	Non-executive

At 31 December 2016, the Executive Committee was composed as follows:

Members of the Executive Committee (EC)	Position	Date of Appointment to Mandate	Duration of Mandate
Jorge Manuel Baptista Magalhães Correia	Chair	30-05-2014	2014/2016
José Manuel Alvarez Quintero	Member	30-05-2014	2014/2016
António Manuel Marques de Sousa Noronha	Member	30-05-2014	2014/2016
Rogério Miguel Antunes Campos Henriques	Member	30-05-2014	2014/2016
Wai Lam William MAK	Member	06-06-2014	2014/2016

## 15. Organisation chart concerning the sharing of competences between the various governing bodies, including information on delegation of competences

The following table represents Fidelidade's Corporate Governance structure during 2016:



### Board of Directors

The Board of Directors (BD), as a governing body of the Company, has the broadest of powers to manage and represent the company. Pursuant to Article 15(1) of the Articles of Association, besides the general powers given to it, the BD 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, regarding employees and their remuneration;
- Appointing legal representatives, with the powers it deems appropriate, including those of delegation.

Resolutions of the BD which deal with the following issues may only be taken by a majority of 6 of the 7 members making up the BD:

- Material change in the business, including the disposal of the whole or a substantial part of the company's assets;

b) The entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code;

c) Definition of the voting choices to be adopted by company representatives at general meetings and in the boards of directors of the companies in which the company holds the majority of the voting rights or the right to appoint the majority of the members of the management body, when resolutions on the following matters are at issue:

- i. amendments to the Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company;
- ii. suppression or reduction of the preference right of the shareholders in increases in share capital;
- iii. cancellation of shares representing the share capital;
- iv. suspension or cessation of the exercise of the principal activity included in the corporate purpose;
- v. authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis;
- vi. appointment of the supervisory body and the respective external auditor when this is not one of the four largest international auditing companies;
- vii. a material change in the business, including the disposal of the whole or a substantial part of the assets of the company in question;
- viii. the entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code.

The Chair of the Board of Directors has specific powers based on the provisions in Article 16 of the Articles of Association and is responsible for:

- a) Representing the BD in and out of court;
- b) Coordinating the BD's activity and convening and managing the respective meetings;
- c) Ensuring the correct implementation of the BD's resolutions.

#### **Executive Committee**

Without prejudice to the possibility of rescinding powers delegated to the Executive Committee (EC), the BD has delegated the day-to-day management of the Company to this board, which includes:

- a) 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;
- b) Representation of the Company before the supervisory authorities and associations for the sector;
- c) Acquisition of services;
- d) Employees' admissions, definition of levels, categories, remuneration conditions and other benefits, and appointment to management positions;
- e) Exercise of disciplinary powers and the application of any sanctions;
- f) Representation of the Company before any bodies which represent the employees;
- g) Opening and closing of branches or agencies;
- h) 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;
- i) 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;
- j) Issuing of instructions which are binding on the companies which are in a group relationship with the Company involving full control;

- k) 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;
- l) 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.

The delegation of powers to the EC does not cover matters which remain the exclusive competence of the BD.

#### **Advisory Board**

The Advisory Board (AB) has the following duties:

- a) Analysis and reflection on the Fidelidade insurance group's global strategy, with responsibility for reviewing the general guidelines for the annual plan of activities and budget;
- b) Supervision of the evolution of the implementation of the Fidelidade insurance group's internationalisation and investment strategy, assessing the issues which are submitted to it by the Board of Directors.

The AB ordinarily meets whenever it is convened by the Chair of the Board of Directors.

The members of the AB are appointed by the BD, and the respective mandate coincides with the mandate of the BD.

#### **Investment Commission**

All of the Company's investment decisions are subject to supervision by the Investment Commission, and the EC reports operations performed to the Investment Commission.

The Investment Commission is responsible for defining the investment guidelines and the decisions which require its prior approval.

The members of the Investment Commission are appointed by the BD, and the respective mandate coincides with the mandate of the BD.

### **III. Supervision**

#### **Supervisory Board and Statutory Auditor**

##### **Composition**

##### **16. Identification of the supervisory body and competences**

Supervision of the company is charged, pursuant to Article 413(1) a) of the Code of Commercial Companies, to a Supervisory Board and a Statutory Auditor Firm, with the competences set out in law and the current mandate of which corresponds to the period 2015-2017.

The Company's Articles of Association establish the Supervisory Board's competences as those which are set out in the law.

## 17. Composition of the supervisory board, with an indication of the position of each member, date of appointment and duration of the mandate according to the articles of association

The Supervisory Board is composed of 3 permanent members and one replacement, with mandates of three years, which are renewable, and was composed as follows at 31 December 2016:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Pedro Nunes de Almeida	Chair	31-03-2015	2015/2017
José António da Costa Figueiredo	Member	31-03-2015	2015/2017
Luis Manuel Machado Vilhena da Cunha	Member	31-03-2015	2015/2017
Isabel Gomes de Novais Paiva	Replacement	31-03-2015	2015/2017

The members of the Supervisory Board comply with the independence requirements set out in Article 414(5) of the Code of Commercial Companies, as they are not associated with any specific interest group in the Company and there are no circumstances which might affect their impartiality when analysing or taking decisions.

## IV. Statutory Auditor

### 18. Identification of the Statutory Auditor and the partner of the Statutory Auditor representing it

The Statutory Auditor is Ernst & Young Audit & Associados – SROC, S.A., represented by its partner Ana Rosa Ribeiro Salcedas Montes Pinto, Statutory Auditor no. 1230 and registered with the Securities Commission with the no. 20160841.

### 19. Indication of the number of years the Statutory Auditor consecutively carries out duties with the company and/or group

The Statutory Auditor was appointed on 15 May 2014.

### 20. Description of other services provided by the statutory auditor to the company

Besides the work required of the statutory auditor by law, Ernst & Young Audit & Associados – SROC, S.A. does not provide any other type of services on a recurring basis.

In 2016, Ernst & Young Audit & Associados – SROC, S.A. gave a training session on International Accounting Standards.

The provision of other services to the Company or companies controlled by it, when it occurs, is in strict compliance with the procedures defined in law, namely in Law No. 140/2015, of 7 September.

## C. INTERNAL ORGANISATION

### I. Articles of Association

#### 21. Rules applicable to amendments to the Company's Articles of Association

Any amendment to the Company's Articles of Association requires a resolution of the General Meeting with a vote in favour with a majority of at least 95% of the voting rights representing the entirety of the share capital.

### II. Reporting of irregularities

#### 22. Means and policy for reporting irregularities occurring in the company

Fidelidade has a culture of responsibility and compliance, and recognises the importance of the process of reporting and analysing irregularities as a corporate best practice tool. The Company implements appropriate means for receiving, investigating and archiving reports of irregularities alleged to have been committed by members of the governing bodies and by Company employees or employees of companies within the Fidelidade Group.

Irregularities are deemed to be any acts or omissions, whether wilful or negligent, relating to the Company's management, accounting organisation and internal supervision which may seriously:

- a) Break the law, regulations and other rules in force;
- b) Jeopardise the property of clients, shareholders and the Company;
- c) Cause damage to the Company's reputation or that of the companies within the Fidelidade Group.

Irregularities can be reported by employees, representatives, agents or any other persons who provide services on a permanent or occasional basis at the Company or at any Group entity, shareholders and any other persons.

### III. Internal control and risk management

#### 23. Bodies responsible for the internal audit and for the implementation of internal control systems

The management of internal control and risk management systems is performed by the following bodies: the Risk Management Division, the Audit Division, the Institutional Affairs Coordination and Compliance Division, the Risk Committee, the Asset and Liability Management Committee and the Underwriting Policy Acceptance and Supervision Committee.

Other bodies within the company structure are charged with performing a motivating role in the internal control and risk management procedure, in order to guarantee that the management and control of operations are conducted in a sound and prudent manner. They are also responsible for ensuring the existence and updating of documentation on their business processes, respective risks and control activities.

The Legal Rules on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR), approved by Law No. 147/2015, of 9 September, which transposes the Solvency II Directive into Portuguese law, came into force on 1 January 2016.

These new rules introduced significant, wide-ranging changes related to the assessment and management of risk, the governance system and reporting requirements.

As part of the preparation for their application, which began on 1 January 2014, a global risk management system was developed, to meet the planned requirements.

The implementation of this system, besides complying with the rules applicable to the insurance activity, was always regarded as an opportunity to improve the procedures for the assessment and management of risk, thereby contributing to maintaining the solidity and stability of the insurance group of which Fidelidade is a part.

As part of the operations risk management and internal control, initiatives were undertaken based on the best practice defined both by the then Portuguese Insurance Institute, now the Supervisory Authority for Insurance and Pension Funds (ASF), and by EIOPA – The European Insurance and Occupational Pensions Authority:

- Documentation and classification of existing control activities, linking them to the risks previously identified in the business processes;
- Implementation of decentralised registration procedures for events and the consequent losses, including near misses, resulting from the risks associated with the business processes, and self-assessment of the risks and the control activities.

Included within the set of prudent recommendations of the supervisory authorities, in order to guarantee operational continuity of the processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of a structured assessment of damage and agile decision-making regarding the type of recovery to be undertaken.

The Group has policies, processes and procedures relating to the governance system which are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business.

Regarding the reporting requirements set out in the new solvency rules, as part of the opening information, with the reference date of 1 January 2016, the Company sent annual information contained in the quantitative report templates – QRT – and the respective qualitative information, which was subject to certification by the statutory auditor and by the chief actuary, pursuant to the regulations issued by the ASF, namely Regulatory Standard No. 5/2016 –R, of 12 May.

Quarterly quantitative reporting under Solvency II also began in 2016.

The annual own risk and solvency assessment (ORSA) was conducted and the results reported to the ASF in the respective supervision report.

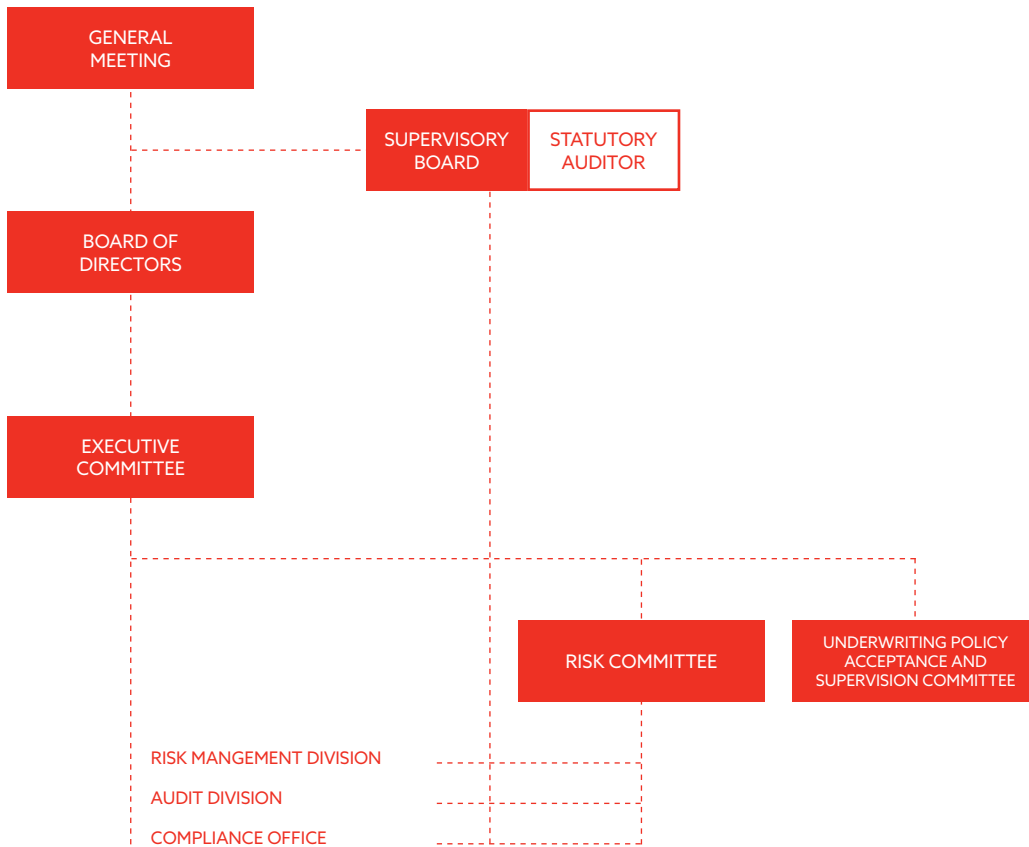
Lastly, also in relation to the first year under the Solvency II rules, the ASF was also sent up-to-date information on the governance system.



Accordingly, the measures adopted during the preparatory phase for applying the new Solvency II rules, and the activities, which are still ongoing, aimed at its consolidation, place Fidelidade at a comfortable level of compliance with these new rules.

## 24. Explanation of the hierarchical and/or functional relationships of dependence in relation to other bodies or commissions of the company

The hierarchical or functional relationship of dependence of the Risk Management Division, the Audit Division and the Institutional Affairs Coordination and Compliance Division, in relation to other bodies or commissions of the Company is reflected in the following table:



## 25. Existence of other functional areas with risk control competences

Alongside the areas with key functions within the scope of the internal control and risk management systems, and the control of legal risks performed by the Legal Affairs Division, there is an information and reporting system which supports decision-making and control processes, both internally and externally., This system falls within the competence of the Strategic Planning and Corporate Performance Division and the Accounting and Financial Information Division, and which ensures the existence of substantial, current, coherent, timely and reliable information, enabling a comprehensive vision of the financial situation, the development of the activity, compliance with the defined strategy and objectives, identification of the Company's risk profile, market behaviour and growth prospects.

The process of financial and management information is supported by accounting and management support systems which record, classify, connect and archive all the operations performed by the company and its subsidiaries in a systematic, timely, reliable, complete and consistent manner, in line with the decisions and policies issued by the Executive Committee.

Thus, the Risk Management Division, the Compliance Office, the Audit Division, the Accounting and Financial Information Division and the Strategic Planning and Corporate Performance Division ensure the implementation of the procedures, applying the resources necessary to obtain all the information relevant for the process of consolidation and reporting at the Company level – with regard to both accounts and support for the management and supervision and control of risks – which include:

- Definition of the content and format of the information to be reported by the bodies included within the consolidation, in line with the accounting policies and guidelines defined by the management body, and the dates on which the reports are required;
- Identification and control of intra-Company operations; and
- A guarantee that the management information is coherent between the various entities, so that it is possible to measure and follow the evolution and profitability of each business and confirm that the established objectives have been met, as well as assess and control the risks which each entity runs, in both absolute and relative terms.

## **26. Identification and description of the main types of risk (economic, financial and legal) to which the company is exposed in the performance of its activity**

This information is provided in the Notes to the Separate Financial Statements (Notes 42, 43 and 44) and Consolidated Financial Statements (Notes 47, 48 and 49).

## **27. Description of the process of identification, assessment, monitoring, control and management of risks**

To comply with the rules in force, an Annual Report is prepared on Fidelidade's Organisational Structure and Internal Control and Risk Management Systems, which is subject to certification by a Statutory Auditor.

The Report which relates to 2016 will contain chapters covering the organisational structure, the main activities under a sub-contracting regime, the governance model and the information systems which support the internal control and risk management systems, and also:

- Activities and follow-up performed by the key functions established within the scope of the internal control and risk management systems;
- Risk management, internal control and anti-money laundering procedures;
- A list of the deficiencies identified in the risk management and internal control system;
- Procedures which are part of the anti-fraud policy, as set out in Article 25 of Regulatory Standard No. 10/2009-R, of 25 June.

Under the new Solvency II regime, the Company has new obligations to inform the public and the regulator, in particular, the annual disclosure of a report on solvency and financial condition.

## **V. Internet Site**

### **28. Address(es)**

The address of Fidelidade's website is:

[www.fidelidade.pt](http://www.fidelidade.pt)

### **29. Place where information on the company, governing bodies and documents relating to the company accounts can be found**

Information about the Company and the governing bodies and documents relating to the accounts are available on the Company's website, at the address indicated above.

### **30. Place where the articles of association and the rules governing the functioning of the governing bodies can be found**

The Articles of Association and the rules governing the functioning of the bodies and commissions are available from the Company's Head Office, from the Company Secretary.

### **31. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed**

Notices convening general meetings and all the preparatory and subsequent information related to these are available at the Company's Head Office, from the Company Secretary.

### **32. Place where the historical archive on the resolutions passed at the company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is disclosed**

The historical archive with the resolutions passed at the Company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is available from the Company's Head Office, from the Company Secretary.

## D. REMUNERATION

### I. Competence to determine

#### 33. Indication as to the competence to determine the remuneration of the governing bodies, the members of the executive committee or chief executive and the directors of the company

The fixing of the remuneration of the members of the governing bodies is the responsibility of the Remunerations Committee.

### II. Remunerations Committee

#### 34. Composition of the remunerations committee

The composition of the Remunerations Committee, appointed on 29 July 2014, at 31 December 2016 is as follows:

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Position	Name
Chair	Lan Kang
Members	Michael Lee
	Yao Xu

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#### 35. Knowledge and experience of the members of the remunerations committee on remuneration policy issues

The members of the Remunerations Committee are persons who, given their professional experience and curriculum vitae, have the appropriate knowledge and profile with regard to remuneration policy issues.

### III. Remunerations structure

#### 36. Description of the remuneration policy for the management and supervisory bodies as set out in Article 2 of law no. 28/2009, of 19 June

The Remunerations Committee submitted a declaration to the General Meeting of 31 March 2016, in compliance with the provisions of Article 2 of Law No. 28/2009, of 19 June, on the remuneration policy for the members of the respective management and supervisory bodies, which was approved by all the shareholders present or represented.

According to the aforementioned declaration, the remuneration policy was based on the following principles:

"The remuneration of the members of the Company's management and supervisory bodies is established by the Remunerations Committee in the light of the Remuneration Policy in force, with reference to the applicable laws and regulations, and the guiding principles of the remuneration policy for the members of the corporate bodies of the Group companies.

To ensure alignment with the interests of the company, the remuneration of the executive members of the management body is composed of a fixed component and a variable component.

The fixed component is defined with reference to the amounts used in companies of a similar dimension, nature and complexity.

The fixed remuneration is paid in 14 monthly instalments, with the corresponding holiday and Christmas subsidies included within these, pursuant to the legislation in force.

The variable component is determined according to performance, assessed on the basis of a series of defined objectives, namely, financial, operational, risk and strategic objectives, and is granted on an individual and annual basis, in relation to the year ended. It may not be more than a percentage of the gross fixed remuneration in force at the end of that year, so that these are appropriately balanced.

The members of the Board of Directors without executive functions do not receive any remuneration, either fixed or variable.

The members of the Supervisory Board only receive fixed remuneration.

There are no share allocation or stock option plans for members of the Company's management and supervisory bodies."

Following the presentation of this Declaration, on 17 May 2016 the Remunerations Committee deliberated on the following matters:

1. The awarding of a share of the profits to the members of the Executive Committee, contained within the remuneration component called "short-term variable remuneration".
2. The awarding of long-term variable remuneration relating to 2015 to the members of the Executive.

Information on the annual amount of remuneration paid to the members of the governing bodies is that which is set out in this Corporate Governance Report.

The level of compliance with the recommendations contained in Circular No. 6/2010, of 1 April, from the then Portuguese Insurance Institute, now the Supervisory Authority for Insurance and Pension Funds, regarding the remuneration policy is summarised below:

Item	Recommendation	Level of Compliance	Observations
<b>I. General Principles</b>	I.1. Institutions should adopt a remuneration policy consistent with effective management and control of risks which avoids excessive exposure to risk and potential conflicts of interest, and which is consistent with the objectives, values and long-term interests of the institution, particularly with the prospects for sustainable growth and profitability and protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers.	Met	
	I.2. The remuneration policy should be appropriate to the size, nature and complexity of the activity carried on or to be carried on by the institution and, in particular, as regards the risks taken or to be taken.	Met	
	I.3. Institutions should adopt a clear, transparent and appropriate structure for defining, implementing and monitoring the remuneration policy, which identifies, in an objective way, the employees involved in each case and their respective responsibilities and competences.	Met	
<b>II. Approval of the remuneration policy</b>	II.1. Without prejudice to the provisions of Article 2(1) of Law No. 28/2009, of 19 June, with regard to the remuneration of the members of the management and supervisory bodies, the remuneration policy should be approved by a remunerations committee or, where the existence of such a body is not feasible or appropriate given the size, nature and complexity of the institution concerned, by the General Meeting or by the general and supervisory board, as applicable.	Met	
	II.2. With regard to the remuneration of the remaining employees covered by the Circular, the remuneration policy should be approved by the management body.	Met	
	II.3. When determining the remuneration policy the involvement should be sought of persons with functional independence and adequate technical capacity, including persons who belong to structural units responsible for key functions and, whenever necessary, human resources, in addition to external experts, in order to avoid conflicts of interests and to enable an independent value judgement to be formed as to the adequacy of the remuneration policy, including its effects on the management of the institution's risks and capital.	Met	
	II.4. The remuneration policy should be transparent and accessible to all employees of the institution. The remuneration policy should also be subject to periodic review and be formalised in a separate document, duly updated, showing the date of the introduced changes and the justification for them, and an archive should be kept of earlier versions.	Met	
	II.5. The employees should be informed of the evaluation process, including the criteria used to determine the variable remuneration, prior to the time period covered by the evaluation process.	Met	
<b>III. Remunerations committee</b>	III.1. The remuneration committee, if any, should carry out a review, at least once a year, of the institution's remuneration policy and its implementation, in particular with regard to the remuneration of the executive members of the management body, including their remuneration based on shares or options, to enable an independent and substantiated value judgement to be formed as to the adequacy of the remuneration policy, in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	III.2. The members of the remunerations committee should be independent from the members of the management body and should meet suitability requirements and possess professional qualifications which are appropriate to the performance of their duties, in particular having knowledge and / or professional experience in remuneration policy issues.	Met	Although two of the members of the Remunerations Committee are also members of the Board of Directors, as members of the Remunerations Committee they are independent insofar as they are non-executive board members without remuneration.

Item	Recommendation	Level of Compliance	Observations
<b>IV. Remuneration of members of the management body</b>  <b>Executive members</b>	III.3. If the remuneration committee seeks, in the exercise of its functions, the provision of external services in relation to remuneration, it should not recruit a natural or legal person that provides or has provided, in the previous three years, services to any structure in a relationship of dependence to the management body, to the management body itself or a structure that has a current relationship as a consultant of the institution. This recommendation also applies to any natural or legal person who is connected to any of the above by means of an employment or provision of services contract.	Met	
	III.4. The remunerations committee should report annually to the shareholders on the exercise of its functions and should attend any general meetings where the remuneration policy is included on the agenda.	Met	
	III.5. The remunerations committee should meet at least once a year, and should prepare minutes of all meetings held.	Met	
	IV.1. The remuneration of directors performing executive duties should include a variable component, which is determined by a performance assessment carried out by the competent bodies of the institution, according to predetermined measurable criteria, including non-financial criteria, which considers, in addition to individual performance, the real growth of the institution and the wealth effectively created for shareholders, protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers, its long-term sustainability and the risks taken, as well as compliance with the rules applicable to the institution's activity.	Met	
	IV.2. The fixed and variable components of the total remuneration should be appropriately balanced. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	
	IV.3. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Met	Through the mechanism equivalent to financial instruments issued by the institution.
	IV.4. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the continued positive performance of the institution over this period.	Met	
	IV.5. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration.	Met	
	IV.6. The members of the Board of Directors should not enter into contracts with the institution, or with third parties, the purpose of which is to mitigate the risk inherent in the variability of the remuneration established for them by the institution.	Met	
	IV.7. Up until the end of their mandate, the executive members of the management body should maintain the shares in the institution which they have obtained via variable remuneration schemes, up to the limit of twice the value of the total annual remuneration, with the exception of those which need to be sold in order to pay taxes resulting from the gains from those same shares.	Met	Through the mechanism equivalent to financial instruments issued by the institution.
IV.8. When the variable remuneration includes options, the beginning of the period for them to be exercised should be deferred for a period of not less than three years.	Not applicable	No options were awarded.	
IV.9. After the period referred to in the previous paragraph, the executive members of the management body should retain a given number of shares, until the end of their mandate, subject to the need to finance any costs related to the acquisition of shares, and the number of shares to be retained should be fixed.	Not applicable	No options were awarded.	

Item	Recommendation	Level of Compliance	Observations
<b>Non-executive members</b>	IV.10. The remuneration of the non-executive members of the management body should not include any component the value of which depends on the performance or the value of the institution.	Not applicable	Non-executive members do not receive remuneration.
<b>Compensation in the event of dismissal</b>	IV.11. Appropriate legal instruments should be established so that the compensation fixed for any form of unfair dismissal of a member of the management body is not paid if the dismissal or termination by agreement is the result of the inadequate performance of the member of the management body.	Not applicable	No compensation has been established.
<b>V. Remuneration of employees</b>	V.1. If the remuneration of the institution's employees includes a variable component, this must be properly balanced in relation to the fixed component of the remuneration, taking into account, namely, the performance, the responsibilities and functions of each employee and the activity performed by the institution. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	
<b>Relationship between fixed remuneration and variable remuneration</b>	V.2. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Not met	No financial instruments were issued by the institution to be awarded to its employees.
<b>Criteria for awarding variable remuneration</b>	V.3. The performance assessment should take into account not only the individual performance but also the collective performance of the business unit of which the employee is a part and of the institution itself, and it should include relevant non-financial criteria, such as respect for the rules and procedures applicable to the activity being carried on, namely the internal control rules and those concerning the relationship with policyholders, insured persons, participants, beneficiaries and taxpayers, in order to promote the sustainability of the institution and the creation of value in the long term.	Met	
	V.4. The criteria for awarding variable remuneration according to performance should be predetermined and measurable, and should be related to a multi-annual framework of three to five years, to ensure that the assessment process is based on long-term performance.	Partially met	The remuneration policy for employees of the Group is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.
	V.5. The variable remuneration, including the deferred portion of that remuneration, should only be paid or constitute an acquired right if it is sustainable in the light of the financial situation of the institution as a whole and if it is justified in the light of the performance of the employee in question and of the business unit to which he or she belongs. The total variable remuneration should, in general terms, be severely reduced in the event of a regression in the performance or a negative performance for the institution.	Met	There is no deferred portion of the variable remuneration.
<b>Deferral of the variable remuneration</b>	V.6. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the future performance criteria, measured on the basis of criteria adjusted to the risk, which consider the risks associated with the activity from which its allocation results.	Not met	The remuneration policy for employees of the Group is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.



Item	Recommendation	Level of Compliance	Observations
Remuneration of employees who perform key functions	V.7. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration, and the deferred percentage should increase significantly in line with the employee's level in the hierarchy or responsibility.	Not applicable	No portion of the variable remuneration is subject to deferral in the terms of the previous paragraph.  While the remuneration is consistent with the role in the institution, it is not dissociated from the performance of the latter.
	V.8. Employees involved in performing tasks associated with key functions should be remunerated based on the pursuit of the objectives linked to their functions, regardless of the performance of the areas under their control, and the remuneration should provide a reward which is appropriate to the importance of the exercise of their duties.	Met	
	V.9. In particular, the actuarial function and the responsible actuary should be remunerated in a manner consistent with their role in the institution and not in relation to the company's performance.	Partially met	
VI. Assessment of the remuneration policy	VI.1. The remuneration policy should be subject to an independent internal assessment, at least once a year, to be carried out by employees with key functions in the institution, working in conjunction with each other.	Met	
	VI.2. The assessment provided for in the previous paragraph should include, namely, an analysis of the remuneration policy and its implementation in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	VI.3. The employees with key functions should provide the management body and the General Meeting or the remunerations committee, if any, with a report containing the results of the analysis referred to in VI.1., which, namely, identifies the measures needed to correct any possible insufficiencies in the light of these recommendations.	Met	

## IV. Disclosure of Remunerations

### 37. Indication of the annual amount of remuneration paid by the company as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and, in relation to the latter, reference to the different components that have given rise to it

Non-executive members of the Board of Directors do not receive any remuneration.

The annual amount of gross remuneration paid by the Company, as a whole and individually, to the executive members of the Company's Board of Directors, is set out in the following table:

Members of the Executive Committee (EC)	Fixed Remuneration (€)	Variable Remuneration (€) *	Observations
Jorge Manuel Baptista Magalhães Correia	350,000	240,000	01.01.2016 to 31.12.2016
José Manuel Alvarez Quintero	290,000	120,400	01.01.2016 to 31.12.2016
António Manuel Marques de Sousa Noronha	290,000	120,400	01.01.2016 to 31.12.2016
Rogério Miguel Antunes Campos Henriques	290,000	120,400	01.01.2016 to 31.12.2016
Wai Lam William Mak	290,000	120,400	01.01.2016 to 31.12.2016
<b>TOTAL</b>	<b>1,510,000</b>	<b>721,600</b>	

\* Related to 2015 tax year.

### 38. Compensation paid or owed to former executive directors concerning contract termination during the year

No executive director terminated their functions during 2016.

### 39. Indication of the annual amount of remuneration paid by the company as a whole and individually to members of the Company's supervisory bodies, for the purposes of law no. 28/2009, of 19 June

The annual amount of gross remuneration paid, as a whole and individually, to the members of the Company's supervisory body is set out in the following table:

Members of the Supervisory Board	Fidelidade (€)	Observations
Pedro Nunes de Almeida	42,000	
José António da Costa Figueiredo	30,800	
Luís Manuel Machado Vilhena da Cunha	30,800	
Isabel Gomes de Novais Paiva	0	Reserve
<b>TOTAL</b>	<b>103,600</b>	

### 40. Indication of the remuneration in the year in question of the president of the presiding board of the general meeting

The President of the Presiding Board of the General Meeting does not receive any remuneration.

## V. Agreements with remuneration implications

### 41. Reference to the existence and description, with an indication of the sums involved, of agreements between the company and members of the management body, which provide for compensation in the event of resignation or unfair dismissal or termination of the employment following a change in the control of the company (article 245-A, (1) I)

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the company.

## VI. Share allocation or stock option plans

### 42. Identification of the plan and respective recipients

There are no plans with these characteristics.

### **43. Stock options for employees and company staff**

There are no stock options for employees and staff.

## **E. RELATED PARTY TRANSACTIONS**

### **I. Control mechanisms and procedures**

#### **44. Mechanisms implemented by the company for the purpose of controlling 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.

#### **45. Indication of the transactions which were subject to control in the year in question**

All transactions with related parties were subject to control.

#### **46. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of prior assessment of the business to be conducted between the company and holders of qualifying shares or entities which are in any kind of relationship with them, pursuant to article 20 of the securities code.**

Operations to be performed between the Company and holders of qualifying shares or entities which are in any kind of relationship with them are subject to assessment and a decision of the Executive Committee, and these operations, like all others performed by the Company, are subject to supervision by the Supervisory Board.

### **II. Information on the transactions**

#### **47. Indication of the location of accounting information including information on transactions with related parties**

Information on transactions with related parties is included in Notes to the Separate Financial Statements (Note 41) and Consolidated Financial Statements (Note 46).

**FIDELIDADE**  
SEGUROS DESDE 1808