

ANNUAL REPORT 2017

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

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



Portugal surpassed the most optimistic of expectations in 2017, with the best economic and financial results of the last decade. This recovery has contributed decisively to improving the country's image abroad, meaning that Portugal has attracted investment, talent and, naturally, more visitors, who want to discover this country, which, despite its small size, has a large history and a wealth of culture and scenery.

Sadly, the year will also be remembered for the terrible forest fires that devastated the country's Central region, on two occasions, in June and October, causing over 100 deaths as well as extensive damage to property, with insured damage estimated at over EUR 300 million.

The insurance sector, and Fidelidade in particular, once again rose to meet the needs of their clients and the populations affected, acting quickly and fairly to assess the losses and indemnify them. We are proud to report that the "We Care" attitude and spirit that governs Fidelidade's actions in relation to the most vulnerable victims was taken on board by the whole sector. In fact, the creation of a Solidarity Fund through the Portuguese Insurance Association (APS) meant that the victims and their families were given support when they most needed it, as has been publicly acknowledged by those concerned and the local and national authorities.

Despite the increase in claims as a result of these catastrophic events, Fidelidade's results can be considered to be particularly positive. The analysis that follows provide detailed information on the key economic and financial indicators, so here are three points to highlight: the growth in the lines of business as a whole (1.6%), to which the non-life business made a significant contribution, with growth of 7.4%, which is above the market average according to the information published by the Insurance and Pension Funds Supervisory Authority (ASF); the excellent performance of investments; and the improvement in the solvency ratio, which was almost 150%, up around 20 percentage points (pp) compared to 2016.

Other significant data includes the amount that was returned to society in 2017 with the payment of remuneration, indemnities and taxes of EUR 3,680 million, and the profit of EUR 216 million. Since 2014, Fidelidade has generated EUR 891 million in profits, which have been wholly retained, with no distribution of dividends to the shareholders.

Continuing the work begun in 2015, Fidelidade has moved forward with the implementation of projects to prepare the Company for the challenges of the digital economy and to improve efficiency and service quality. The following aspects should be highlighted: the launch of the Online Medicine service, which, for the first time in Portugal, allows our clients to access specialised medical teams by telephone or video consult, and which its users consider to be of great value; the launch of the MyFidelidade App, which enables clients to access their insurance quickly, from any location, and to request assistance whenever they need it; and the marketing of two new products, Proteção Vital das Famílias, a vital protection product for families with over 25,000 insured persons, and a new Home Insurance product. Also of note is the launch of the Fidelidade Drive telematics application, which allows drivers to better understand the risks associated with their driving style.

2017 also saw the Company hold another edition of the event Pensar Maior [Think Bigger], which brought together around 3,000 people, to share with employees and partners the transforming projects we are developing and to introduce the new member of the Fidelidade family and a symbol in our communication – Trusty, the small robot dog – strengthening our positioning as a human, yet technologically advanced, company.

In terms of recognition of its specialised capabilities, Fidelidade, for the first time, received awards from the magazine Exame for best large insurer in both the life segment and the non-life segment, the Reputation Institute presented awards to Fidelidade and Multicare, and both companies were also the Consumers' Choice. According to the BASEF Seguros – Financial Services Barometer 2017, Fidelidade stood out significantly as having the best insurance offer, with the best prices, and the greatest focus on innovation and clearest information.

2017 was also fruitful in terms of laying the foundations to develop the company's international expansion. Initiatives are now under way to strengthen our presence in Africa, namely in Angola, Mozambique and South Africa, and in several countries in Latin America.

Without the trust of our over two million private clients and 200,000 companies, the daily effort of our more than three thousand employees, and 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.

Presiding Board of the General Meeting

President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

Board of Directors

Chairman	Jorge Manuel Baptista Magalhães Correia
Vice-Chairmen	Lan Kang José Manuel Alvarez Quintero
Members	Xiaodong Yu Lingjiang Xu José João Guilherme Francisco Ravara Cary João Eduardo de Noronha Gamito de Faria António Manuel Marques de Sousa Noronha Rogério Miguel Antunes Campos Henriques Wai Lam William Mak Jun Li André Simões Cardoso Tao Li

Executive Committee

Chairman	Jorge Manuel Baptista Magalhães Correia
Vice-Chairman	Rogério Miguel Antunes Campos Henriques
Members	José Manuel Alvarez Quintero António Manuel Marques de Sousa Noronha Wai Lam William Mak Jun Li André Simões Cardoso

Supervisory Board

Chairman	Pedro Antunes de Almeida
Members	Vasco Jorge Valdez Ferreira Matias João Filipe Gonçalves Pinto
Alternate	Isabel Gomes de Novais Paiva

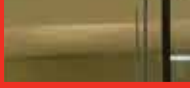
Statutory Auditors

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

**OUR
GROUP**

3





a. Key Indicators

**€3,787
million**

Total Premiums Written
(includes amounts relating to investment contracts)

Life: € 2,417 million
Non-Life: € 1,369 million

30.7%

Market Share (PT)

Life: 32.9%
Non-Life: 27.2%

11.1%

**Weight of International
Non-Life operation**

**€17.3
billion**

Net Assets

3,220

Employees

100.0%

**Non-Life Combined
Ratio**

**€216.2
million**

Net Profits

**€2,681
million**

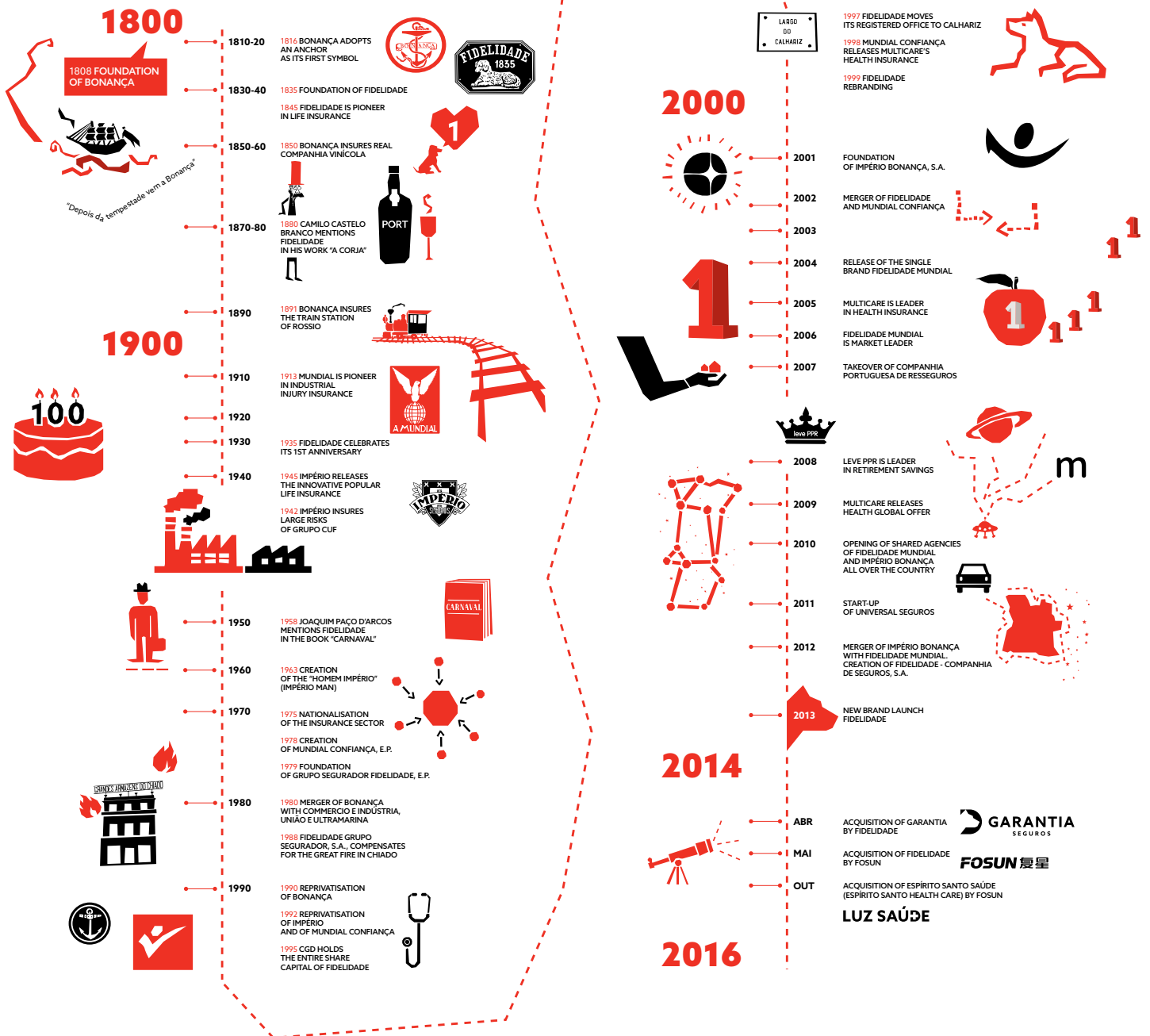
Shareholders' Equity

9.2%

Return on Equity

b. Our History

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

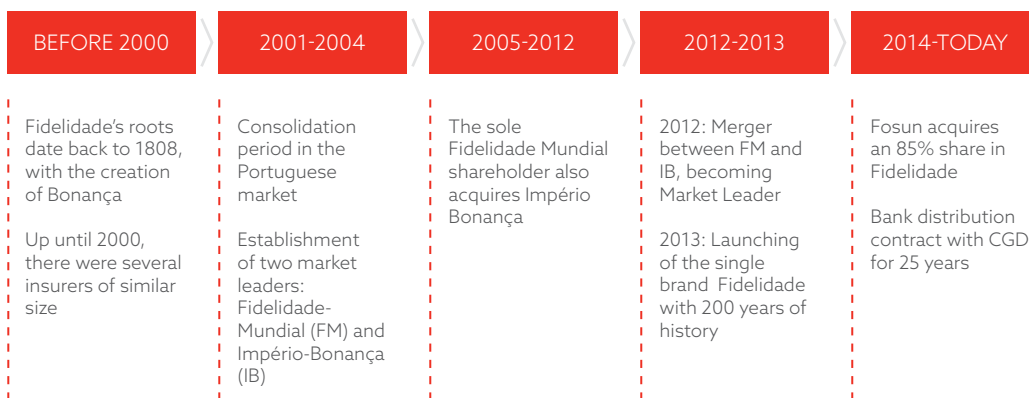
Until 2000 the Portuguese insurance sector was mostly concentrated on six insurers following the reorganisation of the industry in the 1980s.

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

In 2014, the company was privatised, with the Fosun Group 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

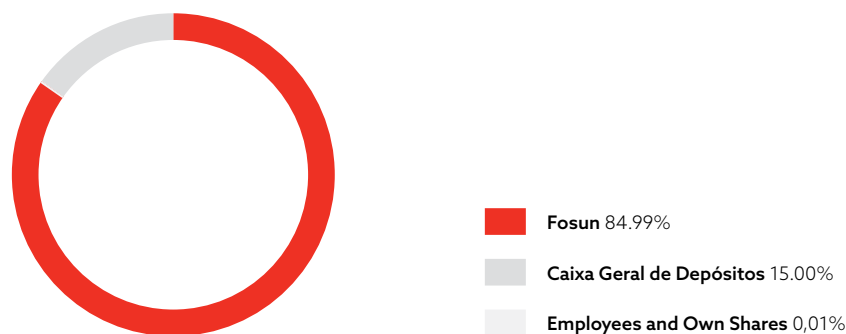
Portuguese state bank, considered the largest financial institution in Portugal, with approx. 4 million clients and with presence in more than 20 countries.

c. About the Fidelidade Group

i. Shareholder Structure

Fidelidade's current shareholder structure is the result of the privatisation process that took place in 2014. Fosun now holds 84.99% of the capital, and CGD holds 15.00%. 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



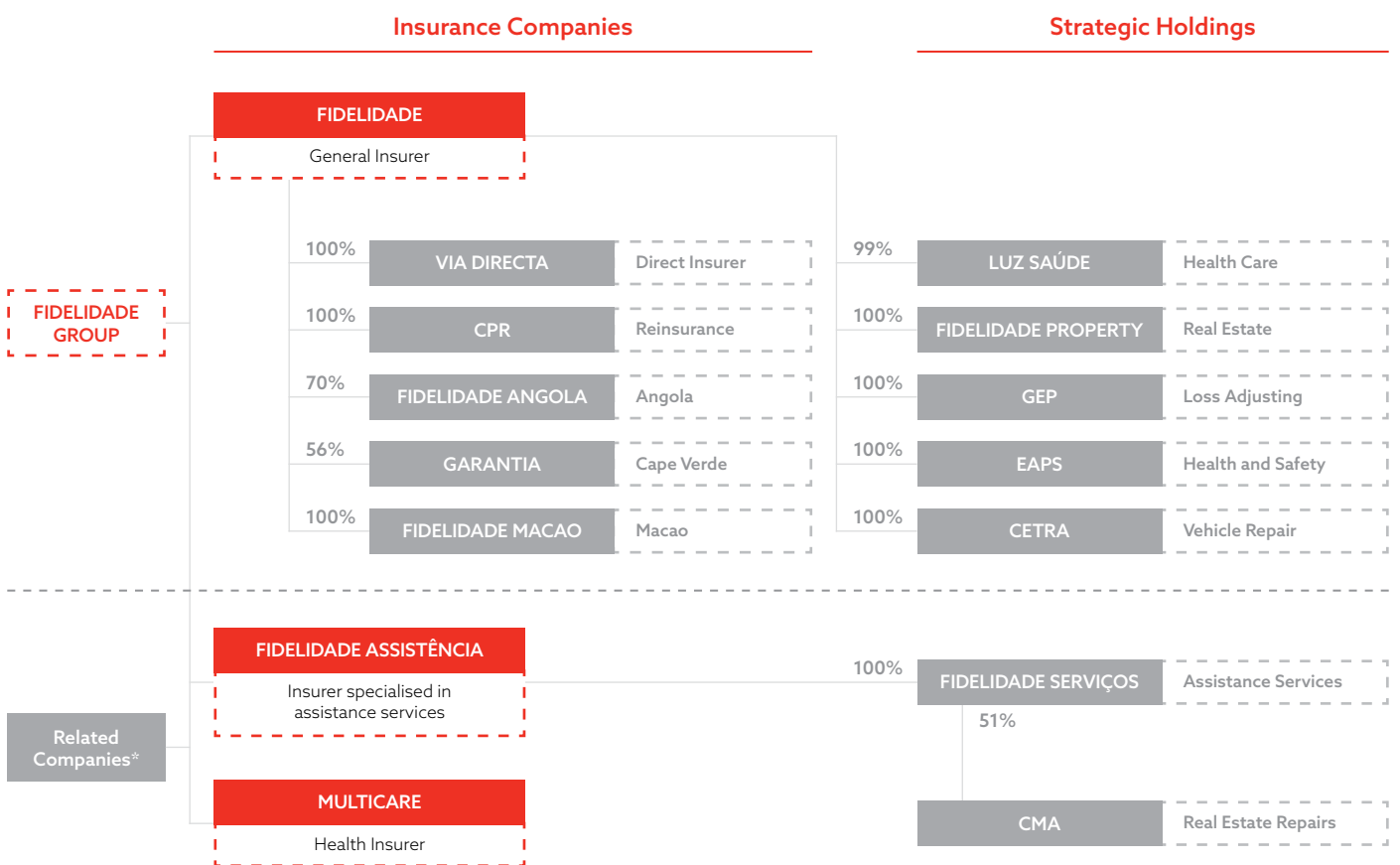
ii. Group Structure

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, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia and Fidelidade Macao (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 make 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, which includes increasing growth of remote channels.

In 2017, the Fidelidade Group once again held its leadership across both Life and Non-Life segments, recording an overall market share of 30.7%, which corresponds to a decrease of -1.5 pp over the previous year.

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

Life Segment - Market Share



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

Non-Life Segment - Market Share



Fidelidade Group

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

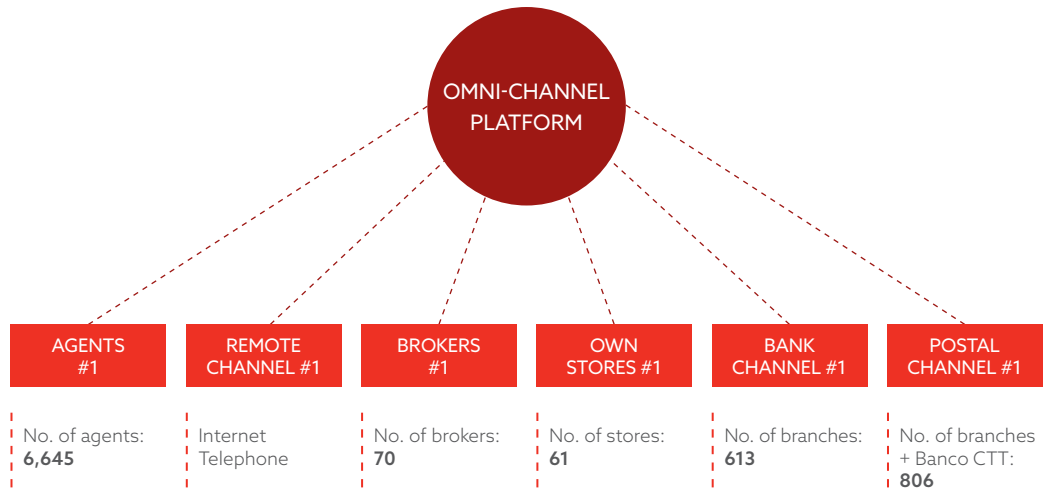
Fidelidade Group

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

v. Distribution Network

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

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



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

Capitalising on its strong presence in the various distribution channels, 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.

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

The Fidelidade Group has also been developing a number of new products to offer more wide-ranging and innovative solutions. These include the new Proteção Vital Família products, with a series of personal covers that can be adapted to suit the Client's needs, and Seguro Casa, which includes a unique range of covers in the Portuguese market in Home Insurance products.

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

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 all channels

multicare 

- Health Insurance
- Broad offer of health insurance

OK! teleseguros

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

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 that 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 2017

Portuguese Trusted Brand in the insurance category



BANCA E SEGUROS EXAME 2017

Best Large Non-Life Insurer, in the Banking and Insurance category



BANCA E SEGUROS EXAME 2017

Best Large Life Insurer, in the Banking and Insurance category



MARCA MAIS REPUTADA 2017

Insurer with the best reputation in the Insurance category (Fidelidade)



MARCA MAIS REPUTADA 2017

Insurer with the best reputation in the Health Insurance category (Multicare)

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 had greater economic, cultural and language ties. From 2014, with the change in the shareholder structure, the Chinese community also became a priority in terms of developing the international business.

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 30.7%

SPAIN

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

FRANCE/ LUXEMBOURG

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

MACAO LIFE/ MACAO NON-LIFE

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

CAPE VERDE

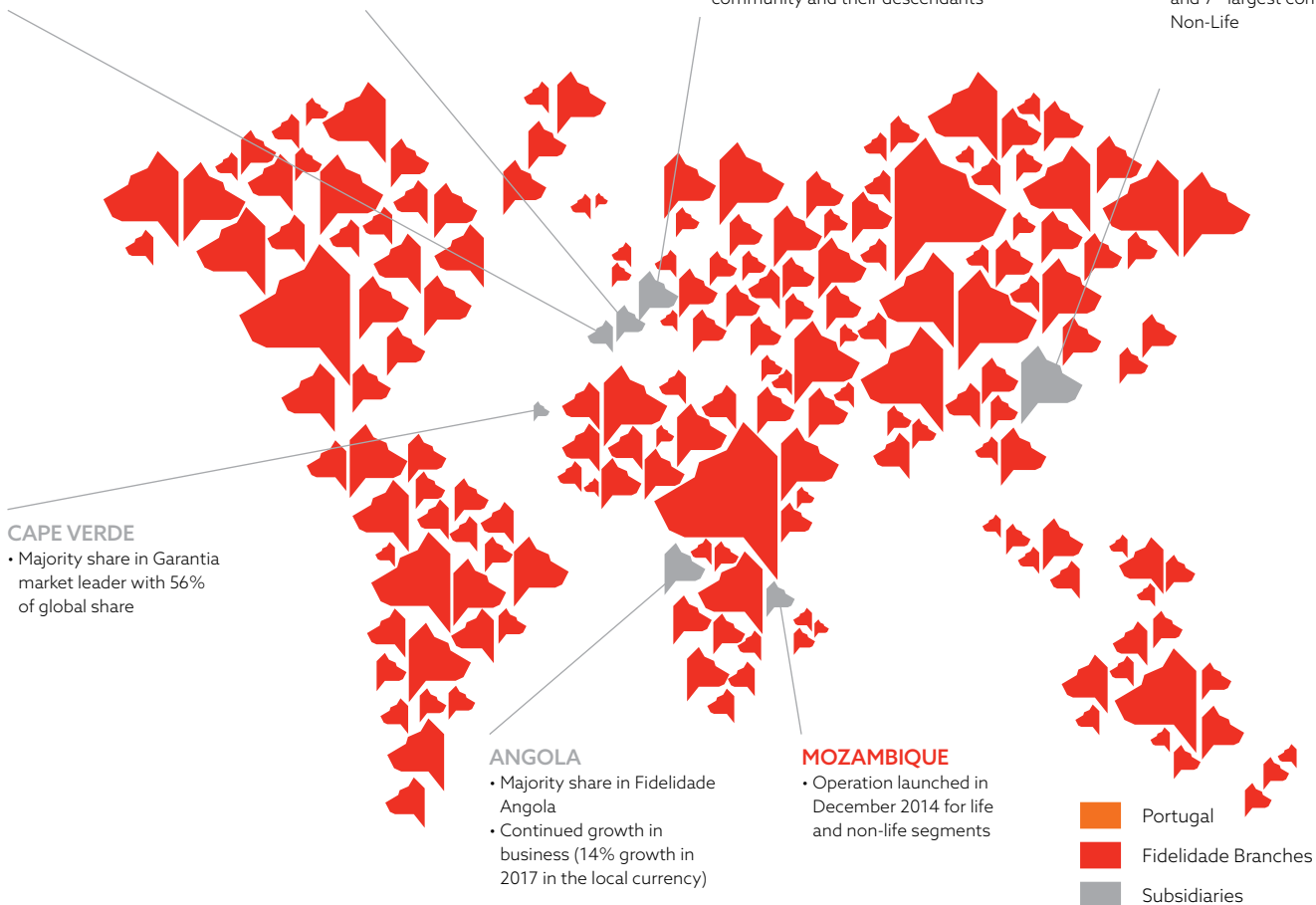
- Majority share in Garantia market leader with 56% of global share

ANGOLA

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

MOZAMBIQUE

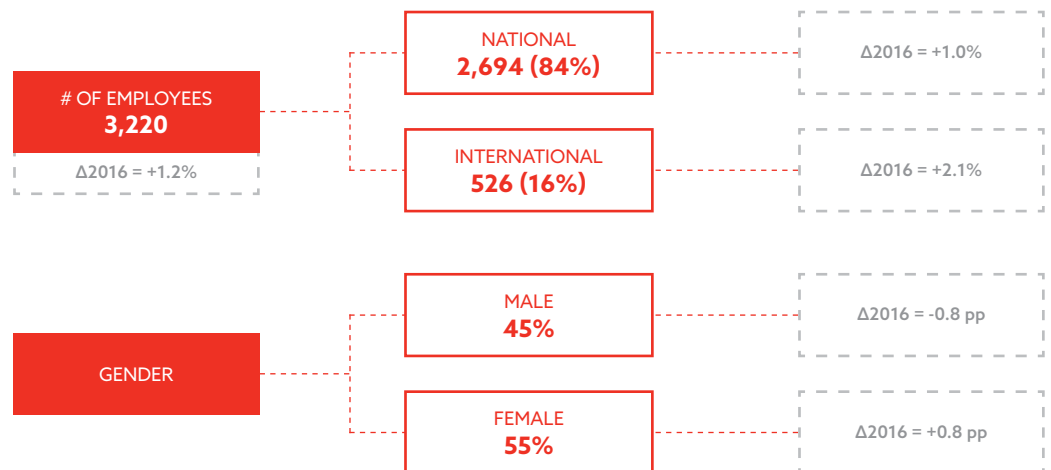
- Operation launched in December 2014 for life and non-life segments



ix. The Fidelidade Group Team

At the end of 2017, the Fidelidade Group had 3,220 employees working in its insurance business, 84% based in Portugal and the remaining 16% in international operations.

In comparison with 2016, the number of employees rose by 1.2%, reflecting the evolution of the various companies in the Group in Portugal (+1.0%), due to the increase in business activity and the need to develop new skills. Following the same trend, the International operations rose 2.1%, in line with the Group's increasing internationalisation.



In 2017, the main goal was to rejuvenate and adapt the organisation in order to keep pace with new market challenges. This focus, aimed at developing new skills, led to a reduction in the average age from 46.3 in 2016 to 46.2 in 2017 (based on the various insurance companies in the Fidelidade Group in Portugal), despite the natural ageing of the workforce by one more year.

The length of service of employees in the Fidelidade Group's insurance companies continues to reflect the above trend towards rejuvenation. In 2017 around 31.4% of the employees had been at the company for less than 10 years, compared to 30.9% in 2016.

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

In addition to the organisational changes and re-dimensioning of structures, there was also a focus on modernising human resources, management policies and practices.

These various initiatives will have a considerable impact in the medium term, cementing the company's reputation as an organisation 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 a competitive advantage over other insurers operating in Portugal:

- Clear market leader, with a client base of over 2.2 million, served by an omni-channel network with a high level of regional penetration;
- Brand leader in value, reputation and client recognition, resulting from a continued focus on operational excellence and service quality;
- Unique and leading position in distribution deriving from a multi-channel strategy, selling insurance through agents, brokers, own stores, banks (CGD), post offices and online channels;
- Technical skills which are unique in the market, having a broad range of insurance products and recognised claims management capability, thereby guaranteeing a high level of client satisfaction;
- Prudent risk management policies and above average provision levels.

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

Gaining international recognition involves increasing the proportion of international business in the total Non-Life business, assuming a position of reference in the markets where the Group is present, and developing a reputation for its operational skills and multi-channel management.

Accordingly, the Fidelidade Group has the following fundamental strategic objectives:

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

FIDELIDADE STARTING POINT

- Leadership in the Portuguese market, with a client base of 2.1 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 its Position in the Portuguese Market**
- 2. International Business Expansion**
- 3. Optimisation of Investment Management**
- 4. Digital Transformation and Analytics**

Throughout 2017, 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 Group.

Consolidation of its 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. Of particular note are the extreme levels of competition experienced in some lines of business in recent years.

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 on-going initiatives in several areas:

- Improvement in product profitability;
- Innovation in the range of products and services;
- Improvement in performance and efficacy of sales in the distribution channels;
- Implementation of an omni-channel strategy, combining the various channels, and their product ranges and service levels, to guarantee an integrated client experience;
- Enhancement of the organisation, to become more client-focused, more efficient 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 this knowledge to current international operations and those it intends to develop in the future.

Expansion of the international business

Throughout Fidelidade's process of internationalisation, the Group has targeted 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 Macao 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, the Fidelidade Group has been actively analysing opportunities in specific countries in Africa and Latin America, where the economic environment and the level of development of their insurance markets appear favourable to a successful entry.

Optimisation of investment management

The Group'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 been characterised by very low interest rates. This situation presents a challenge for business profitability, especially in the Life segment.

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

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

Digital Transformation and Analytics

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

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

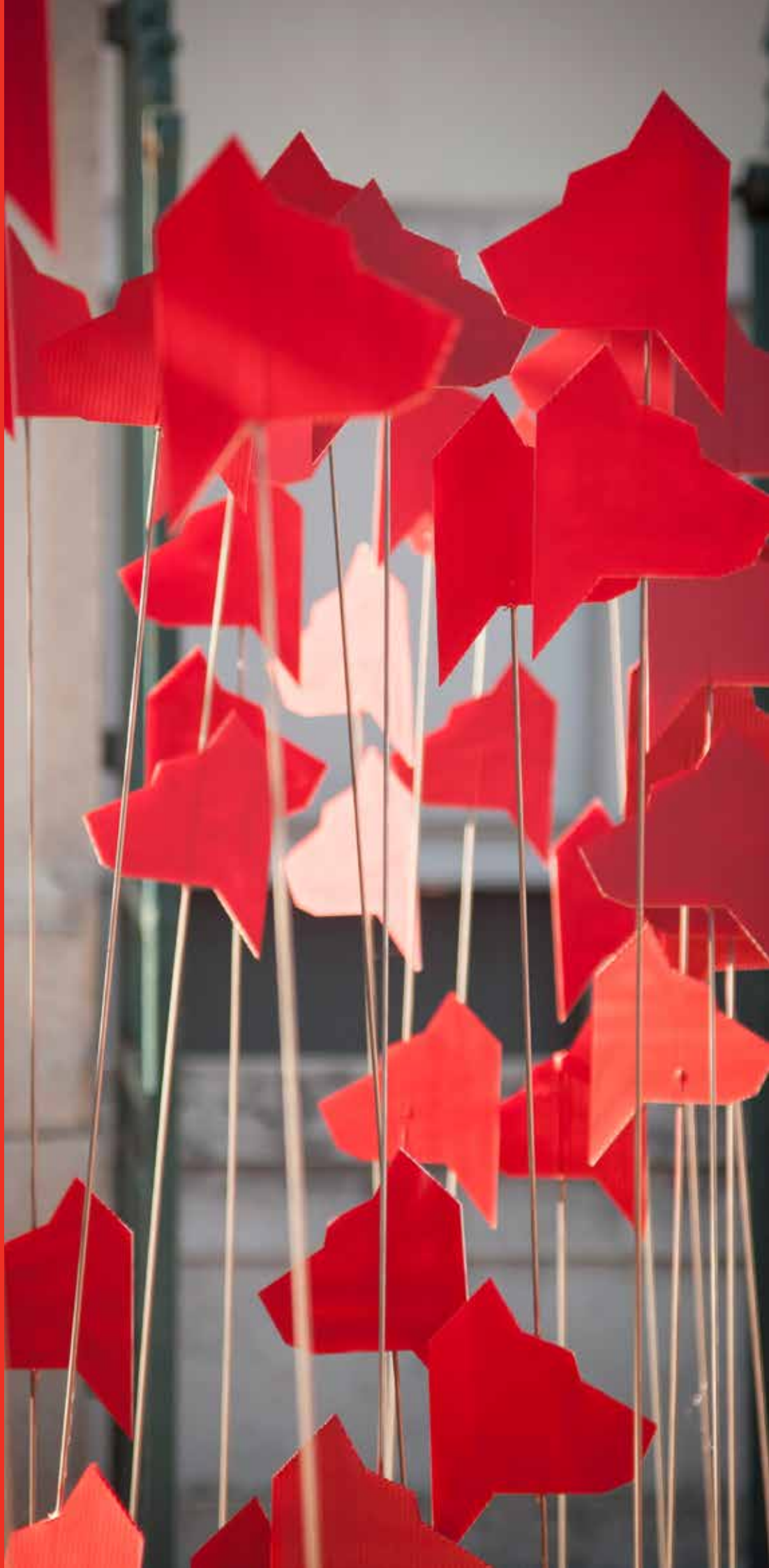
- Development of MyFidelidade and new apps, which allow clients to use the internet to take out new products, follow their insurance portfolio, report claims, etc.;
- New products linked to the use of new technologies, particularly in the Motor and Home Insurance lines of business;
- Digital transformation of business processes and client relations.

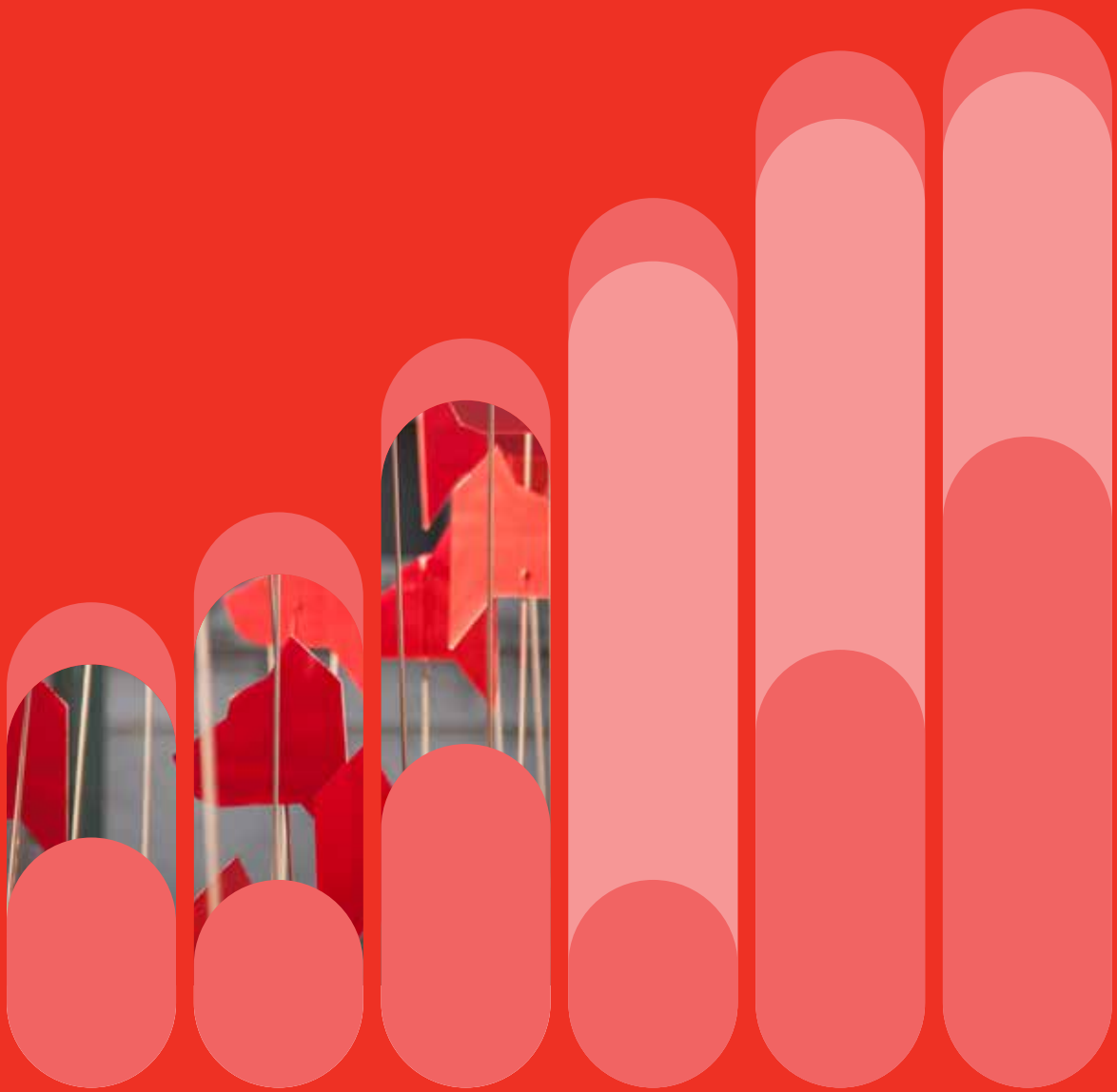
e. Others

Pursuant to Article 66 B (7) of the Code of Commercial Companies ("CSC") the Group is exempt from presenting the non-financial statement provided for in Article 66 B (1) of the CSC. The non-financial statement will be presented in the consolidated management report of the parent company Longrun, SGPS, S.A.

4

**OUR
PERFORMANCE**





a. Events Summary 2017

JANUARY	Health – launch of Multicare’s new service Orientação Médica Online, an innovative service in the Portuguese market. The service operates 24 hours a day, 7 days a week, and medical advice is provided by telephone or email.
FEBRUARY	Pensar Maior – an event held at MEO Arena with Fidelidade’s stakeholders, which provided a platform not only to look at the results from 2016, but also to plan for the coming years, with a clear focus on technological innovation, based on people. “MyFidelidade”app – launch of a mobile application that allows clients to manage their motor, health and home insurance on a single site. It also allows them to request motor assistance and to follow claims procedures and requests for medical expense reimbursements in real time.
MARCH	“A Nova Fidelidade de Sempre” Campaign – new campaign based on repositioning the brand, by adapting to the digital world, building a path which seeks to put technology to work for people and promote innovation as a means of simplifying interactions. “Fidelidade Casa” – launch of a disruptive product presenting greater simplicity and offering new plans and additional covers and, therefore, better suited to clients’ needs and possibilities.
APRIL	Fidelidade Challenge 2017 – initiative to enable innovation through direct contact between society and the Fidelidade Group. It consists of a contest for university students that seeks to showcase and reward innovative projects designed in response to a specific challenge.
MAY	Digital Lab – creation, in partnership with Deloitte Digital, of a digital laboratory, aiming to enable the creation and generation of new ideas. The Lab studies and explores concepts with a strong technological component: IoT for Homes and Assistance for Seniors.
JUNE	Digitalised OK! Saúde Card – launch of the Digital Health Card as the most recent function on the OK! Teleseguros APP. Clients can produce a digital card to replace their hard copy OK! Saúde Card. “Proteção Vital da Família” – launch of an innovative life insurance product which accompanies the family throughout its lifecycle, guaranteeing protection for the different needs that may arise during the various stages of that cycle.
JULY	Protecting 2.0 – Completion of the final stage of the new edition of this start-ups accelerator with the support of Fidelidade and in cooperation with Beta-i, to promote innovation in the areas of health and assistance.
SEPTEMBER	Fidelidade Angola – event held in Luanda to launch Fidelidade Angola, highlighting the change in the company’s image in Angola. Fidelidade Comunidade Award – As part of its social responsibility programme, Fidelidade launched this award totalling €500,000 which seeks to support projects in the areas of Employment and Support for the Disabled, Healthy Lifestyles and Active Ageing.
OCTOBER	“Fidelidade GO” – launch of a Personal Accidents product, designed to meet the needs of students studying abroad, in particular as part of the Erasmus programme. It guarantees assistance and capital payments and/or indemnities for property damage or bodily injury, as a result of an accident.
NOVEMBER	Fidelidade Auto Campaign in Angola – introduction of the Roadside Assistance cover in Fidelidade Motor Insurance, in particular assistance in the event of an accident, with free tow truck and transportation of vehicle occupants, available 24 hours a day across the whole country. Multicare Medicina Online – Launch of Multicare’s new corporate image, which has been updated and brought more in line with the Fidelidade Group, and the launch of the new Medicina Online service, which enables clients to obtain remote medical advice 24 hours a day by telephone and video consultations.
DECEMBER	Bancassurance Agreement with CGD – conclusion of negotiations to reformulate the current agreement, strengthening the partnership conditions and expanding it to new geographies.

i. Evolution of the Portuguese Insurance Market

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

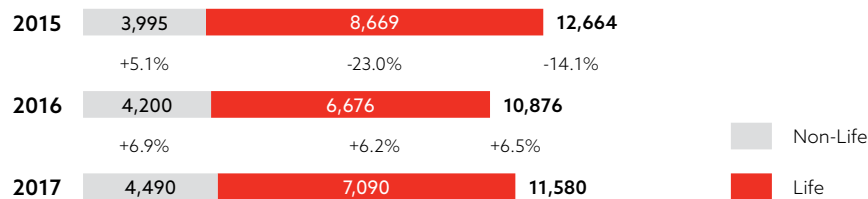
In the Life Segment, after a significant fall in 2016 (-23%), total premiums grew by 6.2% compared to 2016, totalling EUR 7,090 million in 2017. This growth contrasts with the negative trend recorded in recent years and reflects the performance of financial products.

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

Portuguese Insurance Market

Source: APS "Direct Insurance Production 2017"

(million Euros)



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

ii. Evolution of the Life insurance market in Portugal

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

Life Insurance Premiums

Source: APS "Direct Insurance Production 2017"

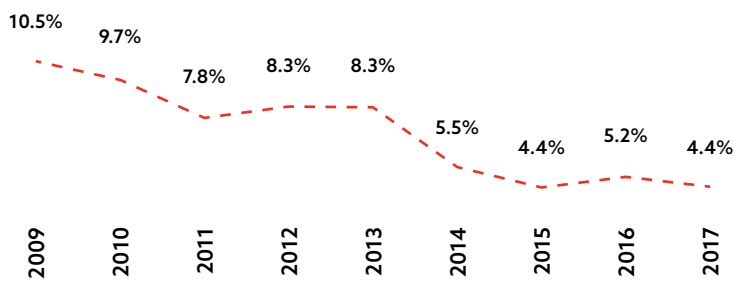
(million Euros)



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

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.

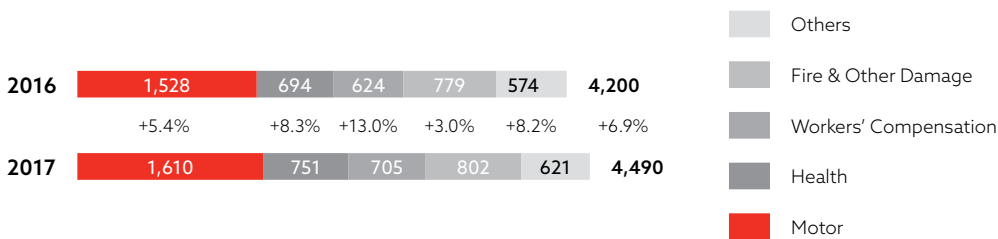
iii. Evolution of the Non-Life insurance market in Portugal

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

Non-Life Segment premiums

Source: APS "Direct Insurance Production 2017"

(million Euros)



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

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

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

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

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

b. Fidelidade Group Activity

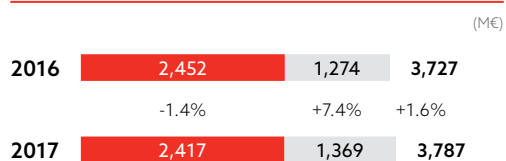
i. Key activity indicators

In 2017, a year marked by the trends described above, the Fidelidade Group had a very sound performance with total premiums written of EUR 3,787 million.

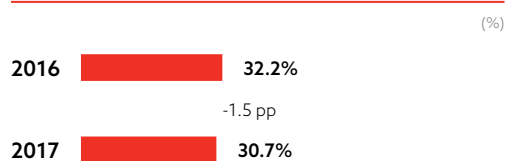
In Portugal, the Fidelidade Group reported EUR 3,549 million, which represented an increase of 1.4% compared to 2016, enabling it to maintain its leadership position, with a total market share of 30.7% (a decrease of 1.5 pp due to the performance of the Life segment).

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

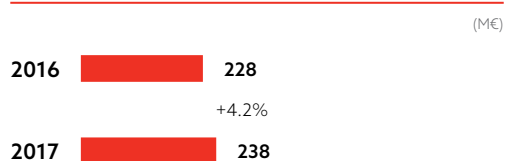
Total Premiums Written Life and Non-Life



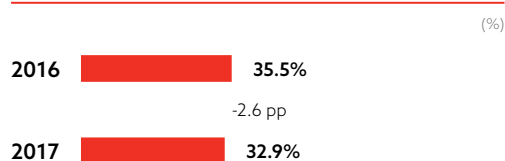
Total Market Share in Portugal



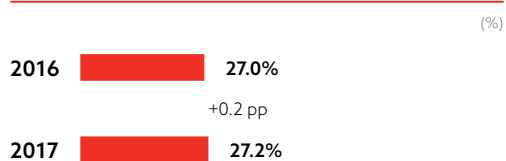
Premiums Written International Business



Life Market Share in Portugal



Non-Life Market Share in Portugal



ii. The Fidelidade Group's main areas of activity

The Fidelidade Group's robust performance throughout 2017 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 company with integrated service solutions associated with people protection, rather than simply being an insurer.

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, in response to market needs.

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

Regarding roadside assistance, and following the launch of the OK! Telesseguros app with the function to request assistance and report claims using geo-referencing, the Fidelidade Assistance application, available since 2016, has simplified how requests can be made. The application also enables clients to manage vehicle assistance but also roadside assistance, medical assistance, home assistance or IT assistance.

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

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

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

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

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 been consolidating its offer of products with guaranteed capital and yield.

In Life Risk, Fidelidade launched the "Proteção Vital das Famílias" product. This is an innovative and wide-ranging life insurance policy aimed at families. Included in its basic cover, besides funeral services, are new Health, Assistance and Accident covers, which are combined in a single contract. These covers are adjusted throughout the lifecycle of the various members of the family.

In addition to this new product, the Fidelidade Group has been positioning itself to benefit from renewed interest in the Portuguese real estate market, which, because of insurance attached to mortgages, plays a dominant role in the evolution of this line of business.

Lastly, in terms of service to the client, Fidelidade launched the mobile application "MyFidelidade". Using this app, clients can manage their motor, home and health insurance on a single site, intuitively and with easy access. In addition, they can request motor assistance and follow claims procedures and requests for medical expense reimbursements in real time, as well as search Multicare's network of healthcare providers and Fidelidade's repair shops.

II. Distribution

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 clients with an integrated response to their needs.

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

Emphasis has also been placed on enhancing the network of exclusive agents, namely with the opening of new Fidelidade branded agencies throughout the country, and on creating closer ties with the brokers' channel, with good results in terms of commercial performance being achieved in both cases. At the same time, a range of initiatives have been implemented in the banking and postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

III. People and Organisation

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

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

Following the working plan defined for People Management – People Development, Transformation of the Organisation, Change Management and Business Partnerships and Corporate Culture – Fidelidade has been implementing new models and new ways of working, some of which are highlighted below:

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

In addition, the Fidelidade Group has continued to focus on rejuvenation and capturing new talent, and on developing essential business skills, for example, leadership training, commercial training and training in new products and new regulations in the sector.

- **Transformation of the Organisation** – the Fidelidade Group has been adjusting its organisation, by reviewing and building organisational structures that better respond to the challenges of the business and which guarantee the introduction of new skills and ways of working. The Fidelidade Group has also sought to implement workforce monitoring and planning processes, which are essential in ensuring the right people for the Organisation's structures and functions.

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

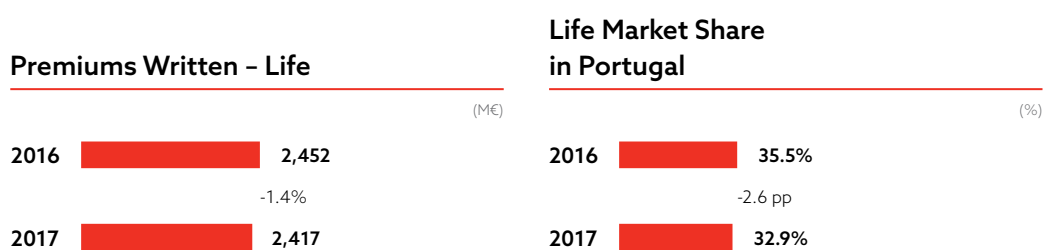
- **Corporate Culture** – As a means of development of the corporate culture, which promotes the company's cultural identity (Vision; Values), and the commitment and recognition of the People who contribute daily to the Fidelidade Group's success, Fidelidade recently created a modern and agile Intranet, which is now its main channel of internal communication.

iii. Life Segment

Key activity indicators – Life Segment

In 2017, the Fidelidade Group saw a slight decrease in premiums in the Life segment, reflecting both the market conditions for financial products and the fact that the amount of premiums in 2016 was particularly high representing a market share of over 35%.

Fidelidade continues to be the clear market leader, with a 32.9% share.



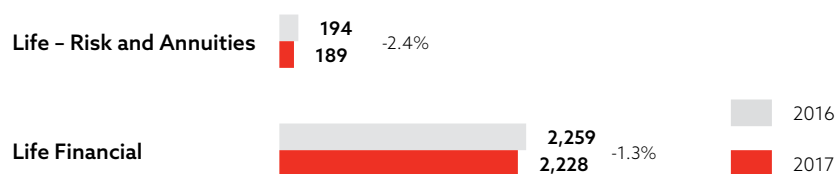
Evolution of the Life segment by line of business

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

Life Risk and Annuity products declined by 2.4% to EUR 189 million, as less new contracts linked to mortgages were initiated than were terminated during the year.

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

Life Segment Premiums



Evolution of the Life segment by distribution channel

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

On the other hand, premiums from traditional channels (agents, own stores and brokers) decreased by 19.1%.

Life Segment

(million Euros)

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

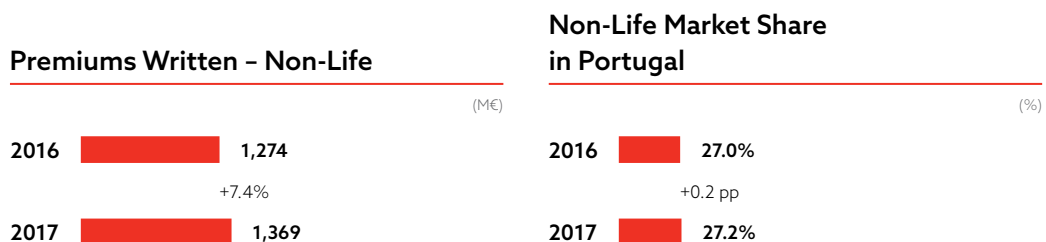
iv. Non-Life Segment

Key activity indicators – Non-Life Segment

The Fidelidade Group's performance was clearly positive in the Non-Life segment, with premiums written increasing 7.4% to EUR 1,369 million.

The Fidelidade Group's commercial performance exceeded the positive trend of most of the market. In particular, in the Portuguese market Fidelidade Group's premiums grew by 7.8%, in comparison with an increase of 6.9% in the overall market. These results enabled the Fidelidade Group to strengthen its leadership position, increasing its market share to 27.2%, which represents a 0.2 pp increase over 2016.

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



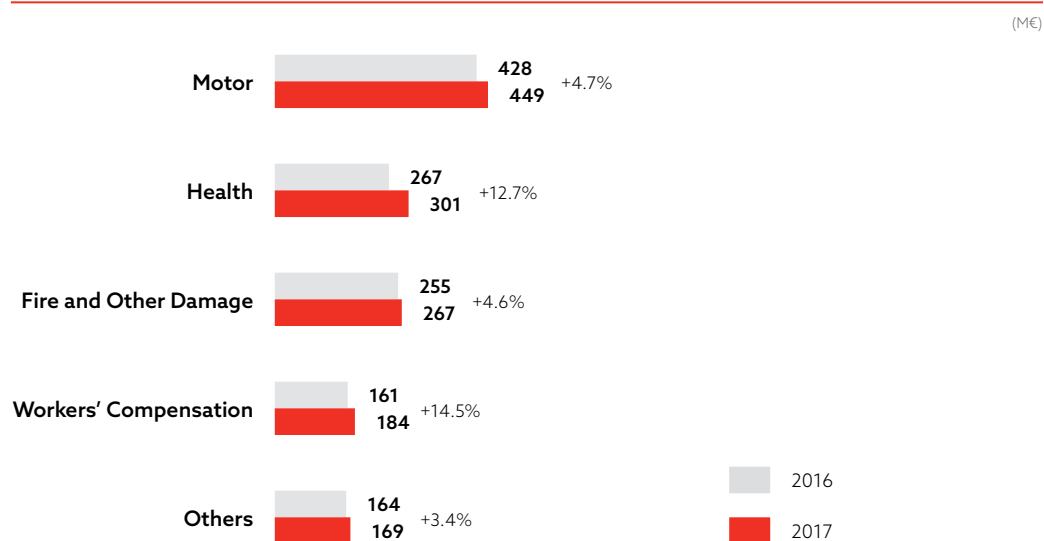
Evolution of the Non-Life segment by line of business

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

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

The Motor line of business continues to be clearly the most significant activity in the Non-Life segment, representing over 30% of the segment total. The performance of this line of business was particularly solid, with premiums increasing 4.7% 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 do 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 well from 2016 to 2017 in terms of product sales.

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

Non-Life Segment

(million Euros)

Distribution Channel	2017	2016	Change
Traditional	1,065	982	+8.4%
Bank and Postal	104	101	+2.7%
Remote	48	46	+5.1%
International	153	145	+4.8%
Fidelidade Group	1,369	1,274	+7.4%

v. International Activity

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

Initially, Fidelidade's process of internationalisation sought to take advantage of markets with which Portugal has close 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 international business.

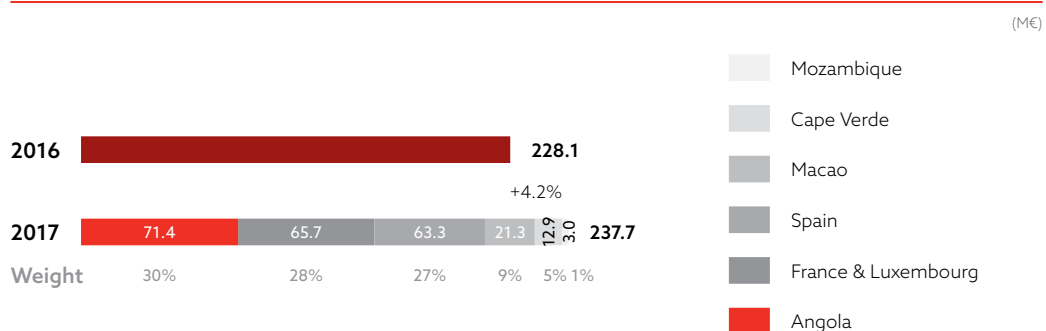
Currently, with new growth objectives and a renewed focus on value creation, the Fidelidade Group regards international expansion as a priority and an opportunity to grow and diversify its business, with emphasis on new locations and on accompanying its clients into new markets, always remaining aware that each transaction must be financially and operationally sustainable.

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

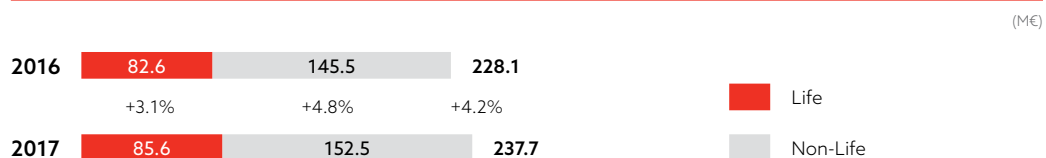
The positive development of the international business benefited from growth in both the Life and Non-Life segments. The Life business grew 3.1% to EUR 85.2 million, while Non-Life increased by 4.8% to EUR 152.5 million.

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

Premiums Written International Business - By geography



Premiums Written International Business - Life and Non-Life



c. Operational and Financial Performance

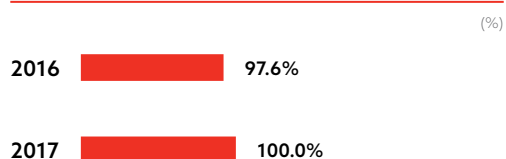
Key indicators of the operational and financial performance

In 2017, the Fidelidade Group's results were robust with a net profit of EUR 216.2 million, which represented an increase of 2.4% when compared to 2016. This result was mainly influenced by the positive performance of the Group's financial activity, demonstrating the consistency of the Group's investment management.

The combined ratio was 100.0% in 2017, 2.4 pp higher than in the previous year, mainly influenced by the forest fires in Portugal, in June and October, and the floods in Macao.

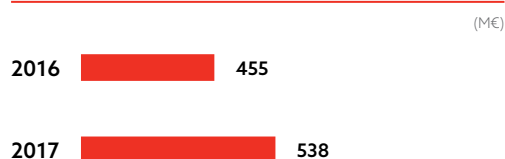
Investments also performed well, resulting in investment income of EUR 538 million and an investment yield of 3.6%, which was above the market average.

Combined Ratio *



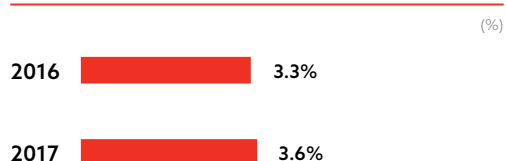
* Adjusted ratio of the financial cost component associated with Workers' Compensation line of business

Investment Income **

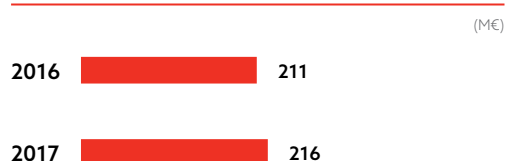


** Includes Investment income from Unit Link products, net gains and impairments. Unrealised gains not considered

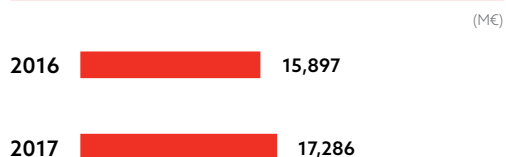
Investment yield



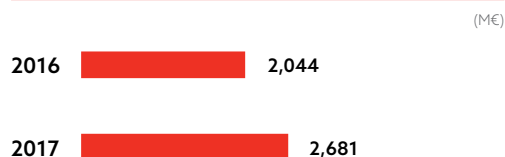
Net Profit



Net Assets



Shareholders' Equity



i. Operational Performance

Operational performance fell slightly in 2017, with the combined ratio increasing from 97.6% to 100.0% (+2.4 pp), due to the claims ratio, which reflected the costs related with the forest fires in Portugal, in June and October, and the floods in Macao.

There was a 1.5 pp fall in the expense ratio, from 30.8% to 29.3% in 2017. This reflects the increase in the operational efficiency of the Fidelidade Group, and an effort to optimise and contain costs at a time when the volume of Non-Life premiums has been increasing.

The claims ratio increased 3.8 pp, from 66.9% to 70.7%, in 2017. This increase was heavily influenced by the fires in Portugal, in June and October, and the floods in Macao.

Detailed Combined Ratio *

	Loss Ratio	Expense Ratio	Combined Ratio	
2016	66.9%	30.8%	97.6%	
	+3.8 pp	-1.5 pp	+2.4 pp	
2017	70.7%	29.3%	100.0%	

(%)

Legend: Loss Ratio (Grey), Expense Ratio (Red)

* 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 17.3 million in 2017, representing a rise of 8.7% compared to 2016.

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

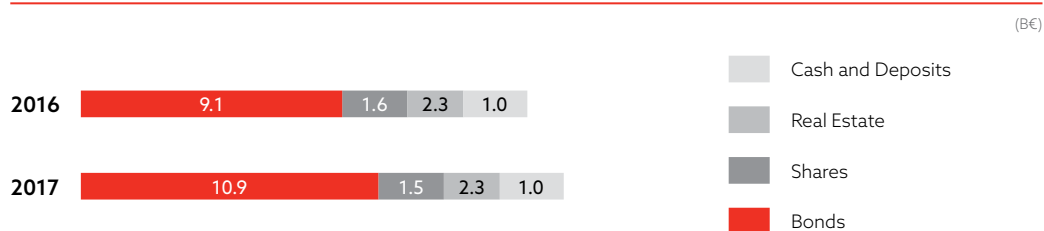
- The prolonged environment of low interest rates, which means assets must be sought which have a higher return than traditional fixed rate investments, although also ensuring that an appropriate level of risk is maintained;
- The need to optimise the capital structure, in line with the framework of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

The Group investment portfolio (including Cash and Bank Deposits) of EUR 15.6 billion represented an increase of 10.0% over 2016.

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

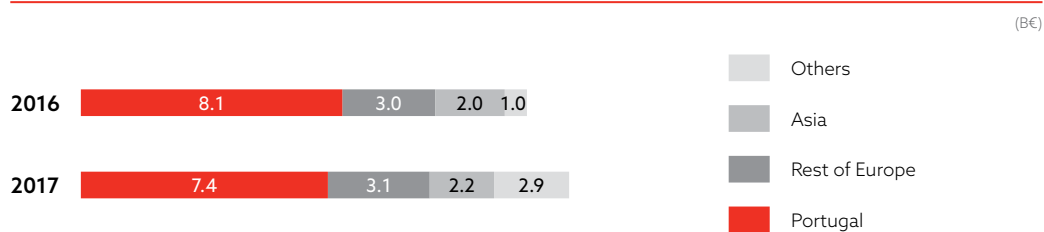
Overall, investments performed well, resulting in an investment income of EUR 538 million and an investment yield of 3.6%.

The Fidelidade Group's investments by class of asset



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

The Fidelidade Group's investments by geographical distribution



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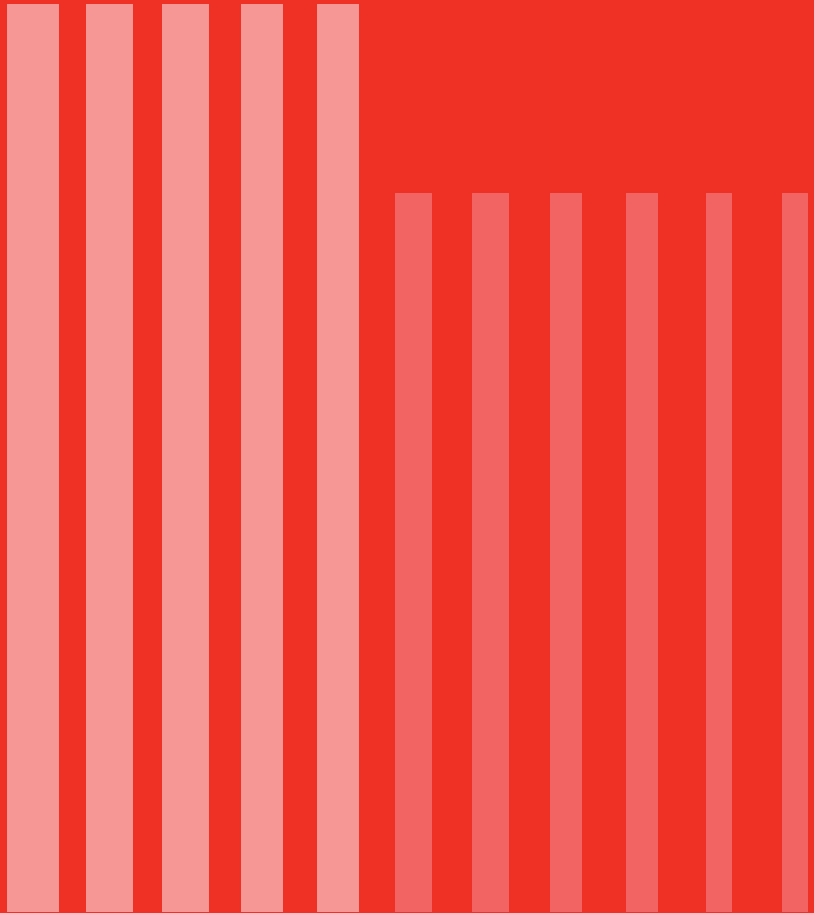
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A INOVAR PARA DEDICAR MAIS TEMPO ÀS PESSOAS





a. Macroeconomic Development

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

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

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

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

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

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

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

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

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

b. Prospects for the Insurance Market in 2018

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

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

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

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

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

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

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 that 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 that warrants the greatest attention. The increase in the average life expectancy, combined with a decrease in the fertility rate, has led to an increasingly elderly population that 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.

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.

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

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

2. New needs in the digital context

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

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

Main Impacts:

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

The Insurance Sector is facing a major 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.

3. Regulatory changes

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

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

Main Impacts:

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

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

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 controls that are necessary for compliance with the new requirements imposed by the new Solvency II directive effective since 1 January 2016.

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

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

4. Uncertainty in the financial markets

The macroeconomic environment and political uncertainty which currently characterise the Euro area, and the volatility in the world financial markets, despite a very good performance in 2007, are major sources of risk for the insurance sector.

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

Main Impacts:

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

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

As part of this, 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 product development and investment and risk management policies, to minimise any negative impacts that may result from the current macroeconomic context.

d. Fidelidade Group Future Positioning

In recent years, Fidelidade has pursued its strategy with highly positive 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 actions with the key pillars being a focus on innovation and improved service quality, strengthening of the multi-channel distribution, digitalisation of the business and enhancement of the organisation's capabilities. These options and the results that have already been achieved allow us to face future challenges with determination and confidence.

For Fidelidade, 2018 will be a year of evolution and transformation, supported by projects that seek to adapt the business to an increasingly digital and global economy. Initiatives to transform the business, which are critical for consolidating its position in Portugal, international expansion and strengthening of the capital position, will 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 that are an intrinsic part of the insurance business, but it intends to place emphasis on new services in a wider approach to the creation of a more global offer. Fidelidade has been increasing its emphasis on the concept of an ecosystem based on the development of partnerships with key entities in other business areas and with skills which are complementary to those of Fidelidade, to create 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 clients and their needs, maintaining proximity to people, which sometimes is only possible through physical channels involving human contact.

Additionally, international expansion will continue to be a priority. 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 that 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 success.

COMPANIES IN THE FIDELIDADE GROUP

6



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



[Redacted]

[Redacted]

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 (Fidelidade Angola, Garantia and Fidelidade Macao).

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 summary overview of these companies is presented below indicating the most important events of 2017, the key indicators and the priorities for 2018.

FIDELIDADE

Total Premiums = M€ 3,651

Net Assets = B€ 15.9

Fidelidade is the largest insurance company in the Portuguese market, with a strong presence in the Life and Non-Life segments, and is the parent 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, Macao and Mozambique.

2017 was marked by the following trends:

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

In 2018, Fidelidade will continue its strategy of consolidating its position in the Portuguese market, placing emphasis on the digital transformation of the business and strengthening the international growth effort by boosting its operations in the markets where it is already present and assessing new opportunities to enter markets with significant potential for growth.

VIA DIRECTA

Total Premiums = M€47.8

Net Assets = M€69.9

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, 2017 was marked by the following:

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

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

COMPANHIA PORTUGUESA DE RESSEGUROS

Total Premiums = M€2.8

Net Assets = M€33.9

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

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

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

FIDELIDADE (ANGOLA)

Total Premiums = M€71.4

Net Assets = M€197.3

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

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

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

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

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

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

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

FIDELIDADE (MACAU)

Total Premiums = M€13.6

Net Assets = M€75.5

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

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

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

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

GARANTIA SEGUROS

Total Premiums = M€12.9

Net Assets = M€26.3

Garantia, Companhia de Seguros de Cabo Verde 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.

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

GEP

Total Premiums = M€22.5

Net Assets = M€3.5

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

In 2017, the most important events were:

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

For 2018, besides continuing to focus on the quality of the services provided, operational efficiency and the creation of differentiated services in the digital area, GEP will also continue investing in innovation, specifically in implementing “Digital Loss Adjusting”. It will also consolidate its services in emerging markets in Angola and will implement the motor loss adjusting project in Cape Verde.

FIDELIDADE CAR SERVICE

Total Premiums = M€7.2

Net Assets = M€6.1

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

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

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

The following activities can be highlighted in 2017:

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

For 2018 CETRA plans to:

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

SAFEMODE

Total Premiums = M€2.9

Net Assets = M€1.5

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

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

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

FIDELIDADE PROPERTY

Turnover = M€124.8

Net Assets = B€1.3

Fidelidade Property Europe and Fidelidade Property International are Group companies that manage real estate, an area which has been gaining significance in the investment portfolio of the insurance segment. In recent years, these companies have made a series of new and important investments in real estate both in Portugal and in key locations around the world (London, Tokyo and Milan), thereby strengthening the Group's positioning as a benchmark real estate investor in Portugal and internationally.

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

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

In 2018, these companies will continue their current strategy of optimising the current portfolio and developing new projects with an appropriate risk/return profile, contributing decisively to the profitability and robustness of the investment portfolio of the Group's insurers.

LUZ SAÚDE

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

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

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

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

RISK MANAGEMENT

7





i. Risk Management and Internal Control Systems

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

Accordingly, the Company implemented a global risk management system, in order to meet these requirements.

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

The risk management system is therefore an integral part of the Company's daily activities, enabling the Company to ensure that its strategic objectives (client interests, profitability, financial solidity and efficiency of processes) are attained.

Moreover, the own risk and solvency assessment (ORSA), which enables risk, capital and return to be related to each other in a prospective vision, within the context of the business strategy, plays a key role in monitoring both the Company's risk profile and the capital adequacy in terms of meeting the regulatory requirements and the internal capital needs.

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

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

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

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 preparing and updating of documentation relating to the business processes, their risks and control activities.

Regarding the reporting requirements, the Company prepared and disseminated, on its Internet site, the "Solvency and Financial Condition Report", with reference to 31/12/2016, which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management.

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

Given the time lag between the disclosure of these financial statements and the prudential information in the "Solvency and Financial Condition Report", for the year 2017 it is significant that the Company continues to comply comfortably with the capital requirements. Based on preliminary quarterly data reported to the ASF and on information currently available, 2017 ratios are expected to be higher than those of 2016.

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 using models that incorporate valuation techniques accepted in the market.

These derivatives are used to hedge Fidelidade's exposure to the currency fluctuation risk inherent in its activity.

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

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

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 reputation of Fidelidade, which has repeatedly proven its dependability by being present when people most need it.

For the insurers in the Fidelidade Group, 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.

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

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

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

In 2017, Fidelidade launched the Fidelidade Comunidade Award, which sets out the way the company structures its response to problems in society. With this Award, Fidelidade aims to build an operational model that is transparent and efficient, with pre-defined assessment criteria and that creates synergies with other areas, such as voluntary work, but also partnerships with important stakeholders for the Company.

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

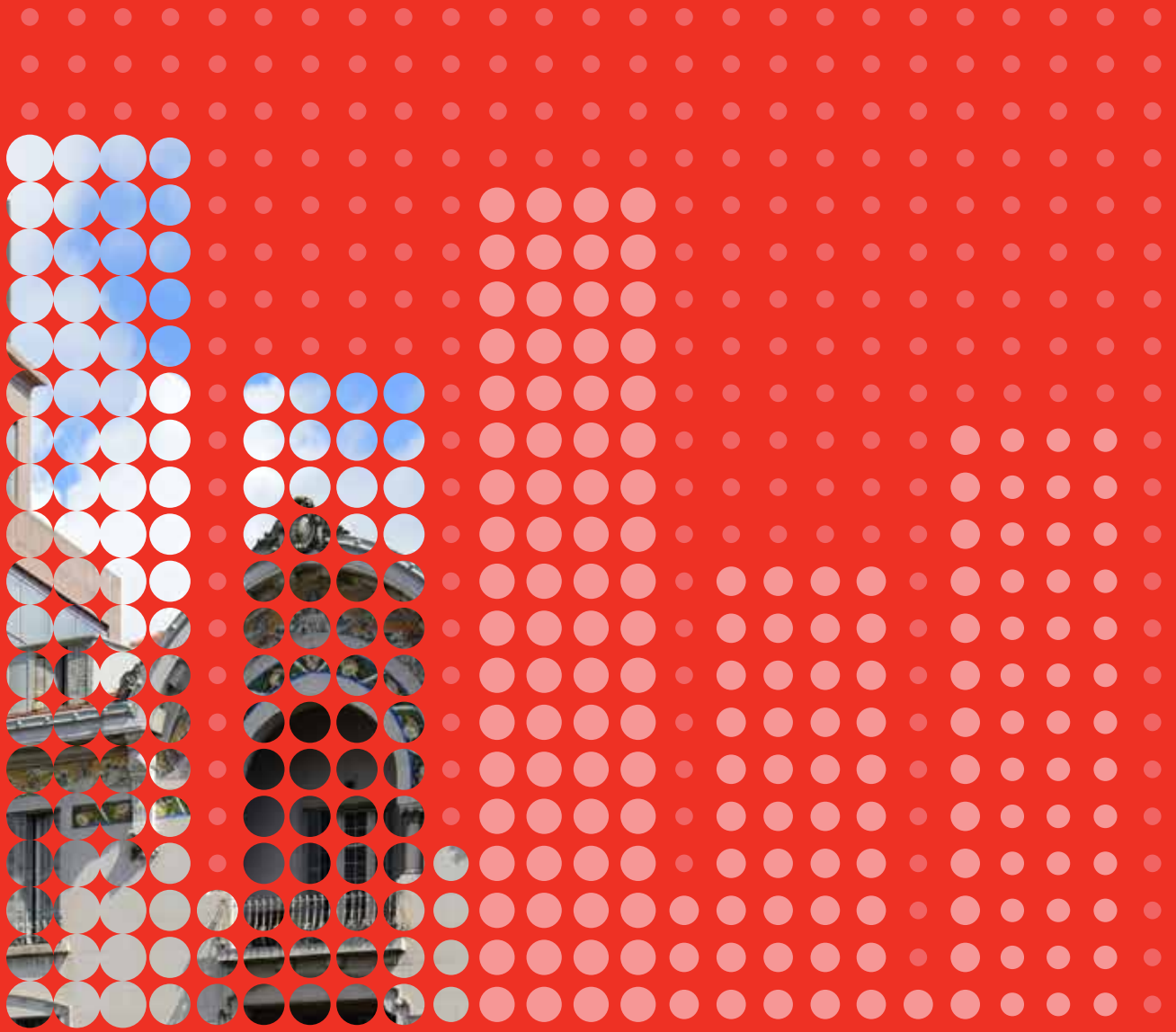
The Fidelidade Comunidade Award has a global value of EUR 500,000 and is aimed at not-for-profit organisations legally set up, registered and operating in Portugal. It gives form to Fidelidade's commitment to sustainable development through supporting entities that respond directly to the needs of society. We are particularly dedicated to promoting the long-term sustainability of these entities in specific areas and creating synergies with the Fidelidade Group and its partners. 2018 will see the second edition of the Fidelidade Comunidade Award.

The performance of the insurers in the Fidelidade Group in terms of Social Responsibility is shared with stakeholders by means of a Sustainability Report that will be published annually from 2017 onwards. The report is 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

Jorge Manuel Baptista Magalhães Correia
Lan Kang
José Manuel Alvarez Quintero
Xiaodong Yu
Lingjiang Xu
José João Guilherme
Francisco Ravara Cary
João Eduardo de Noronha Gamito de Faria
António Manuel Marques de Sousa Noronha
Rogério Miguel Antunes Campos Henriques
Wai Lam William Mak
Jun Li
André Simões Cardoso
Tao Li

CONSOLIDATED FINANCIAL STATEMENTS

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

(amounts in Euros)

ASSETS	Notes	2017			2016
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	4 and 11	568,526,777	-	568,526,777	964,132,725
Investments in associates and joint ventures	5 and 11	1,506,320	-	1,506,320	117,006,817
Financial assets held for trading	6 and 11	53,137,930	-	53,137,930	7,770,368
Financial assets initially recognised					
at fair value through profit or loss	6 and 11	807,553,697	-	807,553,697	666,343,350
Hedge derivatives	7 and 11	28,178,377	-	28,178,377	22,768,708
Available-for-sale investments	8 and 11	10,794,639,837	-	10,794,639,837	9,139,793,668
Loans and accounts receivable	9 and 11	1,182,673,453	-	1,182,673,453	1,011,170,690
Deposits in ceding companies	9	167,023	-	167,023	875,620
Other deposits	9	1,136,006,020	-	1,136,006,020	954,405,677
Loans made	9	46,497,673	-	46,497,673	55,859,293
Other	9	2,737	-	2,737	30,100
Properties	10 and 11	1,957,019,240	(107,867,438)	1,849,151,802	2,186,271,505
Properties for own use	10	540,459,856	(107,867,438)	432,592,418	429,456,714
Investment properties	10	1,416,559,384	-	1,416,559,384	1,756,814,791
Other tangible assets	11 and 12	286,751,685	(233,657,412)	53,094,273	50,091,357
Inventories	13	11,879,805	-	11,879,805	10,558,460
Goodwill	14	390,401,491	-	390,401,491	379,461,136
Other intangible assets	15	82,099,396	(61,886,192)	20,213,204	18,670,318
Technical provisions on reinsurance ceded		357,924,988	-	357,924,988	270,563,232
Provision for unearned premiums	16	58,632,074	-	58,632,074	71,716,464
Mathematical provision for life insurance	16	11,187,581	-	11,187,581	11,256,504
Claims provision	16	288,104,261	-	288,104,261	187,590,264
Profit sharing provision	16	1,072	-	1,072	-
Assets for post-employment and long-term benefits	34	12,344,589	-	12,344,589	8,739,168
Other debtors for insurance and other operations		547,824,984	(51,463,682)	496,361,302	493,232,171
Accounts receivable for direct insurance operations	17	232,304,421	(17,117,201)	215,187,220	188,078,872
Accounts receivable for other reinsurance operations	17	47,752,500	(6,390,243)	41,362,257	14,988,084
Accounts receivable for other operations	17	267,768,063	(27,956,238)	239,811,825	290,165,215
Tax assets		259,439,780	-	259,439,780	483,448,749
Recoverable tax assets	18	1,816,553	-	1,816,553	59,777,007
Deferred tax assets	18	257,623,227	-	257,623,227	423,671,742
Accruals and deferrals	19	72,217,841	-	72,217,841	66,920,807
Non-current assets held for sale	20	327,057,041	-	327,057,041	-
TOTAL ASSETS		17,741,177,231	(454,874,724)	17,286,302,507	15,896,943,229

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

(amounts in Euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
LIABILITIES			
Technical provisions		4,135,248,764	3,839,559,113
Provision for unearned premiums	21	289,786,965	291,823,685
Mathematical provision for life insurance	21	1,762,942,406	1,648,505,455
Claims provision		1,864,990,686	1,728,447,610
Life	21	132,483,735	121,052,056
Workers' compensation	21	834,126,539	795,656,958
Other	21	898,380,412	811,738,596
Provision for profit sharing	21	110,750,140	68,711,825
Provision for interest rate commitments	21	7,520,800	7,025,239
Provision for portfolio stabilisation	21	24,405,064	21,750,883
Equalisation provision	21	25,630,188	24,056,289
Provision for unexpired risks	21	49,222,515	49,238,127
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	22	8,583,639,740	8,293,190,335
Financial liabilities held for trading	23	5,656,794	15,072,639
Other financial liabilities		744,769,068	721,794,785
Hedge Derivatives	7 and 23	4,011,186	13,469,282
Deposits received from reinsurers	23	132,600,318	117,145,067
Loans	23	573,125,604	562,887,131
Others	23	35,031,960	28,293,305
Liabilities for post-employment and other long-term benefits	35	85,665	73,618
Other creditors for insurance and other operations	24	399,310,290	342,062,910
Accounts payable for direct insurance operations	24	115,848,127	105,981,598
Accounts payable for other reinsurance operations	24	58,440,291	38,702,926
Accounts payable for other operations	24	225,021,872	197,378,386
Tax liabilities		292,889,369	297,604,888
Tax payable liabilities	18	36,402,884	42,720,789
Deferred tax liabilities	18	256,486,485	254,884,099
Accruals and deferrals	25	166,189,128	158,333,825
Other provisions	26	214,412,990	140,042,113
Liabilities from a group for disposal classified as held for sale	20	26,888,083	-
TOTAL LIABILITIES		14,569,089,891	13,807,734,226
SHAREHOLDERS' EQUITY			
Paid-in Capital	27	381,150,000	381,150,000
(Treasury shares)	27	(148,960)	(148,960)
Other Capital Instruments	27	521,530,515	521,530,515
Revaluation reserves		804,507,878	185,944,833
Adjustments in fair value of financial assets	28	703,046,550	23,227,109
Revaluation of properties for own use	28	111,830,706	106,470,627
Adjustments in fair value of hedging instruments in cash flow hedging	28	(2,678,535)	(4,092,767)
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	28	84,397,655	43,109,385
Exchange differences	28	(92,088,498)	17,230,479
Deferred tax reserve	28	(220,888,608)	(18,386,326)
Other reserves	28	633,435,313	523,982,139
Retained earnings	28	344,940,239	239,018,070
Net income for the year	28	216,232,495	211,108,365
TOTAL SHAREHOLDERS' EQUITY		2,680,758,872	2,044,198,636
Non-controlling interests	29	36,453,744	45,010,367
TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		2,717,212,616	2,089,209,003
TOTAL LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY		17,286,302,507	15,896,943,229

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

(amounts in Euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2017				2016
		Technical - Life	Technical - Non-Life	Non-technical	Total	
Earned premiums net of reinsurance		430,637,172	884,274,815	-	1,314,911,987	1,138,341,582
Gross premiums written	30	444,020,974	1,368,968,260	-	1,812,989,234	1,609,865,930
Reinsurance ceded premiums	30	(13,401,427)	(452,488,836)	-	(465,890,263)	(456,462,392)
Provision for unearned premiums (change)	20 and 30	24,859	(18,838,537)	-	(18,813,678)	(17,982,753)
Provision for unearned premiums, reinsurers' share (change)	16 and 30	(7,234)	(13,366,072)	-	(13,373,306)	2,920,797
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	31	1,943,122	-	-	1,943,122	2,551,811
Claims costs, net of reinsurance		(293,205,931)	(667,034,365)	-	(960,240,296)	(828,902,558)
Amounts paid		(282,436,365)	(637,848,448)	-	(920,284,813)	(866,752,650)
Gross amounts	32 and 33	(288,761,380)	(922,175,996)	-	(1,210,937,376)	(1,120,429,470)
Reinsurers' share	32	6,325,015	284,327,548	-	290,652,563	253,676,820
Claims Provision (change)		(10,769,566)	(29,185,917)	-	(39,955,483)	37,850,092
Gross amount	32	(11,453,531)	(127,809,383)	-	(139,262,914)	20,796,033
Reinsurers' share	32	683,965	98,623,466	-	99,307,431	17,054,059
Other technical provisions, net of reinsurance	32	(3,149,742)	(1,598,684)	-	(4,748,426)	12,253,658
Mathematical provision for life insurance, net of reinsurance		(84,038,965)	-	-	(84,038,965)	(4,306,026)
Gross amount	20 and 32	(84,291,038)	-	-	(84,291,038)	(3,148,319)
Reinsurers' share	32	252,073	-	-	252,073	(1,157,707)
Profit sharing, net of reinsurance	20 and 32	5,770,055	(205,279)	-	5,564,776	(9,659,593)
Operating costs and expenses, net		(79,270,934)	(259,287,154)	-	(338,558,088)	(338,969,287)
Acquisition expenses	33	(65,521,093)	(254,529,317)	-	(320,050,410)	(317,289,271)
Deferred cost acquisition (change)	20	74,358	12,341,077	-	12,415,435	1,265,695
Administrative expenses	33	(21,345,680)	(81,381,096)	-	(102,726,776)	(96,833,504)
Commissions and reinsurance profit sharing	33	7,521,481	64,282,182	-	71,803,663	73,887,793
Financial income		235,301,422	66,776,922	122,940,826	425,019,170	392,557,840
From interest on financial assets not recognised at fair value through profit or loss	36	218,949,795	45,727,177	8,817,141	273,494,113	278,023,309
Other	36	16,351,627	21,049,745	114,123,685	151,525,057	114,534,531
Financial expenses		(9,886,156)	(7,850,568)	(34,257,241)	(51,993,965)	(35,119,649)
Other	33 and 37	(9,886,156)	(7,850,568)	(34,257,241)	(51,993,965)	(35,119,649)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		113,908,204	75,791,496	76,601	189,776,301	62,699,855
Available-for-sale investments	38	208,771,424	75,950,289	1,165,032	285,886,745	211,495,437
Loans and accounts receivable	38	(45,710)	(37,086)	(287,056)	(369,852)	(83,484)
Investments to be held to maturity	37	-	(121,707)	-	(121,707)	-
Financial liabilities recognised at amortised cost	21 and 38	(94,817,510)	-	-	(94,817,510)	(148,712,098)
Other	38	-	-	(801,375)	(801,375)	-
Net income on financial assets and liabilities recognised at fair value through profit or loss		156,246,737	43,204,219	6,398,066	205,849,022	(81,343,781)
Net income on financial assets and liabilities held for trading	39	170,964,045	41,565,891	5,504,457	218,034,393	(76,920,281)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	39	(2,071,643)	6,936,390	(2,063,658)	2,801,089	228,195
Other	39	(12,645,665)	(5,298,062)	2,957,267	(14,986,460)	(4,651,695)
Exchange differences	40	(206,923,013)	(33,136,899)	(26,388,018)	(266,447,930)	41,161,722
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	41	(204,893)	18,359,124	(1,284,153)	16,870,078	79,120,869
Impairment losses (net of reversals)		(94,303,379)	(2,203,455)	(114,078,161)	(210,584,995)	(180,875,149)
Available-for-sale investments	42	(94,303,379)	(2,752,181)	(35,714,426)	(132,769,986)	(185,719,193)
Loans and accounts receivable at amortised cost	42	-	(103,015)	724,587	621,572	199,651
Other	42	-	651,741	(79,088,322)	(78,436,581)	4,644,393
Other technical income/expenses, net of reinsurance	43	600,346	3,801,470	-	4,401,816	1,455,847
Other income/expenses	44	-	-	57,274,508	57,274,508	9,844,480
Negative Goodwill recognised in profit and loss	14	-	-	-	-	24,815,820
Gains and losses of associates and joint ventures (equity method)	45	-	-	413,658	413,658	(6,263,473)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	20	-	-	791,078	791,078	-
NET INCOME BEFORE TAX AND NON-CONTROLLING INTERESTS		173,424,045	120,891,642	11,887,164	306,202,851	279,363,968

(continuation)

(amounts in Euros)

STATEMENTS OF PROFIT AND LOSS	Notes	2017			Total	2016
		Technical - Life	Technical - Non-Life	Non-technical		
Current income tax - current taxes	18	-	-	(111,398,582)	(111,398,582)	(98,232,406)
Current income tax - deferred taxes	18	-	-	24,710,478	24,710,478	31,620,428
NET INCOME AFTER TAX AND BEFORE NON-CONTROLLING INTERESTS		173,424,045	120,891,642	(74,800,940)	219,514,747	212,751,990
Non-controlling interests	29	-	-	(3,282,252)	(3,282,252)	(1,643,625)
NET INCOME FOR THE YEAR	28	173,424,045	120,891,642	(78,083,192)	216,232,495	211,108,365

Consolidated Statement in Equity for the 2017 and 2016 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
Balance at 31 December 2015	902,531,555	249,259,219	(45,501,996)	121,563,696	115,103,280	121,010,764
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	-	-	-	-	-	-
Balance at 31 December 2016	902,531,555	185,944,833	(18,386,326)	139,318,234	115,103,280	269,560,625
Appropriation of net income	-	-	-	11,367,497	-	90,617,509
Net gains through adjustments in fair value of available-for-sale investments	-	658,697,963	(196,286,735)	-	-	-
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	1,414,232	(239,817)	-	-	-
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency	-	41,288,270	(9,564,778)	-	-	-
Exchange differences	-	(88,197,498)	4,225,813	-	-	-
Revaluation of properties for own use	-	7,796,738	386,493	-	-	-
Disposals of properties for own use	-	(2,427,826)	-	-	-	-
Actuarial gains and losses	-	-	(1,023,258)	-	-	4,647,712
Recognition of non-controlling interests	-	(8,834)	-	(161,496)	-	2,745,569
Others	-	-	-	-	-	236,383
Net income for the year	-	-	-	-	-	-
Balance at 31 December 2017	902,531,555	804,507,878	(220,888,608)	150,524,235	115,103,280	367,807,798

(continuation)

(amounts in Euros)

	Retained earnings	Net income for the year	Sub-Total	Non-controlling interests	Total
Balance at 31 December 2015	141,113,706	286,286,890	1,891,367,114	33,763,755	1,925,130,869
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
Balance at 31 December 2016	239,018,070	211,108,365	2,044,198,636	45,010,367	2,089,209,003
Appropriation of net income	109,123,359	(211,108,365)	-	-	-
Net gains through adjustments in fair value of available-for-sale investments	-	-	462,411,228	-	462,411,228
Net gains through adjustments in fair value of hedging instruments in cash flow hedging	-	-	1,174,415	-	1,174,415
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency	-	-	31,723,492	-	31,723,492
Exchange differences	-	-	(83,971,685)	-	(83,971,685)
Revaluation of properties for own use	-	-	8,183,231	-	8,183,231
Disposals of properties for own use	2,427,826	-	-	-	-
Actuarial gains and losses	-	-	3,624,454	(8,556,623)	(4,932,169)
Recognition of non-controlling interests	(16,924,649)	-	(14,349,410)	-	(14,349,410)
Others	11,295,633	-	11,532,016	-	11,532,016
Net income for the year	-	216,232,495	216,232,495	-	216,232,495
Balance at 31 December 2017	344,940,239	216,232,495	2,680,758,872	36,453,744	2,717,212,616

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

(amounts in Euros)

	2017	2016
NET INCOME FOR THE YEAR	216,232,495	211,108,365
Items that may be reclassified subsequently to gains and losses		
Change in potential gains on financial investments		
Gross amount		
Appreciation	939,402,400	(63,553,534)
Impairment	23,830,746	150,714,731
Disposal	(223,985,124)	(153,902,380)
Life insurance contracts with profit sharing	(59,428,581)	(2,591,419)
Exchange differences		
Gross amount	(21,318,153)	(10,804,340)
Life insurance contracts with profit sharing	196,674	237,787
Deferred tax	(188,595,436)	21,441,406
Current tax - Life insurance contracts with profit sharing	(7,691,298)	929,125
Net gains through adjust, in fair value of hedging instruments in cash flow hedging		
Gross amount	1,414,232	(3,876,740)
Deferred tax	(239,817)	859,481
Net gains through adjustments in fair value of hedging instruments in hedging of net investments in a foreign currency		
Gross amount	41,288,270	43,109,385
Deferred tax	(9,564,778)	(9,406,249)
Change in potential gains due to exchange differences		
Gross amount	(88,197,498)	(56,126,301)
Deferred tax	4,225,813	4,365,070
Items that maybe not be reclassified subsequently to gains and losses		
Change in potential gains on properties for own use		
Gross amount	7,796,739	33,478,425
Deferred tax	386,493	(2,067,698)
Actuarial deviations		
Post-employment benefits	4,515,994	(8,812,551)
Health benefits	131,718	(2,162,605)
Current tax	(959,837)	2,246,746
Deferred tax	(63,422)	882,176
INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	423,145,135	(55,039,485)
TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR	639,377,630	156,068,880

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

(amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,347,098,971	1,153,403,538
Claims paid, net of reinsurance	(733,123,987)	(727,375,229)
Commissions on insurance, investment and services contracts, net	(123,778,835)	(118,674,715)
Profit-sharing payments, net of reinsurance	(2,685,154)	(5,535,233)
Payments to suppliers	(189,131,257)	(177,081,576)
Payments to employees	(166,831,391)	(169,101,968)
Contributions to pension funds	(10,090,175)	(18,421,934)
Others	27,276,615	(22,661,942)
	148,734,787	(85,449,059)
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	(42,641,919)	(35,115,742)
Debtors - other operations	47,412,637	(183,658,526)
Other assets	57,961,887	(58,632,561)
	62,732,605	(277,406,829)
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	217,189,367	72,231,424
Deposits received from reinsurers	13,554,225	6,494,722
Creditors - direct insurance and reinsurance operations	29,603,894	2,280,484
Creditors - other operations	23,862,284	123,354,083
Other liabilities	(4,461,173)	79,594,988
	279,748,597	283,955,701
Net cash from operating activities before tax	491,215,989	(78,900,187)
Payments of income tax	(120,249,341)	(195,930,790)
Net cash from operating activities	370,966,648	(274,830,977)
CASH FLOWS GENERATED BY INVESTING ACTIVITIES		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	486,642,630	395,478,987
Available-for-sale investments	4,396,884,793	2,996,431,964
Loans and accounts receivable	3,893,930,618	6,787,669,650
Investment properties	91,400,945	226,764,043
Tangible and intangible assets	7,499,103	866,527
Net income from financial assets	577,646,005	267,866,021
Other receipts	177,114,270	228,043,194
	9,631,118,364	10,903,120,387
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(379,612,258)	(151,805,476)
Available-for-sale investments	(5,268,591,179)	(3,526,827,624)
Investments to be held to maturity	(121,707)	-
Loans and accounts receivable	(3,904,431,217)	(7,106,451,895)
Investment properties	(61,355,819)	(865,846,841)
Tangible and intangible assets	(84,554,186)	(79,195,733)
Others	(587,322,075)	(149,739,109)
	(10,285,988,442)	(11,879,866,678)
Business combinations		
Disposal of subsidiaries, associates and joint ventures	133,357,643	-
Acquisition of subsidiaries, associates and joint ventures	(258,064,082)	(47,597,865)
Net cash from investing activities	(779,576,517)	(1,024,344,156)

(continuation)

(amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Interest received	7,794,451	2,088,676
Other loans obtained	10,238,473	228,264,259
Other interest paid	(5,029,003)	(4,447,469)
Net cash from financing activities	13,003,921	225,905,466
Increase (decrease) net of cash and equivalents	(395,605,948)	(1,073,269,667)
Cash and equivalents at start of the year	964,132,725	2,037,402,392
Cash and equivalents at end of the year	568,526,777	964,132,725

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, associates and joint ventures 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”), Fidelidade Angola – Companhia de 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 2017.

Fidelidade’s financial statements at 31 December 2017 were approved by the Board of Directors on 26 February 2018. On the date of issue of the financial statements, these were pending approval by the General Meeting.

2. Accounting Policies

2.1. Basis of presentation and consolidation principles

2.1.1. Basis of presentation

The consolidated financial statements at 31 December 2017 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, of the ASF, and the remaining regulatory standards issued by the ASF.

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

In 2017 the Group adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2017. These standards are listed in Note 2.21. In line with the transitory provisions of those standards and interpretations, comparative amounts are presented in relation to the new disclosures required.

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

The accounting policies used by the Group in the preparation of its financial statements relating to 31 December 2017 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely investments relating to life contracts where the investment risk is borne by the policyholder, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available-for-sale investments and real estate, both for own use and for income generation. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities, are recognised at amortised cost or historical cost.

The preparation of the financial statements requires the 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 Group's accounting principles.

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

The consolidated profit is the result of aggregating the net income of 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 Group has the power to exercise the majority of the voting rights. Control may also exist when the Group holds, either directly or indirectly, the power to manage the financial and operational policy of a given company in order to obtain benefits from its activities, even if the percentage of the share capital that it holds is less than 50%.

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

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

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

2.3. Business combinations and goodwill

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

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

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

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

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

2.4. Investment in associates and joint ventures

“Associates” are those entities over whose financial and operational policies the Group has the power to exercise significant influence, although it does not have control. Significant influence is presumed to exist whenever the Group holding in an invested company is, directly or indirectly, between 20% and 50% of the capital or voting rights. The 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’s accounting principles where the differences are material.

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

Unrealised income on transactions with associates is eliminated in proportion to the 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 or joint venture, the equity method is interrupted, unless the Group is under a legal or constructive obligation to assume those losses or has made payments on behalf of the associate or joint venture.

2.5. Conversion of foreign currency balances and transactions

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

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

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

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

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

2.6. Financial instruments

a) Financial assets

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

i) Financial assets at fair value through profit or loss

This category includes:

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

- Groups of financial assets, financial liabilities or both which are managed and the performance of which is assessed based on fair value, in line with formally documented risk management and investment strategies and information is reported to internal management bodies.

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

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

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

ii) Held-to-maturity investments

Securities with fixed or determinable payments and with a defined maturity date, which the 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, since it discounts the estimated future cash-flows associated with the financial instrument, enables the current value of the financial instrument to be matched with its value at the date it is initially recognised.

iii) Loans and accounts receivable

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

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

iv) Available-for-sale investments

Available-for-sale investments include:

- Non-derivative financial instruments which the Group intends to hold indefinitely;
- Financial instruments that are designated as available-for-sale upon initial recognition;

- Financial instruments that do not meet the criteria of the other categories.

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

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

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

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

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

Fair value

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

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

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

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

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

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

v) Derecognition

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

vi) Transfers between categories of financial assets

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

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

The Group has not adopted this possibility to date.

b) Financial liabilities

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

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

i) Financial liabilities at fair value through profit or loss

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

ii) Other financial liabilities

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

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

c) Derivatives and hedge accounting

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

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

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

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

Embedded derivatives

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

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

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

Hedge derivatives

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

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

- Risk management objectives and strategy associated with the performance of the hedging operation, in line with the defined hedging policies;
- Description of the hedged risk(s);

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

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

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

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

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

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

The Group began using hedge accounting in 2015.

Trading derivatives

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

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

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

d) Impairment of financial assets

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

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

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

Financial assets at amortised cost

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

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

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

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

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

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

Available-for-sale investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8. Investment properties

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

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

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

2.9. Properties for own use

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

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

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

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

2.10. Other tangible assets

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

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

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

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

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

2.11. Inventories

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

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

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

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

2.12. Leases

Operating leases

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

Finance leases

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

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

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

2.13. Intangible assets

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

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

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

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

2.14. Income tax

The companies in the Group with their head office in Portugal are subject to taxation under the Corporate Income Tax Code (CIT Code) and the companies with their head offices abroad are also subject to the same type of tax (CIT), pursuant to the legislation in force in those countries. Additionally, there is a Municipal Surcharge, the aggregate rate of which, in 2016 and 2017 was 22.5%, and a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between EUR 1,500,000 and EUR 7,500,000, 5% of the profit between EUR 7,500,000 and EUR 35,000,000 and 7% of any profit which exceeds this amount.

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

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

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

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

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

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

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

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

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the tax rules that have been enacted, or substantially enacted, at the balance sheet date. At 31 December 2017, the deferred tax assets and liabilities recognised by the Group were determined pursuant to Law No. 7-A/2016, of 30 March.

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

2.15. Provisions and contingent liabilities

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

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

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

2.16. Employee benefits

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

Defined benefit plan – Liabilities with pensions and healthcare

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

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

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

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

The cost in the year for retirement and survivors' pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in "Employee Costs". The healthcare cost for the year is recognised in "Other Provisions" (Note 26).

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

Defined contribution plan

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

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

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

Other long-term benefits

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

Short-term benefits

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

2.17. Insurance and investment contracts

a) Classification of contracts

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

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

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

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

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

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

b) Recognition of income and costs

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

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

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

c) Provision for unearned premiums and deferred acquisition costs

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

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

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

d) Claims provision

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

Claims provision for workers' compensation

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

The mathematical provision for workers' compensation relates to:

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

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

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

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

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

The objective of the provision for temporary assistance expenses is to recognise the liability relating to expenses of workers' compensation claimants which are not whole life in nature. Using monthly development matrices, the number of claims incurred in the tax year is estimated, which is then multiplied by the estimated average cost of temporary assistance expenses for claims incurred in 2016 and 2017, in order to obtain the cost in the tax year for this type of expense. For claims incurred in previous tax years the variation of the provision corresponds to the amounts paid for temporary assistance expenses recognised in the accounts.

Provision for whole life assistance expenses (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:

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

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

Claims provision for motor insurance

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

Claims provision for other types of insurance

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

Analysis of sufficiency of the claims provisions

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

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

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

e) Mathematical provision for life insurance

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

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

f) Profit-sharing provision

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

Provision for profit sharing to be allocated

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

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

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

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

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

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

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

Provision for allocated profit sharing

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

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

g) Provision for interest rate commitments

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

h) Provision for portfolio stabilising

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

i) Equalisation provision

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

j) Provision for unexpired risks

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

k) Technical provisions for reinsurance ceded

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

l) Liabilities to subscribers of Unit-linked products

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

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

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

m) Liabilities to subscribers of other investment contracts

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

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

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

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

2.18. Revenue

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

(i) Fees from financial instruments

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

(ii) Provision of services – healthcare segment

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

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

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

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

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

(iii) Fees for other services provided

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

2.19. Cash and cash equivalents

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

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

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

Determination of impairment losses on financial assets

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

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

Valuation of financial instruments not traded in active markets

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

Employee benefits

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

Impairment of goodwill

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

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

Determination of liabilities on insurance and reinsurance contracts

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

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

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

Determination of income tax

The companies in the Group determine income tax (both current and deferred) based on the rules defined by the tax framework in force. However, in some situations the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recognised result from the best understanding of the responsible bodies of 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 2017 the Group adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2017. The relevant changes for the Group were as follows:

Standards/Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IAS 12 - Income Taxes (Amendment)	19-01-2016	2017/1989	01-01-2017
IAS 7 - Statement of Cash Flows (Amendment)	29-01-2016	2017/1990	01-01-2017
IFRS 12 - Disclosure of Interests in Other Entities (Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2017

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

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

Standards/Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 15 – Revenue from Contracts with Customers	28-05-2014	2016/1905	01-01-2018
IFRS 15 – Revenue from Contracts with Customers (Amendment)	11-09-2015	2016/1905	01-01-2018
IFRS 9 – Financial Instruments	24-07-2014	2016/2067	01-01-2018
IFRS 16 – Leases	13-01-2016	2017/1986	01-01-2019
IFRS 4 – Insurance Contracts (Applying IFRS 9 Financial Instruments with IFRS 4)	12-09-2016	2017/1988	01-01-2018
IAS 28 – Investments in Associates and Joint Ventures (Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2018

In order to ensure consistency in the insurance sector between the application of IFRS 9 – Financial instruments and the new Insurance Contracts standard (IFRS 17), the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allows insurance companies to defer the application of IFRS 9 to periods after 1 January 2021, thereby aligning the effective date of IFRS 9 and IFRS 17.

The Group's liabilities related with the insurance activity account for over 90 per cent of all of its liabilities, and the Group's activity is therefore deemed to be predominantly connected with insurance as defined in the terms of the amendment to IFRS 4. In this context and taking into consideration the information received from ASF, Fidelidade meets the requirements imposed by the said amendment and has chosen to defer the application of IFRS 9 to periods after 1 January 2021.

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

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

Standards / Interpretations	Date of Issue	Applicable to accounting periods beginning on or after
IFRS 17 - Insurance Contracts	15-05-2017	01-01-2021
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	08-12-2016	01-01-2018
IFRIC 23 - Uncertainty over Income Tax Treatments	07-05-2017	01-01-2019
IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendment)	20-06-2016	01-01-2018
IAS 40 - Transfers of Investment Property (Amendment)	08-12-2016	01-01-2018
IFRS 9 - Prepayment Features with Negative Compensation (Amendment)	12-10-2017	01-01-2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	01-01-2019
IFRS 3 - Business Combinations. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IFRS 11 - Joint Arrangements. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 12 - Income Tax consequences on dividends of equity instruments. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 23 - Borrowing Costs eligible for capitalisation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019

These standards have not been endorsed by the European Union and, as such, have not been applied by the Group for the year ended 31 December 2017.

3. Group Companies and Transactions during the Period

The Group's structure in terms of its subsidiaries, by sectors of activity, and the respective financial data taken from their statutory individual accounts at 31 December 2017 and 2016, except when expressly indicated otherwise, can be summarised as follows:

(amounts in Euros)

Operating sector/entity	2017					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Fidelidade – Companhia de Seguros, S.A.	100,00%	15.889.040.096	13.442.066.973	2.446.973.123	187.789.357	2.610.119.715
Via Directa – Companhia de Seguros, S.A.	100,00%	69.883.287	44.699.127	25.184.160	630.609	45.724.033
Companhia Portuguesa de Resseguros, S.A.	100,00%	33.973.281	22.043.180	11.930.101	444.652	1.231.960
Fidelidade Angola – Companhia de Seguros, S.A. (b)	69,13%	197.287.953	184.175.510	13.112.443	2.120.405	56.176.390
Garantia – Companhia de Seguros de Cabo Verde, S.A. (c)	55,89%	26.339.506	15.756.946	10.582.560	1.105.911	10.184.963
Fidelidade Macau – Companhia de Seguros, S.A. (d)	99,99%	75.507.159	55.095.432	20.411.727	1.608.097	9.915.228
Property						
Fidelidade – Property Europe, S.A.	100,00%	835.534.189	67.247.384	768.286.805	(33.194.737)	32.215.227
Fidelidade – Property International, S.A.	100,00%	493.115.610	21.311.835	471.803.775	95.943.971	131.348.853
Fundo de Investimento Imobiliário Fechado Saudeinveste (e)	98,85%	157.218.112	22.755.631	134.462.481	15.281.046	19.898.791
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100,00%	12.435.567	85.802	12.349.765	965.531	1.420.442
FPI (AU) 1 PTY LIMITED (f)	100,00%	52.132.207	6.404.298	45.727.909	8.663.254	17.567.219
FPI (UK) 1 LIMITED (g)	100,00%	268.676.570	618.493	268.058.077	(23.174.640)	12.346.357
FPE (IT) Società per Azioni	95,76%	364.979.472	1.933.090	363.046.382	1.192.329	3.906.514
FPE (Lux) Holding S.à r.l.	100,00%	153.368.517	3.991.013	149.377.504	3.873.469	16.305.741
Thomas More Square (Lux) Holdings S.à r.l. (g)	99,30%	132.608.472	124.381	132.484.091	(31.402)	6.410
Thomas More Square (Lux) S.à r.l. (g)	100,00%	360.707.184	218.639.731	142.067.453	13.998.546	26.988.887
Godo Kaisha Moana (h)	97,00%	108.138.391	9.339	108.129.052	11.922.814	11.966.921
Godo Kaisha Praia (h)	100,00%	457.503.784	314.522.917	142.980.867	16.638.779	25.567.950
Fundo Broggi	100,00%	373.029.773	7.982.777	365.046.996	8.446.996	46.292.427
Broggi Retail S.R.L.	100,00%	252.081	13.319	238.762	(11.238)	-
Healthcare						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98,79%	660.178.348	424.999.730	235.178.618	16.994.860	483.895.179
Other sectors						
Cetra – Centro Técnico de Reparação Automóvel, S.A.	100,00%	6.161.813	1.066.684	5.095.129	222.736	7.218.276
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	100,00%	1.519.906	1.262.549	257.357	72.453	2.929.556
GEP – Gestão de Peritagens Automóveis, S.A.	100,00%	3.538.968	3.107.663	431.305	93.420	22.462.636
FCM Beteiligungs GmbH	100,00%	17.299.917	346.309	16.953.608	(91.928)	376.940
FID I (HK) LIMITED (i)	100,00%	-	-	-	-	-
FID III (HK) LIMITED (i)	100,00%	844	12.863	(12.019)	(3.850)	-

(continuation)

(amounts in Euros)

Operating sector/entity	2017					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Fidelidade – Consultoria e Gestão de Risco, Lda. (j)	100,00%	2.269	4.585	(2.316)	(1.330)	113
Fidelidade – Assistência e Serviços, Lda. (j)	80,00%	9.344	7.086	2.258	2.513	121.080
FID Loans 1 (Ireland) Limited	100,00%	319.415.380	129.295.749	190.119.631	119.631	2.701.985
FID Loans 2 (Ireland) Limited	100,00%	1	-	1	-	-
Universal – Assistência e Serviços, Lda. (b)	80,00%	895	-	895	-	-

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

(b) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 185.400 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 184.86617 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.6532 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 9.0653 MOP for the profit and loss headings.

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

(f) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 1.5346 AUD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 1.4732 AUD for the profit and loss headings.

(g) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 0.88723 GBP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 0.87667 GBP for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 135.0100 JPY for balance sheet headings and an average monthly exchange rate of 1 EUR/ 126.7100 JPY for the profit and loss headings.

(i) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.3720 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.8045 HKD for the profit and loss headings.

(j) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 70.5700 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 71.51167 MZN for the profit and loss headings.

(amounts in Euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Fidelidade – Companhia de Seguros, S.A.	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
Fidelidade Angola – Companhia de Seguros, S.A. (b)	69,13%	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
Property						
Fidelidade – Property Europe, S.A.	100,00%	797.290.100	15.687.570	781.602.530	(2.958.151)	28.673.625
Fidelidade – Property International, S.A.	100,00%	484.299.611	9.527.099	474.772.512	(40.025.590)	40.174.103
Fundo de Investimento Imobiliário Fechado 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

(continuation)

(amounts in Euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
GK Kita Aoyoma Support 2 (i)	100,00%	24.366.042	25.202	24.340.840	(43.142)	3
Higashi Shinagawa Two TMK (i)	96,56%	157.989.490	22.222.003	135.767.487	18.930.493	45.105.173
FPE (Lux) Holding S.à r.l.	100,00%	172.261.927	26.776.116	145.485.811	6.309.791	15.875.050
Thomas More Square (Lux) Holdings S.à r.l. (j)	99,30%	162.803.996	23.837.004	138.966.992	(39.287)	298
Thomas More Square (Lux) S.à r.l. (j)	100,00%	477.084.501	330.755.816	146.328.685	(4.792.663)	14.389.358
Thomas More Square (Lux) Investments Limited (j)	100,00%	104.739.338	20.440	104.718.898	(7.180)	14.744
Godo Kaisha Moana (l)	97,00%	114.760.163	274.424	114.485.739	8.017.248	8.776.264
Godo Kaisha Praia (l)	100,00%	487.402.382	348.054.350	139.348.032	7.862.661	12.222.887
Healthcare						
Luz Saúde, S.A. (previously Espírito Santo Saúde, SGPS, S.A.)	98,96%	581.579.825	364.532.653	217.047.172	16.985.152	450.759.517
Other sectors						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100,00%	5.850.906	978.513	4.872.393	(37.078)	6.276.399
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100,00%	855.536	601.631	253.905	72.736	1.793.741
GEP - Gestão de Peritagens Automóveis, S.A.	100,00%	4.032.714	3.588.828	443.886	112.211	21.162.866
FCM Beteiligungs GmbH	51,00%	10.508.705	40.238	10.468.467	(3.519.695)	714
FID I (HK) LIMITED (m)	100,00%	26.960.173	2.030.015	24.930.158	(3.801.405)	3.247.642
FID III (HK) LIMITED (m)	100,00%	-	9.797	(9.797)	(3.097)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (n)	100,00%	3.670	3.327	343	(758)	52.571
Fidelidade - Assistência e Serviços, Lda. (n)	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.

The financial data at 31 December 2017 was taken from the provisional financial statements, which are subject to alterations before they are approved by the General Meeting of Shareholders. However, no material changes to the Group's financial statements are expected.

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

INSURANCE

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

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

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

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

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

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

PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fundo Broggi, set up on 24 March 2017 under Italian law, is an alternative real estate closed-end fund. The fund is managed by IDEa FIMIT - Società di Gestione del Risparmio S.p.A., an Italian investment funds management company.

Broggi Retail S.R.L. is an Italian company, 100% held by IDEa FIMIT - Società di Gestione del Risparmio S.p.A., in its capacity as Fundo Broggi's management company, and in the interest of Fundo Broggi. Its corporate purpose is, among others, the management, restructuring, appreciation and maintenance of real estate assets, both its own and those of third parties.

HEALTHCARE

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

OTHER SECTORS

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

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

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

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.

FID Loans 1 (Ireland) Limited and **FID Loans 2 (Ireland) Limited** are special purpose vehicles, with their head office at 1st Floor, 118 Lower Baggot Street, Dublin 2, Ireland, and were set up on 13 June 2017.

Universal – Assistência e Serviços, Lda., with its head office at Rua Pedro de Castro Van Dunen Loy s/n, Morro Bento, Luanda, was set up on 21 April 2017 with the purpose of providing assistance services and claims management support services, and services in accounting, technical consultancy, human resource management, training, IT support, risk analysis and prevention, laboratory support, planning and monitoring of environmental recovery interventions, and facilities management. It also provides services for the organisation, evaluation, expert assessment and management of any repair work, restoration, installation and improvements to be made to any property, and the hiring of any entities to perform such work, acquisition and supply of various materials, products and tools, and the provision of any services which are related or complementary to these activities.

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

During 2017 Luz Saúde, S.A. sold its own shares, of EUR 656,388.36 and Fidelidade acquired shares in the company of EUR 541, thereby holding 98.79% of the share capital at 31 December 2017.

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

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

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

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

On 24 March 2017 FPE (IT) Società per Azioni set up Fundo Broggi, issuing 7132 participation units on 27 March, holding 100% of the share capital of EUR 356.600.00.

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

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

(amounts in Euros)

	2017	2016
Cash and cash equivalents		
Headquarters	9.394.749	2.403.081
Branch offices	2.267.934	1.323.859
	11.662.683	3.726.940
Sight deposits		
Domestic currency	410.083.826	546.512.000
Foreign currency	146.780.268	413.893.785
	556.864.094	960.405.785
	568.526.777	964.132.725

5. Investments in Associates and Joint Ventures

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

(amounts in Euros)

	2017		2016	
	Effective share %	Balance sheet value	Effective share %	Balance sheet value
Valued at acquisition cost				
Associates				
HL - Sociedade Gestora do Edifício, S.A.	10,00%	14.400	10,00%	29.400
Valued by the equity accounting method				
Associates				
Audatex Portugal - Peritagens Informatizadas				
Derivadas de Acidentes, S.A. (a)	33,67%	1.149.917	33,67%	914.394
Highgrove - Investimentos e Participações, SGPS, S.A.	25,00%	-	25,00%	-
Genomed - Diagnósticos de Medicina Molecular, S.A.	37,50%	356.403	37,50%	305.636
		1.506.320		1.220.030
Joint Ventures				
Madison 30 31 JV LLC	0,00%	-	77,00%	115.757.387
		1.520.720		117.006.817

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

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

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

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

(amounts in Euros)

Operating sector/entity	2017					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Health						
Genomed - Diagnósticos de Medicina Molecular, S.A.	37,50%	1.667.714	904.515	763.199	102.592	1.294.344
Other sectors						
Audatex Portugal - Peritagens Informatizadas						
Derivadas de Acidentes, S.A. (b)	33,67%	4.912.866	1.497.509	3.415.357	699.506	4.647.330
Highgrove - Investimentos e Participações, SGPS, S.A.	25,00%	280.258	492.181	(211.923)	(84.444)	1.515
HL - Sociedade Gestora do Edifício, S.A.	10,00%	n.a.	n.a.	n.a.	n.a.	n.a.
Madison 30 31 JV LLC	0,00%	-	-	-	-	-

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

(b) Values at March 2017 (accounting period June 2016 to March 2017).

(amounts in Euros)

Operating sector/entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Health						
Genomed - Diagnósticos de Medicina Molecular, S.A.	37,50%	1.284.129	669.284	614.845	102.592	1.046.161
Other sectors						
Audatex Portugal - Peritagens Informatizadas						
Derivadas de Acidentes, S.A. (b)	33,67%	3.963.903	1.248.052	2.715.851	2.630	6.495.780
Highgrove - Investimentos e Participações, SGPS, S.A.	25,00%	807.400	1.102.525	(295.125)	(125.538)	120.356
HL - Sociedade Gestora do Edifício, S.A.	10,00%	n.a.	n.a.	n.a.	n.a.	n.a.
Madison 30 31 JV LLC	77,00%	245.201.924	94.867.660	150.334.264	(8.142.310)	212.736

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

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

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

HEALTHCARE

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

OTHER SECTORS

Audatex Portugal – Peritagens Informatizadas Derivadas de Acidentes, S.A., with its head office in Lisbon, at Rua Basílio Teles, nº 24 – 3º, was set up in 1994 with the corporate purpose of operating a computerised system for the direct and indirect calculation of damage resulting from accidents. The company may also provide complementary support services to the aforementioned system, namely to Insurance Companies, loss adjusters, repair workshops or other interested parties.

Highgrove – Investimentos e Participações, SGPS, S.A., with its head office at Lugar de Meladas, nº 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities. The participation in this company arose following a partnership with the Chamartin Group to rebuild the closed condominium of Convento dos Inglesinhos, located in a historical area in the Bairro Alto district, which is currently selling its last units.

HL – Sociedade Gestora do Edifício, S.A. was set up on 21 December 2009, with its head office at Linda a Velha, Rua Mário Dionísio, nº 2, with the sole corporate purpose of exercising the activities of conception, design, construction and maintenance of the infrastructures of the Loures Hospital, including the exercise of all the other activities, as a principal or accessory, pursuant to the provisions of the Management Contract signed as part of the “Tender for the signing of the Management Contract for the conception, design, construction, financing, conservation and operation of the Loures Hospital”.

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

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

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

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

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

(amounts in Euros)

	2017			2016		
	Held for trading (Note 7)	At fair value through profit or loss	Total	Held for trading (Note 7)	At fair value through profit or loss	Total
Investments related to Unit-linked contracts	11,752	124,182,665	124,194,417	-	431,342,214	431,342,214
Other investments						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	22,991,400	22,991,400	-	1,365,213	1,365,213
Foreign issuers	-	387,554,042	387,554,042	-	233,631,326	233,631,326
	-	410,545,442	410,545,442	-	234,996,539	234,996,539
Other financial instruments						
Participation units						
Domestic issuers	-	483,807	483,807	-	-	-
Others						
Domestic issuers	-	-	-	-	4,597	4,597
	-	483,807	483,807	-	4,597	4,597
Credit and other receivables		272,341,783	272,341,783			-
Derivative instruments with positive fair value						
Interest rate swaps	4,794	-	4,794	-	-	-
Exchange rate futures	52,663,739	-	52,663,739	7,770,368	-	7,770,368
Others	457,645	-	457,645	-	-	-
	53,126,178	-	53,126,178	7,770,368	-	7,770,368
	53,137,930	807,553,697	860,691,627	7,770,368	666,343,350	674,113,718

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

At 31 December 2017 and 2016, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 410,545,442 and EUR 234,996,539, respectively. These securities are recognised at their fair value, which is assessed on the basis of the prices indicated by the respective issuing bodies for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

In 2017 and 2016, the Group recognised net gains with the valuation of these investments of EUR 12,135,371 and EUR 14,784,742, respectively.

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

(amounts in Euros)

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

The total of investment allocated to Unit-linked contracts reveals, at 31 December 2017 and 2016, a difference of EUR 82,016 and EUR 3,312, respectively, in relation to the total financial liabilities recognised at fair value (Note 22), which corresponds to the negative fair value of the swaps recognised in "Financial liabilities held for trading" (Note 23) and that are allocated to Unit-linked contracts.

7. Derivatives

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

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

At 31 December 2017 and 2016, these operations were valued in line with the criteria in Note 2.6.c). On these dates, the notional amount and the book value had the following breakdown:

(amounts in Euros)

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

(amounts in Euros)

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

The interest rate swaps contracted by the Group and classified as derivatives held for trading are essentially intended to hedge its liabilities on life insurance investment contracts which, except for Unit-linked contracts, are valued at amortised cost (Note 23).

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

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

The distribution of the Group's derivative financial instrument operations at 31 December 2017 and 2016, by period to maturity, was as follows:

(amounts in Euros)

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

(amounts in Euros)

	2016				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
Fair value hedge						
Interest rate swaps	-	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	1,714,750,000	-	735,750,000	-	-	2,450,500,000
Exchange rate forwards	-	13,341,558	-	-	-	13,341,558
Cash flow hedge						
Interest rate swaps	-	-	-	30,000,000	150,000,000	180,000,000
Hedge of a net investment in a foreign operation						
Exchange rate futures	398,375,000	-	113,250,000	-	-	511,625,000
Exchange rate forwards	263,738,140	58,213,382	134,630,069	-	-	456,581,591
	2,376,863,140	71,554,940	983,630,069	70,000,000	150,668,155	3,652,716,304

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

(amounts in Euros)

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

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

(amounts in Euros)

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

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

(amounts in Euros)

	2017		2016	
	Cash flow hedge	Hedge of a net investment in a foreign operation	Cash flow hedge	Hedge of a net investment in a foreign operation
Interest rate swaps	(2,678,535)	-	(4,092,767)	-
Exchange rate futures	-	57,938,222	-	28,667,820
Exchange rate forwards	-	26,459,433	-	14,441,565
	(2,678,535)	84,397,655	(4,092,767)	43,109,385

8. Available-for-Sale Investments

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

(amounts in Euros)

	2017					
	Amount before impairment	Accumulated impairment (Note 42)	Net amount	Exchange differences	Fair value reserve	Balance sheet value
Debt instruments						
Public debt						
Domestic issuers	3.564.939.603	-	3.564.939.603	(1.096.495)	279.862.125	3.843.705.233
Foreign issuers	1.790.345.030	-	1.790.345.030	(8.471.665)	19.751.576	1.801.624.940
Other public issuers						
Foreign issuers	3.422.596	-	3.422.596	-	266.257	3.688.853
International financial organisations	126.854	-	126.854	-	64.935	191.789
Other issuers						
Domestic issuers	208.599.496	(49.979.822)	158.619.674	-	3.356.570	161.976.244
Foreign issuers	3.249.597.960	(86.749.787)	3.162.848.173	(178.073.717)	31.881.576	3.016.656.032
Group companies	374.780.269	-	374.780.269	-	(1.709.110)	373.071.159
	9.191.811.807	(136.729.609)	9.055.082.198	(187.641.877)	333.473.929	9.200.914.250
Equity instruments						
Recognised at fair value						
Domestic issuers	106.692.023	(12.226.609)	94.465.414	-	1.800.316	96.265.730
Foreign issuers	1.246.732.788	(301.686.606)	945.046.182	(24.695.762)	383.920.034	1.304.270.454
	1.353.424.811	(313.913.215)	1.039.511.596	(24.695.762)	385.720.350	1.400.536.184
Other instruments						
Participation bonds						
Residents	27.434	-	27.434	-	(5.611)	21.823
Investment units						
Residents	170.746.960	(33.380.465)	137.366.495	-	46.161.784	183.528.279
Non-residents	10.417.597	(4.612.771)	5.804.826	(67)	3.955.318	9.760.077
Others	(120.776)	-	(120.776)	-	-	(120.776)
	181.071.215	(37.993.236)	143.077.979	(67)	50.111.491	193.189.403
	10.726.307.833	(488.636.060)	10.237.671.773	(212.337.706)	769.305.770	10.794.639.837

(amounts in Euros)

	2016					
	Amount before impairment	Accumulated impairment (Note 42)	Net amount	Exchange differences	Fair value reserve	Balance sheet value
Debt instruments						
Public debt						
Domestic issuers	5.292.288.134	-	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
	7.659.141.772	(156.661.009)	7.502.480.763	53.411.702	(55.798.747)	7.500.093.718
Equity instruments						
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
	1.542.649.162	(286.535.154)	1.256.114.008	111.215.930	34.765.166	1.402.095.104
Other instruments						
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
Others	(66.583)	-	(66.583)	-	-	(66.583)
	233.266.193	(47.555.550)	185.710.643	5	51.894.198	237.604.846
	9.435.057.127	(490.751.713)	8.944.305.414	164.627.637	30.860.617	9.139.793.668

9. Loans and Accounts Receivable

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

(amounts in Euros)

	2017			2016		
	Gross amount	Impairment loss (Note 42)	Net amount	Gross amount	Impairment loss (Note 42)	Net amount
Deposits in ceding companies	167.023	-	167.023	875.620	-	875.620
Other deposits						
Term deposits	1.072.847.342	-	1.072.847.342	881.337.956	-	881.337.956
Margin accounts	63.158.679	-	63.158.679	73.067.721	-	73.067.721
	1.136.006.021	-	1.136.006.021	954.405.677	-	954.405.677
Loans made						
Mortgage loans	21.720.685	-	21.720.685	21.851.904	(29.803)	21.822.101
Loans over policies	1.592.222	(10.597)	1.581.625	1.328.653	(10.597)	1.318.056
Debt securities	22.834.556	(236.590)	22.597.966	30.084.668	(108.729)	29.975.939
Others	967.602	(370.205)	597.397	3.833.032	(1.089.835)	2.743.197
	47.115.065	(617.392)	46.497.673	57.098.257	(1.238.964)	55.859.293
Others	2.737	-	2.737	30.100	-	30.100
	1.183.290.846	(617.392)	1.182.673.454	1.012.409.654	(1.238.964)	1.011.170.690

10. Properties

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

(amounts in Euros)

	Properties for own use	Investment Properties	Total
Balances at 31 December 2015			
Gross amount	433.796.898	1.116.847.027	1.550.643.925
Accumulated depreciation and impairment	(63.106.398)	-	(63.106.398)
	370.690.500	1.116.847.027	1.487.537.527
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)
	429.456.714	1.756.814.791	2.186.271.505
Entry/ (Exits) to the consolidation perimeter	3.390.276	-	3.390.276
Additions			
Acquisitions made in the year	17.581.767	14.600.887	32.182.654
Subsequent expenditure	35.843.311	46.647.230	82.490.541
Revaluations			
As a credit to the income statement (Note 40)	-	7.993.096	7.993.096
As a credit to shareholders' equity	5.144.675	215.404	5.360.079
Additions/reversals of impairment in the year (Note 41)	(883.986)	-	(883.986)
Depreciation for the period	(21.415.250)	-	(21.415.250)
Exchange differences	(85.465)	(54.215.266)	(54.300.731)
Transfers to non-current assets held for sale	(34.790.401)	(260.924.277)	(295.714.678)
Transfers	3.279.239	(3.279.239)	-
Disposals and write-offs (net)	(4.990.823)	(91.293.243)	(96.284.066)
Other movements	62.361	-	62.361
Balances at 31 December 2017			
Gross amount	540.459.856	1.416.559.384	1.957.019.240
Accumulated depreciation and impairment	(107.867.438)	-	(107.867.438)
	432.592.418	1.416.559.384	1.849.151.802

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

In 2017 disposals of investment properties refer, essentially, to the property 73 Miller Street, in Australia, and in 2016 they refer to the Shinagawa-ku property, in Japan.

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

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

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

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

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

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

Valuation methods

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

The valuation techniques which are normally used are:

- a) Market method: consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market;
- b) Cost method: consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of conservation and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the property in its current state, subtracting from that value, after conclusion of works, all the associated costs and margins which have not yet been made;

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

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

Properties for own use

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

At 31 December 2017 and 2016, the fair value reserves associated with properties for own use were EUR 111,830,706 and EUR 106,470,627 respectively (Note 27).

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

(amounts in Euros)

	2017	2016
2017	88.414.115	-
2016	344.178.303	356.382.861
2015	-	73.073.853
	432.592.418	429.456.714

11. Allocation of Investments and Other Assets

At 31 December 2017 and 2016, the allocation of investments and other assets, using a prudential perspective, for insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts, may be summarised as follows:

(amounts in Euros)

	2017					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	15,187,550	1,459,203	61,009,337	(5,010,998)	495,881,685	568,526,777
Investments in associates and joint ventures	-	-	914,394	-	591,926	1,506,320
Financial assets held for trading	5,977,151	1,040,133	30,053,154	9,676,131	6,391,361	53,137,930
Financial assets initially recognised						
at fair value through profit or loss	83,168,405	1,290,547	283,129,377	147,709,992	292,255,376	807,553,697
Hedge Derivatives	251,956	83,774	10,332,662	4,254,200	13,255,785	28,178,377
Available-for-sale investments	1,399,067,658	199,426,144	7,395,248,894	1,607,736,330	193,160,811	10,794,639,837
Loans and accounts receivable	413,164,959	10,835,519	410,059,605	100,930,890	247,682,480	1,182,673,453
Properties	129,234	6,120,527	-	191,593,490	1,651,308,551	1,849,151,802
Other tangible assets	-	-	-	-	53,094,273	53,094,273
	1,916,946,913	220,255,847	8,190,747,423	2,056,890,035	2,953,622,248	15,338,462,466

(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
	1,848,138,078	155,006,934	7,269,243,244	2,065,264,847	2,827,696,085	14,165,349,188

12. Other Tangible Assets

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

(amounts in Euros)

	2017										
	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	25,577,747	(24,209,922)	57,250	915,297	(94,635)	(787,975)	(3,467)	-	25,939,620	(24,485,325)	1,454,295
Machinery and tools	8,836,371	(7,537,063)	-	467,137	(11,170)	(437,933)	(1,728)	(2,751)	8,524,984	(7,212,121)	1,312,863
IT equipment	17,236,954	(14,433,372)	-	1,171,923	206,158	(1,830,454)	(1,670)	-	18,335,614	(15,986,075)	2,349,539
Interior installations	22,878,779	(19,169,549)	-	1,408,963	204,337	(1,005,232)	(5,452)	-	24,437,721	(20,125,875)	4,311,846
Transport material	2,098,320	(1,224,954)	3,694	380,030	(7,733)	(382,130)	(19,275)	(26,455)	2,370,301	(1,548,804)	821,497
Hospital equipment	146,305,912	(115,245,796)	-	12,822,275	506,165	(10,496,289)	-	-	158,335,048	(124,442,781)	33,892,267
Other equipment	38,399,345	(33,086,013)	1,011,250	1,756,434	(142,391)	(1,975,352)	14,855	(240,938)	40,588,823	(34,851,633)	5,737,190
Artistic assets	1,999,474	-	-	34,601	-	-	(1,256)	-	2,032,819	-	2,032,819
Leased equipment	726,339	(460,922)	-	-	190,408	(55,700)	-	(263,411)	356,585	(219,871)	136,714
Other tangible assets	5,531,825	(4,465,617)	-	664,305	(289,135)	(410,769)	-	(38,947)	5,776,589	(4,784,927)	991,662
Advances on tangible assets	333,499	-	-	-	(72,954)	-	-	(206,964)	53,581	-	53,581
	269,924,565	(219,833,208)	1,072,194	19,620,965	489,050	(17,381,834)	(17,993)	(779,466)	286,751,685	(233,657,412)	53,094,273

(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
	258,337,611	(217,162,079)	3,272,734	23,897,064	590,780	(17,249,653)	(206,730)	(1,388,370)	269,924,565	(219,833,208)	50,091,357

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

At 31 December 2017 and 2016, the heading “Tangible assets” includes fully amortised assets still in use of EUR 201,879,948 and EUR 148,193,018 respectively.

13. Inventories

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

(amounts in Euros)

	2017	2016
Hospital Goods	11,538,872	9,828,795
Real estate	7,750	456,545
Goods	44,277	42,607
Products and works in progress	88,788	114,663
Salvage	14,047	12,126
Other inventories	186,071	168,277
	11,879,805	10,623,013
Impairment of goods (Note 42)	-	(64,553)
	11,879,805	10,558,460

14. Goodwill

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

(amounts in Euros)

	2017			2016		
	Gross amount	Impairment loss (Note 42)	Net amount	Gross amount	Impairment loss (Note 42)	Net amount
Goodwill recognised in Goodwill						
Cetra - Centro Técnico de Reparação Automóvel, S.A.	8,665	-	8,665	8,665	-	8,665
Fidelidade Angola - Companhia de 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	16,025,075	-	16,025,075
Godo Kaisha Moana	710,601	-	710,601	710,601	-	710,601
Thomas More Square (Lux) Investments Limited	-	-	-	906,244	-	906,244
Thomas More Square (Lux) Sarl	-	-	-	109	-	109
S.C.H. - Soc. Clínica Hospitalar	3,126,025	-	3,126,025	-	-	-
C.C.H. - Capital Criativo Care Investments S.A.	8,720,683	-	8,720,683	-	-	-
	390,401,491	-	390,401,491	379,461,136	-	379,461,136
Goodwill recognised in Investments						
Highgrove - Investimentos e Participações, SGPS, S.A.	957,001	(957,001)	-	957,001	(957,001)	-
	957,001	(957,001)	-	957,001	(957,001)	-
	391,358,492	(957,001)	390,401,491	380,418,137	(957,001)	379,461,136

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

(amounts in Euros)

Goodwill (net) at 31 December 2015	361,819,107
Acquisition of 96.996% of Godo Kaisha Moana	710,601
Acquisition of 99.3% of Thomas More Square (Lux) Investments Limited	906,244
Acquisition of 99.3% of Thomas More Square (Lux) Sarl	109
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	16,025,075
Goodwill (net) at 31 December 2016	379,461,136
Hive-up Thomas More Square (Lux) Investments Limited	(906,244)
Thomas More Square (Lux) Sarl	(109)
Acquisition of 81.35% of S.C.H. - Sociedade Clínica Hospitalar	3,126,025
Acquisition of 100% of C.C.H. - Capital Criativo Care Investments S.A.	8,720,683
Goodwill (net) at 31 December 2017	390,401,491

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

(amounts in Euros)

Goodwill recognised in Goodwill	
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)
	342,311
Acquisition of 98.21% of Luz Saúde, S.A.	457,827,530
Shareholders' equity of corporate acquisition (98.21%) in September 2014	98,683,752
	359,143,778
Acquisition of 68% of Universal Seguros	6,059,590
Shareholders' equity of corporate acquisition (70%) in 2011	(3,860,810)
	2,198,780
Acquisition of 96.996% of Godo Kaisha Moana	102,843,643
Shareholders' equity of corporate acquisition (96.996%) in 2016	(102,133,042)
	710,601
Acquisition of 100% of Hospital da Luz Guimarães, S.A.	25,237,564
Shareholders' equity of corporate acquisition (100%) in 2016	(9,212,489)
	16,025,075
Acquisition of 81,35% of S.C.H. - Sociedade Clínica Hospitalar	3,091,338
Shareholders' equity of corporate acquisition (81.35%) in March 2017	34,687
	3,126,025
Acquisition of 100% of C.C.H. - Capital Criativo Care Investments S.A.	7,163,382
Shareholders' equity of corporate acquisition (100%) in August 2017	1,557,301
	8,720,683

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

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

The recoverable amount is determined as the asset's value in use or its fair value less selling costs, whichever is higher.

The impairment tests incorporate current available information, including macro-economic conditions, the situation of financial markets and others. All tests concluded that the recoverable amount of the asset exceeds the respective carrying amount, and therefore, there is no recognition of impairment losses.

Following the acquisition of the new companies during 2017, the Group assessed the fair value of the assets acquired and liabilities assumed in line with IFRS 3 – “Business Combinations”. No significant differences were identified between the accounting values of the assets and liabilities and their fair values. The breakdown of the net assets and goodwill established as part of the transactions taking place in 2017 is as follows:

(amounts in Euros)

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

15. Other Intangible Assets

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

(amounts in Euros)

	2017									
	Opening balances			Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals 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)	63,288,996	(55,189,283)	3,763,781	2,227,361	(6,430,851)	(3,127)	(305,068)	69,136,542	(61,584,020)	7,552,522
Other intangible assets	335,606	(275,039)	-	-	(27,133)	-	-	335,606	(302,172)	33,434
Intangible assets in progress	10,510,038	-	4,354,084	(2,227,361)	-	-	(9,513)	12,627,248	-	12,627,248
	74,134,640	(55,464,322)	8,117,865	-	(6,457,984)	(3,127)	(314,581)	82,099,396	(61,886,192)	20,213,204

(amounts in Euros)

	2016									
	Opening balances			Transfers and adjustments	Depreciation for the year	Exchange differences	Disposals 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)	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
	68,159,392	(48,319,547)	6,150,183	-	(7,264,124)	(44,834)	(10,752)	74,134,640	(55,464,322)	18,670,318

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

In 2017 and 2016, the Group recognised directly on the statement of gains and expenses the expenditure with external costs related with research, development and maintenance of automatic data processing systems, of EUR 26,667,480 and EUR 19,842,798, respectively.

16. Technical Provisions for Reinsurance Ceded

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

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	129,360	58,502,714	58,632,074	136,594	71,579,870	71,716,464
Mathematical provision	11,187,581	-	11,187,581	11,256,504	-	11,256,504
Claims provision						
Reported claims	8,085,106	256,429,536	264,514,642	7,365,124	168,203,588	175,568,712
Claims incurred but not reported (IBNR)	2,638,421	20,951,198	23,589,619	2,674,438	9,347,114	12,021,552
	10,723,527	277,380,734	288,104,261	10,039,562	177,550,702	187,590,264
Provision for profit sharing	-	1,072	1,072	-	-	-
	22,040,468	335,884,520	357,924,988	21,432,660	249,130,572	270,563,232

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

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life Insurance	129,360	-	129,360	136,594	-	136,594
Non-life insurance						
Workers' compensation	-	-	-	114,713	-	114,713
Personal accidents and passengers	3,185,093	(1,460,726)	1,724,367	3,699,502	(1,608,289)	2,091,213
Health	26,368,998	13,320	26,382,318	24,660,339	(200,837)	24,459,502
Fire and other damage	28,282,964	(4,083,093)	24,199,871	24,556,605	(4,353,938)	20,202,667
Motor	389,253	(62,835)	326,418	476,463	(57,246)	419,217
Marine, aviation and transport	169,096	(23,599)	145,497	366,519	(34,560)	331,959
Third party liability	2,533,044	(178,122)	2,354,922	2,535,214	(215,308)	2,319,906
Credit and suretyship	57,811	(3,024)	54,787	67,395	(1,604)	65,791
Legal protection	4,271	(117)	4,154	1,913,599	(84)	1,913,515
Assistance	78,809	(2,077)	76,732	15,961,915	(1,604)	15,960,311
Other	5,249,565	(2,015,917)	3,233,648	5,640,714	(1,939,638)	3,701,076
	66,318,904	(7,816,190)	58,502,714	79,992,978	(8,413,108)	71,579,870
	66,448,264	(7,816,190)	58,632,074	80,129,572	(8,413,108)	71,716,464

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

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life Insurance				
Provision for unearned premiums	136,594	(7,234)	-	129,360
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	114,713	(114,713)	-	-
Personal accidents and passengers	3,699,502	(471,525)	(42,884)	3,185,093
Health	24,660,339	1,715,681	(7,022)	26,368,998
Fire and other damage	24,556,605	3,976,882	(250,523)	28,282,964
Motor	476,463	(178,028)	90,818	389,253
Marine, aviation and transport	366,519	(193,286)	(4,137)	169,096
Third party liability	2,535,214	37,007	(39,177)	2,533,044
Credit and suretyship	67,395	(9,584)	-	57,811
Legal protection	1,913,599	(1,909,311)	(17)	4,271
Assistance	15,961,915	(15,828,046)	(55,060)	78,809
Others	5,640,714	(391,149)	-	5,249,565
	79,992,978	(13,366,072)	(308,002)	66,318,904
Deferred acquisition costs				
Workers' compensation	-	-	-	-
Personal accidents and passengers	(1,608,289)	130,988	16,575	(1,460,726)
Health	(200,837)	213,771	386	13,320
Fire and other damage	(4,353,938)	198,254	72,591	(4,083,093)
Motor	(57,246)	(1,971)	(3,618)	(62,835)
Marine, aviation and transport	(34,560)	11,555	(594)	(23,599)
Third party liability	(215,308)	32,404	4,782	(178,122)
Credit and suretyship	(1,604)	(1,420)	-	(3,024)
Legal protection	(84)	(33)	-	(117)
Assistance	(1,604)	(474)	1	(2,077)
Others	(1,939,638)	(76,279)	-	(2,015,917)
	(8,413,108)	506,795	90,123	(7,816,190)
	71,579,870	(12,859,277)	(217,879)	58,502,714
	71,716,464	(12,866,511)	(217,879)	58,632,074

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life Insurance				
Provision for unearned premiums	122,501	14,093	-	136,594
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	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
Others	4,870,287	770,426	1	5,640,714
	77,325,206	2,906,704	(238,932)	79,992,978
Deferred acquisition costs				
Workers' compensation	(1,070)	1,070	-	-
Personal accidents and passengers	(1,780,912)	190,778	(18,155)	(1,608,289)
Health	(38,203)	(169,172)	6,538	(200,837)
Fire and other damage	(3,897,501)	(401,318)	(55,119)	(4,353,938)
Motor	(16,192)	5,017	(46,071)	(57,246)
Marine, aviation and transport	(30,858)	6,792	(10,494)	(34,560)
Third party liability	(181,938)	(21,430)	(11,940)	(215,308)
Credit and suretyship	(4,106)	2,499	3	(1,604)
Legal protection	(84)	-	-	(84)
Assistance	(1,396)	(208)	-	(1,604)
Others	(1,468,715)	(470,923)	-	(1,939,638)
	(7,420,975)	(856,895)	(135,238)	(8,413,108)
	69,904,231	2,049,809	(374,170)	71,579,870
	70,026,732	2,063,902	(374,170)	71,716,464

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

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life Insurance	8,085,106	2,638,421	10,723,527	7,365,124	2,674,438	10,039,562
Non-life insurance						
Workers' compensation	2,424,782	1,125,525	3,550,307	1,374,640	2,907	1,377,547
Personal accidents and passengers	15,361,069	956,816	16,317,885	13,621,797	137,183	13,758,980
Health	50,048,306	4,670,543	54,718,849	44,301,306	3,150,681	47,451,987
Fire and other damage	151,078,402	10,662,565	161,740,967	73,891,898	5,305,728	79,197,626
Motor	9,394,597	997,724	10,392,321	7,957,051	3,900	7,960,951
Marine, aviation and transport	7,766,504	293,254	8,059,758	3,832,039	127,038	3,959,077
Third party liability	12,293,185	1,690,053	13,983,238	16,519,243	185,258	16,704,501
Credit and suretyship	396	10,510	10,906	550	17,270	17,820
Others	8,062,295	544,208	8,606,503	6,705,064	417,149	7,122,213
	256,429,536	20,951,198	277,380,734	168,203,588	9,347,114	177,550,702
	264,514,642	23,589,619	288,104,261	175,568,712	12,021,552	187,590,264

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

(amounts in Euros)

	2017				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	10,039,562	7,134,265	(6,450,300)	-	10,723,527
Non-life insurance					
Workers' compensation	1,377,547	2,609,570	(335,310)	(101,500)	3,550,307
Personal accidents and passengers	13,758,980	4,769,539	(2,175,945)	(34,689)	16,317,885
Health	47,451,987	211,938,131	(210,058,821)	5,387,552	54,718,849
Fire and other damage	79,197,626	144,419,411	(57,757,082)	(4,118,988)	161,740,967
Motor	7,960,951	10,324,815	(7,999,207)	105,762	10,392,321
Marine, aviation and transport	3,959,077	6,928,152	(2,827,221)	(250)	8,059,758
Third party liability	16,704,501	657,118	(3,347,064)	(31,317)	13,983,238
Credit and suretyship	17,820	(6,914)	-	-	10,906
Others	7,122,213	16,659,951	(15,175,659)	(2)	8,606,503
	177,550,702	398,299,773	(299,676,309)	1,206,568	277,380,734
	187,590,264	405,434,038	(306,126,609)	1,206,568	288,104,261

(amounts in Euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	10,400,202	9,386,969	(9,747,609)	-	10,039,562
Non-life insurance					
Workers' compensation	981,874	1,568,055	(1,189,987)	17,605	1,377,547
Personal accidents and passengers	7,924,932	8,026,653	(2,263,571)	70,966	13,758,980
Health	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
Others	6,120,841	13,376,631	(12,375,246)	(13)	7,122,213
	159,564,298	269,688,022	(252,273,323)	571,705	177,550,702
	169,964,500	279,074,991	(262,020,932)	571,705	187,590,264

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

17. Other Debtors for Insurance and Other Operations

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

(amounts in Euros)

	2017	2016
Accounts receivable for direct insurance operations		
Premiums pending collection	91,882,832	101,033,575
Claims reimbursements	25,351,728	24,178,977
Brokers	88,582,837	61,456,882
Co-insurers	20,327,732	22,700,950
Funding Institute of Agriculture and Fisheries (IFAP)	3,483,966	3,711,125
Workers' compensation fund	2,043,999	2,132,479
Others	631,327	547,837
	232,304,421	215,761,825
(Adjustments to premiums pending collection - Note 42)	(10,529,419)	(17,109,499)
(IFAP adjustments - Note 42)	(99,856)	(484,133)
(Adjustments for doubtful debts - Note 42)	(6,487,926)	(10,089,321)
	(17,117,201)	(27,682,953)
	215,187,220	188,078,872

(continuation)

(amounts in Euros)

	2017	2016
Accounts receivable for other reinsurance operations		
Reinsurers' current accounts	46,627,012	19,384,440
Reinsureds' current accounts	1,125,488	2,268,737
	47,752,500	21,653,177
(Adjustments for doubtful debts - Note 42)	(6,390,243)	(6,665,093)
	41,362,257	14,988,084
Accounts receivable for other operations:		
Group companies	4,818	151,113
Aggregate tax	5,103,617	10,085,354
Associates	703,126	1,370,436
Consultants, advisors and intermediaries	-	38,957
Employees	683,327	1,142,834
Pension fund	69,901	56,479
Clients - current accounts	110,766,425	114,524,906
Funding Institute of Agriculture and Fisheries (IFAP)	7,944,013	4,442,829
Debtors - items held under custody	312,159	273,962
Property rentals	2,299,237	2,527,394
Transactions to be settled	-	125,714,856
Other suppliers and services provided	3,334,913	5,295,588
Other debtors and creditors	135,442,985	42,475,203
Others	1,103,542	7,080,789
	267,768,063	315,180,700
(Adjustments for doubtful debts - Note 42)	(27,956,238)	(25,015,485)
	239,811,825	290,165,215
	496,361,302	493,232,171

In the years 2017 and 2016 the value under the heading "Clients - current accounts" includes the amount of EUR 110,766,425 and EUR 109,091,814, respectively, corresponding to the hospital sector.

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

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

At 31 December 2017, the balance of the heading "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 Special Rules for the Taxation of Corporate Groups (SRTCG).

18. Tax Assets and Liabilities

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

(amounts in Euros)

	2017	2016
Current tax assets		
Income tax recoverable	1,416,291	59,664,249
Others	400,262	112,758
	1,816,553	59,777,007
Current tax liabilities		
Others		
Stamp duty	(8,602,313)	(9,174,222)
Motor insurance guarantee fund	(2,011,623)	(2,300,366)
Workers' compensation fund	(4,265,702)	(4,159,250)
National civil protection authority tax	(1,722,858)	(1,868,421)
Insurance and pension funds supervisory authority tax	(2,179,876)	(1,970,307)
National medical emergency institute tax	(2,573,662)	(2,834,798)
Social Security	(5,088,605)	(4,583,474)
Withholdings	(7,986,051)	(8,130,420)
Others	(1,972,194)	(7,699,531)
	(36,402,884)	(42,720,789)
Deferred tax assets	257,623,227	423,671,742
Deferred tax liabilities	(256,486,485)	(254,884,099)
	1,136,742	168,787,643
Total	(33,449,589)	185,843,861

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

(amounts in Euros)

	2017	2016
Income tax estimate recognised as a charge to the income statement	(111,338,490)	(98,232,406)
Income tax estimate recognised as a charge to reserves	6,994,028	3,953,604
Withholding tax	11,353,356	4,406,407
Payments on account	67,381,187	99,018,956
Others	(4,821,507)	(3,606,858)
	(30,431,426)	5,539,703

At 31 December 2017 and 2016 the heading "Income tax estimate recognised as a charge to the income statement" corresponds to the amount of the estimate of CIT plus Municipal and State Surcharge and autonomous taxation.

In 2017 and 2016, the income tax registered in reserves is the result of the change in the fair value reserve of available-for-sale investments linked to life insurance products with profit sharing and of the change in actuarial deviations relating to post-employment benefits granted to employees.

Movements of deferred taxes during 2017 and 2016 were:

(amounts in Euros)

	2017				Closing balance
	Opening balance	Entry in perimeter	Change in		
			Shareholders' equity	Income statement	
Assets					
Valuation of available-for-sale investments	58,244,270	-	(38,999,694)	(17,760,696)	1,483,880
Properties					
For own use	41,014,482	-	(23,088,183)	(9,147,625)	8,778,674
Investment properties	126,222,760	-	-	(91,311,728)	34,911,032
Provisions and impairment temporarily not allowed for fiscal purposes	179,386,483	-	(63,422)	14,010,589	193,333,650
Employee benefits	14,217,745	-	(573,257)	1,713,527	15,358,015
Carry-forward tax losses	2,081,902	-	-	5,232	2,087,134
Others	2,504,100	-	(239,816)	(593,442)	1,670,842
	423,671,742	-	(62,964,372)	(103,084,143)	257,623,227
Liabilities					
Devaluation of available-for-sale investments	(81,856,000)	-	(149,595,742)	17,972,718	(213,479,024)
Properties					
For own use	(42,423,706)	-	22,171,832	1,232,494	(19,019,380)
Investment properties	(119,041,200)	(1,973,097)	-	102,158,855	(18,855,442)
Others	(11,563,193)	-	-	6,430,554	(5,132,639)
	(254,884,099)	(1,973,097)	(127,423,910)	127,794,621	(256,486,485)
	168,787,643	(1,973,097)	(190,388,282)	24,710,478	1,136,742

(amounts in Euros)

	2016					Closing balance
	Opening balance	Entry in perimeter	Change in		Others	
			Shareholders' equity	Income statement		
Assets						
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
Others	777,002	-	859,482	865,298	2,318	2,504,100
	271,594,158	-	26,000,380	130,794,254	(4,717,050)	423,671,742
Liabilities						
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)
Others	(5,464,553)	-	-	(6,166,634)	67,992	(11,563,193)
	(146,994,184)	(7,831,874)	(952,209)	(99,173,826)	67,992	(254,884,099)
	124,599,974	(7,831,874)	25,048,171	31,620,428	(4,649,058)	168,787,643

In 2017 the tax rate was 31.5%, 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)

	2017	2016
Current tax		
Estimated tax for the year	84,041,640	73,264,680
State and municipal surcharge	25,765,989	23,630,612
Autonomous taxation	1,083,674	992,909
	110,891,303	97,888,201
Others	507,279	344,205
	111,398,582	98,232,406
Deferred tax	(24,710,478)	(31,620,428)
Total tax in income statement	86,688,104	66,611,978
Consolidated income before tax and non-controlling interests	306,202,851	279,363,968
Tax burden	28.31%	23.84%

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

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Income before tax		306,202,851		279,363,968
Income tax calculated at nominal rate	31.43%	96,246,091	25.43%	71,038,270
Permanent differences to be deducted				
Dividends from equity instruments	(2.48%)	(7,590,581)	(0.99%)	(2,766,453)
Real estate fair value adjustments	(0.24%)	(749,333)	(2.23%)	(6,217,942)
Capital losses included in the net profit	(24.36%)	(74,597,623)	(14.30%)	(39,943,394)
Impairment losses non-deductible	(0.01%)	(18,798)	0.00%	-
Provision not relevant for tax purposes	(0.02%)	(72,426)	(1.84%)	(5,133,669)
Reimbursement of non-deductible tax and over estimation of CIT	(0.02%)	(72,007)	(0.00%)	(4,476)
Post-employment benefits and other				
long term benefits to employees	0.00%	-	(0.28%)	(788,548)
Adjustments in respect of previous periods	(2.19%)	(6,695,023)	0.00%	-
Others	(0.12%)	(373,338)	(3.07%)	(8,583,106)

(continuation)

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Permanent differences to be added				
Provision not relevant for tax purposes	2.87%	8,790,857	0.19%	532,476
Impairment losses non-deductible	4.41%	13,496,053	6.72%	18,770,686
Real estate fair value adjustments	4.75%	14,541,186	0.00%	-
Capital gains (computed in fiscal terms)	15.12%	46,300,646	13.98%	39,045,828
Capital losses included in the net profit	0.00%	4,531	0.00%	-
Under estimation of CIT	0.02%	49,548	0.12%	325,615
Post-employment benefits and other				
long term benefits to employees	0.02%	64,097	0.00%	-
Adjustments in respect of previous periods	0.01%	21,815	0.13%	359,646
Others	0.86%	2,625,213	0.00%	-
Tax benefits				
Net job creation	(0.20%)	(606,376)	(0.56%)	(1,555,587)
Others	0.00%	-	(0.16%)	(441,610)
Autonomous taxation	0.18%	562,694	0.53%	1,474,522
Deferred taxes assets				
and liabilities – Effect of tax rate change	(1.71%)	(5,239,122)	0.18%	499,720
	28.31%	86,688,104	23.84%	66,611,978

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 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accrued income	46,846,154	41,675,209
Deferred expenses		
Commission on the issue of financial products	14,000,665	13,779,734
Insurance	2,103,077	1,927,965
Rents and leases	1,661,126	2,256,757
Assistance for IT equipment	1,037,237	1,750,288
Advertising	315,022	412,216
Portuguese Insurance Association subscriptions	304,734	527,041
Software licences	1,080,286	584,830
Others	4,869,540	4,006,767
	72,217,841	66,920,807

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

The heading "Deferred expenses – Commissions on the issue of financial products" corresponds to the deferral of commission charges made by Caixa Geral de Depósitos, S.A. on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the lifetime of the contracts.

20. Non-Current Assets Held for Sale

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

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

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

(amounts in Euros)

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

21. Technical Provisions

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

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,542,377	288,244,588	289,786,965	1,567,236	290,256,449	291,823,685
Mathematical provision for life insurance	1,762,942,406	-	1,762,942,406	1,648,505,455	-	1,648,505,455
Claims provision						
Reported claims	108,769,639	1,653,719,696	1,762,489,335	97,246,776	1,543,416,854	1,640,663,630
Claims incurred but not reported (IBNR)	23,714,096	78,787,255	102,501,351	23,805,280	63,978,700	87,783,980
	132,483,735	1,732,506,951	1,864,990,686	121,052,056	1,607,395,554	1,728,447,610
Provision for profit sharing	110,749,826	314	110,750,140	68,711,511	314	68,711,825
Provision for interest rate commitments	7,520,800	-	7,520,800	7,025,239	-	7,025,239
Provision for portfolio stabilisation	24,405,064	-	24,405,064	21,750,883	-	21,750,883
Equalisation provision	-	25,630,188	25,630,188	-	24,056,289	24,056,289
Provision for unexpired risks	-	49,222,515	49,222,515	-	49,238,127	49,238,127
	2,039,644,208	2,095,604,556	4,135,248,764	1,868,612,380	1,970,946,733	3,839,559,113

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

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance	1,542,377	-	1,542,377	1,567,236	-	1,567,236
Non-life insurance						
Workers' compensation	14,930,169	(2,655,666)	12,274,503	13,986,229	(2,177,246)	11,808,983
Personal accidents and passengers	9,625,403	(2,126,911)	7,498,492	9,313,724	(1,654,211)	7,659,513
Health	36,979,495	(3,873,185)	33,106,310	32,863,301	(3,441,321)	29,421,980
Fire and other damage	95,429,856	(21,461,352)	73,968,504	91,148,439	(16,051,795)	75,096,644
Motor	162,822,957	(32,712,208)	130,110,749	162,493,841	(29,939,033)	132,554,808
Marine, aviation and transport	1,973,873	(308,757)	1,665,116	1,854,943	(267,826)	1,587,117
Third party liability	11,726,205	(2,825,983)	8,900,222	10,647,493	(1,830,900)	8,816,593
Credit and suretyship	187,131	(11,759)	175,372	185,601	(12,841)	172,760
Legal protection	2,118,131	(879,770)	1,238,361	2,448,240	(462,599)	1,985,641
Assistance	14,206,867	(2,993,940)	11,212,927	13,916,869	(2,539,718)	11,377,151
Others	12,083,446	(3,989,414)	8,094,032	12,085,552	(2,310,293)	9,775,259
	362,083,533	(73,838,945)	288,244,588	350,944,232	(60,687,783)	290,256,449
	363,625,910	(73,838,945)	289,786,965	352,511,468	(60,687,783)	291,823,685

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

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life insurance				
Provision for unearned premiums	1,567,236	(24,859)	-	1,542,377
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	13,986,229	1,129,683	(185,743)	14,930,169
Personal accidents and passengers	9,313,724	431,702	(120,023)	9,625,403
Health	32,863,301	4,172,001	(55,807)	36,979,495
Fire and other damage	91,148,439	4,888,659	(607,242)	95,429,856
Motor	162,493,841	6,055,245	(5,726,129)	162,822,957
Marine, aviation and transport	1,854,943	123,097	(4,167)	1,973,873
Third party liability	10,647,493	1,131,570	(52,858)	11,726,205
Credit and suretyship	185,601	1,609	(79)	187,131
Legal protection	2,448,240	(233,761)	(96,348)	2,118,131
Assistance	13,916,869	1,140,836	(850,838)	14,206,867
Others	12,085,552	(2,104)	(2)	12,083,446
	350,944,232	18,838,537	(7,699,236)	362,083,533
Deferred acquisition costs				
Workers' compensation	(2,177,246)	(385,986)	(92,434)	(2,655,666)
Personal accidents and passengers	(1,654,211)	(478,556)	5,856	(2,126,911)
Health	(3,441,321)	(269,222)	(162,642)	(3,873,185)
Fire and other damage	(16,051,795)	(5,493,093)	83,536	(21,461,352)
Motor	(29,939,033)	(2,123,681)	(649,494)	(32,712,208)
Marine, aviation and transport	(267,826)	(40,061)	(870)	(308,757)
Third party liability	(1,830,900)	(1,002,663)	7,580	(2,825,983)
Credit and suretyship	(12,841)	2,715	(1,633)	(11,759)
Legal protection	(462,599)	(417,179)	8	(879,770)
Assistance	(2,539,718)	(454,230)	8	(2,993,940)
Others	(2,310,293)	(1,679,121)	-	(3,989,414)
	(60,687,783)	(12,341,077)	(810,085)	(73,838,945)
	290,256,449	6,497,460	(8,509,321)	288,244,588
	291,823,685	6,472,601	(8,509,321)	289,786,965

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Exchange differences	Closing balance
Life insurance				
Provision for unearned premiums	1,796,858	(229,622)	-	1,567,236
Non-life insurance				
Provision for unearned premiums				
Workers' compensation	13,576,921	366,170	43,138	13,986,229
Personal accidents and passengers	7,675,687	1,634,448	3,589	9,313,724
Health	29,767,423	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
Others	8,449,690	3,635,860	2	12,085,552
	336,275,396	18,212,375	(3,543,539)	350,944,232
Deferred acquisition costs				
Workers' compensation	(2,254,113)	80,876	(4,009)	(2,177,246)
Personal accidents and passengers	(1,316,971)	(336,224)	(1,016)	(1,654,211)
Health	(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)
Others	(1,609,743)	(700,550)	-	(2,310,293)
	(59,246,070)	(1,203,975)	(237,738)	(60,687,783)
	277,029,326	17,008,400	(3,781,277)	290,256,449
	278,826,184	16,778,778	(3,781,277)	291,823,685

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

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance	108,769,639	23,714,096	132,483,735	97,246,776	23,805,280	121,052,056
Non-life insurance						
Workers' compensation						
Mathematical provision	600,304,211	1,164,926	601,469,137	574,633,306	1,052,361	575,685,667
Provision for whole life assistance	169,605,546	7,948,876	177,554,422	163,207,398	7,950,714	171,158,112
Provision for temporary assistance	52,293,439	2,809,541	55,102,980	46,064,474	2,748,705	48,813,179
	822,203,196	11,923,343	834,126,539	783,905,178	11,751,780	795,656,958
Other						
Personal accidents and passengers	25,934,364	2,413,928	28,348,292	21,575,264	421,092	21,996,356
Health	47,904,803	5,265,865	53,170,668	48,994,731	3,623,134	52,617,865
Fire and other damage	222,295,199	20,992,414	243,287,613	129,645,528	14,370,483	144,016,011
Motor	429,365,340	18,715,287	448,080,627	452,354,028	18,053,506	470,407,534
Marine, aviation and transport	11,045,119	1,712,526	12,757,645	8,587,938	987,915	9,575,853
Third party liability	83,164,668	16,494,147	99,658,815	88,614,349	13,876,011	102,490,360
Credit and suretyship	625,979	79,011	704,990	746,565	65,765	812,330
Legal protection	15,110	8,453	23,563	12,402	6,579	18,981
Assistance	98,450	54,179	152,629	61,453	37,159	98,612
Others	11,067,468	1,128,102	12,195,570	8,919,418	785,276	9,704,694
	831,516,500	66,863,912	898,380,412	759,511,676	52,226,920	811,738,596
	1,653,719,696	78,787,255	1,732,506,951	1,543,416,854	63,978,700	1,607,395,554
	1,762,489,335	102,501,351	1,864,990,686	1,640,663,630	87,783,980	1,728,447,610

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

(amounts in Euros)

	2017				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	121,052,056	296,131,965	(284,700,513)	227	132,483,735
Non-life insurance					
Workers' compensation	795,656,958	174,290,483	(135,907,590)	86,688	834,126,539
Personal accidents and passengers	21,996,356	15,681,811	(9,329,902)	27	28,348,292
Health	52,617,865	195,139,700	(194,346,850)	(240,047)	53,170,668
Fire and other damage	144,016,011	247,081,065	(147,914,716)	105,253	243,287,613
Motor	470,407,534	340,495,700	(362,839,425)	16,818	448,080,627
Marine, aviation and transport	9,575,853	9,568,949	(6,387,163)	6	12,757,645
Third party liability	102,490,360	10,753,393	(13,585,833)	895	99,658,815
Credit and suretyship	812,330	(33,608)	(73,732)	-	704,990
Legal protection	18,981	4,836	(254)	-	23,563
Assistance	98,612	56,807	(2,791)	1	152,629
Others	9,704,694	24,723,232	(22,232,356)	-	12,195,570
	1,607,395,554	1,017,762,368	(892,620,612)	(30,359)	1,732,506,951
	1,728,447,610	1,313,894,333	(1,177,321,125)	(30,132)	1,864,990,686

(amounts in Euros)

	2016				
	Opening balance	Liabilities originated in the year	Claims paid	Exchange differences	Closing balance
Life insurance	124,623,114	263,547,444	(267,119,415)	913	121,052,056
Non-life insurance					
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
Others	8,128,316	20,325,935	(18,749,557)	-	9,704,694
	1,618,662,913	795,491,666	(810,205,248)	3,446,223	1,607,395,554
	1,743,286,027	1,059,039,110	(1,077,324,663)	3,447,136	1,728,447,610

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

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

(amounts in Euros)

	2017	2016
Non-life insurance		
Workers' compensation	6,113,713	16,283,252
Personal accidents and passengers	249,939	230,339
Health	229,934	1,047
Fire and other damage	7,784,688	2,891,055
Motor	29,135,581	23,896,420
Marine, aviation and transport	12,971	444
Third party liability	950,506	411,465
Credit and suretyship	61,889	15,823
Legal protection	384	-
Assistance	4,682,786	5,467,544
Others	124	40,738
	49,222,515	49,238,127

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

(amounts in Euros)

	2017		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
Workers' compensation	16,283,252	(10,169,539)	6,113,713
Personal accidents and passengers	230,339	19,600	249,939
Health	1,047	228,887	229,934
Fire and other damage	2,891,055	4,893,633	7,784,688
Motor	23,896,420	5,239,161	29,135,581
Marine, aviation and transport	444	12,527	12,971
Third party liability	411,465	539,041	950,506
Credit and suretyship	15,823	46,066	61,889
Legal protection	-	384	384
Assistance	5,467,544	(784,758)	4,682,786
Others	40,738	(40,614)	124
	49,238,127	(15,612)	49,222,515

(amounts in Euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
Workers' compensation	25,114,103	(8,830,851)	16,283,252
Personal accidents and passengers	368,105	(137,766)	230,339
Health	3,682,055	(3,681,008)	1,047
Fire and other damage	3,291,533	(400,478)	2,891,055
Motor	21,311,698	2,584,722	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
Others	36,429	4,309	40,738
	60,942,866	(11,704,739)	49,238,127

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

(amounts in Euros)

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

(amounts in Euros)

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

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

(amounts in Euros)

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

(amounts in Euros)

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

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

22. Financial Liabilities of the Deposit Component of Insurance Contracts and on Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts

Information on movements in this account heading for 2017 and 2016 is set out below:

(amounts in Euros)

	2017					Opening balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
Valued at fair value						
Unit-linked contracts						
Unit-linked individual capitalisation	485,306,767	1,970,476	(341,853,652)	3,778,131	-	149,201,722
Unit-linked group capitalisation	721,245	-	-	-	-	721,245
Unit-linked PPR	26,949,181	208,501	(1,622,669)	192,428	(57,042)	25,670,399
	512,977,193	2,178,977	(343,476,321)	3,970,559	(57,042)	175,593,366
Valued at amortised cost						
Other investment contracts						
PPR Life individual fixed rate	4,869,587,183	909,190,396	(686,292,227)	43,008,759	(21,500,430)	5,113,993,681
Life individual fixed rate	2,905,250,224	1,062,185,292	(730,237,269)	51,778,068	-	3,288,976,315
Capitalisation OP. Individual fixed rate	5,375,735	-	(330,040)	30,683	-	5,076,378
	7,780,213,142	1,971,375,688	(1,416,859,536)	94,817,510	(21,500,430)	8,408,046,374
	8,293,190,335	1,973,554,665	(1,760,335,857)	98,788,069	(21,557,472)	8,583,639,740

(amounts in Euros)

	2016					Opening balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
Valued at fair value						
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
	573,049,422	36,154,158	(95,894,621)	(220,928)	(110,838)	512,977,193
Valued at amortised cost						
Other investment contracts						
PPR Life individual fixed rate	4,517,190,923	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
	7,502,593,808	2,080,581,893	(1,948,389,077)	148,712,098	(3,285,580)	7,780,213,142
	8,075,643,230	2,116,736,051	(2,044,283,698)	148,491,170	(3,396,418)	8,293,190,335

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

23. Financial Liabilities Held for Trading and Other Financial Liabilities

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

(amounts in Euros)

	2017	2016
Financial liabilities held for trading		
Fair Value Hedge (Note 7)	5,656,794	15,072,639
Other financial liabilities		
Hedge Derivatives		
Fair Value Hedge (Note 7)	-	8,737,700
Cash flow Hedge (Note 7)	3,109,947	4,731,582
Hedges of a net investment in a foreign operation	901,239	
	4,011,186	13,469,282
Deposits received from reinsurers		
Life	3,823,879	4,438,349
Non-life	128,776,439	112,706,718
	132,600,318	117,145,067

(continuation)

(amounts in Euros)

	2017	2016
Loans		
Bank loans	573,125,604	562,887,131
Others		
Finance leases	35,031,960	28,293,305
	744,769,068	721,794,785
	750,425,862	736,867,424

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

24. Other Creditors for Insurance and Other Operations

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

(amounts in Euros)

	2017	2016
Accounts payable for direct insurance operations		
Brokers	67,330,057	61,740,822
Policyholders	33,546,996	29,921,892
Co-insurers	14,971,073	14,318,884
	115,848,126	105,981,598
Accounts payable for other reinsurance operations		
Reinsurers' current accounts	56,453,597	36,847,597
Insured's current accounts	1,986,694	1,855,329
	58,440,291	38,702,926

(continuation)

(amounts in Euros)

	2017	2016
Accounts payable for other operations		
Group companies	456,558	-
Aggregate tax	35,155,310	64,209,894
Associates	17,252	17,252
Suppliers of tangible assets	594,602	815,276
Suppliers' current accounts	61,184,627	62,444,899
Employees	46,494	41,727
Consultants, advisors and intermediaries	2,912	10,619
Pension funds	385,937	386,363
Other internal regularisation accounts	7,394,698	9,639,021
Advances from clients	14,665,383	18,690,082
Miscellaneous creditors	105,118,099	41,123,253
	225,021,872	197,378,386
	399,310,289	342,062,910

The heading "Other internal regularisation accounts" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

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

25. Accruals and Deferrals (Liabilities)

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

(amounts in Euros)

	2017	2016
Deferred income		
Rents and leases	8,951,541	16,088,013
Others	111,719	301,952
	9,063,260	16,389,965
Accrued expenses		
Interest payable	742,047	204,268
Holiday and holiday subsidies payable	34,114,404	31,555,835
Insurance	3,402,602	1,702,817
Variable remuneration payable to employees	8,308,304	7,248,001
Performance bonus	10,478,621	10,270,187
Seniority bonus	717,337	609,574
Other employee costs	348,460	155,520
Provision for finder's fees	526,592	395,980
Commissions payable	41,488,257	39,960,673
Deferred payments - marketing	5,087,769	4,879,121
Municipal tax on real estate	1,738,639	1,747,210
Audit	854,293	511,121
Advertising	99,167	326,487
Electricity	258,766	306,258
Invoices pending conferral	5,462,884	4,300,996
Medical fees	20,559,308	17,250,784
Health services	11,226,965	9,540,523
Outsourcing (except accounting and computing)	4,035,903	5,140,544
Others	7,675,550	5,837,961
	157,125,868	141,943,860
	166,189,128	158,333,825

26. Other Provisions

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

(amounts in Euros)

	2017							Closing balances
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	
Provisions for tax	7,079,265	-	(3,799,154)	-	-	-	-	3,280,111
Provisions for the cost of employee benefits (Note 35)								
Health benefits	23,637,281	-	(541,532)	-	-	-	(131,718)	22,964,031
Pension costs	3,320,882	-	(183,991)	-	-	-	(537,326)	2,599,565
Provision for Workers' compensation fund	48,536,302	1,500,000	-	-	-	-	-	50,036,302
Provision for restructuring	35,424,918	-	(14,247,472)	-	-	-	-	21,177,446
Others	22,043,465	92,423,432	-	(166,378)	63,298	(8,282)	-	114,355,535
	140,042,113	93,923,432	(18,772,149)	(166,378)	63,298	(8,282)	(669,044)	214,412,990

(amounts in Euros)

	2016							Closing balances
	Opening balances	Increases	Recoveries and cancellations	Uses	Others	Exchange differences	Actuarial gains and losses from equity	
Provisions for tax	24,978,918	3,207,175	(20,056,488)	(1,050,340)	-	-	-	7,079,265
Provisions for the cost of employee benefits (Note 35)								
Health benefits	22,191,389	-	(716,713)	-	-	-	2,162,605	23,637,281
Pension costs	3,034,877	-	(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
	187,172,922	18,855,170	(69,446,151)	(1,181,006)	473,442	1,652,717	2,515,019	140,042,113

The Group set up a provision related to the employee restructuring and rejuvenation programme which consists of hiring new qualified employees and a negotiated exit solution for a group of employees prior to retirement age. Accordingly, the plan was initiated in 2014 and 2015 and covered employees who met the criteria below.

The extent of the plan was as follows:

- In 2014: 153 departures, 100 of these of employees aged between 56 and 60 and 53 aged over 60.
- In 2015: 110 departures, 75 of these of employees aged between 56 and 60 and 35 aged over 60.

In 2014 the Group reviewed the development of the plan and decided to adjust it, for the period between 2015 and 2018, while maintaining the same conditions as in 2013. Consequently, the provision for restructuring was increased by EUR 27,299,163. 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 was recognised in the provision for restructuring 118 employees were hired during the same period.

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

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

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

In 2017 and 2016, the "Other Provisions" headings include the constitution of EUR 88,288,859 in 2017 and the use of EUR 6,663,078 in 2016, which are registered under the heading "Impairment Losses (net of reversals)".

The heading "Provisions for costs of employee benefits – Health benefits" represents the liabilities assumed by the Group in relation to employees' health benefits. The heading "Provisions for costs of employee benefits – Pension costs" represents the liabilities assumed by the Group resulting from the complement to the retirement pension granted to some of its employees, and which are not covered by the pension fund set up by the Group to cover liabilities with post-employment benefits in the defined benefit pensions plan (Note 35).

27. 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 2017 and 2016 was as follows:

(amounts in Euros)

Shareholders	2017		2016	
	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%
	121,000,000	100%	121,000,000	100%

The Group became a part of the Fosun Group as of 15 May 2014 when Longrun Portugal, SGPS, S.A. acquired 80% of Fidelidade's share capital.

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

(amounts in Euros)

	2016	2015
Application of income for the year		
Legal Reserve	11,367,497	17,800,154
Free Reserves	90,617,509	162,427,030
Retained earnings	109,123,359	106,059,706
	211,108,365	286,286,890

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

(amounts in Euros)

	2017	2016
Net Income for the year	216,232,495	211,108,365
Number of shares (at the end of the year)	121,000,000	121,000,000
Income per Share (in Euros)	1.79	1.74

28. Reserves, Retained Earnings and Income for the Year

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

(amounts in Euros)

	2017	2016
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains	770,108,639	30,860,617
Amount attributable to policyholders	(67,062,089)	(7,633,508)
	703,046,550	23,227,109
Revaluations of properties for own use (Note 10)	111,830,706	106,470,627
Adjustments in fair value of hedging instruments in cash flow hedging	(2,678,535)	(4,092,767)
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	84,397,655	43,109,385
Exchange differences		
Gross gains	(92,285,172)	17,230,479
Amount attributable to policyholders	196,674	-
	(92,088,498)	17,230,479
	804,507,878	185,944,833
Deferred tax reserve		
Available-for-sale investments	(212,233,639)	(23,638,203)
Properties for own use	(10,992,661)	(11,379,154)
Adjustments in fair value of hedging instruments in cash flow hedging	619,663	859,481
Adjustments in fair value of hedging instruments in a hedge of a net investment in a foreign currency	(18,971,027)	(9,406,249)
Exchange differences	8,590,883	4,365,070
Actuarial gains and losses		
Post-employment benefits	26,555,729	24,732,643
Health benefits	130,168	2,976,512
Tax (paid)/deducted from potential capital gains or losses	(14,587,724)	(6,896,426)
	(220,888,608)	(18,386,326)
Revaluation Reserves, net of deferred taxes	583,619,270	167,558,507

(continuation)

(amounts in Euros)

	2017	2016
Other reserves		
Legal reserve	150,524,237	139,318,234
Share premiums	115,103,280	115,103,280
Actuarial gains and losses		
Post-employment benefits	(50,748,865)	(55,264,857)
Health benefits	(6,284,084)	(6,415,803)
Other reserves	424,840,745	331,241,285
	633,435,313	523,982,139
Retained earnings	344,940,239	239,018,070
Income for the year	216,232,495	211,108,365
	1,778,227,317	1,141,667,081

In accordance with the legislation in force, at least 10% of net profits for each year, in the case of insurance companies, or 5% in the case of other companies, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but may be used to increase the share capital or to offset accumulated losses.

"Revaluation reserves" reflects potential capital gains and losses on available-for-sale investments and properties for own use.

The following is an assessment of consolidated profit at 31 December 2017 and 2016:

(amounts in Euros)

	2017	2016
Contribution to consolidated net income		
Insurance		
Fidelidade - Companhia de Seguros, S.A.	187,789,354	100,420,503
Via Directa - Companhia de Seguros, S.A.	630,609	(3,792,950)
Companhia Portuguesa de Resseguros, S.A.	444,652	350,067
Fidelidade Angola - Companhia de Seguros, S.A.	2,120,405	1,859,851
Fidelidade Macau - Companhia de Seguros, S.A.	1,608,097	1,880,563
Garantia - Companhia de Seguros de Cabo Verde, S.A.	1,105,911	1,044,612
Property		
Fidelidade - Property Europe, S.A.	(33,194,737)	(2,958,150)
Fidelidade - Property International, S.A.	95,943,971	(40,025,590)
Fundo de Investimento Imobiliário Fechado SaudelInvest	15,281,046	10,809,608
Fundo de Investimento Imobiliário Fechado Bonança I	965,531	(896,508)
Highgrove - Investimentos e Participações, SGPS, S.A.		
(Equity accounting method)	(21,111)	(31,384)
FPI (UK) 1 LIMITED	(23,174,640)	8,743,061
FPI US 1 LLC	(289,525)	(9,362,576)

(continuation)

(amounts in Euros)

	2017	2016
FPI (AU) 1 PTY LIMITED	8,663,254	7,251,171
FPE (Lux) Holding S.à r.l.	3,873,469	6,309,791
Thomas More Square (Lux) Holdings S.à r.l.	(31,402)	(39,287)
Thomas More Square (Lux) S.à r.l.	13,998,546	(4,792,663)
Thomas More Square (Lux) Investments Limited	(6,122)	(7,180)
FPE (IT) Società per Azioni	1,192,329	33,685,905
Madison 30 31 JV LLC (Equity accounting method)	148,320	(6,269,579)
GK Kita Aoyoma Support 2	21,408,777	(43,142)
Higashi Shinagawa Two TMK	(20,795)	18,930,493
Godo Kaisha Praia	16,638,779	7,862,661
Godo Kaisha Moana	(44,103)	(66,803)
Fundo Broggi (Maranello)	8,446,996	-
Broggi Retail S.R.L	(11,238)	-
Health		
Luz Saúde, S.A. (consolidated accounts excluding minority interests)	11,362,235	14,512,862
Other sectors		
GEP - Gestão de Peritagens Automóveis, S.A.	93,420	112,211
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	72,453	72,736
Cetra - Centro Técnico de Reparação Automóvel, S.A.	214,582	(47,116)
Fidelidade - Consultoria e Gestão de Risco, Lda.	(1,330)	(758)
Fidelidade - Assistência e Serviços, Lda.	2,513	(3,759)
FCM Beteiligungs GmbH	(69,266)	(3,519,695)
FID I (HK) LIMITED	-	(3,801,405)
FID II (HK) LIMITED	-	-
FID III (HK) LIMITED	(3,850)	(3,097)
FID Loans 1 Irl	119,630	-
FID Loans 2 Ireland Limited	-	-
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (Equity accounting method)	235,524	886
Elimination of dividends	(113,761,630)	(1,309,088)
Other consolidation adjustments		
Non-controlling interests (Note 28)	(3,232,648)	(1,643,625)
Elimination of impairment losses (net of reversals)	(36,579,093)	60,744,992
Property adjustments	21,307,060	(6,862,509)
Hedge accounting	(34,015,374)	(33,703,136)
Correction of results from previous years	(186,483)	987,997
Elimination of exchange differences on intra-group transactions	19,913,287	18,581,585
Others	27,295,092	36,126,810
	216,232,495	211,108,365

29. Non-Controlling Interests

The value of the shares of third parties in subsidiaries breaks down as follows per entity:

(amounts in Euros)

	% Non-controlling interests	2017	2016
Fundo de Investimento Imobiliário Fechado Saudeinveste	1.15%	1,543,361	1,367,965
Garantia – Companhia de Seguros de Cabo Verde, S.A.	44.11%	4,774,300	4,468,080
Fidelidade Angola – Companhia de Seguros, S.A.	30.87%	4,210,075	3,732,889
FCM Beteiligungs GmbH	0.00%	-	5,129,549
Luz Saúde, S.A.	1.21%	4,918,193	4,311,980
FPE (IT) Società per Azioni	4.24%	14,028,925	14,064,342
Fidelidade – Assistência e Serviços, Lda.	20.00%	452	(424)
Fidelidade Macau – Companhia de Seguros, S.A.	0.01%	1,273	1,354
Higashi Shinagawa Two TMK	0.00%	-	3,961,812
Godo Kaisha Praia	3.00%	3,968,121	3,950,477
Godo Kaisha Moana	3.00%	2,674,427	3,160,090
Thomas More Square (Lux) Investments Limited	0.00%	-	810,915
Thomas More Square (Lux) Holdings Sarl	0.70%	(45,287)	28
Thomas More Square (Lux) Sarl	0.70%	21,416	51,310
Fundo Broggi	4.24%	358,786	-
Broggi Retail S.R.L.	4.24%	(477)	-
Universal Assistência e Serviços, Lda	20.00%	179	-
		36,453,744	45,010,367

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

(amounts in Euros)

	% Non-controlling interests	2017	2016
Fundo de Investimento Imobiliário Fechado Saudeinveste	1.15%	(175,396)	(124,073)
Garantia - Companhia de Seguros de Cabo Verde, S.A.	44.11%	(487,110)	(455,955)
Fidelidade Angola - Companhia de Seguros, S.A.	30.87%	(670,831)	(445,852)
FCM Beteiligungs GmbH	0.00%	(18,934)	1,724,650
Luz Saúde, S.A.	1.21%	(340,544)	218,279
FPE (IT) Società per Azioni	4.24%	(50,579)	(1,428,908)
Fidelidade - Assistência e Serviços, Lda.	20.00%	(887)	752
Fidelidade Macau - Companhia de Seguros, S.A.	0.01%	(100)	(117)
Higashi Shinagawa Two TMK	0.00%	(702,469)	(930,512)
Godo Kaisha Praia	3.00%	(380,769)	(236,178)
Godo Kaisha Moana	3.00%	1,325	2,007
Thomas More Square (Lux) Investments Limited	0.00%	-	50
Thomas More Square (Lux) Holdings Sarl	0.70%	198	275
Thomas More Square (Lux) Sarl	0.70%	(97,847)	31,957
Fundo Broggi	4.24%	(358,786)	-
Broggi Retail S.R.L.	4.24%	477	-
		(3,282,252)	(1,643,625)

30. Earned Premiums, Net of Reinsurance

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

(amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Gross premiums written						
Life insurance						
Insurance contracts without profit sharing	161,953,532	(12,281,832)	149,671,700	161,814,697	(13,680,197)	148,134,500
Insurance contracts with profit sharing	33,750,746	(1,119,595)	32,631,151	40,952,059	(1,228,286)	39,723,773
Investment contracts with a discretionary profit sharing component	248,316,696	-	248,316,696	132,874,006	-	132,874,006
	444,020,974	(13,401,427)	430,619,547	335,640,762	(14,908,483)	320,732,279
Non-life insurance						
Workers' compensation	183,822,094	(5,310,803)	178,511,291	160,661,550	(5,578,518)	155,083,032
Personal accidents and passengers	31,830,507	(9,846,853)	21,983,654	30,394,775	(12,796,047)	17,598,728
Health	300,692,850	(271,197,483)	29,495,367	266,818,207	(241,856,138)	24,962,069
Fire and other damage	266,650,268	(108,627,052)	158,023,216	254,940,538	(101,455,733)	153,484,805
Motor	448,613,263	(3,628,257)	444,985,006	428,265,940	(2,814,562)	425,451,378
Marine, aviation and transport	19,964,050	(10,899,168)	9,064,882	18,509,706	(10,850,486)	7,659,220
Third party liability	38,766,192	(10,928,829)	27,837,363	36,860,678	(11,675,506)	25,185,172
Credit and suretyship	820,011	(432,690)	387,321	799,255	(447,359)	351,896
Legal protection	5,522,009	(2,031,190)	3,490,819	5,751,855	(3,864,482)	1,887,373
Assistance	38,075,594	(18,131,915)	19,943,679	34,025,192	(32,364,002)	1,661,190
Others	34,211,422	(11,454,596)	22,756,826	37,197,472	(17,851,076)	19,346,396
	1,368,968,260	(452,488,836)	916,479,424	1,274,225,168	(441,553,909)	832,671,259
	1,812,989,234	(465,890,263)	1,347,098,971	1,609,865,930	(456,462,392)	1,153,403,538
Change in provision for unearned premiums						
Life insurance						
Insurance contracts without profit sharing	(34,046)	7,150	(26,896)	246,544	18,840	265,384
Insurance contracts with profit sharing	61,272	(14,384)	46,888	(10,765)	(4,747)	(15,512)
Investment contracts with a discretionary profit sharing component	(2,367)	-	(2,367)	(6,157)	-	(6,157)
	24,859	(7,234)	17,625	229,622	14,093	243,715

(continuation)

(amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Non-life insurance						
Workers' compensation	(1,129,683)	(114,713)	(1,244,396)	(366,170)	(14,363)	(380,533)
Personal accidents and passengers	(431,702)	(471,525)	(903,227)	(1,634,448)	(284,337)	(1,918,785)
Health	(4,172,001)	1,715,681	(2,456,320)	(4,618,185)	1,909,646	(2,708,539)
Fire and other damage	(4,888,659)	3,976,882	(911,777)	(175,985)	(168,653)	(344,638)
Motor	(6,055,245)	(178,028)	(6,233,273)	(5,510,100)	(223,742)	(5,733,842)
Marine, aviation and transport	(123,097)	(193,286)	(316,383)	225,892	32,643	258,535
Third party liability	(1,131,570)	37,007	(1,094,563)	(1,194,828)	378,845	(815,983)
Credit and suretyship	(1,609)	(9,584)	(11,193)	50,248	(43,076)	7,172
Legal protection	233,761	(1,909,311)	(1,675,550)	(4,340)	5,707	1,367
Assistance	(1,140,836)	(15,828,046)	(16,968,882)	(1,348,599)	543,608	(804,991)
Others	2,104	(391,149)	(389,045)	(3,635,860)	770,426	(2,865,434)
	(18,838,537)	(13,366,072)	(32,204,609)	(18,212,375)	2,906,704	(15,305,671)
	(18,813,678)	(13,373,306)	(32,186,984)	(17,982,753)	2,920,797	(15,061,956)
Earned premiums						
Life insurance						
Insurance contracts without profit sharing	161,919,486	(12,274,682)	149,644,804	162,061,241	(13,661,357)	148,399,884
Insurance contracts with profit sharing	33,812,018	(1,133,979)	32,678,039	40,941,294	(1,233,033)	39,708,261
Investment contracts with a discretionary profit sharing component	248,314,329	-	248,314,329	132,867,849	-	132,867,849
	444,045,833	(13,408,661)	430,637,172	335,870,384	(14,894,390)	320,975,994
Non-life insurance						
Workers' compensation	182,692,411	(5,425,516)	177,266,895	160,295,380	(5,592,881)	154,702,499
Personal accidents and passengers	31,398,805	(10,318,378)	21,080,427	28,760,327	(13,080,384)	15,679,943
Health	296,520,849	(269,481,802)	27,039,047	262,200,022	(239,946,492)	22,253,530
Fire and other damage	261,761,609	(104,650,170)	157,111,439	254,764,553	(101,624,386)	153,140,167
Motor	442,558,018	(3,806,285)	438,751,733	422,755,840	(3,038,304)	419,717,536
Marine, aviation and transport	19,840,953	(11,092,454)	8,748,499	18,735,598	(10,817,843)	7,917,755
Third party liability	37,634,622	(10,891,822)	26,742,800	35,665,850	(11,296,661)	24,369,189
Credit and suretyship	818,402	(442,274)	376,128	849,503	(490,435)	359,068
Legal protection	5,755,770	(3,940,501)	1,815,269	5,747,515	(3,858,775)	1,888,740
Assistance	36,934,758	(33,959,961)	2,974,797	32,676,593	(31,820,394)	856,199
Others	34,213,526	(11,845,745)	22,367,781	33,561,612	(17,080,650)	16,480,962
	1,350,129,723	(465,854,908)	884,274,815	1,256,012,793	(438,647,205)	817,365,588
	1,794,175,556	(479,263,569)	1,314,911,987	1,591,883,177	(453,541,595)	1,138,341,582

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

(amounts in Euros)

	2017	2016
Direct insurance gross premiums written	444,020,974	335,640,762
Individual contracts	262,390,786	137,978,212
Group contracts	181,630,188	197,662,550
	444,020,974	335,640,762
Periodic	212,700,260	271,462,555
Non-periodic	231,320,714	64,178,207
	444,020,974	335,640,762
Contracts without profit sharing	162,075,255	161,888,542
Contracts with profit sharing	281,945,719	173,752,220
	444,020,974	335,640,762
Reinsurance accepted gross premiums written	-	-
Gross premiums written from direct insurance and reinsurance accepted	444,020,974	335,640,762
Reinsurance balance	1,373,873	(5,370,599)

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

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

32. Claims Costs, Net of Reinsurance

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

(amounts in Euros)

	2017			2016		
	Claims paid	Changes in claims provision	Total	Claims paid	Changes in claims provision	Total
Life insurance						
Direct insurance and reinsurance accepted	288,761,380	11,453,531	300,214,911	268,902,357	(3,569,348)	265,333,009
Reinsurance ceded	(6,325,015)	(683,965)	(7,008,980)	(8,603,018)	360,641	(8,242,377)
	282,436,365	10,769,566	293,205,931	260,299,339	(3,208,707)	257,090,632
Non-life insurance						
Direct insurance and reinsurance accepted						
Workers' compensation	145,963,802	39,970,651	185,934,453	149,188,850	7,732,394	156,921,244
Personal accidents and passengers	12,587,379	6,473,925	19,061,304	10,882,584	(722,043)	10,160,541
Health	221,791,389	(5,080,007)	216,711,382	197,557,734	734,202	198,291,936
Fire and other damage	152,283,757	104,598,750	256,882,507	122,096,911	12,972,677	135,069,588
Motor	346,391,118	(21,228,398)	325,162,720	334,193,191	(30,796,727)	303,396,464
Marine, aviation and transport	6,345,085	3,186,381	9,531,466	3,726,557	(2,583,066)	1,143,491
Third party liability	12,701,481	(2,728,234)	9,973,247	13,540,480	(6,052,702)	7,487,778
Credit and suretyship	408,761	62,451	471,212	373,172	(73,023)	300,149
Legal protection	108,704	4,581	113,285	89,052	(4,881)	84,171
Assistance	702,075	54,010	756,085	497,377	(4,202)	493,175
Others	22,892,445	2,495,273	25,387,718	19,381,205	1,570,686	20,951,891
	922,175,996	127,809,383	1,049,985,379	851,527,113	(17,226,685)	834,300,428
Reinsurance ceded						
Workers' compensation	(258,707)	(2,274,261)	(2,532,968)	(804,760)	(378,068)	(1,182,828)
Personal accidents and passengers	(2,105,562)	(2,593,595)	(4,699,157)	(1,764,887)	(5,763,082)	(7,527,969)
Health	(202,939,125)	(1,879,311)	(204,818,436)	(179,237,440)	2,482,436	(176,755,004)
Fire and other damage	(52,742,567)	(86,662,327)	(139,404,894)	(46,047,669)	(19,393,010)	(65,440,679)
Motor	(6,574,762)	(2,325,609)	(8,900,371)	(1,332,320)	(931,164)	(2,263,484)
Marine, aviation and transport	(2,760,605)	(4,100,931)	(6,861,536)	(976,427)	2,048,304	1,071,877
Third party liability	(2,825,368)	2,689,946	(135,422)	(2,578,503)	5,511,253	2,932,750
Credit and suretyship	1,846	6,914	8,760	(35,272)	10,017	(25,255)
Assistance	(195)	1,098	903	(8,041)	(1,116)	(9,157)
Others	(14,122,503)	(1,485,390)	(15,607,893)	(12,288,483)	(1,000,270)	(13,288,753)
	(284,327,548)	(98,623,466)	(382,951,014)	(245,073,802)	(17,414,700)	(262,488,502)
	637,848,448	29,185,917	667,034,365	606,453,311	(34,641,385)	571,811,926
	920,284,813	39,955,483	960,240,296	866,752,650	(37,850,092)	828,902,558

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

The following is a breakdown of claims costs and changes in other life insurance technical provisions in 2017 and 2016:

(amounts in Euros)

	2017						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
Direct insurance and reinsurance accepted							
Insurance contracts	105,423,238	9,778,751	115,201,989	2,654,182	(10,405,666)	1,935,342	109,385,847
Investment contracts with a discretionary profit sharing component	183,338,142	1,674,780	185,012,922	495,560	94,696,704	(7,705,397)	272,499,789
	288,761,380	11,453,531	300,214,911	3,149,742	84,291,038	(5,770,055)	381,885,636
Reinsurance ceded							
Insurance contracts	(6,325,015)	(683,965)	(7,008,980)	-	(252,073)	-	(7,261,053)
	(6,325,015)	(683,965)	(7,008,980)	-	(252,073)	-	(7,261,053)
Net							
Insurance contracts	99,098,223	9,094,786	108,193,009	2,654,182	(10,657,739)	1,935,342	102,124,794
Investment contracts with a discretionary profit sharing component	183,338,142	1,674,780	185,012,922	495,560	94,696,704	(7,705,397)	272,499,789
	282,436,365	10,769,566	293,205,931	3,149,742	84,038,965	(5,770,055)	374,624,583

(amounts in Euros)

	2016						Total
	Claims paid	Changes in claims provision	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
Direct insurance and reinsurance accepted							
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
	268,902,357	(3,569,348)	265,333,009	(2,122,570)	3,148,319	9,629,810	275,988,568
Reinsurance ceded							
Insurance contracts	(8,603,018)	360,641	(8,242,377)	-	1,157,707	-	(7,084,670)
	(8,603,018)	360,641	(8,242,377)	-	1,157,707	-	(7,084,670)
Net							
Insurance contracts	87,908,615	(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
	260,299,339	(3,208,707)	257,090,632	(2,122,570)	4,306,026	9,629,810	268,903,898

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

33. Net Operating Costs, by Type and Function

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

(amounts in Euros)

	2017	2016
Employee costs (Note 34)	303,116,112	297,493,108
External supplies and services		
Electricity	7,888,653	7,687,918
Fuel	2,256,286	2,208,928
Water	1,272,529	1,223,008
Printed Material	422,549	410,315
Office Supplies	764,383	718,863
Conservation and repair	17,303,978	15,689,091
Rents and leases	25,031,071	25,657,091
Representation expenses	2,129,923	2,266,481
Communication	8,929,557	8,503,020
Travel and accommodation	6,115,647	5,485,977
Insurance	2,913,257	2,786,133
Expenditure with self-employed workers	70,523,182	66,388,196
Advertising and publicity	16,625,437	14,655,801
Litigation and notary expenses	1,918,701	790,276
Security and surveillance	4,268,861	3,832,541
Specialist work	85,385,569	76,066,271
Contributions	2,593,806	1,697,822
Cleanliness, hygiene and comfort	2,457,617	2,180,294
Expenses with premium collections	3,588,386	3,220,680
Software licences	6,069,346	5,286,823
Subcontracts	100,707,227	94,425,729
Others	88,793,894	12,400,054
	457,959,859	353,581,312
Taxes and charges	18,773,378	18,281,776
Depreciation and amortisation for the year (Notes 10, 12 and 15)	45,255,066	41,441,301
Other provisions	(13,137,306)	(43,927,903)
Commissions	12,702,955	25,456,649
Interest paid	12,875,294	11,163,577
	837,545,358	703,489,820

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

(amounts in Euros)

	2017		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	(2,941,378)	5,380,499	2,439,121
Related to non-life insurance	64,469,503	6,979,169	71,448,672
	61,528,125	12,359,668	73,887,793

(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
	65,186,125	8,701,668	73,887,793

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

(amounts in Euros)

	2017			
	Life technical account	Non-life technical account	Non-technical account	Total
Claims costs - amounts paid				
Cost allocations	7,630,486	120,719,844	-	128,350,330
Technical costs	281,130,894	801,456,152	-	1,082,587,046
	288,761,380	922,175,996	-	1,210,937,376
Acquisition costs				
Cost allocations	29,507,823	105,720,788	-	135,228,611
Brokerage commissions	35,953,096	146,813,737	-	182,766,833
Others	60,174	1,994,792	-	2,054,966
	65,521,093	254,529,317	-	320,050,410
Administrative expenses				
Cost allocations	21,283,025	72,476,548	-	93,759,573
Brokerage remuneration	62,540	8,891,191	-	8,953,731
Others	115	13,357	-	13,472
	21,345,680	81,381,096	-	102,726,776
Financial expenses (Note 37)				
Cost allocations	9,467,890	7,702,524	34,094,405	51,264,819
Others	418,266	148,044	162,836	729,146
	9,886,156	7,850,568	34,257,241	51,993,965
Other cost allocations (Note 44)	-	-	428,942,025	428,942,025
Total operating costs allocations	67,889,224	306,619,704	463,036,430	837,545,358

(amounts in Euros)

	2016			Total
	Life technical account	Non-life technical account	Non-technical account	
Claims costs - amounts paid				
Cost allocations	6,085,373	116,079,802	-	122,165,175
Technical costs	262,816,984	735,447,311	-	998,264,295
	268,902,357	851,527,113	-	1,120,429,470
Acquisition costs				
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
	69,174,911	248,114,360	-	317,289,271
Administrative expenses				
Cost allocations	20,624,181	67,366,213	-	87,990,394
Brokerage remuneration	63,877	8,825,961	-	8,889,838
Others	(464)	(46,264)	-	(46,728)
	20,687,594	76,145,910	-	96,833,504
Financial expenses (Note 37)				
Cost allocations	2,693,691	10,333,817	21,087,041	34,114,549
Others	728,156	195,920	81,024	1,005,100
	3,421,847	10,529,737	21,168,065	35,119,649
Other cost allocations (Note 44)	-	-	322,551,873	322,551,873
Total operating costs allocations	58,389,853	301,461,053	343,638,914	703,489,820

34. Employee Costs

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

(amounts in Euros)

	2017	2016
Remuneration		
Statutory bodies	9,512,015	8,091,183
Employees	208,065,485	199,743,671
Remuneration expenses	46,294,168	44,088,469
Post-employment benefits	12,546,787	17,233,071
Termination of employment benefits	5,331,691	10,572,821
Mandatory insurance	2,819,712	2,716,051
Social action costs	13,795,982	12,403,011
Other employee costs	4,750,272	2,644,831
	303,116,112	297,493,108

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

(amounts in Euros)

	2017	2016
Post-employment benefits		
Defined benefit plan (Note 35)	10,463,420	15,261,017
Individual retirement plan	1,336,107	1,213,510
Employee transfer	(47,556)	(32,752)
Other costs	794,816	791,296
	12,546,787	17,233,071

In 2017 and 2016, the heading "Post-employment benefits – Employee transfer" corresponds to the cost of post-employment benefits for employees of the Group's Insurance Companies who were assigned to other entities in the Group.

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

	2017	2016
Senior management	104	129
Line management	577	427
Technical	3,131	3,551
Administrative	4,593	4,253
Ancillary	488	503
	8,893	8,863

In 2017 and 2016, the Group recorded a reversal in the estimate for seniority bonuses of EUR 234,960 and EUR 17,745 respectively. The heading "Accruals and deferred income" includes EUR 717,337 for seniority bonuses.

35. Retirement Pensions and Other Long-Term Benefits

At 31 December 2017 and 2016, the headings "Assets for post-employment benefits and other long-term benefits" and "Liabilities for post-employment benefits and other long-term benefits" were as follows:

(amounts in Euros)

	2017	2016
Assets		
Defined benefit plan	12,344,589	8,739,168
Liabilities		
Defined contribution plan	(85,665)	(73,618)
	12,258,924	8,665,550

Regarding 2017, in the "Defined contribution plan" the Group recorded a cost of EUR 1,199,260, with the payment of EUR 85,665 still pending, which corresponds to December 2017 contributions paid in January 2018.

Defined Contribution Plan

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

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

In line with the rules set out in the new CEAs, the capitalised amount of the payments into the IRP can be claimed by the employee, in accordance with the law, on the date he/she retires through the Social Security system due to disability or old age, and there is a capital guarantee on the amounts of the initial transfer and the contributions made by the Group and by the beneficiaries themselves.

In the event of the death of an employee, the capitalised amount of the payments reverts to the beneficiaries named by the employee or, where these are not named, to his/her legal heirs.

The Group's contributions to the individual retirement plan are made in line with the provisions of Annex V to the CEAs, and correspond to the amount which results from applying the percentages indicated in the following table to the employee's basic annual salary:

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

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

- In 2015, for current employees admitted to the insurance activity prior to 22 June 1995;
- In 2012, for current employees, admitted to the insurance activity between 22 June 1995 and 31 December 2009;
- In the year following the completion of two years of service within the Group, for employees admitted after 1 January 2010.

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

(amounts in Euros)

	Fidelidade	CPR	Multicare	Via Directa	Total
Liabilities at 31 December 2016	22,769,492	24,657	272,749	179,383	23,246,281
Expenses for the year	1,166,960	-	62,057	32,300	1,261,317
Liabilities at 31 December 2017	23,936,452	24,657	334,806	211,683	24,507,598
Assets at 31 December 2016	22,697,218	24,657	269,367	178,038	23,169,280
Contributions	1,155,817	-	61,584	31,396	1,248,797
Assets at 31 December 2017	23,853,035	24,657	330,951	209,434	24,418,077
Difference	1.00	1.00	0.99	0.99	1.00
Funding level	99.65%	100.00%	98.85%	98.94%	99.63%

Defined Benefit Plan

In line with the collective employment agreement previously in force for the insurance activity, the Group granted to its employees hired by the insurance activity prior to June 1995, cash payments, to complement the retirement pensions paid by the Social Security services. The amount of these payments varied according to the employee's remuneration, the number of years contributing to Social Security, the history of remuneration on which Social Security was collected and also, in the case of disability, the number of years in the insurance activity.

In addition, the former Império Bonança granted the following benefits:

- Between 1999 and 2005, it assumed, in situations of early retirement, the payment of a whole life pension which corresponded to the difference between 80% of the last remuneration and the amount paid by the Social Security.
- It assumed the commitment to extend the benefits set out in the collective employment agreement to employees hired up to June 2005 and also to grant to the beneficiaries of the pensions fund, the additional benefits guaranteed by the complementary plan which was in force at the Millenniumbcp Group, to which the company belonged until 31 January 2005. The liabilities associated with the complementary plan are financed by the related pension fund.
- For a very small group of employees (4), with "XVII internal salary levels", coming from the former-Império, there is a commitment, when they retire, to award a supplement to the Social Security pension, to 80% of their remuneration at the time they retire.

Determination of liabilities with defined benefit plans

Liabilities for current payments of retirement pensions and the past services of current employees, at 31 December 2017 and 2016, were determined by Fidelidade's life insurance actuarial department.

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

	2017	2016
Actuarial method	Projected	Projected
	Unit Credit	Unit Credit
Mortality table		
Men	TV 73/77 (-2)	TV 73/77 (-2)
Women	TV 88/90 (-2)	TV 88/90 (-2)
Discount rate	1.80%	1.80%
Salary growth rate	2.00%	2.00%
Pensions growth rate	0.75%	0.75%
Pre-retirement growth rates	1.25%	1.25%
Exclusions table	n/a	n/a

The following table provides a comparison between the actuarial and financial assumptions used to determine pension costs for 2017 and 2016 and the actual amounts:

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

At 31 December 2017 and 2016, the Group's liabilities for past service, based on the actuarial studies performed, and the funds and provisions available, were as follows:

(amounts in Euros)

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

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

- a) the full funding of the current amount of the liability with current pensions, including pre-retirement and early retirement provisions payable up until the normal age of retirement and subsequently; and
- b) the funding of at least 95% of the current amount of the liability for past service of employees of working age, excluding those who are pre-retired or in early retirement.

At 31 December 2017 and 2016, the Group's liabilities for past service were fully funded.

The pensions plan is non-contributory and independent of social security, and is funded by the Group's pension fund.

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

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

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

(amounts in Euros)

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

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

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

(amounts in Euros)

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

(amounts in Euros)

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

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

(amounts in Euros)

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

The change in the difference between the Group's liabilities for past services and the respective cover, and the corresponding impact on the financial statements at 31 December 2017 and 2016, can be demonstrated as follows:

(amounts in Euros)

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

(continuation)

(amounts in Euros)

	Liabilities			Cover			Difference		
	Fidelidade	Others	Total	Fidelidade	Others	Total	Fidelidade	Others	Total
Position at									
31 December 2016	192,402,590	364,646	192,767,236	200,933,929	572,475	201,506,404	8,531,339	207,829	8,739,168
Current services expenses	269,286	1,265	270,551	-	-	-	(269,286)	(1,265)	(270,551)
Net defined									
benefit interest	2,441,973	6,613	2,448,586	2,595,537	3,737	2,599,274	153,564	(2,876)	150,688
Normal cost for the year	2,711,259	7,878	2,719,137	2,595,537	3,737	2,599,274	(115,722)	(4,141)	(119,863)
Increased liabilities									
for early retirements	9,751,552	(7,145)	9,744,407	-	-	-	(9,751,552)	7,145	(9,744,407)
Other changes in the									
income statement	-	-	-	(599,149)	-	(599,149)	(599,149)	-	(599,149)
Changes having an									
impact in the income									
statement (Note 33)	12,462,811	733	12,463,544	1,996,388	3,737	2,000,125	(10,466,423)	3,004	(10,463,419)
Actuarial gains									
and losses									
return on plan assets,									
not included in									
interest income	-	-	-	2,133,287	6,704	2,139,991	2,133,287	6,704	2,139,991
resulting from									
changes in financial									
assumptions	-	5,776	5,776	-	5,776	5,776	-	-	-
resulting from									
differences between									
assumptions and									
actual amounts	(1,843,460)	4,784	(1,838,676)	-	-	-	1,843,460	(4,784)	1,838,676
Changes with an impact									
on shareholders' equity	(1,843,460)	10,560	(1,832,900)	2,133,287	12,480	2,145,767	3,976,747	1,920	3,978,667
Contributions to the plan									
paid by entity	-	-	-	10,090,174	-	10,090,174	10,090,174	-	10,090,174
Change in mathematical									
provisions	(2,639,074)	-	(2,639,074)	(2,639,074)	-	(2,639,074)	-	-	-
Payments made									
by the plan									
pensions paid	(19,277,840)	(52,175)	(19,330,015)	(19,277,840)	(52,175)	(19,330,015)	-	-	-
Position at									
31 December 2017	181,105,027	323,765	181,428,792	193,236,864	536,517	193,773,381	12,131,837	212,752	12,344,589

Medical assistance

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

At 31 December 2017 and 2016, these liabilities totalled EUR 22,964,031 and EUR 23,637,281, respectively, and were covered by provisions (Note 26). The actuarial deviations determined at 31 December 2017 and 2016 relating to this benefit amounted to EUR (669,044) and EUR 2,515,019, respectively.

Liabilities for past service with medical assistance were determined on the basis of actuarial studies performed by Fidelidade's life actuarial department, using actuarial assumptions identical to those presented above for liabilities with pensions.

Sensitivity analysis

At 31 December 2017, the sensitivity of the defined benefit liabilities assumed by Fidelidade, due to significant changes in the assumptions, excluding the liabilities covered by whole life annuities, corresponds to:

Scenarios	2017	A	B	C
Financial Assumptions				
Discount Rate	1.80%	1.55%	2.05%	1.80%
Salary Growth Rate	2.00%	2.00%	2.00%	2.00%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
Demographic Assumptions				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in Euros)

Liabilities at 31 December 2017		2017	A	B	C
Scenarios					
Retirees	Old age	56,449,916	57,604,200	55,335,889	60,782,941
	Early retirement	14,473,747	14,801,382	14,157,771	15,597,766
	Disability	10,156,308	10,499,963	9,829,969	10,450,948
Pensioners	Widow/ Widower	4,255,461	4,348,408	4,166,078	4,271,104
	Orphan	153,463	160,351	147,033	154,501
Pre-Retirees	Pension up to Retirement Age	34,324,385	34,567,203	34,084,898	34,378,628
	Costs up to Retirement Age	6,067,430	6,113,129	6,022,384	6,091,210
	Pension after Retirement Age				
	> CEA Plan	3,272,866	3,384,874	3,166,037	3,478,646
	> Complementary Plan	273,500	284,860	262,734	278,493
Active employees	CEA Plan	3,681,627	3,898,301	3,479,750	3,872,810
	Complementary Plan	3,536,856	3,783,947	3,308,309	3,731,517
Total		136,645,559	139,446,618	133,960,852	143,088,564

The information in the above table was prepared based on the method used to calculate the liabilities for accounting purposes, not including mathematical provisions, of EUR 44,459,468.

36. Income

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

(amounts in Euros)

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

(continuation)

(amounts in Euros)

	2017				2016			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
Investments related to contracts								
considered for accounting purposes								
as investment contracts								
Financial assets held for trading	(1,534,347)	-	-	(1,534,347)	(1,491,921)	-	-	(1,491,921)
Financial assets initially recognised								
at fair value through profit or loss	16,776,034	147,393	-	16,923,427	22,264,680	155,370	-	22,420,050
Available-for-sale investments	146,129,543	17,614,675	-	163,744,218	174,077,687	9,298,064	-	183,375,751
Loans and accounts receivable	2,003,134	-	-	2,003,134	3,144,985	-	-	3,144,985
Sight deposits	246	-	-	246	119,041	-	-	119,041
	163,374,610	17,762,068	-	181,136,678	198,114,472	9,453,434	-	207,567,906
	210,164,953	25,113,071	23,398	235,301,422	248,540,159	10,444,634	21,222	259,006,015
Investments allocated to technical								
provisions for non-life insurance								
Properties	-	-	18,090,691	18,090,691	-	-	18,611,018	18,611,018
Financial assets initially recognised								
at fair value through profit or loss	2,959,053	-	-	2,959,053	1,543,336	-	-	1,543,336
Available-for-sale investments	25,772,421	16,725,835	-	42,498,256	27,013,338	8,988,142	-	36,001,480
Loans and accounts receivable	3,201,410	-	-	3,201,410	3,042,900	-	-	3,042,900
Sight deposits	27,512	-	-	27,512	-	-	-	-
	31,960,396	16,725,835	18,090,691	66,776,922	31,599,574	8,988,142	18,611,018	59,198,734
Investments not allocated								
Properties	-	-	111,664,750	111,664,750	-	-	72,933,726	72,933,726
Financial assets held for trading	2,891	-	-	2,891	(460)	-	-	(460)
Financial assets initially recognised								
at fair value through profit or loss	2,456,044	-	-	2,456,044	215	-	-	215
Available-for-sale investments	1,798,521	684,756	-	2,483,277	593,222	5,249	-	598,471
Loans and accounts receivable	6,035,661	-	-	6,035,661	872,489	-	-	872,489
Sight deposits	298,203	-	-	298,203	(51,350)	-	-	(51,350)
	10,591,320	684,756	111,664,750	122,940,826	1,414,116	5,249	72,933,726	74,353,091
	252,716,669	42,523,662	129,778,839	425,019,170	281,553,849	19,438,025	91,565,966	392,557,840

37. Financial Expenses

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

(amounts in Euros)

	2017				2016			
	Life technical account	Non-life technical account	Non-technical account	Total	Life technical account	Non-life technical account	Non-technical account	Total
Investment Expenses (Note 33)								
Costs allocated	9,467,890	7,702,524	34,094,405	51,264,819	2,693,691	10,333,817	21,087,041	34,114,549
Other Investment expenses	418,266	148,044	162,836	729,146	728,156	195,920	81,024	1,005,100
	9,886,156	7,850,568	34,257,241	51,993,965	3,421,847	10,529,737	21,168,065	35,119,649

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

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

(amounts in Euros)

	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Available-for-sale investments	22,507,213	(2,010,414)	20,496,799	31,669,603	(12,469,189)	19,200,414
	22,507,213	(2,010,414)	20,496,799	31,669,603	(12,469,189)	19,200,414
Investments related to contracts considered for accounting purposes as investment contracts						
Available-for-sale investments	205,785,259	(17,510,634)	188,274,625	152,637,370	(15,075,270)	137,562,100
Loans and accounts receivable	-	(45,710)	(45,710)	-	(83,484)	(83,484)
Financial liabilities at amortised cost	22,380	(94,839,890)	(94,817,510)	342	(148,712,440)	(148,712,098)
	205,807,639	(112,396,234)	93,411,405	152,637,712	(163,871,194)	(11,233,482)
	228,314,852	(114,406,648)	113,908,204	184,307,315	(176,340,383)	7,966,932
Investments allocated to technical provisions for non-life insurance						
Available-for-sale investments	78,864,646	(2,914,357)	75,950,289	51,567,792	(3,150,128)	48,417,664
Loans and accounts receivable	-	(37,086)	(37,086)	-	-	-
Held-to-maturity investments	-	(121,707)	(121,707)	-	-	-
	78,864,646	(3,073,150)	75,791,496	51,567,792	(3,150,128)	48,417,664
Investments not allocated						
Investments in subsidiaries, associates and joint ventures	139,531,769	(139,531,769)	-	-	-	-
Available-for-sale investments	1,350,776	(185,744)	1,165,032	7,811,392	(1,496,133)	6,315,259
Loans and accounts receivable	-	(287,056)	(287,056)	-	-	-
Others	-	(801,375)	(801,375)	-	-	-
	140,882,545	(140,805,944)	76,601	7,811,392	(1,496,133)	6,315,259
	448,062,043	(258,285,742)	189,776,301	243,686,499	(180,986,644)	62,699,855

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

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

(amounts in Euros)

Realised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	-	(508,775)	(508,775)	-	(26,311,206)	(26,311,206)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	1,072,269	(2,487,957)	(1,415,688)	1,182,238	(525,056)	657,182
	1,072,269	(2,996,732)	(1,924,463)	1,182,238	(26,836,262)	(25,654,024)
Investments related to contracts considered for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	135,354	(885,016)	(749,662)	83,278	(74,903,075)	(74,819,797)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	11,077,266	(10,265,012)	812,254	38,470,125	(3,031,295)	35,438,830
	11,212,620	(11,150,028)	62,592	38,553,403	(77,934,370)	(39,380,967)
	12,284,889	(14,146,760)	(1,861,871)	39,735,641	(104,770,632)	(65,034,991)
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	-	(253,538)	(253,538)	-	(13,384,794)	(13,384,794)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	2,685,393	(1,296,846)	1,388,547	3,079,876	(6,960,452)	(3,880,576)
	2,685,393	(1,550,384)	1,135,009	3,079,876	(20,345,246)	(17,265,370)
Investments not allocated						
Financial assets and liabilities held for trading	3	(54,155)	(54,152)	-	(9,054,831)	(9,054,831)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	-	(201,170)	(201,170)	12,292	(19,359)	(7,067)
	3	(255,325)	(255,322)	12,292	(9,074,190)	(9,061,898)
	14,970,285	(15,952,469)	(982,184)	42,827,809	(134,190,068)	(91,362,259)

(amounts in Euros)

Unrealised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(7,858,465)	51,797,957	106,677,897	(98,715,172)	7,962,725
Financial assets and liabilities initially recognised						
at fair value through profit or loss	3,762,152	(380,948)	3,381,204	1,134,621	(1,915,217)	(780,596)
Others	1,722,515	(1,476,631)	245,884	4,594,622	(5,731,919)	(1,137,297)
	65,141,089	(9,716,044)	55,425,045	112,407,140	(106,362,308)	6,044,832
Investments related to contracts considered for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,104,772	(26,680,247)	120,424,525	271,117,079	(233,451,677)	37,665,402
Financial assets and liabilities initially recognised						
at fair value through profit or loss	13,755,089	(18,604,502)	(4,849,413)	9,216,071	(37,080,944)	(27,864,873)
Others	90,457,133	(103,348,682)	(12,891,549)	359,388,838	(357,958,994)	1,429,844
	251,316,994	(148,633,431)	102,683,563	639,721,988	(628,491,615)	11,230,373
	316,458,083	(158,349,475)	158,108,608	752,129,128	(734,853,923)	17,275,205
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,478,185)	41,819,429	69,445,695	(73,444,296)	(3,998,601)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	6,780,620	(1,232,777)	5,547,843	3,081,121	(6,433,790)	(3,352,669)
Others	39,164,935	(44,462,997)	(5,298,062)	130,390,595	(135,334,837)	(4,944,242)
	95,243,169	(53,173,959)	42,069,210	202,917,411	(215,212,923)	(12,295,512)
Investments not allocated						
Financial assets and liabilities held for trading	16,694,030	(11,135,421)	5,558,609	52,840,589	(47,819,768)	5,020,821
Financial assets and liabilities initially recognised						
at fair value through profit or loss	117,707	(1,980,195)	(1,862,488)	43,555	(25,591)	17,964
Others	2,957,267	-	2,957,267	-	-	-
	19,769,004	(13,115,616)	6,653,388	52,884,144	(47,845,359)	5,038,785
	431,470,256	(224,639,050)	206,831,206	1,007,930,683	(997,912,205)	10,018,478

(amounts in Euros)

Total	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(8,367,240)	51,289,182	106,677,897	(125,026,378)	(18,348,481)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	4,834,421	(2,868,905)	1,965,516	2,316,859	(2,440,273)	(123,414)
Others	1,722,515	(1,476,631)	245,884	4,594,622	(5,731,919)	(1,137,297)
	66,213,358	(12,712,776)	53,500,582	113,589,378	(133,198,570)	(19,609,192)
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,240,126	(27,565,263)	119,674,863	271,200,357	(308,354,752)	(37,154,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	24,832,355	(28,869,514)	(4,037,159)	47,686,196	(40,112,239)	7,573,957
Others	90,457,133	(103,348,682)	(12,891,549)	359,388,838	(357,958,994)	1,429,844
	262,529,614	(159,783,459)	102,746,155	678,275,391	(706,425,985)	(28,150,594)
	328,742,972	(172,496,235)	156,246,737	791,864,769	(839,624,555)	(47,759,786)
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,731,723)	41,565,891	69,445,695	(86,829,090)	(17,383,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	9,466,013	(2,529,623)	6,936,390	6,160,997	(13,394,242)	(7,233,245)
Others	39,164,935	(44,462,997)	(5,298,062)	130,390,595	(135,334,837)	(4,944,242)
	97,928,562	(54,724,343)	43,204,219	205,997,287	(235,558,169)	(29,560,882)
Investments not allocated						
Financial assets and liabilities held for trading	16,694,033	(11,189,576)	5,504,457	52,840,589	(56,874,599)	(4,034,010)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	117,707	(2,181,365)	(2,063,658)	55,847	(44,950)	10,897
Others	2,957,267	-	2,957,267	-	-	-
	19,769,007	(13,370,941)	6,398,066	52,896,436	(56,919,549)	(4,023,113)
	446,440,541	(240,591,519)	205,849,022	1,050,758,492	(1,132,102,273)	(81,343,781)

40. Exchange Differences

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

(amounts in Euros)

	2017	2016
Investments allocated to technical provisions for life insurance		
Financial assets held for trading	(1,721,685)	(1,735,182)
Financial assets initially recognised at fair value through profit or loss	(2,665,476)	1,446,002
Available-for-sale investments	(56,797,985)	14,290,983
Loans and accounts receivable	(5,325,898)	1,544,633
Sight Deposits	495,999	(1,256,939)
Others	6,647	(44,556)
	(66,008,398)	14,244,941
Investments related to contracts considered for accounting purposes as investment contracts		
Financial assets held for trading	(3,974,818)	(3,968,620)
Financial assets initially recognised at fair value through profit or loss	(6,894,024)	716,302
Available-for-sale investments	(127,830,385)	19,590,088
Loans and accounts receivable	(4,071,592)	946,368
Sight Deposits	4,321,062	(432,336)
Others	(2,464,858)	(3,580,468)
	(140,914,615)	13,271,334
	(206,923,013)	27,516,275
Investments allocated to technical provisions for non-life insurance		
Financial assets held for trading	(1,362,854)	(1,096,369)
Financial assets initially recognised at fair value through profit or loss	(12,421,177)	5,318,983
Available-for-sale investments	(26,240,164)	559,538
Loans and accounts receivable	(1,725,979)	3,247,659
Sight Deposits	9,507,894	4,586,154
Others	(894,619)	(1,315,727)
	(33,136,899)	11,300,238
Investments not allocated		
Financial assets held for trading	(104,765)	(147,686)
Financial assets initially recognised at fair value through profit or loss	(64,457)	(1,332)
Available-for-sale investments	(3,619,465)	(603)
Loans and accounts receivable	(4,450,714)	(731,132)
Sight Deposits	(18,148,604)	3,225,960
Others	(13)	2
	(26,388,018)	2,345,209
	(266,447,930)	41,161,722

41. Net Income on the Sale of Non-Financial Assets which have not been Recognised as Non-Current Assets Held for Sale and Discontinued Operations

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

(amounts in Euros)

Realised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	21,023	-	21,023	55,493	(62,642)	(7,149)
	4,286,223	-	4,286,223	55,493	(62,642)	(7,149)
Investments not allocated						
Investment properties	4,590,363	(17,770)	4,572,593	25,026,539	-	25,026,539
Investments in associates and joint ventures	24,150	(5,984)	18,166	-	-	-
	4,614,513	(23,754)	4,590,759	25,026,539	-	25,026,539
	8,900,736	(23,754)	8,876,982	25,082,032	(62,642)	25,019,390

(amounts in Euros)

Unrealised gains and losses	2017			2016		
	Gains	Losses	Net (Note 10)	Gains	Losses	Net (Note 10)
Investments allocated to technical provisions for life insurance						
Investment properties	-	(204,893)	(204,893)	-	-	-
	-	(204,893)	(204,893)	-	-	-
Investments allocated to technical provisions for non-life insurance						
Investment properties	38,167,817	(24,094,916)	14,072,901	21,220,121	(8,796,229)	12,423,892
	38,167,817	(24,094,916)	14,072,901	21,220,121	(8,796,229)	12,423,892
Investments not allocated						
Investment properties	40,819,089	(46,694,001)	(5,874,912)	59,891,204	(18,213,617)	41,677,587
	40,819,089	(46,694,001)	(5,874,912)	59,891,204	(18,213,617)	41,677,587
	78,986,906	(70,993,810)	7,993,096	81,111,325	(27,009,846)	54,101,479

(amounts in Euros)

Total	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Investment properties	-	(204,893)	(204,893)	-	-	-
	-	(204,893)	(204,893)	-	-	-
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	38,188,840	(24,094,916)	14,093,924	21,275,614	(8,858,871)	12,416,743
	42,454,040	(24,094,916)	18,359,124	21,275,614	(8,858,871)	12,416,743
Investments not allocated						
Investment properties	45,409,452	(46,711,771)	(1,302,319)	84,917,743	(18,213,617)	66,704,126
Investments in associates and joint ventures	24,150	(5,984)	18,166	-	-	-
	45,433,602	(46,717,755)	(1,284,153)	84,917,743	(18,213,617)	66,704,126
	87,887,642	(71,017,564)	16,870,078	106,193,357	(27,072,488)	79,120,869

42. Impairment Losses (Net of Reversals)

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

(amounts in Euros)

	2017					
	Opening balances	Increases	Recoveries and cancellations	Use	Others	Closing balances
Impairment of available-for-sale investments (Note 8)						
Debt instruments	156,661,009	23,156,286	(917,819)	(42,169,867)	-	136,729,609
Equity instruments	286,535,154	105,845,364	-	(78,467,303)	-	313,913,215
Other instruments	47,555,550	4,686,155	-	(14,248,469)	-	37,993,236
Impairment of loans and accounts receivable (Note 9)	1,238,964	145,811	(767,383)	-	-	617,392
Impairment of property for own use (Note 10)	11,237,416	2,080,972	(1,196,986)	(1,762,503)	-	10,358,899
Impairment of inventories (Note 13)	64,553	-	(79,479)	14,926	-	-
Impairment of goodwill (Note 14)	957,001	-	-	-	-	957,001
Adjustments to premiums pending collection (Note 17)	17,109,499	-	(7,029,138)	-	449,058	10,529,419
Value adjustments IFAP (Note 17)	484,133	-	(384,277)	-	-	99,856
Adjustments for doubtful debts (Note 17)	41,769,899	-	(3,243,100)	-	2,307,608	40,834,407
	563,613,178	135,914,588	(13,618,182)	(136,633,216)	2,756,666	552,033,034

(amounts in Euros)

	2016					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Use	Others	
Impairment of available-for-sale investments (Note 8)						
Debt instruments	118,739,319	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
	404,093,587	200,336,476	(12,798,249)	(29,210,129)	1,191,493	563,613,178

In 2017, the account heading "Impairment losses (net of reversals)" included allocations of "Other provisions" (Note 26), of EUR 88,288,859. In 2016, the account heading "Impairment losses (net of reversals)" included uses of "Other provisions" (Note 26), of EUR 6,663,078.

43. Other Technical Income/Expenses, Net of Reinsurance

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

(amounts in Euros)

	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Related to life insurance						
Co-insurance management commissions	13,808	(16,752)	(2,944)	12,610	(21,730)	(9,120)
Pension fund management commissions	559,420	-	559,420	516,727	-	516,727
Others	53,034	(9,164)	43,870	21,047	(4,900)	16,147
	626,262	(25,916)	600,346	550,384	(26,630)	523,754
Related to non-life insurance						
Co-insurance management commissions	723,829	(468,895)	254,934	721,084	(235,923)	485,161
Others	3,707,723	(161,187)	3,546,536	482,721	(35,789)	446,932
	4,431,552	(630,082)	3,801,470	1,203,805	(271,712)	932,093
	5,057,814	(655,998)	4,401,816	1,754,189	(298,342)	1,455,847

44. Other Income/Expenses

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

(amounts in Euros)

	2017	2016
Non-current income and gains		
Tax rebates	3,778,309	419,503
Others	622,790	2,098,760
	4,401,099	2,518,263
Financial income and gains		
Interest obtained	995,585	307,736
Exchange rate gains	67,568,801	30,649,763
Cash discounts	1,083,305	770,643
Others	230,088	887,502
	69,877,779	32,615,644
Income from other assets		
Gains on other tangible assets	39,808	168,631
	39,808	168,631
Gains with pension plans		
Pension funds management fees (Macao Branch Life)	11,880	13,388
	11,880	13,388
Other non-technical income		
Adjustments to balances	177,626	101,444
Provisions of services	435,644,479	418,560,949
	435,822,105	418,662,393
Non-current expenses and losses		
Donations	(526,042)	(163,345)
Sponsorship	(755,285)	(646,667)
Gifts to clients	(129,135)	(49,731)
Fines and penalties	(41,234)	(50,947)
Miscellaneous contributions	(289,358)	(206,191)
Insufficient tax estimate	(631,230)	(3,221,601)
Corrections to previous years	(154,463)	(507,896)
Bad debts	(1,836,890)	(4,357,474)
Adjustments to balances	(301,424)	(534,415)
Others	(1,177,234)	(1,359,367)
	(5,842,295)	(11,097,634)
Financial expenses and losses		
Interest paid	(98,736)	(26,395)
Exchange rate losses	(12,805,225)	(34,749,247)
Banking services	(405,604)	(525,432)
Others	(1,242,543)	(2,832,642)
	(14,552,108)	(38,133,716)

(continuation)

(amounts in Euros)

	2017	2016
Losses in other assets		
Losses in other intangible assets	(344,750)	-
Losses in other tangible assets	(426,947)	(203,016)
	(771,697)	(203,016)
Other non-technical expenses:		
Allocation of non-technical expenses (Note 33)		
Employee costs	(119,855,280)	(112,020,247)
External supplies and services	(267,352,372)	(179,404,916)
Depreciation for the year	(33,321,512)	(25,118,063)
Interest	(5,936,117)	(4,328,174)
Others	(2,476,744)	(1,680,473)
	(428,942,025)	(322,551,873)
Cost of goods sold	(2,770,038)	(72,147,600)
	57,274,508	9,844,480

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

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

(amounts in Euros)

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

46. Segment Reporting

The Group presents operating segments based on management information produced internally. An operating segment is an identifiable component of the Group which is engaged in supplying a product or individual service or a set of related products and services within a specific economic environment and which is subject to risks and benefits which can be differentiated from others which operate in different economic environments.

For the purpose of business segment reporting, the Group has named two segments: "Health" and "Insurance". In the insurer sector it has chosen the following sub-segments:

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

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

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

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

	Insurance Segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
Gains and losses						
Earned premiums net of reinsurance	430,637,172	884,204,181	-	-	70,634	1,314,911,987
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,943,122	-	-	-	-	1,943,122
Claims costs, net of reinsurance	(293,309,453)	(706,550,724)	-	(42,842,329)	82,462,210	(960,240,296)
Other technical provisions, net of reinsurance	(3,149,741)	(1,598,685)	-	-	-	(4,748,426)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(78,268,910)	(205,279)	-	-	-	(78,474,189)
Operating costs and expenses, net	(79,766,391)	(261,025,161)	(116,963)	-	2,350,427	(338,558,088)
Financial income	245,424,403	70,294,699	201,770,495	44,468	(92,514,895)	425,019,170
Financial expenses and net income on financial assets and liabilities	53,117,629	116,039,363	(86,405,623)	10,306	11,291,831	94,053,506
Impairment losses (net of reversals)	(81,422,015)	1,950,077	(92,276,207)	(716,928)	(38,119,922)	(210,584,995)
Other income/expenses and negative goodwill	602,877	29,022,385	4,346,171	57,747,879	(29,629,330)	62,089,982
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	791,078	-	-	791,078
Current income tax	(25,848,723)	(32,302,239)	(9,447,611)	(2,881,161)	(16,208,370)	(86,688,104)
Non-controlling interests	-	-	-	(160,462)	(3,121,790)	(3,282,252)
	169,959,970	99,828,617	18,661,340	11,201,773	(83,419,205)	216,232,495
Assets						
Cash and cash equivalents and sight deposits	135,187,761	38,691,147	336,858,483	57,789,386	-	568,526,777
Investments in associates and joint ventures	1,713,213,998	200,329,472	1,237,396,436	356,403	(3,149,789,989)	1,506,320
Financial assets held for trading	37,070,438	9,676,130	20,548,386	-	(14,157,024)	53,137,930
Financial assets initially recognised at fair value through profit or loss	367,588,330	147,715,559	291,844,687	405,121	-	807,553,697
Hedge derivatives	10,668,392	4,254,200	13,255,785	-	-	28,178,377
Available-for-sale assets	9,068,104,938	1,677,178,670	558,183,656	24,150	(508,851,577)	10,794,639,837
Loans and accounts receivable	834,060,082	102,031,819	465,574,497	597,397	(219,590,342)	1,182,673,453
Properties	6,242,967	195,143,285	1,328,457,937	316,359,086	2,948,527	1,849,151,802
Other tangible and intangible assets	6,008,844	23,512,716	652,098	55,013,624	-	85,187,282
Goodwill	-	-	-	122,353,167	268,048,324	390,401,491
Technical provisions for reinsurance ceded	22,040,468	409,971,930	-	-	(74,087,410)	357,924,988
Asset for post-employment and other long-term benefits	-	-	12,344,589	-	-	12,344,589
Other debtors for insurance and other operations	56,173,277	223,560,328	205,035,273	121,257,547	176,479,677	782,506,102
Tax assets	139,078,407	100,477,406	23,810,208	9,593,911	(1,205,760)	271,754,172
Accruals and deferrals	14,880,626	2,699,821	6,152,045	47,704,448	780,901	72,217,841
Non-current assets held for sale	-	-	325,209,009	-	1,848,032	327,057,041
	12,410,318,528	3,135,242,483	4,825,323,088	731,454,240	(3,517,576,641)	17,584,761,698
Liabilities						
Provision for unearned premiums	1,542,378	291,423,650	-	-	(3,179,063)	289,786,965
Mathematical provision for life insurance	1,762,942,406	-	-	-	-	1,762,942,406
Claims provision	132,483,735	1,816,051,974	-	-	(83,545,023)	1,864,990,686
Provision for profit sharing	110,749,827	313	-	-	-	110,750,140
Provision for interest rate commitments	7,520,800	-	-	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	-	-	24,405,064
Equalisation provision	-	25,630,188	-	-	-	25,630,188
Provision for unexpired risks	-	49,222,515	-	-	-	49,222,515
Financial liabilities	8,593,120,341	129,598,798	326,749,761	299,541,758	(14,945,056)	9,334,065,602
Liabilities for post-employment and other long-term benefits	-	2,249	83,416	-	-	85,665
Other creditors for insurance and other operations	26,895,092	161,654,858	471,156,068	52,226,346	(26,477,274)	685,455,090
Tax liabilities	166,679,173	87,218,506	32,926,908	24,039,401	(5,660,227)	305,203,761
Accruals and deferrals	33,489,858	56,544,256	14,843,073	61,777,424	(465,483)	166,189,128
Other provisions	-	70,884,510	133,529,870	9,998,610	-	214,412,990
Liabilities from a group for disposal classified as held for sale	-	-	26,888,083	-	-	26,888,083
	10,859,828,674	2,688,231,817	1,006,177,179	447,583,539	(134,272,126)	14,867,549,083
Total segments						2,500,980,121
Shareholders' equity, reserves, retained earnings and non-controlling interests						2,500,980,121

(amounts in Euros)

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
Gains and losses				
Earned premiums net of reinsurance	175,764,791	254,872,381	-	430,637,172
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	1,943,122	1,943,122
Claims costs, net of reinsurance	(95,015,027)	(198,294,320)	(106)	(293,309,453)
Other technical provisions, net of reinsurance	(2,654,181)	(495,560)	-	(3,149,741)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(848,988)	(77,419,922)	-	(78,268,910)
Operating costs and expenses, net	(24,994,078)	(9,482,328)	(45,289,985)	(79,766,391)
Financial income	9,179,074	46,222,854	190,022,475	245,424,403
Financial expenses and net income on financial assets and liabilities	(622,654)	6,437,164	47,303,119	53,117,629
Impairment losses (net of reversals)	2,573,094	(177,498)	(83,817,611)	(81,422,015)
Other income/expenses and negative goodwill	595,434	255	7,188	602,877
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-
Current income tax	(8,426,139)	(3,045,992)	(14,376,592)	(25,848,723)
Non-controlling interests	-	-	-	-
	55,551,326	18,617,034	95,791,610	169,959,970
Assets				
Cash and cash equivalents and sight deposits	6,043,212	33,024,022	96,120,527	135,187,761
Investments in associates and joint ventures	88,305,834	-	1,624,908,164	1,713,213,998
Financial assets held for trading	1,295,932	5,721,352	30,053,154	37,070,438
Financial assets initially recognised at fair value through profit or loss	2,132,229	82,326,724	283,129,377	367,588,330
Hedge derivatives	83,774	251,956	10,332,662	10,668,392
Available-for-sale assets	283,780,824	1,314,712,978	7,469,611,136	9,068,104,938
Loans and accounts receivable	74,146,444	349,854,033	410,059,605	834,060,082
Properties	6,113,733	129,234	-	6,242,967
Other tangible and intangible assets	2,781,057	625,483	2,602,304	6,008,844
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	22,040,468	-	-	22,040,468
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	7,705,965	10,947,145	37,520,167	56,173,277
Tax assets	10,539,636	5,872,921	122,665,850	139,078,407
Accruals and deferrals	282,583	1,742,333	12,855,710	14,880,626
Non-current assets held for sale	-	-	-	-
	505,251,691	1,805,208,181	10,099,858,656	12,410,318,528
Liabilities				
Provision for unearned premiums	1,521,893	20,485	-	1,542,378
Mathematical provision for life insurance	210,342,988	1,552,599,418	-	1,762,942,406
Claims provision	111,028,598	21,455,137	-	132,483,735
Provision for profit sharing	34,346,573	76,403,254	-	110,749,827
Provision for interest rate commitments	-	7,520,800	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	24,405,064
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	3,823,879	21	8,589,296,441	8,593,120,341
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	7,466,033	3,334,754	16,094,305	26,895,092
Tax liabilities	4,501,822	2,945,647	159,231,704	166,679,173
Accruals and deferrals	5,109,463	3,649,819	24,730,576	33,489,858
Other provisions	-	-	-	-
Liabilities from a group for disposal classified as held for sale	-	-	-	-
	402,546,313	1,667,929,335	8,789,353,026	10,859,828,674

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Gains and losses								
Earned premiums net of reinsurance	177,264,786	27,039,046	172,137,113	450,445,270	8,908,720	26,751,346	21,657,900	884,204,181
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(185,031,061)	(21,297,150)	(125,818,363)	(347,208,518)	(2,684,846)	(9,847,177)	(14,663,609)	(706,550,724)
Other technical provisions, net of reinsurance	10,169,540	(192,776)	(6,423,497)	(4,596,247)	(12,641)	(539,041)	(4,023)	(1,598,685)
Mathematical provision for life insurance and profit sharing, net of reinsurance	-	-	(190,792)	-	-	-	(14,487)	(205,279)
Operating costs and expenses, net	(38,571,223)	(13,943,973)	(58,940,443)	(128,501,235)	(3,012,360)	(9,919,528)	(8,136,399)	(261,025,161)
Financial income	27,091,481	4,268,752	11,116,022	22,557,971	489,342	3,847,330	923,801	70,294,699
Financial expenses and net income on financial assets and liabilities	38,727,123	5,229,810	19,228,372	43,063,355	984,914	7,823,756	982,033	116,039,363
Impairment losses (net of reversals)	(65,280)	1,300,324	(712,379)	2,707,072	(244,303)	(173,256)	(862,101)	1,950,077
Other income/expenses and negative goodwill	282,082	227,980	3,298,630	25,222,729	(3,429)	(71,641)	66,034	29,022,385
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	-	-	-
Current income tax	(6,331,618)	(2,175,592)	(6,349,491)	(13,356,518)	(588,777)	(2,453,697)	(1,046,546)	(32,302,239)
Non-controlling interests	-	-	-	-	-	-	-	-
	23,535,830	456,421	7,345,172	50,333,879	3,836,620	15,418,092	(1,097,397)	99,828,617
Assets								
Cash and cash equivalents and sight deposits	4,744,056	750,659	7,036,219	3,354,806	36,739	153,543	22,615,125	38,691,147
Investments in associates and joint ventures	88,079,127	8,748,711	24,801,400	65,395,629	1,425,244	9,640,749	2,238,612	200,329,472
Financial assets held for trading	3,617,944	419,395	1,731,823	3,146,913	68,277	513,507	178,271	9,676,130
Financial assets initially recognised at fair value through profit or loss	37,405,613	8,389,162	25,425,834	63,551,810	1,367,328	9,424,975	2,150,837	147,715,559
Hedge derivatives	1,671,760	201,276	570,589	1,504,486	32,790	221,798	51,501	4,254,200
Available-for-sale assets	786,707,629	58,267,468	229,651,363	494,229,870	9,439,352	68,926,689	29,956,299	1,677,178,670
Loans and accounts receivable	21,450,676	6,835,455	31,763,564	34,103,995	395,765	3,367,739	4,114,625	102,031,819
Properties	7,191,849	18,467,015	52,992,696	96,273,398	2,364,733	15,772,685	2,080,909	195,143,285
Other tangible and intangible assets	2,804,695	2,831,677	5,200,170	10,747,065	199,882	737,111	992,116	23,512,716
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	4,700,166	80,958,040	267,356,908	13,553,434	8,240,914	17,022,343	18,140,125	409,971,930
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	23,439,303	74,404,828	66,406,273	43,229,585	3,397,838	8,484,277	4,198,224	223,560,328
Tax assets	17,946,462	6,619,365	18,957,044	46,077,020	1,335,705	7,322,421	2,219,389	100,477,406
Accruals and deferrals	280,095	540,650	488,842	1,117,920	17,700	81,599	173,015	2,699,821
Non-current assets held for sale	-	-	-	-	-	-	-	-
	1,000,039,375	267,433,701	732,382,725	876,285,931	28,322,267	141,669,436	89,109,048	3,135,242,483

(continuation)

(amounts in Euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Liabilities								
Provision for unearned premiums	12,318,654	33,072,357	82,331,516	145,363,621	1,756,142	9,029,805	7,551,555	291,423,650
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	836,637,300	61,335,009	322,616,630	453,808,494	12,761,071	100,247,978	28,645,492	1,816,051,974
Provision for profit sharing	-	-	-	-	-	-	313	313
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	25,510,356	58,151	-	61,681	-	25,630,188
Provision for unexpired risks	6,113,713	192,776	7,696,953	34,142,713	13,085	950,506	112,769	49,222,515
Financial liabilities	804,403	73,161,077	30,606,070	5,793,388	625,555	1,760,763	16,847,542	129,598,798
Liabilities for post-employment and other long-term benefits	-	-	-	2,249	-	-	-	2,249
Other creditors for insurance and other operations	15,143,389	43,056,881	67,137,110	19,901,493	2,173,490	6,190,618	8,051,877	161,654,858
Tax liabilities	27,996,989	4,984,319	14,917,393	33,482,102	617,231	3,834,306	1,386,166	87,218,506
Accruals and deferrals	7,901,753	7,586,470	11,622,425	24,746,150	590,787	1,747,256	2,349,415	56,544,256
Other provisions	70,775,507	-	-	109,003	-	-	-	70,884,510
Liabilities from a group for disposal classified as held for sale	-	-	-	-	-	-	-	-
	977,691,708	223,388,889	562,438,453	717,407,364	18,537,361	123,822,913	64,945,129	2,688,231,817

	Insurance segment			Health segment	Consolidation adjustments	Total
	Life	Non-life	Not allocated			
Gains and losses						
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)
	55,861,916	29,923,857	54,026,100	14,915,510	56,380,983	211,108,365
Assets						
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
	11,378,384,626	3,039,437,242	4,468,424,323	661,777,256	(3,316,578,370)	16,231,445,077
Liabilities						
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
	10,329,322,676	2,464,708,444	1,148,615,332	390,405,378	(190,815,756)	14,142,236,074
Total segments						1,878,100,638
Shareholders' equity, reserves, retained earnings and non-controlling interests						1,878,100,638

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

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Gains and losses								
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	-	-	-	-	-	-	-	-
	(23,635,973)	4,821,352	24,747,972	7,251,741	3,905,498	6,652,399	6,180,869	29,923,857
Assets								
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
	1,054,853,923	226,654,552	508,762,505	1,013,671,133	28,567,928	151,131,583	55,795,618	3,039,437,242

(continuation)

(amounts in Euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Liabilities								
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
	977,727,942	195,478,693	343,418,431	744,373,992	24,867,643	127,099,278	51,742,465	2,464,708,444

Geographical markets

2017

(amounts in Euros)

	Geographical segment						Total
	Portugal	Rest of European Union	Africa	Asia	Rest of World	Consolidation adjustments	
Gains and losses							
Earned premiums net of reinsurance	1,189,789,794	53,060,509	57,097,208	14,893,842	-	70,634	1,314,911,987
Fees from insurance contracts and operations considered for accounting purposes							
as investment contracts or service contracts	1,898,555	44,567	-	-	-	-	1,943,122
Claims costs, net of reinsurance	(949,194,282)	(41,434,893)	(34,724,715)	(17,348,616)	-	82,462,210	(960,240,296)
Other technical provisions, net of reinsurance	(5,664,685)	505,751	381,505	29,003	-	-	(4,748,426)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(79,793,933)	(6,862,679)	(1,495,168)	9,677,591	-	-	(78,474,189)
Operating costs and expenses, net	(294,507,136)	(19,913,592)	(23,859,783)	(2,628,004)	-	2,350,427	(338,558,088)
Financial income	398,536,604	84,266,480	2,891,702	25,757,183	6,082,096	(92,514,895)	425,019,170
Financial expenses and net income on financial assets and liabilities	127,145,126	(35,618,717)	(955,249)	(12,587,029)	4,777,544	11,291,831	94,053,506
Impairment losses (net of reversals)	(142,148,004)	(34,109,475)	3,715,113	77,293	-	(38,119,922)	(210,584,995)
Other income/expenses and negative goodwill	96,410,549	(4,483,338)	(961,896)	422,392	331,605	(29,629,330)	62,089,982
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	(1,454,211)	-	9,936	-	-	2,235,353	791,078
Current income tax	(87,332,036)	4,379,274	(871,217)	15,872,237	(2,527,992)	(16,208,370)	(86,688,104)
Non-controlling interests	(160,462)	-	-	-	-	(3,121,790)	(3,282,252)
	253,525,879	(166,113)	1,227,436	34,165,892	8,663,253	(81,183,852)	216,232,495
Assets							
Cash and cash equivalents and sight deposits	358,166,232	93,463,746	8,917,284	55,856,534	52,122,981	-	568,526,777
Investments in associates and joint ventures	2,790,522,857	271,962,149	716	88,756,388	54,198	(3,149,789,989)	1,506,319
Financial assets held for trading	65,341,175	1,953,779	-	-	-	(14,157,024)	53,137,930
Financial assets initially recognised at fair value through profit or loss	522,656,695	284,897,002	-	-	-	-	807,553,697
Hedge derivatives	26,845,487	1,332,890	-	-	-	-	28,178,377
Available-for-sale assets	10,250,871,907	1,048,878,235	3,741,272	-	-	(508,851,577)	10,794,639,837
Loans and accounts receivable	1,214,500,309	95,298,121	35,121,621	57,343,744	-	(219,590,342)	1,182,673,453
Properties	725,875,503	676,384,828	40,189,529	403,753,415	-	2,948,527	1,849,151,802
Other tangible and intangible assets	81,073,185	390,093	3,558,624	165,380	-	-	85,187,282
Goodwill	122,353,167	-	-	-	-	268,048,324	390,401,491
Technical provisions for reinsurance ceded	268,967,670	75,579,120	48,048,403	39,417,205	-	(74,087,410)	357,924,988
Asset for post-employment and other long-term benefits	12,344,589	-	-	-	-	-	12,344,589
Other debtors for insurance and other operations	356,723,220	156,178,509	89,775,545	2,001,982	9,226	176,479,677	781,168,159
Tax assets	274,425,963	(2,890,034)	57,331	-	-	(1,205,760)	270,387,500
Accruals and deferrals	69,136,386	1,643,843	497,336	159,375	-	780,901	72,217,841
Non-current assets held for sale	325,172,733	-	36,276	-	-	1,848,032	327,057,041
	17,464,977,078	2,705,072,281	229,943,937	647,454,023	52,186,405	(3,517,576,641)	17,582,057,083

(continuation)

(amounts in Euros)

	Geographical segment					Consolidation adjustments	Total
	Portugal	Rest of European Union	Africa	Asia	Rest of World		
Liabilities							
Provision for unearned premiums	252,999,737	9,361,477	25,871,481	4,733,333	-	(3,179,063)	289,786,965
Mathematical provision for life insurance	1,401,724,831	335,317,345	3,311,176	22,589,054	-	-	1,762,942,406
Claims provision	1,755,321,068	85,684,786	61,055,170	46,474,685	-	(83,545,023)	1,864,990,686
Provision for profit sharing	106,225,541	4,488,054	4,599	31,946	-	-	110,750,140
Provision for interest rate commitments	7,451,488	69,312	-	-	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	-	-	-	24,405,064
Equalisation provision	25,588,287	34,137	-	7,764	-	-	25,630,188
Provision for unexpired risks	47,395,517	1,043,479	530,528	252,991	-	-	49,222,515
Financial liabilities	8,960,549,393	95,057,398	3,205,419	290,198,448	-	(14,945,056)	9,334,065,602
Liabilities for post-employment and other long-term benefits	85,665	-	-	-	-	-	85,665
Other creditors for insurance and other operations	239,390,840	340,543,566	102,171,522	27,517,607	970,887	(26,477,274)	684,117,148
Tax liabilities	279,749,013	12,185,670	987,042	11,165,507	5,410,083	(5,660,227)	303,837,088
Accruals and deferrals	155,013,321	7,761,245	3,479,228	377,488	23,329	(465,483)	166,189,128
Other provisions	211,391,789	1,063,334	1,957,867	-	-	-	214,412,990
Liabilities from a group for disposal classified as held for sale	26,888,083	-	-	-	-	-	26,888,083
	13,494,179,636	892,609,803	202,574,032	403,348,823	6,404,299	(134,272,126)	14,864,844,467
Total Segments							2,500,980,121
Shareholders' equity, reserves, retained earnings and non-controlling interests							2,500,980,121

	Geographical segment						Total
	Portugal	Rest of European Union	Africa	Asia	Rest of World	Consolidation adjustments	
Gains and losses							
Earned premiums net of reinsurance	1,013,770,489	55,810,454	50,681,897	17,811,913	-	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)	(28,915,389)	(5,769,463)	-	64,892,783	(828,902,558)
Other technical provisions, net of reinsurance	11,311,969	(598,878)	1,584,732	(44,165)	-	-	12,253,658
Mathematical provision for life insurance and profit sharing, net of reinsurance	11,559,073	(14,781,367)	(1,256,503)	(9,486,822)	-	-	(13,965,619)
Operating costs and expenses, net	(299,217,428)	(17,523,987)	(20,594,795)	(2,630,378)	-	997,301	(338,969,287)
Financial income	329,478,645	44,011,861	2,303,427	30,203,808	-	(13,439,901)	392,557,840
Financial expenses and net income on financial assets and liabilities	24,354,118	18,725,770	1,739,205	6,670,213	21,984,148	(6,954,438)	66,519,016
Impairment losses (net of reversals)	(226,924,416)	(2,643,982)	(2,573,779)	102,444	(16,116,076)	67,280,660	(180,875,149)
Other income/expenses and negative goodwill	73,166,368	8,312,540	(1,258,071)	2,262,526	1,167,950	(53,798,639)	29,852,674
Current income tax	(35,339,929)	(17,547,595)	(1,126,767)	(10,344,119)	(1,436,230)	(817,338)	(66,611,978)
Non-controlling interests	402,649	-	-	-	-	(2,046,274)	(1,643,625)
	82,560,961	37,206,715	583,957	28,775,957	5,599,792	56,380,983	211,108,365
Assets							
Cash and cash equivalents and sight deposits	593,161,257	117,263,029	17,011,674	236,590,578	106,187	-	964,132,725
Investments in associates and joint ventures	2,673,625,085	471,529,100	-	129,149,847	110,636,430	(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	86,362,265	68,503,258	-	(270,601,486)	1,011,170,690
Properties	964,363,084	689,041,907	8,201,513	524,877,881	-	(212,880)	2,186,271,505
Other tangible and intangible assets	74,295,644	997,693	3,898,144	128,654	-	-	79,320,135
Goodwill	110,506,459	-	-	-	-	268,954,677	379,461,136
Technical provisions for reinsurance ceded	197,126,487	47,937,087	9,861,018	24,904,764	-	(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	51,760,582	9,035,822	-	95,077,865	772,021,450
Tax assets	492,825,560	7,685,159	-	(7,798,234)	7,168,179	16,089,907	515,970,571
Accruals and deferrals	66,994,146	451,578	730,707	562,056	-	(1,817,680)	66,920,807
	16,207,606,035	2,032,032,379	181,328,864	985,954,626	117,910,796	(3,316,578,370)	16,208,254,330
Liabilities							
Provision for unearned premiums	257,153,342	12,152,476	19,953,433	5,440,548	-	(2,876,114)	291,823,685
Mathematical provision for life insurance	1,285,368,204	328,988,118	1,838,566	32,310,567	-	-	1,648,505,455
Claims provision	1,634,409,358	54,313,413	20,697,365	32,496,693	-	(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	912,033	321,255	-	-	49,238,127
Financial liabilities	8,636,164,463	89,377,675	3,376,041	319,979,986	-	(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	54,040,029	98,300,037	62,613,498	(169,871,740)	620,852,189
Tax liabilities	263,393,104	19,720,582	1,305,582	17,225,060	13,921,888	14,560,494	330,126,710
Accruals and deferrals	141,095,802	13,705,259	2,664,286	1,154,804	32,445	(318,771)	158,333,825
Other provisions	138,843,484	114,509	1,084,120	-	-	-	140,042,113
	12,769,475,531	850,667,480	105,871,455	507,278,786	76,567,831	(190,815,756)	14,119,045,327
Total Segments							1,878,100,638
Shareholders' equity, reserves, retained earnings and non-controlling interests							1,878,100,638

The headings "Other debtors for insurance and other operations", "Tax assets", "Other creditors for insurance and other operations", "Tax liabilities", "Non-current assets held for sale" and "Liabilities from a group for disposal classified as held for sale" are broken down differently between Assets and Liabilities, when compared to the Financial Statements due to the fact that the process of allocation by segments leads to a different breakdown of balances.

47. Related Parties

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

2017

(amounts in Euros)

	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)
Assets					
Cash and cash equivalents	-	272,438,963	-	-	-
Investments in associates and joint ventures	-	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	-	23,094,445	-	-	-
Available-for-sale investments	-	-	-	270,317,250	60,936,040
Loans and accounts receivable	-	257,087,255	-	-	-
Technical provisions on reinsurance ceded	101,749	-	79,486,525	-	-
Accounts receivable for direct insurance operations	-	526	185,264	-	-
Accounts receivable for other reinsurance operations	21,854,651	-	1,865	-	-
Accounts receivable for other operations	189,756	15,296	195,049	-	-
Accruals and deferrals	-	18,597	-	-	-
Liabilities					
Claims provision	-	-	2,126	-	-
Financial liabilities held for trading	-	5,654,647	-	-	-
Other financial liabilities	-	21,450,000	73,221,213	-	-
Accounts payable for direct insurance operations	-	3,301,899	7,533,676	-	-
Accounts payable for other reinsurance operations	8,826,758	-	12,062,526	-	-
Accounts payable for other operations	93,582	597	757,519	-	-
Accruals and deferrals	22,270	15,704,253	48,274	-	-
Gains and Losses					
Gross premiums written	-	(37,535)	12,149	-	-
Reinsurance ceded premiums	(27,292,091)	-	(266,816,983)	-	-
Provision for unearned premiums (change)	-	-	-	-	-
Provision for unearned premiums, reinsurers' share (change)	(19,113,026)	-	1,891,416	-	-
Claims costs, net of reinsurance	(1,057)	(273,160)	203,616,444	-	-
Operating costs and expenses, net	4,044,019	(37,168,195)	38,410,742	-	-
Financial income	266,760	5,524,538	566,885	9,328,853	-
Financial expenses	(7,537)	(3,422,752)	(1,021,221)	-	-
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	247,551	-	3,795	336,940
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	3,228,574	-	-	-
Exchange differences	-	(3,163,553)	-	-	-
Impairment losses (net of reversals)	-	-	-	-	(407,798)
Other income/expenses	(162,890)	6,785,325	(549)	-	-

(continuation)

(amounts in Euros)

	HOLDING GAILLON II (5)	Fidelidade – Serviços de Assistência, S.A. (2)	Peak Reinsurance Company (5)	Audatex Portugal – Peritagens Inf. Deriv. de Acidentes, S.A. (3)	Genomed – Diagnósticos de Medicina Molecular, S.A. (3)
Assets					
Cash and cash equivalents	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	1,149,918	356,402
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-
Available-for-sale investments	102,753,909	-	-	-	-
Loans and accounts receivable	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	757,519	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	-
Accounts receivable for other operations	-	161	-	-	-
Accruals and deferrals	-	-	-	-	-
Liabilities					
Claims provision	-	101,626	55,972	-	-
Financial liabilities held for trading	-	-	-	-	-
Other financial liabilities	-	-	1,506,253	-	-
Accounts payable for direct insurance operations	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	2,149,198	-	-
Accounts payable for other operations	-	-	3,744	97,498	-
Accruals and deferrals	-	-	-	-	-
Gains and Losses					
Gross premiums written	-	-	-	-	-
Reinsurance ceded premiums	-	-	(8,834,201)	-	-
Provision for unearned premiums (change)	-	-	192,065	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	140,288	-	-
Claims costs, net of reinsurance	-	(7,145,199)	1,991,894	(1,073,898)	-
Operating costs and expenses, net	-	(93)	1,928,063	(870)	-
Financial income	5,274,510	-	-	-	-
Financial expenses	-	-	(3,842)	-	-
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)	(52,456,684)	-	-	-	-
Other income/expenses	-	(362)	4,172	-	-

(continuation)

(amounts in Euros)

	HL - Sociedade Gestora do Edifício, S.A. (4)	Longrun Portugal SGPS, S.A. (1)	Others	TOTAL
Assets				
Cash and cash equivalents	-	-	-	272,438,963
Investments in associates and joint ventures	-	-	-	1,506,320
Financial assets initially recognised at fair value through profit or loss	-	-	-	23,094,445
Available-for-sale investments	14,400	-	-	434,021,599
Loans and accounts receivable	-	-	-	257,087,255
Technical provisions on reinsurance ceded	-	-	-	80,345,793
Accounts receivable for direct insurance operations	-	-	-	185,790
Accounts receivable for other reinsurance operations	-	-	-	21,856,516
Accounts receivable for other operations	-	5,103,617	71,502	5,575,381
Accruals and deferrals	-	-	-	18,597
Liabilities				
Claims provision	-	-	119,500	279,224
Financial liabilities held for trading	-	-	-	5,654,647
Other financial liabilities	-	-	-	96,177,466
Accounts payable for direct insurance operations	-	-	-	10,835,575
Accounts payable for other reinsurance operations	-	-	-	23,038,482
Accounts payable for other operations	-	35,155,310	22,427	36,130,677
Accruals and deferrals	-	-	-	15,774,797
Gains and Losses				
Gross premiums written	-	-	-	(25,386)
Reinsurance ceded premiums	-	-	-	(302,943,275)
Provision for unearned premiums (change)	-	-	-	192,065
Provision for unearned premiums, reinsurers' share (change)	-	-	-	(17,081,322)
Claims costs, net of reinsurance	-	-	(683,529)	196,431,495
Operating costs and expenses, net	-	-	(139,680)	7,073,986
Financial income	-	-	680,973	21,642,519
Financial expenses	-	-	-	(4,455,352)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	588,286
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	-	-	3,228,574
Exchange differences	-	-	-	(3,163,553)
Impairment losses (net of reversals)	-	-	-	(52,864,482)
Other income/expenses	-	1,563	609	6,627,868

	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)
Assets					
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	-	-	-
Liabilities					
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	-	-
Gains and Losses					
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)	-	-

(continuation)

(amounts in Euros)

	HOLDING GAILLON II (5)	BHF (ex. RHJ International, SA) (5)	Fidelidade – Serviços de Assistência, S.A. (2)	Peak Reinsurance Company (5)	Audatex Portugal – Peritagens Inf. Deriv. de Acidentes, S.A. (3)
Assets					
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	-	-	-	-	-
Liabilities					
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
Gains and Losses					
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	-	-	-	-	-

(continuation)

(amounts in Euros)

	Genomed - Diagnósticos de Medicina Molecular, SA) (3)	HL - Sociedade Gestora do Edifício, S.A. (3)	Madison 30 31 JV LLC (4)	Longrun Portugal, SGPS, S.A. (1)	Others	TOTAL
Assets						
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
Liabilities						
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
Gains and Losses						
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
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)

The related parties are divided into the following categories:

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.

Payment of remuneration to statutory bodies

The Remunerations Committee is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholders.

The remuneration and benefits paid to the members of the Corporate Bodies during 2017 were as follows:

(amounts in Euros)

Board of Directors	Fixed Remuneration	Capitalisation insurance Deferred receipt	Variable Remuneration *	Meal allowance	Health Insurance	Life Insurance
Jorge Manuel Baptista Magalhães Correia	405,000	-	188,633	2,530	1,111	181
Rogério Miguel Antunes Campos Henriques	340,286	-	125,059	2,570	2,429	181
José Manuel Alvarez Quintero	323,786	-	125,059	2,630	1,989	181
António Manuel Marques de Sousa Noronha	323,786	-	125,059	2,610	1,162	181
Wai Lam William Mak	323,786	-	125,059	2,600	671	181
André Simões Cardoso	219,545	-	-	1,970	1,821	136
Jun Li	216,950	-	-	1,980	503	136

(amounts in Euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
Pedro Nunes de Almeida	42,000	-	-	-	-
João Filipe Gonçalves Pinto	23,042	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	23,042	-	-	-	-
José António da Costa Figueiredo	10,442	-	-	-	-
Lúis Manuel Machado Vilhena da Cunha	10,442	-	-	-	-

* Concerning the financial year 2016

The non-executive members of the Board of Directors do not receive remuneration.

The fees paid to Ernst & Young, SROC, S.A., the Statutory Auditor, and companies in its network, relating to 2017, can be broken down as follows:

(amounts in Euros)

	Fees
Statutory Audit	1,068,994
Other audit services	60,000
Other assurance services	182,264
Total	1,311,258

Other assurance services basically include:

- Certification of the annual solvency and financial condition report pursuant to Article 3(1) a) of ASF Regulatory Standard No. 2/2017-R, of 24 March (Fidelidade – Companhia de Seguros, S.A., Via Directa – Companhia de Seguros, S.A. and Companhia Portuguesa de Resseguros, S.A.);
- Issue of a Review scope interoffice engagement conclusion on the financial information contained in the LUZ SAÚDE, S.A. reporting package, prepared for the purposes of consolidating Fidelidade's accounts;
- Production of the report on the Risk Management and Internal Control System at Garantia Companhia de Seguros de Cabo Verde, S.A.; and
- Checking of the programme to monitor and assess the assistance results of the subsidiary SGHL - Sociedade Gestora do Hospital de Loures S.A..

48. Disclosures Relating to Financial Instruments

STATEMENTS OF FINANCIAL POSITION

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

(amounts in Euros)

	2017		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
Assets			
Cash and cash equivalents	-	568,526,777	568,526,777
Investments in associates and joint ventures	-	1,506,320	1,506,320
Financial assets held for trading	53,137,930	-	53,137,930
Financial assets initially recognised			
at fair value through profit or loss	807,553,697	-	807,553,697
Hedge derivatives	28,178,377	-	28,178,377
Available-for-sale investments	10,791,684,925	2,954,912	10,794,639,837
Loans and accounts receivable	-	1,182,673,453	1,182,673,453
Other debtors	-	250,490,041	250,490,041
	11,680,554,929	2,006,151,503	13,686,706,432
Liabilities			
Mathematical provision for life insurance	-	1,528,417,490	1,528,417,490
Financial liabilities of the deposit component of insurance			
contracts and on insurance contracts and operations			
considered for accounting purposes as investment contracts	175,593,366	8,408,046,374	8,583,639,740
Financial liabilities held for trading	5,656,794	-	5,656,794
Hedge derivatives	4,011,186	-	4,011,186
Deposits received from reinsurers	-	132,600,318	132,600,318
Other financial liabilities	-	608,157,564	608,157,564
Other creditors	-	174,288,418	174,288,418
	185,261,346	10,851,510,164	11,036,771,510

(amounts in Euros)

	2016		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
Assets			
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
	9,779,725,356	2,346,420,618	12,126,145,974
Liabilities			
Mathematical provision for life insurance	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance			
contracts and on insurance contracts and operations			
considered for accounting purposes as investment contracts	512,977,194	7,780,213,141	8,293,190,335
Financial liabilities held for trading	15,072,639	-	15,072,639
Hedge derivatives	13,469,282	-	13,469,282
Deposits received from reinsurers	-	117,145,067	117,145,067
Other financial liabilities	-	591,180,436	591,180,436
Other creditors	-	144,684,524	144,684,524
	541,519,115	10,037,857,968	10,579,377,083

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

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

GAINS AND LOSSES

In the years ended on 31 December 2017 and 2016, the net gains and losses on financial instruments had the following breakdown:

(amounts in Euros)

	2017			2016		
	As a charge to			As a charge to		
	income	shareholders' equity	total	income	shareholders' equity	total
Earned premiums net of reinsurance	248,314,329	-	248,314,329	132,867,849	-	132,867,849
Claims costs , net of reinsurance	(185,012,922)	-	(185,012,922)	(171,989,519)	-	(171,989,519)
Mathematical provision for life insurance, net of reinsurance	(94,696,704)	-	(94,696,704)	4,814,998	-	4,814,998
Income from financial instruments						
Assets held for trading	(1,531,456)	-	(1,531,456)	(1,492,381)	-	(1,492,381)
Financial assets at fair value through profit or loss	23,277,673	-	23,277,673	24,460,945	-	24,460,945
Available-for-sale investments	260,899,026	-	260,899,026	267,052,947	-	267,052,947
Loans and accounts receivable	12,268,235	-	12,268,235	10,875,524	-	10,875,524
Sight deposits	326,853	-	326,853	94,839	-	94,839
Net gains from financial assets and liabilities						
not recognised at fair value through profit or loss						
Available-for-sale investments	285,886,745	658,697,962	944,584,707	211,495,437	(79,899,155)	131,596,282
Loans and accounts receivable	(369,852)	-	(369,852)	(83,484)	-	(83,484)
Financial liabilities at amortised cost	(94,817,510)	-	(94,817,510)	(148,712,098)	-	(148,712,098)
Other	(801,375)	-	(801,375)	-	-	-
Net gains from financial assets and liabilities						
recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	218,034,393	-	218,034,393	(76,920,281)	-	(76,920,281)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	2,801,089	-	2,801,089	228,195	-	228,195
Other	(14,986,460)	-	(14,986,460)	(4,651,695)	-	(4,651,695)
Exchange differences	(266,447,930)	-	(266,447,930)	41,161,722	-	41,161,722
Impairment losses (net of reversals)						
Available-for-sale investments	(132,769,986)	-	(132,769,986)	(185,719,193)	-	(185,719,193)
Loans and accounts receivable at amortised cost	621,572	-	621,572	199,651	-	199,651
Interest from deposits received from reinsurers	(1,901,026)	-	(1,901,026)	(2,387,194)	-	(2,387,194)
	258,972,987	658,697,962	917,670,949	101,296,262	(79,899,155)	21,397,107

In the years ended on 31 December 2017 and 2016, the income and expenses with interest, calculated according to the effective interest rate method, relating to financial assets and liabilities not recognised at fair value through profit or loss, had the following breakdown:

(amounts in Euros)

	2017	2016
Assets		
Available-for-sale investments	218,522,757	247,770,292
Loans and accounts receivable	12,268,235	10,875,524
Sight deposits	326,853	94,839
	231,117,845	258,740,655
Liabilities		
Mathematical provision for life insurance	(32,551,180)	(29,945,814)
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	(94,817,510)	(148,712,098)
Deposits received from reinsurers	(1,901,026)	(2,387,194)
	(129,269,716)	(181,045,106)

OTHER DISCLOSURES

Fair Value of Financial Instruments

At 31 December 2017 and 2016, the method for assessing the fair value of the financial instruments reflected in the Group's financial statements can be summarised as follows:

(amounts in Euros)

	2017			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	-	-	-	568,526,777	568,526,777
Investments in associates and joint ventures	-	-	-	1,506,320	1,506,320
Financial assets held for trading	52,663,740	474,190	-	-	53,137,930
Financial assets initially recognised					
at fair value through profit or loss	225,593,302	581,861,000	99,395	-	807,553,697
Hedge derivatives	19,400,968	8,777,409	-	-	28,178,377
Available-for-sale investments	9,890,427,929	266,727,612	634,529,384	2,954,912	10,794,639,837
Loans and accounts receivable	-	-	-	1,182,673,453	1,182,673,453
Other debtors	-	-	-	250,490,041	250,490,041
	10,188,085,939	857,840,211	634,628,779	2,006,151,503	13,686,706,432
Liabilities					
Mathematical provision for life insurance	-	-	-	1,528,417,490	1,528,417,490
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	-	175,593,366	-	8,408,046,374	8,583,639,740
Financial liabilities held for trading	2,147	5,654,647	-	-	5,656,794
Hedge derivatives	769,417	3,241,769	-	-	4,011,186
Deposits received from reinsurers	-	-	-	132,600,318	132,600,318
Other financial liabilities	-	-	-	608,157,564	608,157,564
Other creditors	-	-	-	174,288,418	174,288,418
	771,564	184,489,782	-	10,851,510,164	11,036,771,510
	10,187,314,375	673,350,429	634,628,779	(8,845,358,661)	2,649,934,922

(amounts in Euros)

	2016			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
Assets					
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
	7,180,953,105	1,764,628,075	834,144,176	2,346,420,618	12,126,145,974
Liabilities					
Mathematical provision for life insurance	-	-	-	1,404,634,800	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	512,977,194	-	7,780,213,141	8,293,190,335
Financial liabilities held for trading	7,908,244	7,164,395	-	-	15,072,639
Hedge derivatives	8,737,700	4,731,582	-	-	13,469,282
Deposits received from reinsurers	-	-	-	117,145,067	117,145,067
Other financial liabilities	-	-	-	591,180,436	591,180,436
Other creditors	-	-	-	144,684,524	144,684,524
	16,645,944	524,873,171	-	10,037,857,968	10,579,377,083
	7,164,307,161	1,239,754,904	834,144,176	(7,691,437,350)	1,546,768,891

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 2017 and 2016 which are valued at fair value, in line with the following assumptions:

- Level 1 – Financial instruments valued on the basis of quoted prices in active markets to which the Group has access. Included in this category are securities valued on the basis of executable prices (with immediate liquidity) published by external sources.
- Level 2 – Financial instruments which are valued based on data which is observable, either directly or indirectly, in active markets. Included in this category are securities valued on the basis of bids supplied by external counterparties and internal valuation techniques which only use observable market data.
- Level 3 – All the financial instruments measured at fair value which do not fit within Levels 1 and 2.

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

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

The debt securities reclassified in 2017 from level 2 to level 1, due to this new approach, amount to EUR 2,856,137,651. Applying the same criteria on 31 December 2016, would have been reclassified debt securities in the amount of EUR 1,313,329,360 from level 2 level to level 1.

(amounts in Euros)

	Available- for-sale investments	Financial assets initially recognised at fair value through profit or loss
Balances at 31 December 2015	1,605,114,512	7,928,105
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)
Balances at 31 December 2016	834,073,787	70,389
Acquisitions	30,334,195	46,377
Revaluations		
as a charge to the income statement	(7,417,442)	2,107
as a charge to shareholders' equity	17,180,678	-
Increase / reversal of impairment in the year	(4,686,135)	-
Transfers		
from level 3 to level 2	(91,513,356)	-
from level 3 to historical cost	2,834,987	-
Disposals	(146,277,330)	(19,478)
Balances at 31 December 2017	634,529,384	99,395

The movement in 2016 and 2017 in the financial instruments classified within Level 3 of the fair value hierarchy can be broken down as follows:

(amounts in Euros)

	2017		
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents	568,526,777	568,526,777	-
Available-for-sale investments	2,954,912	2,954,912	-
Loans and accounts receivable	1,182,673,453	1,182,673,453	-
Other debtors	250,490,041	250,490,041	-
	2,004,645,183	2,004,645,183	-

(amounts in Euros)

	2016		
	Balance sheet value	Fair value	Difference
Assets			
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	-
	2,229,413,801	2,229,413,801	-

At 31 December 2017 and 2016, the balance sheet value and the fair value of the financial assets valued at amortised cost or at historical cost were as follows:

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

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

Policies on managing financial risks inherent to the Group's activity

The Group's objectives, rules and procedures on market risk management are governed by means of its Investments Policy.

This Policy is reviewed annually, or whenever other reviews are necessary in the light of changes in the law, trends in assets markets or changes to the company's investment guidelines and/or risk profile. The Policy defines:

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

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

Establishing an appropriate assets portfolio is, at any time, the result of a well-structured, disciplined and transparent investment process, which includes the following components:

- an investment strategy designed to create value, yet in line with the Group's business profile and risk appetite;
- an investments policy reflecting that strategy, implemented by investment managers with appropriate knowledge and resources;
- continual and independent control of the investment activity;
- appropriate reporting procedures;
- **Defining** – Definition and approval of the general investment management cycle, including the global investment strategy, investment policies, asset and liability and liquidity management, and strategic asset allocation (SAA);
- **Investing** – Performance of all investment activities, in line with the strategies and policies defined (identification, assessment and approval of investment opportunities, and placing, settling and allocating investments);
- **Monitoring** – Monitoring the evolution of the assets portfolio in terms of performance, liquidity and credit quality;
- **Managing** – Reviewing the strategies, policies, benchmarks and limits in line with current and future market conditions/expectations and internal risk capacity;
- **Controlling** – Ensuring compliance with all the strategies, policies, procedures and responsibilities assigned.

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

1. Definition of the portfolio objective

The main objective of the Group's investments portfolio management is to optimise its return in a sound and prudent manner, ensuring that all stakeholders are protected, protecting in particular the interests of policyholders, insured persons and beneficiaries. Accordingly, the portfolio must be systematically optimised according to the nature of the business subscribed, the Group's risk appetite and its liquidity needs.

2. Rules for investment in assets

On one hand, the Group's assets are invested appropriately, taking into account both the nature and duration of the responsibilities assumed by the Group and the capacity to ensure the security, quality, availability, liquidity and profitability of the portfolio as a whole.

On the other hand, the assets are well diversified to avoid excessive concentration of risk in the portfolio as a whole.

Lastly, the assets are invested to guarantee a regular cash return, thereby enabling the Group to adequately manage its liquidity.

3. Classes of assets

As a general rule, the Group's portfolio is mainly composed of liquid assets (in line with the liquidity criteria set out in the ALM and Liquidity Policy), participation units in investment funds and real estate.

The classes of assets eligible for investment by the Group are:

- Treasury (cash, deposits and equivalent);
- Fixed income (medium and long-term debt instruments);
- Variable income (instruments which provide variable gains);
- Real estate (including properties for own use and for investment);
- Alternative investments.

Derivatives may be used exceptionally and in a simple format (swaps, forwards, futures, etc.) to hedge specific positions or for asset-liability management purposes.

4. Exposure limits

In order to enable the Group, in the light of market changes, to pursue its investment objectives without taking excessive risks, a set of targets and maximum and minimum limits has been established, in line with the following criteria:

- Class of asset;
- Credit quality and duration;
- Sector of activity;
- Geographical location;
- Concentration by position;
- Currency.

5. Risk management and control process

The Risk Management Division (DGR) is responsible for controlling and monitoring the allocation of assets, in the light of the targets and limits established.

Accordingly, procedures are defined, including those responsible for them, for when there is non-compliance with the targets and/or limits established.

Regarding asset losses control mechanisms, DGR provides information on the evolution of the most important risks related with investments, in particular, their impact on the solvency capital requirements. Based on the time-weighted return (TWR) evolution and solvency capital requirement estimates, DGR provides regular information on the estimated solvency position coverage, and procedures are defined to be adopted when certain warning levels are reached.

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

Credit risk

At 31 December 2017 and 2016, the Group's exposure to credit risk was as follows:

(amounts in Euros)

	2017			2016		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	556,864,094	-	556,864,094	960,405,785	-	960,405,785
Financial assets initially recognised						
at fair value through profit or loss	516,562,921	-	516,562,921	649,104,646	-	649,104,646
Available-for-sale investments	9,337,665,682	(136,729,609)	9,200,936,073	7,656,770,642	(156,661,009)	7,500,109,633
Loans and accounts receivable	1,183,290,845	(617,392)	1,182,673,453	1,012,409,654	(1,238,964)	1,011,170,690
Other debtors	250,490,041	-	250,490,041	231,023,561	(33,863,913)	197,159,648
Maximum exposure to credit risk	11,844,873,583	(137,347,001)	11,707,526,582	10,509,714,288	(191,763,886)	10,317,950,402

In 2017 and 2016, the net book value of the available-for-sale investments presented in the table includes shares with credit risk, of EUR 21,823 and EUR 15,915, respectively, which are recognised under the heading "Other Instruments" (Note 8).

Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2017 and 2016, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Deposits in credit institutions					
AA- to AA+	-	-	-	52,122,981	52,122,981
A- to A+	25,628,892	237,393,377	15,978,302	153,821,699	432,822,270
BBB- to BBB+	299,059,151	206,678,628	-	-	505,737,779
BB- to BB+	544,667,190	24,821,477	-	5,828,700	575,317,367
B- to B+	-	-	-	57,343,745	57,343,745
Not rated	12,783,650	39,568,776	-	17,173,546	69,525,972
	882,138,883	508,462,258	15,978,302	286,290,671	1,692,870,114
Deposits in ceding companies					
Not rated	167,023	-	-	-	167,023
	167,023	-	-	-	167,023
Total	882,305,906	508,462,258	15,978,302	286,290,671	1,693,037,137

(amounts in Euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	Other		
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
	943,937,375	668,230,691	302,643,396		1,914,811,462
Deposits in ceding companies					
Not rated	875,620	-	-		875,620
	875,620	-	-		875,620
Total	944,812,995	668,230,691	302,643,396		1,915,687,082

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

At 31 December 2017 and 2016, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	806,660	106,328	-	912,988
A- to A+	-	1,283,237	46,013,826	-	47,297,063
BBB- to BBB+	206,231	900,178	84,654,606	41,509,075	127,270,090
BB- to BB+	-	-	29,357,389	-	29,357,389
Not rated	-	63,096,948	50,981,767	3,668,807	117,747,522
	206,231	66,087,023	211,113,916	45,177,882	322,585,052
Governments and other local authorities					
AAA	-	2,466,718	-	-	2,466,718
AA- to AA+	-	3,310,451	-	-	3,310,451
BBB- to BBB+	-	2,665,930	-	-	2,665,930
BB- to BB+	89,467,753	-	-	-	89,467,753
	89,467,753	8,443,099	-	-	97,910,852
Financial Institutions					
AAA	-	199,430	-	-	199,430
AA- to AA+	-	150,842	-	-	150,842
A- to A+	103,384	33,847,817	303,200	-	34,254,401
BBB- to BBB+	102,855	969,023	37,344,034	55,028	38,470,940
CCC- to CCC+	22,991,400	-	-	-	22,991,400
	23,197,639	35,167,112	37,647,234	55,028	96,067,013
Total Financial assets initially recognised at fair value through profit or loss	112,871,623	109,697,234	248,761,150	45,232,910	516,562,917

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Available-for-sale investments (net of impairment)					
Corporate					
AA- to AA+	-	68,070	16,302,572	36,144,355	52,514,997
A- to A+	-	39,207,457	197,340,888	404,451,195	640,999,540
BBB- to BBB+	-	105,348,953	525,133,763	111,402,447	741,885,163
BB- to BB+	11,854,982	212,401,326	170,528,424	97,470,835	492,255,567
B- to B+	-	-	22,867,424	2,267,255	25,134,679
CCC- to CCC+	-	3,389,259	-	-	3,389,259
CC- to CC+	-	-	-	5,139,798	5,139,798
D	-	15,846,246	-	-	15,846,246
Not rated	149,103,911	102,753,909	-	308,700,808	560,558,628
	160,958,893	479,015,220	932,173,071	965,576,693	2,537,723,877
Governments and other local authorities					
AAA	-	20,854,370	-	-	20,854,370
AA- to AA+	-	22,393,481	-	-	22,393,481
BBB- to BBB+	-	1,686,885,337	-	-	1,686,885,337
BB- to BB+	3,843,705,233	-	-	74,461,353	3,918,166,586
Not rated	-	-	-	719,252	719,252
	3,843,705,233	1,730,133,188	-	75,180,605	5,649,019,026
Financial institutions					
AAA	-	-	-	1,155,576	1,155,576
AA- to AA+	-	9,806,963	-	3,958,521	13,765,484
A- to A+	-	113,525,681	59,614,152	166,524,615	339,664,448
BBB- to BBB+	21,822	20,761,609	348,892,429	172,516,247	542,192,107
BB- to BB+	1,017,351	29,644,508	-	44,153,914	74,815,773
Not rated	-	-	42,407,988	-	42,407,988
	1,039,173	173,738,761	450,914,569	388,308,873	1,014,001,376
Other issuers					
AAA	-	-	-	191,789	191,789
	-	-	-	191,789	191,789
Total Available-for-sale investments (net of impairment)	4,005,703,299	2,382,887,169	1,383,087,640	1,429,257,960	9,200,936,068

(amounts in Euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	1,680,353	106,914	-	1,787,267
A- to A+	-	1,221,073	304,438	-	1,525,511
BBB- to BBB+	198,468	1,766,637	506,974	-	2,472,079
BB- to BB+	-	106,531	-	83,955,509	84,062,040
Not rated	-	66,326,470	-	52,155,838	118,482,308
	198,468	71,101,064	918,326	136,111,347	208,329,205
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- to AA+	-	4,430,571	-	-	4,430,571
BBB- to BBB+	-	5,194,071	-	-	5,194,071
BB- to BB+	340,390,253	-	-	-	340,390,253
	340,390,253	12,646,763	-	-	353,037,016
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- to AA+	-	401,844	-	122,943	524,787
A- to A+	104,694	2,143,312	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
	50,597,514	3,832,643	549,589	180,400	55,160,146
Other issuers					
A- to A+	-	31,193,510	-	-	31,193,510
BBB- to BBB+	19,556	-	-	-	19,556
BB- to BB+	1,365,213	-	-	-	1,365,213
	1,384,769	31,193,510	-	-	32,578,279
Total Financial assets initially recognised at fair value through profit or loss	392,571,004	118,773,980	1,467,915	136,291,747	649,104,646

(amounts in Euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Available-for-sale investments (net of impairment)					
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
	158,940,398	381,977,419	217,592,717	868,561,778	1,627,072,312
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
	5,229,004,418	95,446,393	-	136,502,157	5,460,952,968
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
	26,237,335	199,563,111	82,535,067	79,980,613	388,316,126
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
	1,461,690	-	4,937,730	17,368,807	23,768,227
Total Available-for-sale investments (net of impairment)	5,415,643,841	676,986,923	305,065,514	1,102,413,355	7,500,109,633

The Group periodically undertakes a collective analysis of the debt recovery risk of premiums pending collection recognised in the balance sheet, in order to identify and quantify impairment losses to be recognised as "Adjustments for premiums pending collection" (Note 42). At 31 December 2017 and 2016, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in Euros)

	2017						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	
Life insurance							
Capitalisation products	8,552,338	287,739	374,282	35,751	33,996	(800)	9,283,306
Life risk products	252,562	23,804	25,811	59,330	146,941	(282,582)	225,866
Non-life insurance							
Motor	12,274,942	1,453,966	682,448	400,269	258,154	(3,100,171)	11,969,608
Workers' compensation	2,422,718	2,743,367	1,162,832	175,057	322,090	(2,250,676)	4,575,388
Health	5,866,528	11,862,816	1,444,586	631,894	100,613	(1,177,164)	18,729,273
Fire and other damage	11,131,490	6,107,222	2,311,291	2,705,347	283,739	(1,633,969)	20,905,120
Transports	1,888,868	156,651	153,434	65,278	12,603	(315,645)	1,961,189
Third party liability	2,232,572	447,322	265,946	630,112	71,067	(556,524)	3,090,495
Other (includes personal accidents)	3,431,999	6,108,756	776,445	428,403	1,079,453	(1,211,888)	10,613,168
	48,054,017	29,191,643	7,197,075	5,131,441	2,308,656	(10,529,419)	81,353,413

(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	
Life insurance							
Capitalisation products	3,830,757	735,291	158,007	113,918	25,612	(57,199)	4,806,386
Life risk products	12,298	462,401	501,376	1,152,489	2,854,325	(3,237,598)	1,745,291
Non-life insurance							
Motor	9,390,092	4,783,692	5,431,958	1,994,499	1,709,616	(6,236,708)	17,073,149
Workers' compensation	3,782,002	2,025,471	2,227,543	1,085,211	484,502	(2,442,167)	7,162,562
Health	8,456,525	8,781,077	3,732,534	2,581,267	714,770	(2,156,277)	22,109,896
Fire and other damage	10,920,420	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
	42,988,144	27,488,267	14,734,011	8,612,571	7,210,582	(17,109,499)	83,924,076

Liquidity risk

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

(amounts in Euros)

	2017									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	
Assets										
Cash and cash equivalents	568,526,777	-	-	-	-	-	-	-	-	568,526,777
Investments in associates and joint ventures	-	-	-	-	-	-	-	-	1,506,320	1,506,320
Financial assets held for trading	-	-	-	-	-	-	-	-	53,137,930	53,137,930
Financial assets initially recognised at fair value through profit or loss	3,163,674	4,030,843	98,414,525	65,649,384	181,257,098	117,776,052	52,156,160	79,763,472	-	602,211,208
Hedge derivatives	-	-	-	-	-	-	-	-	-	-
Available-for-sale investments	133,680,455	294,665,887	478,141,575	214,638,995	1,541,394,314	2,357,567,074	5,117,782,714	74,555,162	-	10,212,426,176
Loans and accounts receivable	303,605,511	498,763,253	99,220,544	100,122,575	51,942,251	1,138,060	320,263	168,679	2,737	1,055,283,873
Other debtors	250,490,041	-	-	-	-	-	-	-	-	250,490,041
	1,259,466,458	797,459,983	675,776,644	380,410,954	1,774,593,663	2,476,481,186	5,170,259,137	154,487,313	54,646,987	12,743,582,325
Liabilities										
Mathematical provision for life insurance	16,118,899	20,456,927	21,845,516	91,820,119	318,862,387	328,131,364	294,501,597	326,902,664	-	1,418,639,473
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes	185,082,773	238,043,191	456,863,322	684,798,436	2,236,895,366	2,593,884,254	1,764,471,864	797,274,447	-	8,957,313,653
Financial liabilities held for trading	-	760,537	(7,769)	980,153	3,831,737	1,929,073	17,139	-	-	7,510,870
Hedge derivatives	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	35	1,949,121	2,985,553	18,260,852	30,494,912	394,334,643	212,338,917	2,284,510	-	662,648,543
Deposits received from reinsurers	138,125	276,251	414,376	133,429,070	-	-	-	-	-	134,257,822
Other creditors	174,288,418	-	-	-	-	-	-	-	-	174,288,418
	375,628,250	261,486,027	482,100,998	929,288,630	2,590,084,402	3,318,279,334	2,271,329,517	1,126,461,621	-	11,354,658,779

(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	
Assets										
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
	1,753,952,960	874,636,127	568,611,106	1,481,864,222	1,801,119,333	1,611,704,696	3,602,466,061	140,455,800	1,804,505,240	13,639,315,545
Liabilities										
Mathematical provision for life insurance	40,214,577	16,550,164	22,990,288	98,152,490	292,708,367	279,575,920	292,957,743	299,375,626	-	1,342,525,175
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	113,606,065	276,221,337	186,111,430	886,928,427	2,633,721,193	2,344,235,626	1,906,575,498	731,039,535	4,884,887	9,083,323,998
Financial liabilities held for trading	-	761,600	(7,350)	771,155	3,050,810	3,050,810	4,410	-	7,908,243	15,539,678
Hedge derivatives	-	-	-	-	-	-	-	-	13,469,282	13,469,282
Other financial liabilities	-	-	-	-	-	-	-	-	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
	298,627,192	293,777,153	209,460,446	1,103,729,296	2,929,480,370	2,626,862,356	2,199,537,651	1,030,415,161	617,442,848	11,309,332,473

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

(amounts in Euros)

	2017		Not subject to interest rate risk	Total
	Exposure to Fixed rate	Variable rate		
Assets				
Cash and cash equivalents	-	556,864,094	11,662,683	568,526,777
Investments in associates and joint ventures	-	-	1,506,320	1,506,320
Financial assets held for trading	-	16,546	53,121,384	53,137,930
Financial assets initially recognised at fair value through profit or loss	478,129,398	307,106,499	22,317,800	807,553,697
Hedge derivatives	-	-	28,178,377	28,178,377
Available-for-sale investments	8,628,782,128	562,231,489	1,603,626,220	10,794,639,837
Loans and accounts receivable	-	1,182,670,716	2,737	1,182,673,453
Other debtors	-	-	250,490,041	250,490,041
	9,106,911,526	2,608,889,344	1,970,905,562	13,686,706,432
Liabilities				
Mathematical provision for life insurance	-	1,528,417,490	-	1,528,417,490
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,408,046,374	175,593,366	-	8,583,639,740
Other financial liabilities	5,654,647	-	2,147	5,656,794
Hedge derivatives	3,109,947	-	901,239	4,011,186
Deposits received from reinsurers	-	132,600,318	-	132,600,318
Other financial liabilities	-	608,157,564	-	608,157,564
Other creditors	-	-	174,288,418	174,288,418
	8,416,810,968	2,444,768,738	175,191,804	11,036,771,510

(amounts in Euros)

	2016			Total
	Exposure to Fixed rate	Exposure to Variable rate	Not subject to interest rate risk	
Assets				
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
	7,859,816,219	2,260,937,928	2,005,391,827	12,126,145,974
Liabilities				
Mathematical provision for life insurance	-	1,404,634,800	-	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	7,780,213,141	512,977,194	-	8,293,190,335
Financial liabilities held for trading	119,643	7,044,752	7,908,244	15,072,639
Hedge derivatives	4,731,582	-	8,737,700	13,469,282
Deposits received from reinsurers	-	117,145,067	-	117,145,067
Other financial liabilities	-	591,180,436	-	591,180,436
Other creditors	-	-	144,684,524	144,684,524
	7,785,064,366	2,632,982,249	161,330,468	10,579,377,083

At 31 December 2017 and 2016, the sensitivity of the fair value of the Group's financial instruments with exposure to interest rate risk to positive and negative changes of 50, 100 and 200 basis points (bps), respectively, was:

(amounts in Euros)

	2017					
	Change +200 bps	Change +100 bps	Change +50 bps	Change -50 bps	Change -100 bps	Change -200 bps
Assets						
Financial assets initially recognised at fair value through profit or loss	(21,252,172)	(11,022,344)	(5,617,780)	5,848,237	11,946,170	24,979,779
Available-for-sale investments	(795,219,112)	(411,504,603)	(209,380,877)	216,969,678	441,879,042	917,025,811
Loans and accounts receivable	(5,371,210)	(2,709,941)	(1,361,153)	1,373,722	2,760,221	5,572,407
	(821,842,494)	(425,236,888)	(216,359,810)	224,191,637	456,585,433	947,577,997
Liabilities						
Financial liabilities held for trading	286,728	145,939	73,629	(74,980)	(151,346)	(308,370)
	286,728	145,939	73,629	(74,980)	(151,346)	(308,370)

(amounts in Euros)

	2016					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets initially recognised						
at fair value through profit or loss	(9,004,035)	(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
	(587,285,300)	(304,319,236)	(154,960,772)	160,849,421	327,893,737	681,903,547
Liabilities						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	(3,884)	(1,970)	(992)	1,007	2,030	4,125

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

At 31 December 2017 and 2016, the breakdown of financial instruments by currency was as follows:

(amounts in Euros)

	2017				
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
Assets					
Cash and cash equivalents	421,388,257	-	16,242,053	130,896,467	568,526,777
Investments in associates and joint ventures	1,506,320	-	-	-	1,506,320
Financial assets held for trading	474,191	49,709,157	-	2,954,582	53,137,930
Financial assets initially recognised					
at fair value through profit or loss	519,076,305	288,033,869	-	443,523	807,553,697
Hedge derivatives	8,777,408	16,392,403	-	3,008,566	28,178,377
Available-for-sale investments	7,160,976,554	2,852,028,207	495,541,790	286,093,286	10,794,639,837
Loans and accounts receivable	1,009,458,254	77,154,916	26,452,790	69,607,493	1,182,673,453
Other debtors	196,522,234	40,308,536	69,486	16,927,923	253,828,179
	9,318,179,523	3,307,234,685	538,306,119	509,931,840	13,690,044,570
Liabilities					
Mathematical provision for life insurance	1,524,341,184	-	-	4,076,306	1,528,417,490
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,583,639,740	-	-	-	8,583,639,740
Financial liabilities held for trading	5,654,647	2,147	-	-	5,656,794
Hedge derivatives	3,241,769	-	-	769,417	4,011,186
Deposits received from reinsurers	129,944,011	1,080,113	-	1,576,194	132,600,318
Other financial liabilities	317,959,116	-	-	290,198,448	608,157,564
Other creditors	119,825,606	13,385,067	2,374,856	42,041,027	177,626,556
	10,684,606,073	14,467,327	2,374,856	338,661,392	11,040,109,648

(amounts in Euros)

	2016				Total
	Euros	U.S. Dollar	Hong-Kong Dollar	Other currencies	
Assets					
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
	8,823,069,568	2,047,700,586	681,829,060	571,402,991	12,129,465,571
Liabilities					
Mathematical provision for life insurance	1,400,822,448	-	-	3,812,352	1,404,634,800
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,293,190,335	-	-	-	8,293,190,335
Financial liabilities held for trading	7,164,396	7,908,243	-	-	15,072,639
Hedge derivatives	4,731,581	6,931,648	-	1,806,053	13,469,282
Deposits received from reinsurers	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
	10,196,954,811	20,360,313	2,664,181	362,717,375	10,582,696,680

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

49. Disclosures Relating to Insurance Contract Risks

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

49.1. Risk underwriting

Risk acceptance and management is structured at two levels, following a model for delegating competence.

Each level has specific methodologies and procedures, in line with its competence, enabling interconnection and harmonisation between the two.

The second level, for commercial networks, includes delegated competence for risk acceptance, duly established by written standards and procedures, essentially based on the following criteria:

- Products with standard clauses;
- Risks or activities with a stable claims history;
- Homogeneous and easily identifiable risk universe;
- Small amounts of capital allowing dilution of higher risk;
- Risks with known and controllable accumulation, regarding cover and/or geographical spread;
- Premiums in line with a product tariff, adjustable by a delegated discount of reduced scope.

The following instruments are available: tariffs, simulators, underwriting manuals and rules on delegation of competence, product manuals, general conditions and pre-contractual information, insurance proposals, standard declarations, technical questionnaires and rules on circuits and procedures.

The first level is for the Technical Divisions, which have additional instruments for risk analysis.

The Technical Divisions have a multidisciplinary technical staff who are highly specialised in the different insurance lines of business, and are assisted by actuarial specialists. When the characteristics of the risk so justify, they use risk analyses performed by specialist companies.

Risk acceptance is based on strict technical standards, which seek to identify risks with high potential losses (in terms of severity and frequency), apply adjusted contract conditions and define premiums appropriate to the specific risk, in order to obtain sustained growth in the portfolio and a stable technical result. All risks which do not fit within the Reinsurance Treaties are analysed by the Technical Divisions, and Facultative Reinsurance may be used when the conditions for accepting the risk are deemed to have been met.

When the risks analysed do not fit within the Reinsurance Charging Manuals or the conditions for acceptance defined by the Group they are sent to the Reinsurers' Underwriting Departments for proposals for acceptance of the conditions of these risks to be presented.

The Technical Divisions also have access to reports and analyses of a technical and actuarial nature which allow them to gain knowledge on the technical evolution of the insurance business and on the evolution of risk behaviour in relation to the cover and main characteristics of the insurable objects.

The Risk Acceptance Policy identifies situations with a particularly high risk and/or a high level of uncertainty. These situations are not delegated to the Technical Divisions, and competence to accept them is reserved for the Underwriting Policy Acceptance and Supervision Committee, which meets whenever it is necessary to assess risks with these characteristics.

49.2. Technical management

The technical management of the Lines of Business includes product design, definition of clauses and prices, definition and control of the underwriting policy, calculation of maximum risks and also monitoring of the technical results, namely supervision of the evolution of processed income, the number of insurance contracts, portfolio distribution by risk segments and guarantees, average premiums, risk characteristics, claims and the technical margin.

In order to monitor the above, periodic reports are produced containing management indicators and information is regularly prepared for the Reinsurance Division, with information on portfolio profiles, with the aim of aiding negotiation of the Reinsurance Treaties.

49.3. Risk control management instruments

Internal risks of the organisation

In order to control and minimise the organisation's internal risk, acceptance rules and procedures and product manuals have been published. These are freely available and employees are well aware of their content, and the process for application them is duly monitored by the competent areas.

Portfolio profile studies

Regular studies are produced on the risk profile of the portfolios, by class of capital/liabilities assumed, type of activity, type of objects insured and covers.

Studies are also regularly made of the claims rate behaviour of products according to the most important characteristics for defining the risk.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate (by scales of sums insured, types of objects insured, types of activities, covers), with the aim of gauging the existing delegations and correcting any distortions, and also, correlating the main price determination factors and deciding on changes in products being commercialised or the creation of new ones.

Periodic analyses of portfolio evolution

The portfolio being managed is subject to periodic analysis of the behaviour of the policy movements, both in terms of numbers of policies and in terms of new and cancelled policies, variations in premiums/average rates and changes in the distribution of contracts across the various business segments.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims. This analysis is produced not only in terms of groups of business, but mainly in terms of products being managed.

In specific cases in the motor insurance line of business, extensive and detailed diagnoses are made regarding the portfolio's evolution, with the aim of identifying operational problems in the business, together with their causes, both from a commercial and technical perspective. Proposals are developed as a result of these diagnoses.

Portfolio selection and reorganisation

The aim of this function is to improve the profitability of the portfolio being managed, both by reorganising loss-making risks (high frequency and/or level of claims), and by introducing changes to the conditions of the contract (cover, deductibles, premiums), and also by providing advice to the Client (recommending the implementation of prevention and safety measures which improve the quality of the risk).

This function also includes the assessment of irregularities which are detected in contracts or in claims, which may lead to the implementation of measures which, depending on the seriousness of the irregularity, may lead to cancellation of the insured person's contract or portfolio.

Insurance risk concentrations

By producing regular studies on the risk profile of the portfolios, by class of capital/liabilities assumed, by activities and objects insured, and by cover, indicators are obtained which enable an estimate to be made of the impact of potential changes to the cover, and an analysis of the impact of any changes to the reinsurance treaties and to the Group's retention policy. In some cases, specific studies are conducted to assess these impacts.

These studies are also focused on specific cover, the geographical area, the type of responsibilities assumed or on the type of object insured, enabling the determination and quantification of maximum risk by classes, and also evaluating the impact of catastrophic claims circumstances on the portfolio.

Behaviour of the non-life portfolio – Direct insurance

Direct insurance Fidelidade

(amounts in Euros)

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

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

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

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

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

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

Premiums sufficiency and creation of a provision for unexpired risks

Direct insurance

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

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

Net of reinsurance

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

Consequently, a provision for unexpired risks was set up, in line with the rules in force, which is lower than the provision set up in 2016.

Provision for unearned premiums

The provision is calculated in line with the rules in force, and tests are carried out in order to determine the adequacy of the level of provisions.

Equalisation provision

The calculation for the equalisation provision is defined in the rules of the ASF, which are applied both in terms of the algorithms and regarding the lines of business to be considered. The insurance company follows the criteria listed there.

Claims provision

The claims provision is calculated as described in the accounting policies.

Throughout the year actuaries monitor the levels of the provisions set up, and statistical methods are used which are appropriate to the nature of the risks, namely estimating using stochastic methods of future cash flows associated with the assumed liabilities.

Risk concentration and mitigation

At Fidelidade, the Accidents, Health, Fire and Other Damage and Motor lines of business represent approximately 89.8% of the Gross Premiums Earned and 94.5% of the claims.

In order to control the risks assumed, the insurance company has underwriting and acceptance rules which select and control the level of exposure to which the company is subject.

In non-life risk mitigation is mostly by means of specific reinsurance programmes for each type of risk, and high demands are placed on the quality of the reinsurers involved.

The following table presents the rating of the main reinsurers, updated at the end of December 2017.

Distribution of Reinsurers by Rating

Rating	% Reinsurers	
	2017	2016
A -	18.5%	14.3%
A	25.9%	25.0%
A +	22.2%	25.0%
AA -	25.9%	25.0%
AA	-	3.6%
AA+	3.7%	3.6%
No rated	3.7%	3.6%

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

At Fidelidade 60.79% of the sums insured retained for cover for Seismic Phenomena are located in Zone I, the most serious in terms of seismic risk. The sums insured considered in this analysis are estimates.

Comparison between estimated and actual claims

Fidelidade's claims provision at 31 December 2016 totalled EUR 1,541 million. During 2017, EUR 329,186,049 were paid for claims which occurred in 2016 and previous years.

In December 2017, natural consumption would lead to a provision of EUR 1,212,064,347. However, there was a negative readjustment of over EUR 51 million, and the provision at the end of December 2015 was EUR 1,263,414,294.

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

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

(amounts in Euros)

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

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

Insurance Risks

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

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

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

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out. Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The Group carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

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

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

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

Risk Assessment Assumptions

Non-life lines of business, except annuities

The main assumption for estimating the 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%	5.33%
Expense	+ 10%	0.64%
Revision	4%	2.04%
Interest Rate	-1%	12.10%

49.4. Reinsurance Policies

The decisive factors for limiting or transferring the risk insured are the nature of the business and the amounts of the risks to be insured, and a distinction is made between those which are considered mass lines of business (Motor, Workers' Compensation, Personal Accidents and Multi-risks Home Insurance) and those which are dealt with more on a case-by-case basis, such as the remaining lines of business of Property, Engineering and Machinery, Marine risks, Transported Goods, Third Party Liability and Other risks.

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

Risks involving significant amounts insured or serious situations are subject to prior analysis and their acceptance is strictly interdependent with and supported by Reinsurance.

The Group has based its Reinsurance Policy on the existence of Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other types of reinsurance which prove necessary to obtain adequate Reinsurance protection for the risks accepted.

In Fire and Other Damage, Engineering and Aviation, the Group works with Proportional Treaties.

The Reinsurance cover in the main property lines of business, and the respective retention, takes into consideration the portfolio structure's ratio of sums insured and the respective volume of premiums for each line of business and also considers the statistical monitoring of the profitability of that portfolio, the Retention/Premiums ratio at the end of one year or one cycle and the Group's financial capacity, in terms of whether it is sufficient to absorb frequent claims.

For Motor, Workers' Compensation, Personal Accidents, Marine Hull, Transported Goods and Third Party Liability, the risks are covered by an Excess of Loss treaty, which proves more appropriate to the nature of the risks and the portfolio and the Group's financial capacity. To establish the priority the statistical behaviour of the claims rate and the resulting quotes from potential different levels are taken into consideration.

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

Accumulations resulting from "Cover for Seismic Phenomena and Natural Risks", which are catastrophic in Retentions, are reinsured by Excess of Loss, and the Retention is determined by the Group's financial capacity.

When determining the Retention by event, the infrequency of catastrophes in Portugal is taken into account, and the retention reflects what is technically foreseeable from the point of view of the impact of a catastrophe on the Group's capital and its absorption over a defined period, working with a conservative scenario with a period of return of 500 years, which is unusual in markets exposed to catastrophes.

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

The information obtained in the International Market from Rating Agencies is a fundamental reference regarding the sound financial health of the Reinsurers.

The rating by the S&P Rating Agency or equivalent (A.M. Best, Fitch or Moody's) is therefore a factor in the selection of Reinsurers. The minimum rating required for a reinsurer to be part of our Panel of Reinsurers is "A-".

49.5. Life Insurance

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

Risk products

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

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

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

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

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

(amounts in Euros)

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

50. Capital Management

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

The Solvency II rules are divided into three pillars.

Pillar I (quantitative requirements)

The Solvency II rules define criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance Company's assets and liabilities. They also define two levels of capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The SCR is calculated taking into account all the risks that an Insurance Company may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which an Insurance Company may be exposed.

The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer's compliance with its liabilities.

If it is detected that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the company's risk profile has been reduced.

In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the company's risk profile.

Pillar II (qualitative requirements and supervision)

This pillar defines qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who effectively run the Company, supervise it and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA), which must be performed at least once a year. Through this exercise, the company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The resulting report must be sent to the ASF.

Pillar III (prudential reporting and public disclosures)

Pillar III sets out the obligations for disclosing public information and information to the Supervisor.

Within this context, the Group's capital management objectives meet the following general principles:

- Complying with the legal requirements by which the Group is bound;
- Generating adequate profitability, creating value for the shareholder and providing it with remuneration on the capitals applied;
- Sustaining the development of the operations that the Group is legally authorised to perform, maintaining a solid capital structure capable of responding to growth in the business and to the risks arising from it.

To achieve the objectives described, the Group has defined a set of policies and processes.

On one hand, it has implemented a risk management system which is an integral part of the Group's daily activities, with an integrated approach being applied to ensure that the strategic objectives (clients' interests, financial solidity and efficiency of processes) are being maintained. This integrated approach also ensures value creation by identifying an appropriate balance between risk and return, at the same time guaranteeing the Group's obligations to its stakeholders.

Risk management aids the Group in identifying, assessing, managing and monitoring risks, enabling appropriate and immediate actions to be adopted in the event of material changes in its risk profile.

In establishing its risk profile, the Group identifies the different risks to which it is exposed and then assesses those risks. Risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks not included in that formula, the Group has opted to use a qualitative analysis in order to classify the foreseeable impact on capital needs.

On the other hand, the ORSA enables risk, capital and return to be related, in a prospective vision, in the context of the Group's business strategy.

The ORSA, which coincides timewise with the Group's strategic planning (which is never less than 3 years), plays a key role in the Group's Capital Management, and supports its main activities, namely:

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

Taking into account the results obtained in the ORSA, and if the capital requirements differ from those defined, both in terms of the regulations and other limits defined internally, corrective actions to be implemented are prepared, in order to restore the capital level to the adequate or intended level.

Lastly, the obligations regarding public information, in particular, the obligation to disclose an annual "Solvency and Financial Condition Report", enable detailed information to be provided on the Group's activities and performance, governance system, risk profile, solvency assessment and capital management.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that the Group complies comfortably with the capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

To ensure compliance with the policies and processes, the Group has implemented an appropriate system of governance involving, among others, an organisational structure which involves several bodies that perform key risk management and internal control functions: the Risk Management Division, the Compliance Office, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, and the Life and Non-Life Products Committees.

51. Public Service Concessions

Main risks identified are operational and financial

Luz Saúde manages Hospital Beatriz Ângelo through its subsidiary Sociedade Gestora do Hospital de Loures, SA ("SGHL") under a Public-Private Partnership agreement with the Portuguese State ("PPP Agreement"). HL - Sociedade Gestora do Edifício, S.A., in which the Company has a 10% shareholding, is also a party to the PPP agreement and is responsible for the (now completed) construction and the management of Hospital Beatriz Ângelo's building and facilities.

Under the PPP Agreement, SGHL has undertaken to provide healthcare services within the National Health Service, through Hospital Beatriz Ângelo, for a 10-year period as of the Hospital's opening date (19 January 2012). The term of the PPP agreement may be renewed for successive periods by mutual agreement and each period cannot exceed 10 years. Notwithstanding, the total duration of the PPP Agreement, including the initial period and any additional periods, cannot exceed 30 years, as of the PPP agreement's effective date (31 December 2009).

With respect to the Hospital's management, the PPP Agreement governs the relationship between the State and SGHL, sets prices and payment methods, establishes quality standards, notice and information duties, compliance levels (clinical and non-clinical), hospital operating rules (e.g. human resources) and other duties and undertakings for each party, as well as consequences for default on the contractual obligations.

In addition, the PPP Agreement establishes that annual volumes of patient treatment at Hospital Beatriz Ângelo (defined with reference to doctor consultations, emergency room visits and inpatient and outpatient surgical and non-surgical services) shall be agreed by annual negotiation between the Public Awarding Entity (in this case Administração Regional de Saúde de Lisboa e Vale do Tejo, I.P.) and the hospital's management, based on historical data for public healthcare demands by the population in the Hospital's catchment area. However, it should be noted that the aforementioned production level is determined based on historical data regarding the demand for public healthcare by the population living in the Hospital's catchment area.

On the other hand, the prices charged by the hospital to the National Health Service have been contractually defined and are adjusted annually according to the growth of the inflation rate.

The PPP Agreement further provides that, at the end of each month, the State must pay 90% of 1/12 of the agreed annual production value (regardless of the actual production value reached). The adjustment amount (which may include the remaining 10%, plus any additional production above the agreed amount, given that there are areas where the set production limit can be surpassed, such as emergency room visits and hospitalisation) must be calculated by the end of the first semester of the following year, and payment must be made during that same period.

52. Managed Pension Funds

At 31 December 2017 and 2016, the Macao branch was managing the following pension funds. In these periods, the pension fund portfolio contained the following assets:

	2017							
	BNU Pension Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund	SmartSafe Pension Fund
Amounts in Patacas								
Cash and deposits	28,003,144	24,326,810	42,484,019	188,291	226,478	329,492	263,753	827,907
Debt instruments	114,934,707	469,029,419	-	5,193,808	3,372,269	6,533,339	3,476,160	-
Equity instruments	23,576,635	219,047,187	-	1,754,443	5,165,134	9,355,561	6,233,622	-
Others	(24,973)	(373,816)	(306,523)	(60,646)	(73,298)	(134,426)	(88,625)	(136)
	166,489,513	712,029,601	42,177,496	7,075,896	8,690,584	16,083,966	9,884,909	827,771
Amounts in Euros								
Cash and deposits	2,900,918	2,520,077	4,401,030	19,506	23,461	34,133	27,323	85,765
Debt instruments	11,906,384	48,587,973	-	538,040	349,342	676,806	360,104	-
Equity instruments	2,442,365	22,691,666	-	181,747	535,070	969,167	645,757	-
Others	(2,587)	(38,725)	(31,754)	(6,282)	(7,593)	(13,926)	(9,181)	(14)
	17,247,080	73,760,991	4,369,276	733,011	900,280	1,666,180	1,024,003	85,751

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

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

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

53. Subsequent Events

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

**REPORT AND
OPINIONS ON THE
CONSOLIDATED
ACCOUNTS**

(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 “Group”), which comprise the Consolidated Statement of Financial Position as at December 31, 2017 (which establishes a total of 17,286,302,507 euros and total equity and non-controlling interests of 2,717,212,616 euros, including a net profit for the year of 216,232,495 euros), and the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Fidelidade – Companhia de Seguros, S.A. as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal (“Autoridade de Supervisão de Seguros e Fundos de Pensões” - “ASF”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors’ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Measurement of technical provisions for life insurance and of financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As described in notes 21 and 22 of consolidated financial statements, as at December 31, 2017, the technical provisions for life insurance and the financial liabilities of the deposit component	Our approach to the risk of material misstatements in the measurement of technical provisions for life insurance and financial liabilities included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts amounted to 2,040 m and 8,584 million euros ("m"), respectively, representing approximately 73% of the total liabilities.</p> <p>These matters were considered to be as a key audit matter based on materiality to the financial statements and the fact that it is an area with a significant degree of judgement about uncertain future results, namely the timing and total value of liabilities to policyholders, as well as estimating the future income of the assets portfolio underlying these obligations. As described in note 2.20, the liabilities for insurance contracts are determined based on actuarial methods, historical data and other methods accepted in the sector, and the actual amounts to be disbursed in the future may be significantly different from the estimates made.</p>	<ul style="list-style-type: none"> • 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 measurement of technical provisions for life insurance and financial liabilities; • Analytical review procedures, recalculation and analysis of the methodologies for the projection of cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates; • With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the Company's actuaries for the measurement of liabilities arising from life insurance and investment contracts, including an analysis of their consistency with those used in the previous year and using as reference the specific terms of the products, regulatory requirements and practices in the insurance sector; and • Review the completeness and consistency of the disclosures in the consolidated financial statements of the technical provisions for life insurance and financial liabilities with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

2. Measurement of claims provisions (non-life)

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As described in note 21 to the financial statements as at December 31, 2017, the claims provisions arising from non-life insurance contracts amounted to 1,733 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 administrative costs related to future settlement.</p> <p>These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based on judgments, in particular the discount</p>	<p>Our approach to the risk of material misstatements in the measurement of claims provisions (non-life) included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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 measurement of claims provisions (non-life); • Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand the annual changes and of the main factors contributing to the most significant variations;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>rate, mortality tables and estimation of expenses to be incurred (see details in subparagraph (d)) 2.17 note).</p> <p>In view of the materiality of these liabilities to the consolidated financial statements and that the process for their 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.</p>	<ul style="list-style-type: none"> • With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Company and its subsidiaries for the measurement of the claims liabilities (non-life), including analysis of consistency with those used in the previous year and with the default payment history by segment and by reference to the specifics of the 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

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As detailed in note 48, the consolidated assets and liabilities include financial instruments valued at fair value amounting to 11,681 m and 10 m, respectively, which represent about 67% of the total consolidated assets and 0.1% of the total consolidated liabilities.</p> <p>The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total value of instruments with reduced liquidity, recognised in the consolidated assets and liabilities of the Company, amounting to about 1,492 m (19% of the asset) and 9 m (0.1% of the liabilities), respectively, which were classified under</p>	<p>Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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; • 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

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>the fair value hierarchy defined in the accounting framework as "level 2" and "level 3" (Note 48).</p> <p>The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.</p>	<p>as reference the details of its investment policy, regulatory requirements and sector practices; and</p> <ul style="list-style-type: none"> Review the completeness and consistency of disclosures of financial instruments at fair value in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

4. Impairment tests of Goodwill

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated financial statements of the Company as at December 31, 2017 include in the statement of financial position as more fully disclosed in note 14, Goodwill arising from investments in subsidiaries of 390m , representing approximately 2% of the consolidated assets.</p> <p>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).</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the valuation of Goodwill included a specific response by performing the following procedures:</p> <ul style="list-style-type: none"> Obtaining an understanding of the existing internal control procedures in the process for determining impairment losses of Goodwill; Review of the assumptions used in the valuation models approved by the management, in particular the cash flow projections, the discount rate, the rate of inflation, the growth rate in perpetuity and the sensitivity analysis, supported by internal corporate finance experts; Review of the consistency of the assumptions used in the construction of the business plan with previous years, comparison with historical data and with external sources. We tested the calculations of the models used; Review of the completeness and consistency of disclosures of Goodwill in the consolidated financial statements with the respective accounting data and the requirements of International Financial Reporting Standards.

5. Recognition and measurement of impairment losses on financial assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated income statement of the Company as at December 31, 2017, includes impairment losses from financial instruments held, classified as "available-for-sale financial assets", of 133 m (details disclosed in note 42).</p> <p>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.</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the recognition and measurement of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time, based on information currently available, and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the recognition and measurement of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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. Valuation of real estate investments

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The consolidated financial statements of the Company as at December 31, 2017 include real estate assets as disclosed in notes 10 and 20 to the financial statements, recorded at fair value, classified as own use, investment properties and inventories, of 467 m, 1,677 m and 2 m, respectively, which represent a total of about 12% of the consolidated assets of the Company.</p> <p>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</p>	<p>Our approach to the risk of material misstatements in the valuation of real estate investments included a specific strategy consisting of a combination of evaluation of controls and substantive procedures, namely:</p> <ul style="list-style-type: none"> • 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;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>economic and financial environment and the ability of the market to absorb the available supply is crucial.</p> <p>The consideration of this matter as a key audit matter was based on their materiality to the consolidated financial statements and the inherent risk on the assumptions used in appraisals performed by external experts.</p>	<ul style="list-style-type: none"> • Analysis of the valuation reports prepared by experts, testing the appropriateness of the valuation methods used and reasonableness of the assumptions made; • Comparative analysis of value and assumptions of the appraisals made in the year with those of previous years and price comparison with available market information; • Verification of the completeness and consistency of disclosures of real estate in the consolidated financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

Responsibilities of management and the supervisory board for the consolidated financial statements

Management is responsible for:

- ▶ the preparation of consolidated financial statements which present a true and fair view of the Group's financial position, financial performance and cash flows in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;
- ▶ the preparation of the Management Report, in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we remain solely responsible for our audit opinion;
- ▶ communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the consolidated Management Report with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

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

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

Pursuant to article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of Fidelidade – Companhia de Seguros, S.A. (Group's Parent Entity) for the first time in the shareholders' general meeting held on May 15, 2014 for the year 2014. We were reappointed for a second mandate in the shareholders' general meeting held on March 31, 2015 for the period between 2015 and 2017. On March 29, 2017, we renounced that mandate, between 2015 and 2017, and were appointed at the shareholders' meeting held on March 31 for the mandate between 2017 and 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the consolidated financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement to the consolidated financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Group; and
- ▶ We declare that we have not provided any prohibited services as described in article 77 nr. 8 of the Statute of the Institute of Statutory Auditors and we have remained independent of the Group in conducting the audit.

Lisbon, March 12, 2018

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

(signed)

Ana Rosa Ribeiro Salcedas Montes Pinto – ROC nº 1.230
Registered with the Portuguese Securities Market Commission under license nr. 20160841

Fidelidade – Companhia de Seguros, S.A.

Report and Opinion of the Supervisory Board

2017

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of its accounting records and compliance with 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, 12 March 2018

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABILITY
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD
OF FIDELIDADE – COMPANHIA DE SEGUROS, S.A.
FOR 2017

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the consolidated accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 12 March 2018.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

**REPORT OF
THE BOARD
OF DIRECTORS
SEPARATE
ACCOUNTS**

**CORPORATE
BODIES**





FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

Presiding Board of the General Meeting

President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

Board of Directors

Chairman	Jorge Manuel Baptista Magalhães Correia
Vice-Chairmen	Lan Kang José Manuel Alvarez Quintero
Members	Xiaodong Yu Lingjiang Xu José João Guilherme Francisco Ravara Cary João Eduardo de Noronha Gamito de Faria António Manuel Marques de Sousa Noronha Rogério Miguel Antunes Campos Henriques Wai Lam William Mak Jun Li André Simões Cardoso Tao Li

Executive Committee

Chairman	Jorge Manuel Baptista Magalhães Correia
Vice-Chairman	Rogério Miguel Antunes Campos Henriques
Members	José Manuel Alvarez Quintero António Manuel Marques de Sousa Noronha Wai Lam William Mak Jun Li André Simões Cardoso

Supervisory Board

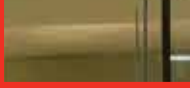
Chairman	Pedro Antunes de Almeida
Members	Vasco Jorge Valdez Ferreira Matias João Filipe Gonçalves Pinto
Alternate	Isabel Gomes de Novais Paiva

Statutory Auditors

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

FIDELIDADE





a. Key Indicators

**€3,651
million**

Total Premiums Written
(includes amounts relating to investment contracts)

Life: € 2,414 million
Non-Life: € 1,236 million

30.2%

Market Share (PT)

Life: 32.9%
Non-Life: 26.0%

2,612

Employees

**€15.9
billion**

Net Assets

**€187.8
million**

Net Profits

101.7%

**Non-Life
Combined Ratio**

b. Our History

200

1800

1808 FOUNDATION OF BONANÇA

"Depois da tempestade vem a Bonança"

1810-20 1816 BONANÇA ADOPTS AN ANCHOR AS ITS FIRST SYMBOL

1830-40 1835 FOUNDATION OF FIDELIDADE

1845 FIDELIDADE IS PIONEER IN LIFE INSURANCE

1850-60 1850 BONANÇA INSURES REAL COMPANHIA VINICOLA

1870-80 1880 CAMILO CASTELO BRANCO MENTIONS FIDELIDADE IN HIS BOOK "A CORJA"

1890 1891 BONANÇA INSURES THE TRAIN STATION OF ROSSIO

1900

1910 1913 MUNDIAL IS PIONEER IN INDUSTRIAL INJURY INSURANCE

1920 1925 FIDELIDADE CELEBRATES ITS 1ST ANNIVERSARY

1940 1945 IMPÉRIO RELEASES THE INNOVATIVE POPULAR LIFE INSURANCE

1942 IMPÉRIO INSURES LARGE RISKS OF GRUPO CUF

1950 1958 JOAQUIM PACO D'ARCOS MENTIONS FIDELIDADE IN HIS BOOK "CARNAVAL"

1960 1963 CREATION OF THE "HOMEM IMPÉRIO" (IMPÉRIO MAN)

1970 1975 NATIONALISATION OF THE INSURANCE SECTOR

1978 CREATION OF MUNDIAL CONFIANÇA, E.P.

1979 FOUNDATION OF GRUPO SEGURADOR FIDELIDADE, E.P.

1980 1980 MERGER OF BONANÇA WITH COMMERCIO E INDÚSTRIA, UNIÃO E ULTRAMARINA

1988 FIDELIDADE GRUPO SEGURADOR, S.A., COMPENSATES FOR THE GREAT FIRE IN CHIADO

1990 1990 REPRIVATISATION OF BONANÇA

1992 REPRIVATISATION OF IMPÉRIO AND OF MUNDIAL CONFIANÇA

1995 CGD HOLDS THE ENTIRE SHARE CAPITAL OF FIDELIDADE

2000

2001 FOUNDATION OF IMPÉRIO BONANÇA, S.A.

2002 MERGER OF FIDELIDADE AND MUNDIAL CONFIANÇA

2003

2004 RELEASE OF THE SINGLE BRAND FIDELIDADE MUNDIAL

2005 MULTICARE IS LEADER IN HEALTH INSURANCE

2006 FIDELIDADE MUNDIAL IS MARKET LEADER

2007 TAKEOVER OF COMPANHIA PORTUGUESA DE RESEGUROS

2008 LEVE PPR IS LEADER IN RETIREMENT SAVINGS

2009 MULTICARE RELEASES HEALTH GLOBAL OFFER

2010 OPENING OF SHARED AGENCIES OF FIDELIDADE MUNDIAL AND IMPÉRIO BONANÇA ALL OVER THE COUNTRY

2011 START-UP OF UNIVERSAL SEGUROS

2012 MERGER OF IMPÉRIO BONANÇA WITH FIDELIDADE MUNDIAL. CREATION OF FIDELIDADE - COMPANHIA DE SEGUROS, S.A.

2013 NEW BRAND LAUNCH FIDELIDADE

2014

ABR ACQUISITION OF GARANTIA BY FIDELIDADE

MAI ACQUISITION OF FIDELIDADE BY FOSUN

OUT ACQUISITION OF ESPÍRITO SANTO SAÚDE (ESPÍRITO SANTO HEALTH CARE) BY FOSUN

2016

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

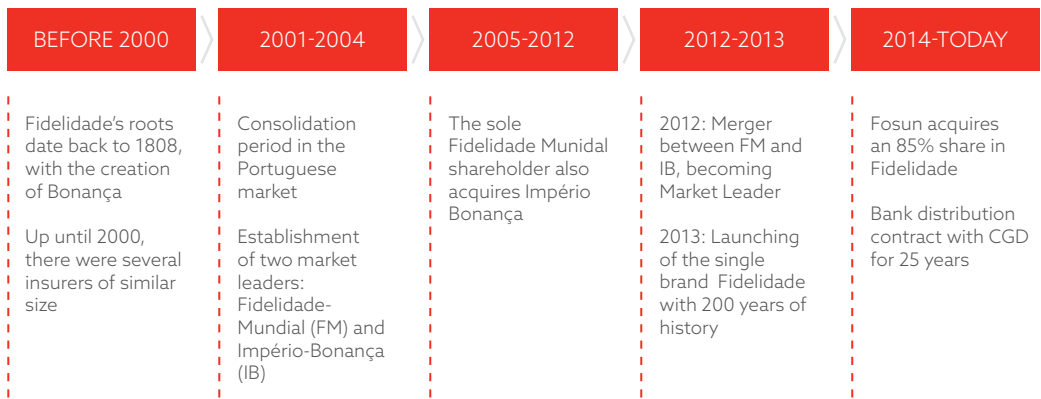
Until 2000 the Portuguese insurance sector was mostly concentrated on six insurers following the reorganisation of the industry in the 1980s.

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

In 2014, the company was privatised, with the Fosun Group 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.

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

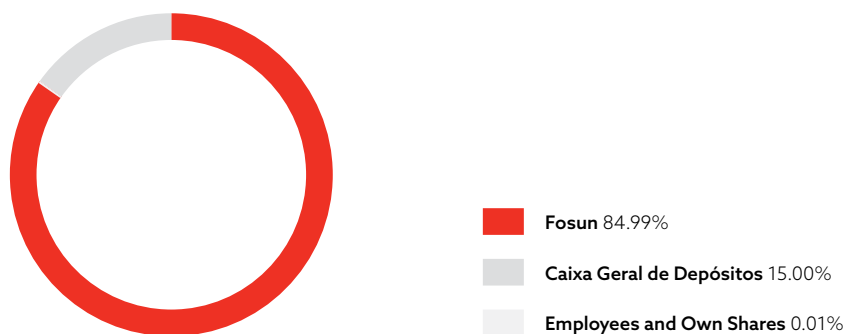
Portuguese state bank, considered the largest financial institution in Portugal, with approx. 4 million clients and with presence in more than 20 countries.

c. About Fidelidade

i. Shareholder Structure

Fidelidade's current shareholder structure follows 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. 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.

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, which includes increasing growth of remote channels.

In 2017, Fidelidade once again held its leadership across both Life and Non-Life segments, recording an overall market share of 30.2%, which corresponds to a decrease of 1.5 percentage points (pp) over the previous year.

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

Fidelidade

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

Life Segment - Market Share



Fidelidade also grew more than most of its competitors in the Non-Life segment, increasing its market share by 0.2 pp to 26.0%. The 1.5 pp increase in the health products' market share (to 35.2%) was particularly significant.

Non-Life Segment - Market Share

Fidelidade

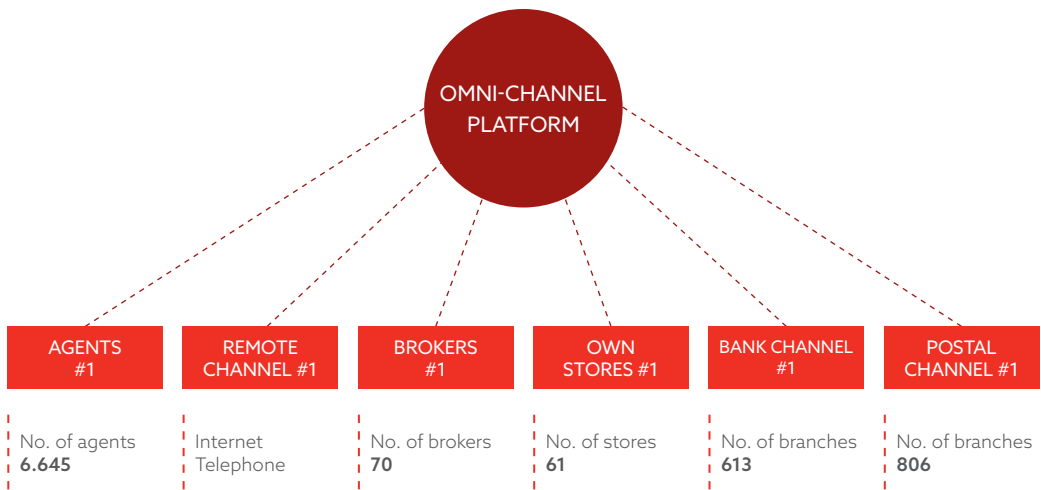
Motor **25.1%**
Workers' Compensation **24.4%**
Personal Accidents **13.7%**
Health **35.2%**
Home **23.0%**
Commercial and Industrial Property **30.8%**
Fire and Other Damage **38.2%**
Third Party Liability **27.0%**
Transport **33.4%**



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 that are increasingly customised and differentiated.



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

Capitalising on its strong presence in the various distribution channels, Fidelidade has been developing an Omni-Channel strategy, ensuring a coherent range of products and a perception of integration by the consumer, regardless of the channel being used.

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, Annuities and Financial) and Non-Life insurance, which includes products such as Motor Insurance, Workers’ Compensation, Health, and Home Insurance complemented by a unique range of assistance in the different areas.

Fidelidade has also been developing a number of new products to offer more wide-ranging and innovative solutions. These include the new Proteção Vital Família products, with a series of personal covers that can be adapted to suit the Client’s needs, and Seguro Casa, which includes a unique range of covers in the Portuguese market in Home Insurance products.

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

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 that 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 2017

Portuguese Trusted Brand in the insurance category



BANCA E SEGUROS EXAME 2017

Best Large Non-Life Insurer, in the Banking and Insurance category



BANCA E SEGUROS EXAME 2017

Best Large Life Insurer, in the Banking and Insurance category



MARCA MAIS REPUTADA 2017

Insurer with the best reputation in the Insurance category (Fidelidade)



MARCA MAIS REPUTADA 2017

Insurer with the best reputation in the Health Insurance category (Multicare)

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).

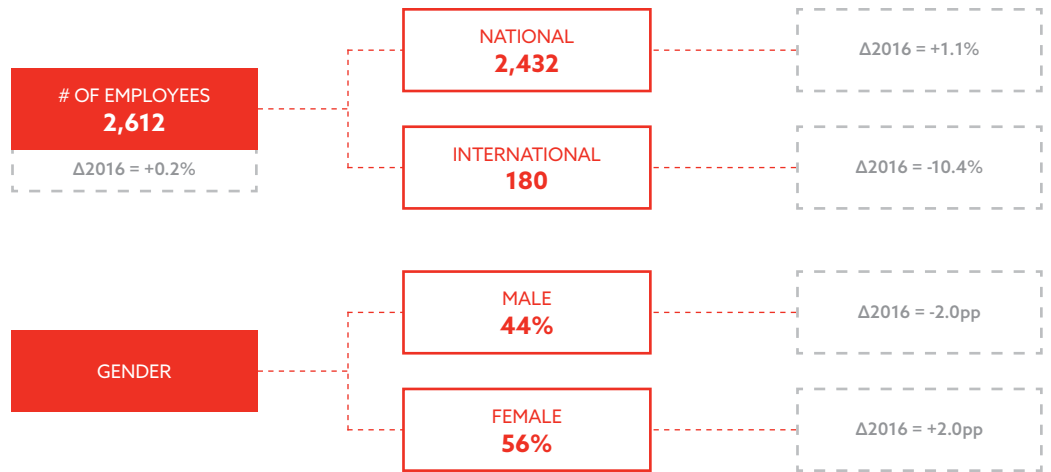
Initially, Fidelidade's process of internationalisation sought, in particular, to take advantage of markets with which Portugal has greater economic, cultural and language ties. From 2014, with the change in the shareholder structure, the Chinese community also became a priority in terms of developing 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, always remaining aware that each transaction must be financially and operationally sustainable.

viii. Fidelidade's Team

At the end of 2017, Fidelidade had 2,612 employees, 93% based in Portugal and the remaining 7% operating in its international branches.

In comparison with 2016, the number of employees rose by 0.2%, reflecting the evolution of the workforce in Portugal (+1.1%) due to the increase in business activity.



In 2017, the main goal was to rejuvenate and adapt the organisation in order to keep pace with new market challenges, which enabled the average age to be maintained (despite the natural ageing of the workforce by one more year).

The transformation of the business, begun in 2014, was continued in 2017, thanks to the significant involvement of all our People.

In addition to the efforts in terms of organisational change and re-dimensioning of structures, there was also a focus on modernising human resources management policies and practices.

These various initiatives will have a considerable impact in the medium term, cementing the company's position as an organisation with a reputation 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 provision levels.

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

Accordingly, Fidelidade has the following fundamental strategic objectives:

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

FIDELIDADE STARTING POINT

- Leadership in the Portuguese market, with a client base of 2.1 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**
- 2. International Business Expansion**
- 3. Optimisation of Investment Management**
- 4. Digital Transformation and Analytics**

Throughout 2017, these strategic directions provided the guiding principles 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. Of particular note are the extreme levels of competition experienced in some lines of business in recent years.

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;
- 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 this knowledge to current international operations and those it intends to develop in the future.

Expansion of the International business

Throughout Fidelidade's process of internationalisation, the company has targeted markets where Portugal has significant 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 Macao 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 gain competitive advantage.

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 appear favourable to a successful entry.

Optimisation of investment management

Fidelidade's aim in this area is to achieve the right fit for the market and regulatory context in which it operates, not only seeking optimisation of return and risk, but also safeguarding the level of prudence that has always characterised the company's activity.

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

In this environment, the investment strategy involves implementing a policy of greater diversification of financial investments that guarantees appropriate exposure to different categories 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 and appropriate alignment of assets and liabilities. Implementation of this policy is also based on the assumption that the company's capital needs are properly safeguarded, taking into account the new European Solvency II regulations, in force since January 2016.

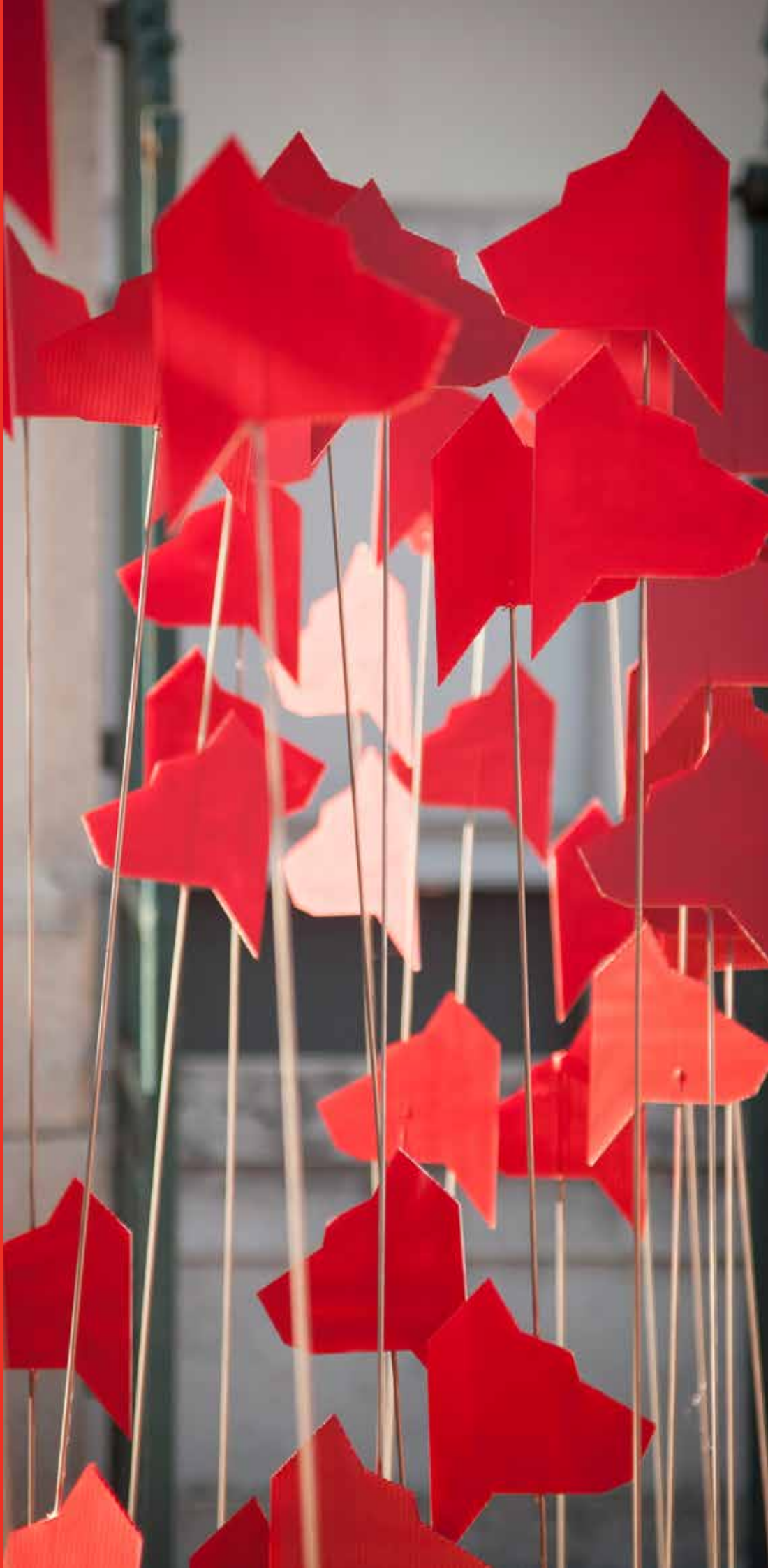
Digital Transformation and Analytics

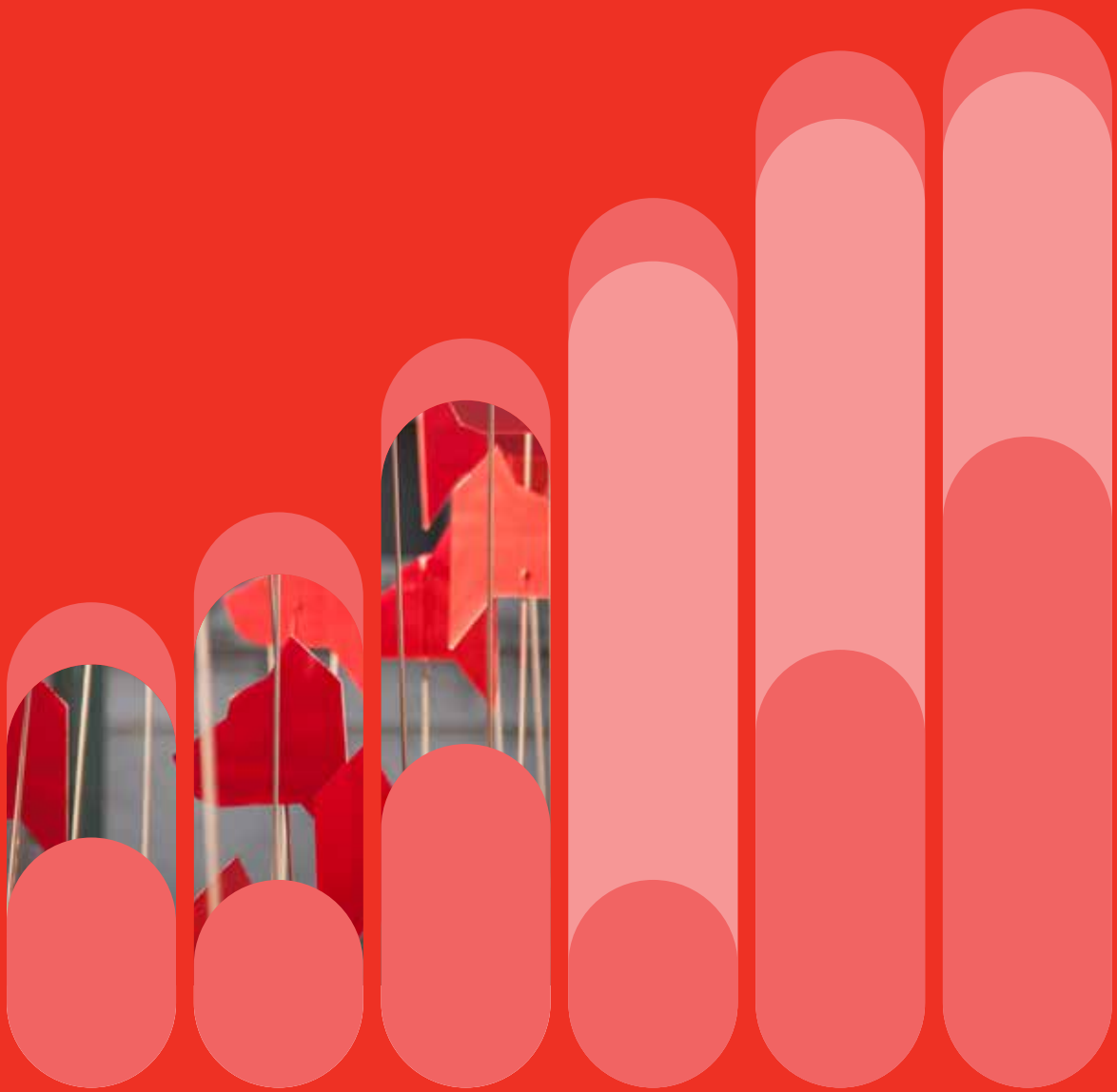
Fidelidade has also remained focused on the digitalisation, with various initiatives that respond to the potential disruptive impact of new business models based on the new technologies.

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

- Development of MyFidelidade and new apps, which allow clients to use the internet to access new products, follow their insurance portfolio, report claims, etc.;
- New products linked to the use of new technologies, particularly in the Motor and Home Insurance lines of business;
- Digital transformation of business processes and client relations.

**OUR
PERFORMANCE**





a. Events Summary 2017

JANUARY	Health – launch of Multicare’s new service Orientação Médica Online, an innovative service in the Portuguese market. The service operates 24 hours a day, 7 days a week, and medical advice is given by telephone or email.
FEBRUARY	Pensar Maior – an event held at MEO Arena with Fidelidade’s stakeholders, which provided a platform not only to look at the results from 2016, but also to plan for the coming years, with a clear focus on technological innovation, based on people. “MyFidelidade” app – launch of a mobile application that allows clients to manage their motor, health and home insurance on a single site. It also allows them to request motor assistance and to follow claims procedures and requests for medical expense reimbursements in real time.
MARCH	“A Nova Fidelidade de Sempre” Campaign – new campaign based on repositioning the brand, by adapting to the digital world, building a path which seeks to put technology to work for people and promote innovation as a means of simplifying communications. “Fidelidade Casa” – launch of a disruptive product presenting greater simplicity and offering new plans and additional cover and, therefore, better suited to clients’ needs and resources.
APRIL	Fidelidade Challenge 2017 – initiative to enable innovation through direct contact between society and the Fidelidade Group. Consists of a contest for university students to showcase and reward innovative projects designed in response to a specific challenge.
MAY	Digital Lab – creation, in partnership with Deloitte Digital, of a digital laboratory to enable the creation and generation of new ideas. The Lab studies and explores concepts with a strong technological component: IoT for Homes and Assistance for Seniors.
JUNE	“Proteção Vital da Família” – launch of an innovative life insurance product that accompanies the family throughout its lifecycle, guaranteeing protection for the different needs that may arise at various stages.
JULY	Proteching 2.0 – completion of the final stage of the new edition of this start-up accelerator with the support of Fidelidade and in cooperation with Beta-i, promoting innovation in the areas of health and assistance.
SEPTEMBER	Fidelidade Comunidade Award – as part of its social responsibility programme, Fidelidade launched this award totalling €500,000 which seeks to support projects in the areas of Employment and Support for the Disabled, Healthy Lifestyles and Active Ageing.
OCTOBER	“Fidelidade GO” – launch of a Personal Accidents product, designed to meet the needs of students studying abroad, in particular as part of the Erasmus programme. It guarantees assistance and capital payments and/or indemnities for property damage or bodily injury, as a result of an accident.
NOVEMBER	Multicare Medicina Online Campaign – launch of Multicare’s new corporate image, which has been updated and brought more in line with the Fidelidade Group, and launch of the new Medicina Online service, which enables clients to obtain medical advice at a distance 24 hours a day by telephone and video consults.
DECEMBER	Bancassurance Agreement with CGD – conclusion of negotiations to reformulate the current agreement, strengthening the partnership conditions and expanding it to new geographies.

i. Evolution of the Portuguese Insurance Market

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

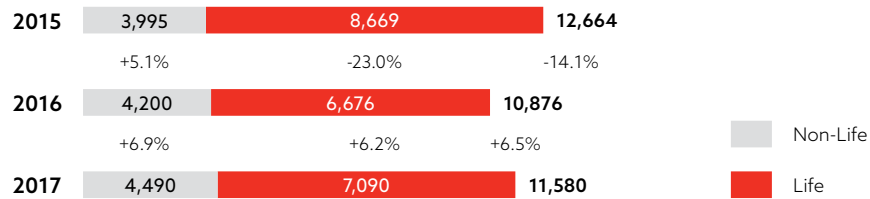
In the Life Segment, after a significant fall in 2016 (-23%), total premiums grew by 6.2% compared to 2016, totalling EUR 7,090 million in 2017. This growth contrasts with a negative trend in recent years and reflects the performance of financial products.

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

Portuguese Insurance Market

Source: APS "Direct Insurance Production 2017"

(million Euros)



2017 saw some significant changes in the structure of the Portuguese insurance sector. Several acquisitions 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 2017 total premiums of the Life segment were EUR 7,090 million, an increase of 6.2% compared to the previous year. The main catalyst for this increase was the evolution of financial products, and this trend also reflects the volatility of the premiums associated with these products.

Life Segment Premiums

Source: APS "Direct Insurance Production 2017"

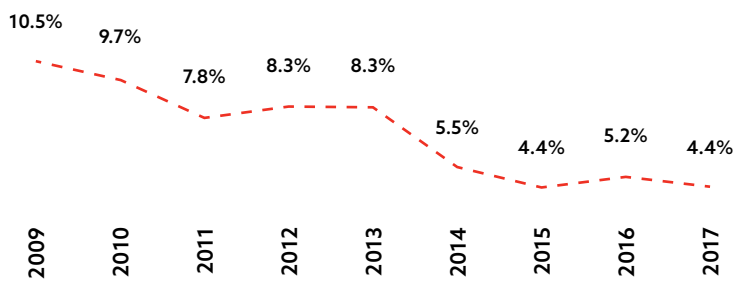
(million Euros)



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

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.

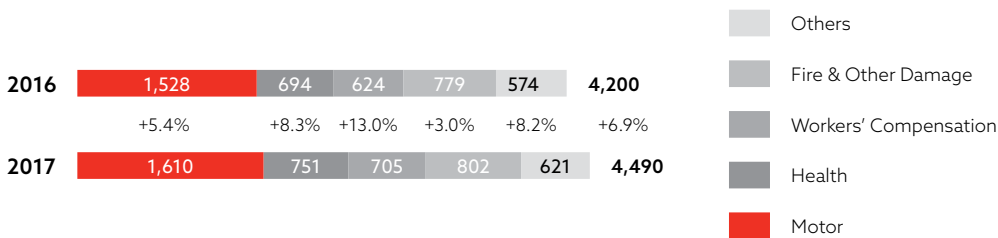
iii. Evolution of the Non-Life insurance market in Portugal

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

Non-Life Segment Premiums

Source: APS "Direct Insurance Production 2017"

(million Euros)



The Workers' Compensation line of business began to recover in 2014 and has since been consolidating its position as a result of rate changes and increasing employment. In 2017, it was the line of business that grew the most in the Non-Life segment, with an increase of 13.0% compared to the previous year (premiums of EUR 705 million).

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

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

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

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

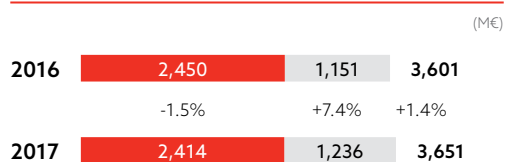
b. Fidelidade's Activity

i. Key activity indicators

In 2017, in a year marked by the trends discussed above, Fidelidade had a very sound performance, with total premiums written of EUR 3,651 million.

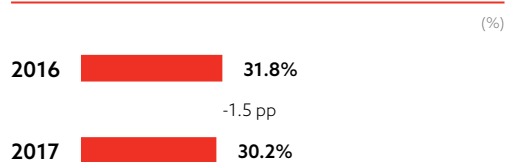
In Portugal, Fidelidade reported premiums of EUR 3,511 million, which represented a total market share of 30.2%. The international business recorded growth in premiums of 0.9%, reflected the strategies established for the different international operations.

Total Premiums Written Life and Non-Life

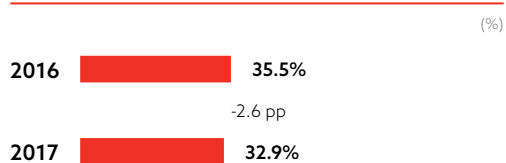


 Non-Life
 Life

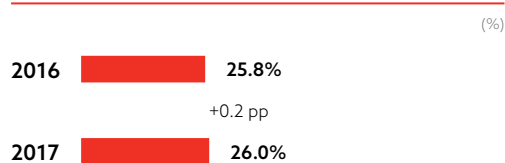
Total Market Share in Portugal



Life Market Share in Portugal



Non-Life Market Share in Portugal



ii. Fidelidade's main areas of activity

Fidelidade's robust performance throughout 2017 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 seeks to increasingly position itself in the market as a company with integrated service solutions associated with people protection, rather than simply an insurer.

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 Fidelidade, as a response to market needs.

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

Regarding roadside assistance, the Fidelidade Assistance application, available since 2016, has simplified how requests can be made. The application also enables clients to manage vehicle assistance but also roadside assistance, medical assistance, home assistance or IT assistance.

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

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

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

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

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 been consolidating its offer of products with guaranteed capital and yield.

In Life Risk, Fidelidade launched the "Proteção Vital das Famílias" product. This is an innovative and wide-ranging life insurance policy aimed at families. Included in its basic cover, besides funeral services, are new Health, Assistance and Accident covers, which are combined into a single contract. The covers is adjusted throughout the lifecycle of the various members of the family.

In addition to this new product, Fidelidade has been positioning itself to benefit from renewed interest in the Portuguese real estate market, which, because of insurance attached to mortgages, plays a dominant role in the evolution of this line of business.

Lastly, in terms of service to the client, Fidelidade launched the mobile application "MyFidelidade". Using this App, clients can manage their motor, home and health insurance on a single site, intuitively and with easy access. In addition, they can request motor assistance and follow claims procedures and requests for medical expense reimbursements in real time, as well as search Multicare's network of healthcare providers and Fidelidade's repair shops.

II. Distribution

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 clients with an integrated response to their needs.

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

Emphasis has also been placed on enhancing the network of exclusive agents with the opening of new Fidelidade branded agencies all over the country, and on creating closer ties with the brokers' channel, with good results in terms of commercial performance being achieved in both cases. At the same time, a range of initiatives have been implemented in the banking and postal networks to boost sales of Non-Life products, in an effort to take greater advantage of the sales potential of these two outlets.

III. People and Organisation

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

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

Following the working plan defined for People Management – People Development, Transformation of the Organisation, Change Management, Business Partnerships and Corporate Culture – Fidelidade has been implementing new models and new ways of working, some of which are highlighted below:

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

In addition, Fidelidade has continued to focus on rejuvenation and capturing new talent, and on developing essential business skills, for example, leadership training, commercial training and training in new products and new regulations in the sector.

- **Transformation of the Organisation** – Fidelidade has been adjusting its organisation, by reviewing and building organisational structures that better respond to the challenges of the business and that guarantee the introduction of new skills and ways of working. Besides this, Fidelidade has sought to implement workforce monitoring and planning processes, which are essential in ensuring that the Organisation has the right people for its structures and functions.

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

- **Corporate Culture** – as a means of developing the corporate culture, which promotes the company's cultural identity (Vision; Values), and the commitment and recognition of the People who contribute daily to Fidelidade's success, the recently created a modern and agile Intranet, which is now its main channel of internal communication.

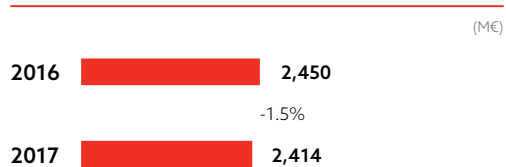
iii. Life Segment

Key activity indicators – Life Segment

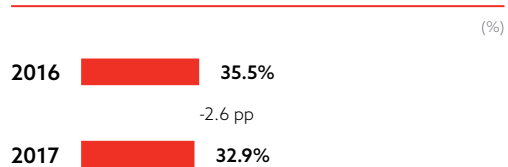
In 2017, Fidelidade saw a slight decrease in premiums in the Life segment, reflecting both the market conditions for financial products and the fact that the amount of premiums in 2016 was particularly high, representing a market share of over 35%.

Fidelidade continues to be the clear market leader, with a 32.9% share.

Premiums Written – Life



Life Market Share in Portugal



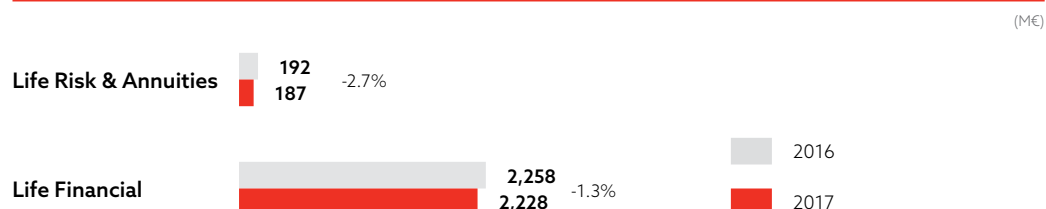
Evolution of the Life segment by line of business

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

Life Risk and Annuity products declined by 2.7% to EUR 187 million, as less new contracts linked to mortgages were initiated than were terminated during the year.

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

Life Segment Premiums – Fidelidade



Evolution of the Life segment by distribution channel

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

On the other hand, total premiums from traditional channels (agents, own stores and brokers) decreased by 19.1%.

Life Segment

(million Euros)

Distribution Channel	2017	2016	Change
Traditional	375	464	-19.1%
Bank and Postal	1,957	1,906	+2.7%
International	82	80	+2.3%
Fidelidade	2,414	2,450	-1.5%

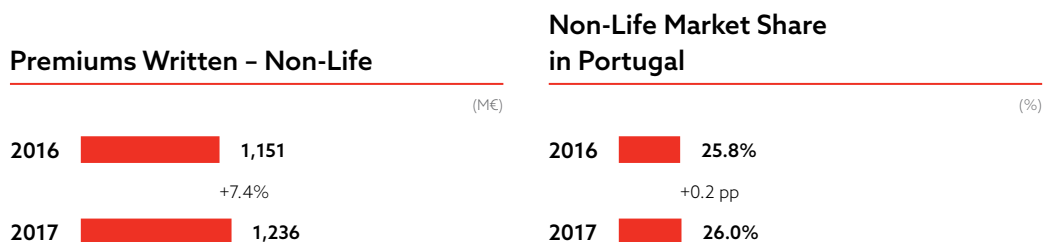
iv. Non-Life Segment

Key activity indicators - Non-Life Segment

Fidelidade's performance was clearly positive in the Non-Life segment, with the premiums written increasing 7.4% to EUR 1,236 million.

Fidelidade's commercial performance exceeded the positive trend of most of the market. In particular, in the Portuguese market, Fidelidade's premiums grew by 7.9% in comparison with an increase of 6.9% in the overall market. These results enabled Fidelidade to strengthen its leadership position, increasing its market share to 26.0%, which represents a 0.2 pp increase over 2016.

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



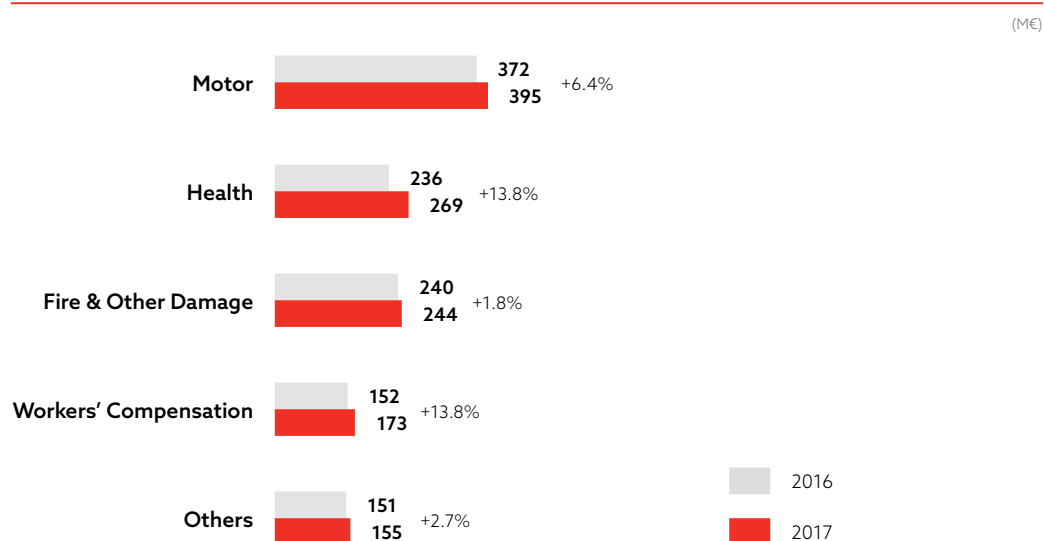
Evolution of the Non-Life segment by line of business

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

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

The Motor line of business continues to be 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 6.4% 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 do 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 2016 to 2017 in terms of product sales, with the performance of traditional channels being particularly positive (growth of 8.4%).

The traditional channels (agents, own stores and brokers) continued to represent the greatest share of product sales in the Non-Life segment, rising to around 90% of the total segment.

Non-Life Segment

(million Euros)

Distribution Channel	2017	2016	Change
Traditional	1,075	992	+8.4%
Bank and Postal	104	101	+2.7%
International	58	58	-1.0%
Fidelidade	1,236	1,151	+7.4%

v. International Activity

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

In 2017, the total direct insurance premiums of the Fidelidade was EUR 139.7 million, up 0.9% compared to the previous year. This evolution was mainly due to the performance of Life Financial products in the Spain branch, which made up for the fall in premiums in the same line of business in France, resulting from regulatory and fiscal uncertainty regarding these products. In addition, there was strong growth in Life and Non-Life premiums at the Mozambique branch, although the contribution of these to the overall international activity is still low.

The table below shows the evolution of premiums in the branches between 2016 and 2017:

International Activity - Direct Insurance Premiums

INTERNATIONAL ACTIVITY (Direct Insurance Premiums)	2017		2016	
	Value (M€)	Change (%)	Value (M€)	Change (%)
SPAIN				
Life (Insurance and Investment Contracts)	47.6	39.6%	34.1	20.7%
Non-Life	15.7	-14.3%	18.4	24.8%
Total	63.3	20.8%	52.5	22.1%
FRANCE				
Life (Insurance and Investment Contracts)	26.5	-24.5%	35.1	16.8%
Non-Life	39.1	1.6%	38.5	32.1%
Total	65.6	-10.9%	73.6	24.3%
LUXEMBOURG				
Life (Insurance and Investment Contracts)	0.2	-71.1%	0.5	-89.2%
Non-Life				
Total	0.2	-71.1%	0.5	-89.2%
MACAO				
Life (Insurance and Investment Contracts)	7.7	-26.7%	10.5	44.4%
Non-Life				
Total	7.7	-26.7%	10.5	-43.5%
MOZAMBIQUE				
Life (Insurance and Investment Contracts)	0.2	279.0%	0.0	378.8%
Non-Life	2.8	103.7%	1.4	421.9%
Total	3.0	109.1%	1.4	418.9%
INTERNATIONAL ACTIVITY - TOTAL				
Life (Insurance and Investment Contracts)	82.1	2.3%	80.2	13.7%
Non-Life	57.7	-1.0%	58.3	5.1%
Total	139.7	0.9%	138.5	9.9%

During 2017, an important initiative was launched to review Fidelidade's international governance model. Emphasis was placed on developing an agile corporate platform focused on supporting international operations that can take advantage of existing knowledge and experience within Fidelidade. This model naturally involves both technical and functional areas, and ensures greater proximity, but above all greater alignment between the activity in the branches and the strategy defined by Fidelidade.

c. Operational and Financial Performance

Key indicators of the operational and financial performance

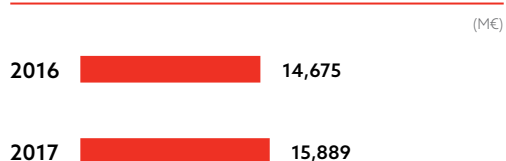
In 2017, Fidelidade reported solid profitability, with a net profit of EUR 187.8 million, which represented a significant increase when compared to 2016.

This result was mainly influenced by the efficient performance of investment management.

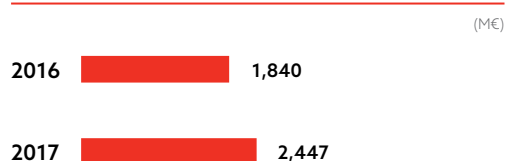
The combined ratio was 101.7% in 2017, 3.9 pp higher than in the previous year, mainly influenced by the increase in the claims ratio, due to the forest fires in Portugal in June and October.

Net assets also grew 8.3%, to EUR 15.9 billion, reflecting the increase in technical provisions and in shareholders' equity (which benefited from a marked increase in the investment portfolio).

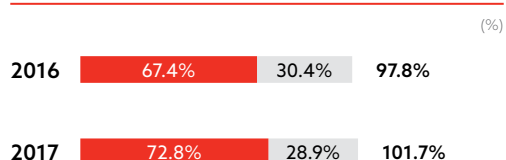
Net Assets



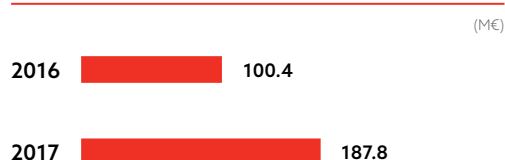
Shareholders' Equity



Detailed Combined Ratio *



Net Profits



Expense Ratio

Loss Ratio

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

i. Operational Performance

Operational performance declined in 2017, with the combined ratio increasing from 97.8% to 101.7% (+3.9 pp). As previously stated, this result was influenced by extraordinary claims, due in particular to forest fires in Portugal in June and October, which led to a 5.4 pp increase in the claims ratio, including costs allocated to the claims function, which reached 72.8% in 2017.

On the other hand, there was a 1.5 pp fall in the expense ratio, from 30.4% to 28.9% in 2017. This result reflects the increase in Fidelidade's operational efficiency and an effort to optimise and contain costs at a time when Non-Life premiums were increasing.

ii. Financial Performance

Fidelidade's consolidated Net Assets were EUR 15.9 billion in 2017, representing a rise of 8.3% compared to 2016.

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

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

Fidelidade's investment portfolio (including Cash and Bank Deposits) stood at EUR 15.0 billion.

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

Overall, investments performed well, resulting in investment income of EUR 496 million and a yield on investments of 3.5%.

d. Other

Pursuant to Article 66 B (7) of the Code of Commercial Companies ("CSC") Fidelidade is exempt from presenting the non-financial statement provided for in Article 66 B (1) of the CSC. The non-financial statement will be presented in the consolidated management report of the parent company Longrun, SGPS, S.A.

OUTLOOK

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a. Macroeconomic Development

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

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

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

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

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

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

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

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

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

b. Prospects for the Insurance Market in 2018

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

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

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

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

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

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

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 that 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 that warrants the greatest attention. The increase in the average life expectancy, combined with a decrease in the fertility rate, has led to an increasingly elderly population, 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.

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

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

2. New needs in the digital context

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

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

Main Impacts:

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

The Insurance Sector is facing a major 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.

3. Regulatory changes

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

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

Main Impacts:

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

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

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 controls, which are necessary for compliance with the new requirements imposed by the new Solvency II directive, which has been effective since 1 January 2016.

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

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

4. Uncertainty in the financial markets

The macroeconomic environment and political uncertainty which currently characterise the Euro area and the volatility in the world financial markets, despite a very good performance in 2007 are major sources of risk for the insurance sector.

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

Main Impacts:

- Yields offered on financial products are less attractive;
- Across-the-board reduction in margins and financial results of the sector;
- 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 models.

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 product development and investment and risk management policies, to minimise any negative impacts that may result from the current macroeconomic context.

d. Fidelidade's Future Positioning

In recent years, Fidelidade has pursued its strategy with highly positive 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 actions with the key pillars being a focus on innovation and improved service quality, strengthening of the multi-channel distribution, digitalisation of the business and enhancement of the organisation's capabilities. These options and the results that have already been achieved allow us to face future challenges with determination and confidence.

For Fidelidade, 2018 will be a year of evolution and transformation, supported by projects that seek to adapt the business to an increasingly digital and global economy. Initiatives to transform the business, which are critical for consolidating its position in Portugal, international expansion and strengthening of the capital position, will 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 that are an intrinsic part of the insurance business, but it intends to place emphasis on new services in a wider approach to the creation of a more global offer. Fidelidade has been increasing its emphasis on the concept of an ecosystem based on the development of partnerships with key entities in other business areas and with skills which are complementary to those of Fidelidade to create 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 clients and their needs, maintaining proximity to people that sometimes is only possible 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 that 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 success.

FIDELIDADE BRANCHES



[Redacted]

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Below we present a summary of the activity of the Fidelidade branches, key events in 2017, main indicators and next steps.

SPAIN

Total Premiums = 63.3M€

Number of Employees = 80

Fidelidade took its first step towards internationalisation in 1995, when it opened the Spain Branch. Over the last twenty or so years the branch has served not only the Portuguese community but also Spanish clients, with its products in the Life and Non-Life segments sold across various channels, and always with particular emphasis on the strategic bancassurance partnership with Banco Caixa Geral.

Total premiums written by Fidelidade Spain in 2017 of EUR 63.3 million represented an increase of 21% compared to the previous year, influenced by the positive results of the Life segment. Also in 2017, and due to the positioning and scale of the Spain Branch in a highly competitive market, a restructuring programme was launched with the main aim of ensuring the sustainability of the operation. Below is a summary of the main areas of activity launched in 2017, which will be implemented in 2018:

- Strategic refocusing on the bancassurance channel, on the bilateral business with Portugal and on the Chinese community resident in Spain;
- Restructuring of the Agents and Brokers channel;
- Redefinition of the risk acceptance criteria, seeking greater alignment with Head Office and with retention capacity;
- Organisational adjustment in line with the previous points.

FRANCE

Total Premiums = 65.6M€
Number of Employees = 56

Fidelidade's branch in France celebrated its 20th anniversary in 2017. Since it began its activity, it has been one of the largest international operations. With its diversified range of products in the Life and Non-Life segments and a solid distribution network through bancassurance and brokers, the branch has been the main insurer of the Portuguese community in France. In 2017, the total premiums of the France Branch reached EUR 65.6 million, with the growth of the Non-Life segment (+1.6% compared to 2016) of particular note.

In 2017 the brand was strengthened with the Portuguese community and their descendants, among both individuals and companies, and cooperation began with partners to enable Fidelidade France products to be distributed to the significant Chinese community, through agreements with exclusive agents and the bancassurance channel.

MACAO - LIFE BRANCH

Total Premiums = 7.7M€
Number of Employees = 5

Fidelidade has been carrying on the insurance business in the Macao Special Administrative Region of the People's Republic of China since 1999, operating in two market segments, Life and Pension Fund management. The branch's commercial strategy is mainly related to the partnership with Banco Nacional Ultramarino (BNU), a financial institution with 115 years of activity in Macao.

In 2017, the total premiums of the Life Branch in Macao reached EUR 7.7 million, representing a decrease of 26.7% compared to the previous year. The high level of competition in the sector affected the commercial performance in 2017.

For 2018 the partnership with BNU is expected to be strengthened, with a renewed strategy of boosting sales in this channel, and focusing on a broader range of financial, thereby consolidating the strategy defined and begun in previous years.

MOZAMBIQUE

Total Premiums = 3.0M€

Number of Employees = 37

Fidelidade's Life and Non-Life branches in Mozambique began their commercial activity in 2015. In 2017 the total premiums were EUR 3 million.

2017 was a year of 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 development of health insurance, launched in partnership with Multicare;
- Launch of Roadside Assistance and Legal Protection covers which are innovative in this market;
- Expansion of commercial partnerships (e.g. with Banco Terra).

In 2018, 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.

LUXEMBOURG

Total Premiums = 0.2M€

Number of Employees = 2

In 2017, the total premiums of the Luxembourg branch reached EUR 0.2 million, arising from the Life segment, and in particular from financial products.

Fidelidade has maintained its presence in Luxembourg, which is home to a significant community of Portuguese descendants.

COMPANY ORGANISATION AND GOVERNANCE

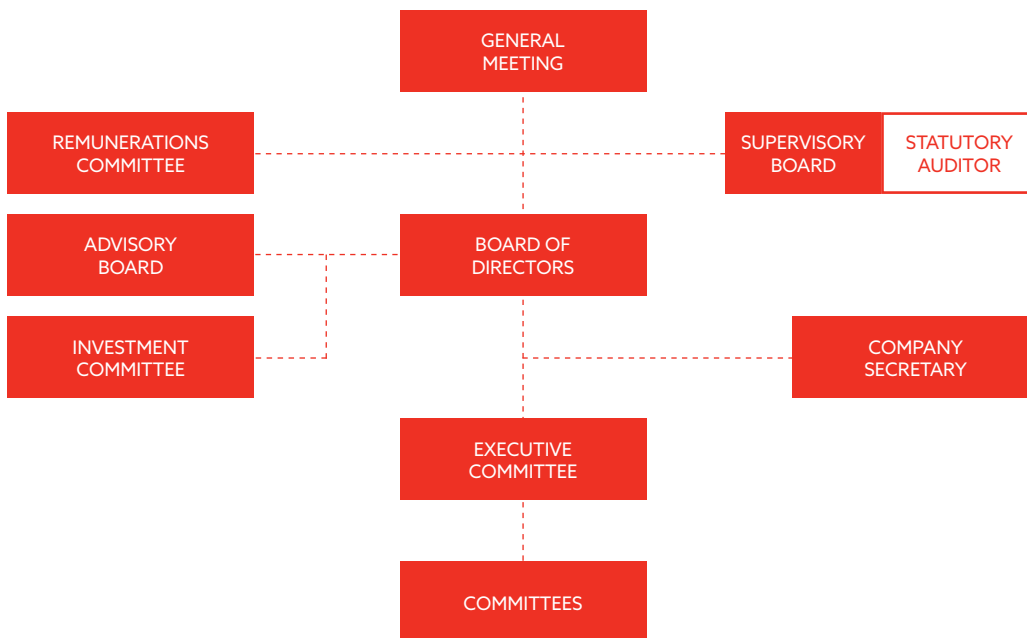


This chapter provides a brief summary of the Company's governance, which is addressed in more detail in the Corporate Governance Report.

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 that 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 that 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 (Chairman of the Executive Committee)

- Jorge Magalhães Correia holds a degree in Law from Universidade de Lisboa, where he also taught Law for 9 years
- He worked at the Ministry of Finance, as part of the management team of the General Inspectorate for Finance and was later a member of the team which founded the CMVM (the Portuguese Securities Market Commission)
- He has extensive experience in the insurance sector: he joined Fidelidade in 1994 and has held executive positions on the Boards of the different group companies since 1998
- He currently holds the positions of Vice-Chairman of the Board of Directors and Chairman of the Executive Committee
- He is also Vice-Chairman of APS (the Portuguese Insurers Association) and a member of the Geneva Association

ROGÉRIO CAMPOS HENRIQUES (IT and Operational Support)

- Rogério Henriques holds a degree in Economics from Universidade Católica Portuguesa and has an MBA from INSEAD
- Before joining Fidelidade in 2008, he was Chief Marketing Officer at PT Investimentos Internacionais and Africatel Holdings BV, Head of Business Development Director at PT SGPS and Senior Manager at the Boston Consulting Group
- Prior to his appointment as a member of the Executive Committee, he was Head of IT at Fidelidade Mundial/Império Bonança and a member of the Executive Committee of Multicare between 2008 and 2012. He is currently responsible for IT, People, Planning, Procurement and other support areas
- He is also Chairman of the Segurnet Technical Committee at APS

JOSÉ ALVAREZ QUINTERO (Underwriting, Marketing and Operations)

- José Alvarez Quintero holds a degree in Economics from Universidade de Santiago de Compostela
- He has over 30 years of experience in the insurance sector. Before joining Fidelidade in 1996, he held positions in key companies in the insurance sector, such as Catalana Occidente, Companhia Vitalicio Seguros and Seguros Universal Asistencia
- He is currently responsible for marketing and for all of the Company's technical areas
- He is also Chairman of the Motor and Accidents Technical Committee at APS

ANTÓNIO DE SOUSA NORONHA (Commercial Areas)

- António Noronha holds a degree in Business Organisation and Management from Universidade Livre de Lisboa and has a postgraduate qualification in Management from Universidade Nova de Lisboa
- He has over 20 years of experience in the insurance sector. Before joining the Executive Committee, he was Head of the Branch Networks at Mundial Confiança and later of the Branch Networks at Fidelidade Mundial
- Before joining Fidelidade, he held positions at companies such as Chase Manhattan Bank and PWC. He was a Board Member of the Grupo Totta/Valores Ibéricos Investment Fund and of the Totta Pensões Investment Fund
- He is currently responsible for all of Fidelidade's commercial areas

WILLIAM MAK
(Financial Areas and
Risk Management)

- William Mak holds a Masters in Professional Accounting from the Hong Kong Polytechnic University and is a Public Accountant certified by the Hong Kong Institute of Certified Public Accountants
- He has over 25 years of experience in finance, treasury, IT and operations in the banking and insurance sectors
- Before joining Fidelidade he held the position of IT Director at Sun Life Financial Ltd., Hong Kong, from 2001 to 2003, and was a consultant at New York Life International LLC, from 2003 to 2005, where he was responsible for project management in finance, reinsurance and actuarial. Between 2005 and 2014, he held the position of Director of Finance at Ping An Insurance (Group) Company of China, Ltd. and at Ping An Life Company Ltd.
- He joined Fidelidade in 2014 to take up the position of CFO and member of the Executive Committee. He is currently responsible for accounting and financial reporting, risk management and real estate investments

JUN LI
(Investment Areas)

- Jun Li holds a degree in Languages and Literature from the University of Tsinghua and has a Masters in Computer Science from Rutgers University
- Before joining Fidelidade in 2014, he was an investment portfolio manager at Fore Research & Management, LP; he was a senior analyst at Crédit Suisse and an investment manager at Fullgoal Fund Management
- He joined Fidelidade in 2014 to take up the position of Board Member and member of the Executive Committee. He is currently responsible for financial investments

ANDRÉ CARDOSO
(International
and Business
Development Areas)

- André Cardoso holds a degree in Industrial Engineering from Instituto Superior Técnico and has an MBA from INSEAD
- Before joining Fidelidade in 2014, he was Project Leader at the Boston Consulting Group
- Prior to his appointment as a member of the Executive Committee in 2017, he was Head of Business Development at Fidelidade
- He is currently responsible for the Fidelidade's International and Business Development Areas

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 applying the Remuneration Policy 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 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





i. Risk Management and Internal Control Systems

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

Accordingly, the Company implemented a global risk management system, in order to meet these requirements.

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

The risk management system is therefore an integral part of the Company's daily activities, enabling the Company to ensure that its strategic objectives (client interests, profitability, financial solidity and efficiency of processes) are attained.

Moreover, the own risk and solvency assessment (ORSA), which enables risk, capital and return to be related to each other in a prospective vision, within the context of the business strategy, plays a key role in monitoring both the Company's risk profile and the capital adequacy in terms of meeting the regulatory requirements and the internal capital needs.

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

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

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

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 preparing and updating of documentation relating to the business processes, their risks and control activities.

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

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report" for the 2017 year, it is significant that the Company continues to comply comfortably with the capital requirements. Based on preliminary quarterly data reported to the ASF and information currently available, 2017 ratios are expected to be higher than those of 2016.

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 using models that incorporate valuation techniques accepted in the market.

These derivatives are used to hedge Fidelidade's exposure to the currency fluctuation risk inherent in its activity.

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

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

Fidelidade began using hedge accounting in 2015.

SOCIAL RESPONSIBILITY





Over 200 years of experience in protecting families and companies provide the basis for the reputation of Fidelidade, which has repeatedly proven its dependability by being present when most needed.

For Fidelidade, 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 that may lead to major inequality.

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

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

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

In 2017, Fidelidade launched the Fidelidade Comunidade Award, which sets out the way the company structures its response to problems in society. With this Award, Fidelidade aims to build an operational model that is transparent and efficient, with pre-defined assessment criteria and that creates synergies with other areas, such as voluntary work, but also partnerships with important stakeholders for the Company.

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

The Fidelidade Comunidade Award has a global value of EUR 500,000 and is aimed at not-for-profit organisations legally set up, registered and operating in Portugal. It gives form to Fidelidade's commitment to sustainable development through supporting entities that respond directly to the needs of society. We are particularly dedicated to promoting the long-term sustainability of these entities in specific areas and creating synergies with Fidelidade and its partners. 2018 will see the second edition of the Fidelidade Comunidade Award.

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

**PROPOSAL FOR THE
APPLICATION OF INCOME**



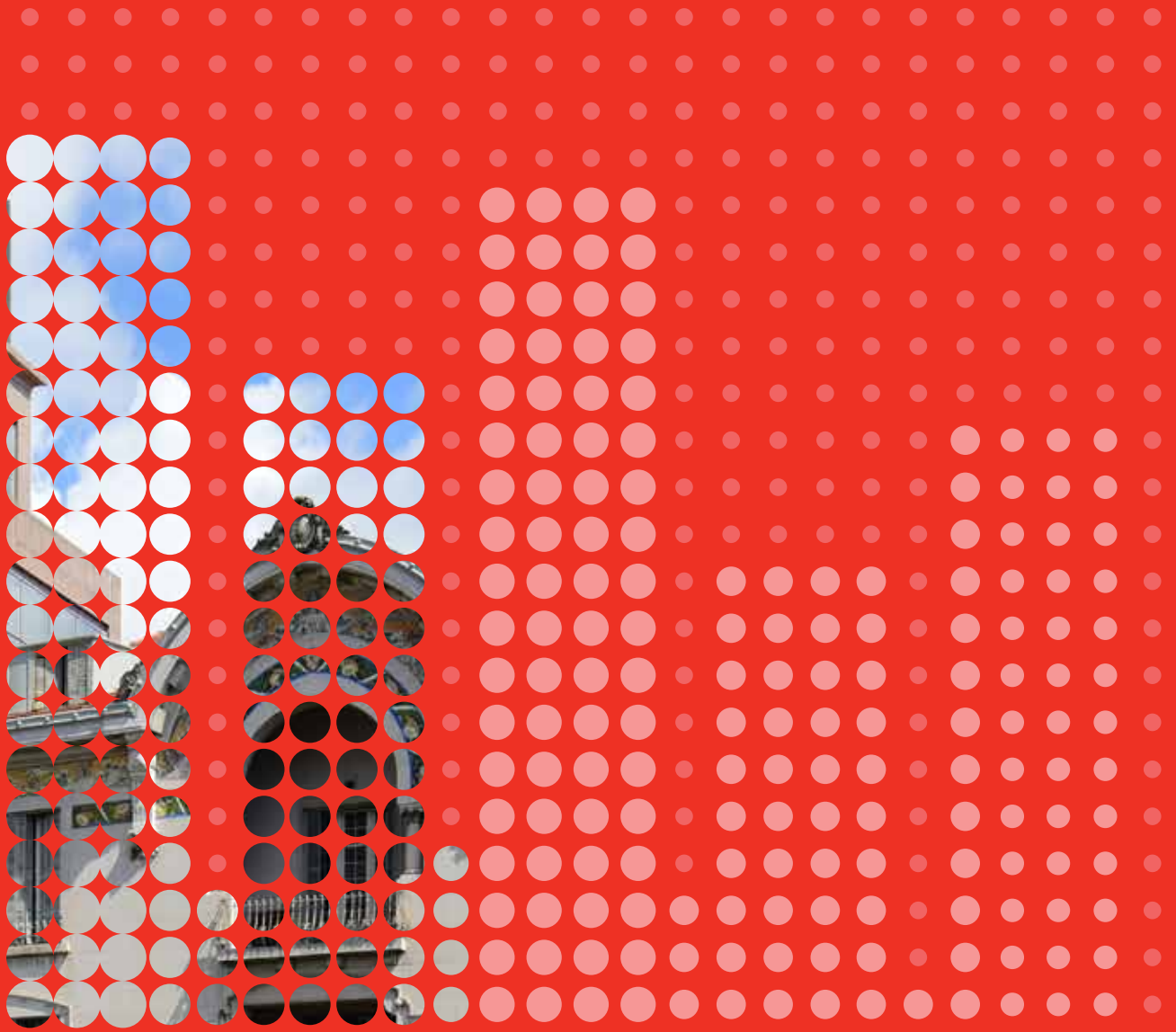
The individual net income for the 2017 financial year totalled € 187,789,357.30.

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

Legal Reserve	€ 25 001 921.54
Remaining amount at the disposal of the General Meeting	€ 162 787 435.76
	€ 187 789 357.30

FINAL REMARKS





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

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special supervision of the sector and timely intervention;
- The Portuguese Insurance Association, for its efforts in representing insurers in common fields of interest;
- The Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for their interest, availability and constant commitment to accompanying and checking the activity;
- The insurance distribution networks and the reinsurers, for the motivation, team spirit, openness and commitment they demonstrate in developing our business;
- The employees, 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

Jorge Manuel Baptista Magalhães Correia
Lan Kang
José Manuel Alvarez Quintero
Xiaodong Yu
Lingjiang Xu
José João Guilherme
Francisco Ravara Cary
João Eduardo de Noronha Gamito de Faria
António Manuel Marques de Sousa Noronha
Rogério Miguel Antunes Campos Henriques
Wai Lam William Mak
Jun Li
André Simões Cardoso
Tao Li

ANNEX TO THE MANAGEMENT REPORT REFERRED TO IN ARTICLE 448(4) OF THE CODE OF COMMERCIAL COMPANIES

On the date of closing of the 2017 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 at 31 december 2017 and 2016

(amounts in Euros)

ASSETS	Notes	2017			2016
		Gross amount	Impairment, depreciation / amortisation and adjustments	Net amount	
Cash and cash equivalents	3 and 10	199,378,975	-	199,378,975	628,163,717
Investments in subsidiaries, associates and joint ventures	4 and 10	1,964,534,956	-	1,964,534,956	1,834,664,020
Financial assets held for trading	5 and 10	67,050,687	-	67,050,687	25,868,220
Financial assets initially recognised at fair value through profit or loss	5 and 10	534,023,121	-	534,023,121	666,177,620
Hedge derivatives	6 and 10	14,922,592	-	14,922,592	4,670,856
Available-for-sale investments	7 and 10	10,691,961,590	-	10,691,961,590	9,077,164,684
Loans and accounts receivable	8 and 10	1,118,972,443	-	1,118,972,443	945,455,675
Deposits in ceding companies	8	672,542	-	672,542	1,455,310
Other deposits	8	1,085,958,568	-	1,085,958,568	910,064,689
Loans made	8	32,341,333	-	32,341,333	33,905,576
Other	8	-	-	-	30,100
Properties	9 and 10	218,051,958	(34,435,614)	183,616,344	384,727,676
Properties for own use	9	120,716,037	(34,435,614)	86,280,423	90,849,010
Investment properties	9	97,335,921	-	97,335,921	293,878,666
Other tangible assets	10 and 11	63,748,158	(54,356,481)	9,391,677	9,771,283
Inventories	11	169,132	-	169,132	159,770
Other intangible assets	12	63,361,472	(46,820,126)	16,541,346	15,141,758
Technical provisions on reinsurance ceded		324,915,982	-	324,915,982	240,584,538
Provision for unearned premiums	13	52,728,070	-	52,728,070	65,629,771
Mathematical provision for life insurance	13	11,119,820	-	11,119,820	10,921,720
Claims provision	13	261,067,020	-	261,067,020	164,033,047
Profit sharing provision	13	1,072	-	1,072	-
Assets for post-employment and long-term benefits	30	12,131,837	-	12,131,837	8,531,339
Other debtors for insurance and other operations		269,935,869	(33,959,094)	235,976,775	334,761,802
Accounts receivable for direct insurance operations	14	176,388,153	(14,183,374)	162,204,779	138,352,349
Accounts receivable for other reinsurance operations	14	55,616,480	(6,390,243)	49,226,237	20,506,160
Accounts receivable for other operations	14	37,931,236	(13,385,477)	24,545,759	175,903,293
Tax assets		250,893,330	-	250,893,330	477,882,783
Recoverable tax assets	15	10,928,637	-	10,928,637	74,012,230
Deferred tax assets	15	239,964,693	-	239,964,693	403,870,553
Accruals and deferrals	16	21,364,568	-	21,364,568	21,081,437
Non-current assets held for sale	17	243,194,741	-	243,194,741	-
TOTAL ASSETS		16,058,611,411	(169,571,315)	15,889,040,096	14,674,807,178

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

(amounts in Euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2017	2016
LIABILITIES			
Technical provisions		4,019,870,163	3,725,528,780
Provision for unearned premiums	18	248,176,082	248,914,375
Mathematical provision for life insurance	18	1,759,742,499	1,646,693,482
Claims provision		1,796,134,524	1,662,220,536
Life	18	132,387,593	120,970,140
Workers' compensation	18	823,718,810	792,128,013
Other	18	840,028,121	749,122,383
Provision for profit sharing	18	110,745,541	68,711,825
Provision for interest rate commitments	18	7,520,800	7,025,239
Provision for portfolio stabilisation	18	24,405,064	21,750,883
Equalisation provision	18	25,564,273	24,001,691
Provision for unexpired risks	18	47,581,380	46,210,749
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	19	8,583,639,740	8,293,190,335
Financial liabilities held for trading	6 and 20	19,813,818	33,170,490
Other financial liabilities		130,052,666	123,154,317
Hedge Derivatives	20	-	8,737,701
Deposits received from reinsurers	20	130,052,666	114,416,616
Liabilities for post-employment and other long-term benefits	31	83,416	72,273
Other creditors for insurance and other operations		166,879,052	212,503,444
Accounts payable for direct insurance operations	21	76,710,782	70,789,876
Accounts payable for other reinsurance operations	21	40,246,325	31,303,974
Accounts payable for other operations	21	49,921,945	110,409,594
Tax liabilities		257,990,260	235,585,095
Tax payable liabilities	15	30,641,450	31,304,943
Deferred tax liabilities	15	227,348,810	204,280,152
Accruals and deferrals	22	88,180,613	81,480,813
Other provisions	23	152,128,762	130,154,695
Liabilities from a group for disposal classified as held for sale	17	23,428,483	-
TOTAL LIABILITIES		13,442,066,973	12,834,840,242
SHAREHOLDERS' EQUITY			
Paid-in Capital	24	381,150,000	381,150,000
(Treasury shares)	24	(148,960)	(148,960)
Other Capital Instruments	24	521,530,514	521,530,514
Revaluation reserves	25	742,793,023	155,280,487
Adjustments in fair value of financial assets	25	685,234,986	80,728,167
Revaluation of properties for own use	25	29,832,023	25,727,507
Exchange differences	25	27,726,014	48,824,813
Deferred tax reserve	25	(187,059,036)	(11,689,711)
Other reserves	25	658,224,914	555,151,646
Retained earnings	25	142,693,311	138,272,457
Net income for the year	25	187,789,357	100,420,503
TOTAL SHAREHOLDERS' EQUITY		2,446,973,123	1,839,966,936
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,889,040,096	14,674,807,178

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

(amounts in Euros)

INCOME STATEMENT	Notes	2017				2016
		Technical - life	Technical - non-life	Non-technical	Total	
Earned premiums net of reinsurance		427,842,884	783,700,785	-	1,211,543,669	1,041,848,192
Gross premiums written	26	441,003,046	1,236,296,096	-	1,677,299,142	1,484,071,080
Reinsurance ceded premiums	26	(13,177,787)	(427,296,812)	-	(440,474,599)	(430,453,864)
Provision for unearned premiums (change)	18 and 26	24,859	(12,178,322)	-	(12,153,463)	(15,344,176)
Provision for unearned premiums, reinsurers' share (change)	13 and 26	(7,234)	(13,120,177)	-	(13,127,411)	3,575,152
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	27	1,943,122	-	-	1,943,122	2,551,811
Claims costs, net of reinsurance		(292,900,418)	(612,605,721)	-	(905,506,139)	(769,289,656)
Amounts paid		(282,185,787)	(581,851,784)	-	(864,037,571)	(807,351,474)
Gross amounts	28 and 29	(288,470,322)	(851,142,880)	-	(1,139,613,202)	(1,054,810,062)
Reinsurers' share	28	6,284,535	269,291,096	-	275,575,631	247,458,588
Claims Provision (change)		(10,714,631)	(30,753,937)	-	(41,468,568)	38,061,818
Gross amount	28	(11,439,077)	(121,596,816)	-	(133,035,893)	16,521,402
Reinsurers' share	28	724,446	90,842,879	-	91,567,325	21,540,416
Other technical provisions, net of reinsurance	28	(3,149,742)	(2,933,214)	-	(6,082,956)	13,109,155
Mathematical provision for life insurance, net of reinsurance		(82,643,051)	-	-	(82,643,051)	(3,058,924)
Gross amount	18 and 28	(82,839,677)	-	-	(82,839,677)	(1,709,556)
Reinsurers' share	28	196,626	-	-	196,626	(1,349,368)
Profit sharing, net of reinsurance	18 and 28	5,774,654	(205,279)	-	5,569,375	(9,659,597)
Operating costs and expenses, net		(78,966,583)	(226,135,181)	-	(305,101,764)	(307,095,644)
Acquisition expenses	29	(65,542,949)	(233,682,408)	-	(299,225,357)	(297,183,643)
Deferred cost acquisition (change)	18	74,358	12,891,756	-	12,966,114	3,318,291
Administrative expenses	29	(20,975,771)	(65,290,186)	-	(86,265,957)	(82,068,258)
Commissions and reinsurance profit sharing	29	7,477,779	59,945,657	-	67,423,436	68,837,966
Financial income		245,242,568	66,037,895	19,222,727	330,503,190	320,118,673
From interest on financial assets not recognised at fair value through profit or loss	32	218,791,357	41,564,817	4,063,582	264,419,756	274,637,130
Other	32	26,451,211	24,473,078	15,159,145	66,083,434	45,481,543
Financial expenses		(9,865,195)	(6,910,578)	(6,951,564)	(23,727,337)	(15,521,394)
Other	29 and 33	(9,865,195)	(6,910,578)	(6,951,564)	(23,727,337)	(15,521,394)
Net income on financial assets and liabilities not recognised at fair value through profit or loss		113,908,204	75,192,353	387,006	189,487,563	62,574,103
Available-for-sale investments	34	208,771,424	75,192,353	674,062	284,637,839	211,369,685
Loans and accounts receivable	34	(45,710)	-	(287,056)	(332,766)	(83,484)
Financial liabilities recognised at amortised cost	19 and 34	(94,817,510)	-	-	(94,817,510)	(148,712,098)
Other	34	-	-	-	-	-
Net income on financial assets and liabilities recognised at fair value through profit or loss		156,246,737	43,187,205	5,205,935	204,639,877	(73,392,247)
Net income on financial assets and liabilities held for trading	35	170,964,045	41,565,891	5,260,191	217,790,127	(68,959,500)
Net income on financial assets and liabilities initially recognised at fair value through profit or loss	35	(2,071,643)	6,919,376	(54,256)	4,793,477	218,948
Other	6 and 35	(12,645,665)	(5,298,062)	-	(17,943,727)	(4,651,695)
Exchange differences	36	(206,923,112)	(33,021,951)	(26,822,933)	(266,767,996)	39,406,487
Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations	37	-	18,228,336	(394,388)	17,833,948	11,652,003
Impairment losses (net of reversals)		(81,141,989)	(2,244,813)	(27,029,684)	(110,416,486)	(172,897,107)
Available-for-sale investments	38	(94,322,185)	(2,439,475)	(2,654,053)	(99,415,713)	(179,344,859)
Loans and accounts receivable at amortised cost	38	-	24,846	724,587	749,433	199,651
Other	38	13,180,196	169,816	(25,100,218)	(11,750,206)	6,248,101
Other technical income/expenses, net of reinsurance	39	600,349	4,088,377	-	4,688,726	1,500,611
Other income/expenses	40	-	-	(2,380,557)	(2,380,557)	(6,351,039)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	17	-	-	434,840	434,840	-
NET INCOME BEFORE TAX		195,968,428	106,378,214	(38,328,618)	264,018,024	135,495,427
Current income tax - current taxes	15	-	-	(62,239,254)	(62,239,254)	(80,455,445)
Current income tax - deferred taxes	15	-	-	(13,989,413)	(13,989,413)	45,380,521
NET INCOME FOR THE YEAR		195,968,428	106,378,214	(114,557,285)	187,789,357	100,420,503

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

(amounts in Euros)

	Paid-in capital and other capital instruments	Revaluation reserves	Deferred tax reserves	Legal reserve	Other reserves	
					Share premiums	Merger reserves
Balance at 31 December 2015	902,531,554	196,929,532	(40,993,314)	117,095,630	115,103,280	91,335,345
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	-	-	-	-	-	-
Balance at 31 December 2016	902,531,554	155,280,487	(11,689,711)	134,128,970	115,103,280	91,335,345
Appropriation of net income	-	-	-	9,842,748	-	-
Net gains through adjustments of fair value						
for available-for-sale investments	-	583,408,020	(174,907,054)	-	-	-
Revaluations of properties for own use	-	6,532,343	560,987	-	-	-
Disposals of properties for own use	-	(2,427,827)	-	-	-	-
Actuarial gains and losses	-	-	60,592	-	-	-
Others	-	-	(1,083,850)	-	-	-
Net income for the year	-	-	-	-	-	-
Balance at 31 December 2017	902,531,554	742,793,023	(187,059,036)	143,971,718	115,103,280	91,335,345

(continuation)

(amounts in Euros)

	Other reserves	Retained earnings	Net income for year	Total
Balance at 31 December 2015	72,224,293	108,609,257	207,862,217	1,770,697,794
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
Balance at 31 December 2016	214,584,051	138,272,457	100,420,503	1,839,966,936
Appropriation of net income	88,584,728	1,993,027	(100,420,503)	-
Net gains through adjustments of fair value for available-for-sale investments	-	-	-	408,500,966
Revaluations of properties for own use	-	-	-	7,093,330
Disposals of properties for own use	-	-	(2,427,827)	-
Actuarial gains and losses	4,645,792	-	-	4,706,384
Others	-	-	-	(1,083,850)
Net income for the year	-	-	187,789,357	187,789,357
Balance at 31 December 2017	307,814,571	142,693,311	187,789,357	2,446,973,123

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

(amounts in Euros)

	2017	2016
NET INCOME FOR THE YEAR	187,789,357	100,420,503
Items that may be reclassified subsequently to gains and losses		
Change in potential gains on financial investments		
Gross amount		
Appreciation	863,857,577	(20,685,037)
Impairment	23,331,705	144,274,843
Disposal	(223,253,882)	(153,780,750)
Life insurance contracts with profit sharing	(59,428,581)	(2,591,419)
Exchange differences		
Gross amount	(21,295,473)	(10,824,915)
Life insurance contracts with profit sharing	196,674	237,787
Deferred tax	(167,215,755)	12,975,204
Current tax - Life insurance contracts with profit sharing	(7,691,299)	929,126
Items that maybe not be reclassified subsequently to gains and losses		
Change in potential gains on properties for own use		
Gross amount	6,532,343	1,720,446
Deferred tax	560,987	4,404,738
Actuarial deviations		
Post-employment benefits	4,514,074	(8,777,702)
Health benefits	131,718	(2,162,605)
Current tax	124,014	2,246,747
Deferred tax	(63,422)	882,176
INCOME / (EXPENSES) DIRECTLY RECOGNISED IN SHAREHOLDERS' EQUITY	420,300,680	(31,151,361)
TOTAL INCOME AND EXPENSES RECOGNISED IN THE YEAR	608,090,037	69,269,142

Separate Statements of Cash Flows for the 2017 and 2016 Financial Years

(amounts in Euros)

	2017	2016
CASH FLOWS GENERATED BY OPERATING ACTIVITIES		
Operating cash flows prior to changes in assets and liabilities		
Premiums received, net of reinsurance	1,236,824,542	1,053,617,216
Claims paid, net of reinsurance	(747,116,370)	(732,310,200)
Commissions on insurance, investment and services contracts, net	(121,435,016)	(117,101,271)
Profit-sharing payments, net of reinsurance	(2,838,611)	(6,465,829)
Payments to suppliers	(112,911,235)	(98,121,647)
Payments to employees	(135,930,973)	(141,596,518)
Contributions to pension funds	(10,079,032)	(18,439,782)
Others	(17,682,451)	(23,186,816)
	88,830,854	(83,604,847)
(Increases) / decreases in operating assets		
Debtors - direct insurance and reinsurance operations	(44,677,827)	(31,621,950)
Debtors - other operations	151,489,618	(153,876,344)
Other assets	63,083,593	(73,901,174)
	169,895,384	(259,399,468)
(Increases) / decreases in operating liabilities		
Financial liabilities on investment contracts	217,189,367	72,231,425
Deposits received from reinsurers	13,157,449	5,993,216
Creditors - direct insurance and reinsurance operations	14,863,257	(1,070,948)
Creditors - other operations	(13,853,311)	45,731,936
Other liabilities	226,886	82,895,836
	231,583,648	205,781,465
Net cash from operating activities before tax	490,309,886	(137,222,850)
Payments of income tax	(115,888,186)	(130,085,873)
Net cash from operating activities	374,421,700	(267,308,723)
CASH FLOWS GENERATED BY INVESTING ACTIVITIES		
Receipts on the sale or redemption of		
Financial assets recognised at fair value through profit or loss	486,628,969	394,817,081
Available-for-sale investments	4,369,289,333	3,018,021,414
Loans and accounts receivable	3,884,491,228	6,822,818,898
Investment properties	2,068,737	2,532,719
Tangible and intangible assets	11,606,362	4,076,331
Net income from financial assets	561,098,391	168,189,828
Other receipts	434,840	-
	9,315,617,860	10,410,456,271
Payments on the acquisition or origination of		
Financial assets recognised at fair value through profit or loss	(378,955,228)	(151,186,880)
Available-for-sale investments	(5,257,627,001)	(3,465,602,325)
Loans and accounts receivable	(3,900,948,754)	(7,091,381,912)
Investment properties	(1,764,644)	(5,789,770)
Tangible and intangible assets	(12,366,919)	(5,445,290)
Others	(360,755,232)	(48,887,734)
	(9,912,417,778)	(10,768,293,911)
Business combinations		
Acquisition of subsidiaries, associates and joint ventures	(209,915,853)	(591,255,741)
Net cash from investing activities	(806,715,771)	(949,093,381)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Loans made	1,564,243	12,302,302
Interest received	1,945,086	1,387,230
Net cash from financing activities	3,509,329	13,689,532
Increase (decrease) net of cash and equivalents	(428,784,742)	(1,202,712,572)
Cash and equivalents at start of the year	628,163,717	1,830,876,289
Cash and equivalents at end of the year	199,378,975	628,163,717
	(428,784,742)	(1,202,712,572)

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’s corporate purpose is 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 87.5% and 86.9% of total non-life premiums written during 2017 and 2016, 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 2017 were approved by the Board of Directors on 26 February 2018. On the date of issue of the financial statements, these were pending approval by the General Meeting.

2. Accounting Policies

2.1. Basis of presentation

The financial statements at 31 December 2017 have been prepared in accordance with the accounting principles in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2016-R, of 15 September, of the Insurance and Pension Funds Supervisory Authority (ASF), and the remaining regulatory standards issued by 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 2017 Fidelidade adopted the IAS/IFRS and interpretations of mandatory application for the tax year beginning on 1 January 2017. 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 2017 are consistent with those used in the preparation of the financial statements for the years presented. The amounts in the financial statements are expressed in Euros. They were prepared using the historical cost principle, with the exception of assets and liabilities recognised at their fair value, namely investments relating to life contracts where the investment risk is borne by the policyholder, derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available-for-sale investments and real estate, both for own use and for income generation. The remaining assets, namely held-to-maturity investments and financial liabilities, and non-financial assets and liabilities, are recognised at amortised cost or historical cost.

The preparation of the financial statements requires the 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, associates and joint ventures 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 their book value. The identified impairment losses are recorded in the income statement, and are subsequently reversed, if there is a reduction in the estimated loss, in a subsequent period. The recoverable amount is determined as the assets' value in use or their fair value less selling costs, whichever is higher, and is calculated using valuation methodologies based on techniques of discounted cash-flows, considering market conditions, 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 sets up a provision when there is responsibility on the liabilities of that subsidiary, associate or 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, since it discounts the estimated future cash flows associated with the financial instrument, enables the current value of the financial instrument to be matched with its value at the date it is initially recognised.

iii) Loans and accounts receivable

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

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

iv) Available-for-sale investments

Available-for-sale investments include:

- Non-derivative financial instruments which the 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.

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 (the part attributable to the hedged risk). In order to enable the use of hedge accounting, in line with IAS 39, this ratio must fall within a range of 80% to 125%. Prospective effectiveness assessments are also performed, in order to estimate the future effectiveness of the hedge.

Fair value hedge derivatives are recognised at fair value, and the results are assessed daily and recognised in gains and expenses for the year. If the hedge is shown to be effective, through the determination of an effectiveness of between 80% and 125%, the 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 in 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’ assessments.

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

2.6. 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

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

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

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

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

2.10. 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 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 the Corporate Income Tax Code (CIT Code) and to Municipal Surcharge, the aggregate rate of which, in 2016 and 2017, 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.

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

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

The 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 from 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 2017, the deferred tax assets and liabilities recognised by the Company were determined pursuant to Law No. 7-A/2016, of 30 March.

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

2.13. 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 of the pension obligation and expected return from the pension fund, as well as the results of changes to actuarial assumptions, are recognised directly in shareholders' equity.

The cost in the year for retirement and survivors' pensions, which includes the cost of current services, the cost of past services, the cost of payments and the net interest on the defined benefit liability (asset), is reflected at net value in "Employee Costs". The healthcare cost for the year is recognised in "Other Provisions" (Note 23).

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

Defined contribution plan

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

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

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

Other long-term benefits

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

Short-term benefits

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

2.15. 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 the balance sheet close and the end of the period to which the premium refers. It is calculated, for each contract, using the pro rata temporis method on the respective gross premiums written.

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

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

d) Claims provision

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

Claims provision for workers' compensation

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

The mathematical provision for workers' compensation relates to:

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

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

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

The mathematical provision for presumed pensions for workers' compensation claims incurred in the tax year is based on an estimate of the number of claims for permanent disability (IPs) 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:

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

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

Claims provision for motor insurance

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

Claims provision for other types of insurance

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

Analysis of sufficiency of the claims provisions

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

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

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

e) Mathematical provision for life insurance

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

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

f) Profit-sharing provision

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

Provision for profit sharing to be allocated

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

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

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

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

- i) The balances of the net capital gains to be allocated to the insured persons which transited from the former "Fund for Future Appropriations" are used in the first place to cover the losses arising each year in the technical accounts of the respective life insurance products with a profit-sharing component, which were reflected as losses for the 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 accepted – atomic risk, in accordance with ASF standards.

j) Provision for unexpired risks

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

k) Technical provisions for reinsurance ceded

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

l) Liabilities to subscribers of Unit-linked products

Liabilities associated with investment contracts issued by the 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 included in the investment portfolio linked to each of the products, less the corresponding management costs, and are recognised in "Financial liabilities on insurance contracts and operations considered for accounting purposes as investment contracts".

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

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

m) Liabilities to subscribers of other investment contracts

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

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

For each date the financial statements are presented, the 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. Fees

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.

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 the 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 2017 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 2017. The relevant changes for Fidelidade were as follows:

Standards/Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IAS 12 - Income Taxes (Amendment)	19-01-2016	2017/1989	01-01-2017
IAS 7 - Statement of Cash Flows (Amendment)	29-01-2016	2017/1990	01-01-2017
IFRS 12 - Disclosure of Interests in Other Entities (Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2017

2.19.2. 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:

Standards/Interpretations	Date of issue	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 15 - Revenue from Contracts with Customers	28-05-2014	2016/1905	01-01-2018
IFRS 15 - Revenue from Contracts with Customers (Amendment)	11-09-2015	2016/1905	01-01-2018
IFRS 9 - Financial Instruments	24-07-2014	2016/2067	01-01-2018
IFRS 16 - Leases	13-01-2016	2017/1986	01-01-2019
IFRS 4 - Insurance Contracts (Applying IFRS 9 Financial Instruments with IFRS 4)	12-09-2016	2017/1988	01-01-2018
IAS 28 - Investments in Associates and Joint Ventures (Annual Improvements to IFRS Standards 2014-2016 Cycle)	08-12-2016	2018/182	01-01-2018

In order to ensure consistency in the insurance sector between the application of IFRS 9 - Financial instruments and the new Insurance Contracts standard (IFRS 17), the IASB issued an amendment to IFRS 4 with effects from 1 January 2018 which allows insurance companies to defer the application of IFRS 9 to periods after 1 January 2021, thereby aligning the effective date of IFRS 9 and IFRS 17.

Fidelidade's liabilities related with the insurance activity account for over 90 per cent of all of its liabilities, and the Company's activity is therefore deemed to be predominantly connected with insurance as defined in the terms of the amendment to IFRS 4. In this context and taking into consideration the information received from ASF, Fidelidade meets the requirements imposed by the said amendment and has chosen to defer the application of IFRS 9 to periods after 1 January 2021.

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 endorsed by the European Union up to the date these financial statements were approved:

Standards / Interpretations	Date of Issue	Applicable to accounting periods beginning on or after
IFRS 17 – Insurance Contracts	15-05-2017	01-01-2021
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	08-12-2016	01-01-2018
IFRIC 23 – Uncertainty over Income Tax Treatments	07-05-2017	01-01-2019
IFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendment)	20-06-2016	01-01-2018
IAS 40 – Transfers of Investment Property (Amendment)	08-12-2016	01-01-2018
IFRS 9 – Prepayment Features with Negative Compensation (Amendment)	12-10-2017	01-01-2019
IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendment)	12-10-2017	01-01-2019
IFRS 3 – Business Combinations. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IFRS 11 – Joint Arrangements. Previously held interests in joint operation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 12 – Income Tax consequences on dividends of equity instruments. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019
IAS 23 – Borrowing Costs eligible for capitalisation. (Annual Improvements to IFRS Standards 2015-2017 Cycle)	12-12-2017	01-01-2019

These standards have not been endorsed by the European Union and, as such, have not been applied by the Company for the year ended 31 December 2017.

3. Cash and Cash Equivalents

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

(amounts in Euros)

	2017	2016
Cash and cash equivalents		
Headquarters	3,225,985	1,645,803
Branch offices	2,147,573	1,273,314
	5,373,558	2,919,117
Sight deposits		
Domestic currency	174,512,715	479,105,180
Foreign currency	19,492,702	146,139,420
	194,005,417	625,244,600
	199,378,975	628,163,717

4. Investments in Subsidiaries, Associates and Joint Ventures

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

(amounts in Euros)

	2017			Balance sheet value
	Effective share %	Gross amount	Impairment (Note 38)	
Valued at acquisition cost				
Subsidiaries				
Via Directa – Companhia de Seguros, S.A.	100.00%	41,000,000	(1,199,880)	39,800,120
Fidelidade – Property Europe, S.A.	100.00%	771,104,925	-	771,104,925
Fidelidade – Property International, S.A.	100.00%	423,664,012	-	423,664,012
Companhia Portuguesa de Resseguros, S.A.	100.00%	14,315,928	(3,215,928)	11,100,000
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%	476,517,395	-	476,517,395
FCM Beteiligungs GmbH	51.00%	14,093,818	(86)	14,093,732
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	(345,074)	5,915,110
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
Fidelidade Angola – Companhia de 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	(108)	227
FID Loans 1 (Ireland) Limited	100.00%	190,000,000	-	190,000,000
FID Loans 2 (Ireland) Limited	100.00%	1	-	1
		1,968,680,276	(4,761,411)	1,963,918,865
Associates				
Audatex Portugal – Peritagens Informatizadas				
Derivadas de Acidentes, S.A.	33.67%	616,091	-	616,091
Highgrove – Investimentos e Participações SGPS, S.A.	25.00%	2,568,693	(2,568,693)	-
		3,184,784	(2,568,693)	616,091
		1,971,865,060	(7,330,104)	1,964,534,956

(amounts in Euros)

	2016			
	Effective share %	Gross amount	Impairment (Note 38)	Balance sheet value
Valued at acquisition cost				
Subsidiaries				
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 International, 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
Fidelidade Angola – Companhia de 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)	-
		1,857,718,881	(23,670,952)	1,834,047,929
Associates				
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)	-
		3,143,034	(2,526,943)	616,091
		1,860,861,915	(26,197,895)	1,834,664,020

The following changes occurred during 2017:

In 2017 the Company acquired shares in Luz Saúde, S.A., increasing its shareholding from 98.7877% at 31 December 2016 to 98.7881% at the end of the year, and totalling EUR 541.

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

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

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

On 13 June 2017 the company FID Loans 2 (Ireland) Limited was set up, with share capital of 1 Euro, with the Company holding 100% of its shares.

The financial data of the subsidiaries and associates at 31 December 2017 and 2016 was as follows:

(amounts in Euros)

Operating sector / entity	2017					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Via Directa - Companhia de Seguros, S.A.	100.00%	69,883,287	44,699,127	25,184,160	630,609	45,724,033
Companhia Portuguesa de Resseguros, S.A.	100.00%	33,973,281	22,043,180	11,930,101	444,652	1,231,960
Fidelidade Angola - Companhia de Seguros, S.A. (b)	68.70%	197,287,953	184,175,510	13,112,443	2,120,405	56,176,390
Garantia - Companhia de Seguros de Cabo Verde, S.A. (c)	55.89%	26,339,506	15,756,946	10,582,560	1,105,911	10,184,963
Fidelidade Macau - Companhia de Seguros, S.A. (d)	99.99%	75,507,159	55,095,432	20,411,727	1,608,097	9,915,228
Property						
Fidelidade - Property Europe, S.A.	100.00%	835,534,189	67,247,384	768,286,805	(33,194,737)	32,215,227
Fidelidade - Property International, S.A.	100.00%	493,115,610	21,311,835	471,803,775	95,943,971	131,348,853
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	98.85%	157,218,112	22,755,631	134,462,481	15,281,046	19,898,791
Fundo de Investimento Imobiliário Fechado Bonança I (e)	100.00%	12,435,567	85,802	12,349,765	965,531	1,420,442
Healthcare						
Luz Saúde, S.A. (previously Espírito Santo Saúde SGPS)	98.79%	660,178,348	424,999,730	235,178,618	16,994,860	483,895,179
Other sectors						
Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. (f)	33.67%	4,912,866	1,497,509	3,415,357	699,506	4,647,330
Cetra - Centro Técnico de Reparação Automóvel, S.A.	100.00%	6,161,813	1,066,684	5,095,129	222,736	7,218,276
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	100.00%	1,519,906	1,262,549	257,357	72,453	2,929,556
GEP - Gestão de Peritagens Automóveis, S.A.	100.00%	3,538,968	3,107,663	431,305	93,420	22,462,636
Highgrove - Investimentos e Participações. SGPS, S.A.	25.00%	280,258	492,181	(211,923)	(84,444)	1,515
FCM Beteiligungs GmbH	51.00%	17,299,917	346,309	16,953,608	(91,928)	376,940
FID I (HK) LIMITED (g)	100.00%	-	-	-	-	-
FID III (HK) LIMITED (g)	100.00%	844	12,863	(12,019)	(3,850)	-
Fidelidade - Consultoria e Gestão de Risco, Lda. (h)	80.00%	2,269	4,585	(2,316)	(1,330)	113
Fidelidade - Assistência e Serviços, Lda. (h)	80.00%	9,344	7,086	2,258	2,513	121,080
FID Loans 1 (Ireland) Limited	100.00%	319,415,380	129,295,749	190,119,631	119,631	2,701,985
FID Loans 2 (Ireland) Limited	100.00%	1	-	1	-	-

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

(b) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 185.400 AOA for balance sheet headings and an average monthly exchange rate of 1 EUR/ 184.86617 AOA for the profit and loss headings.

(c) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 110.265 CVE for balance sheet headings and profit and loss headings.

(d) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.6532 MOP for balance sheet headings and an average monthly exchange rate of 1 EUR/ 9.0653 MOP for the profit and loss headings.

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

(f) Values at March 2017 (accounting period June 2016 to March 2017).

(g) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9.3720 HKD for balance sheet headings and an average monthly exchange rate of 1 EUR/ 8.8045 HKD for the profit and loss headings.

(h) Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 70.5700 MZN for balance sheet headings and an average monthly exchange rate of 1 EUR/ 71.51167 MZN for the profit and loss headings.

(amounts in Euros)

Operating sector / entity	2016					
	Effective share %	Assets	Liabilities	Shareholders' equity (a)	Net income	Total revenue
Insurance						
Via Directa - Companhia de Seguros, S.A.	100.00%	72,872,039	51,492,895	21,379,144	(3,792,950)	40,714,618
Companhia Portuguesa de Resseguros, S.A.	100.00%	15,715,603	4,927,959	10,787,644	350,067	1,034,224
Fidelidade Angola - Companhia de Seguros, S.A. (b)	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
Property						
Fidelidade - Property Europe, S.A.	100.00%	797,290,100	15,687,570	781,602,530	(2,958,151)	28,673,625
Fidelidade - Property International, S.A.	100.00%	484,299,611	9,527,099	474,772,512	(40,025,590)	40,174,103
Fundo de Investimento Imobiliário Fechado Saudeinvest (e)	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
Healthcare						
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
Other sectors						
Audatex Portugal - Peritagens Informatizadas 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.

The financial data at 31 December 2017 was taken from the provisional financial statements, which are subject to alterations before they are approved by the General Meeting of Shareholders. However, no material changes to the Company's financial statements are expected.

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.

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

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

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

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.º 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, nº 24 – 3º, was set up in 1994 with the corporate purpose of operating a computerised system for the direct and indirect calculation of damage resulting from accidents. The company may also provide complementary support services to the aforementioned system, namely to insurance companies, loss adjusters, repair workshops or other interested parties.

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

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

GEP – Gestão de Peritagens Automóveis, S.A., with its head office in Lisbon, at Avenida 5 de Outubro 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, nº 380, Mozelos, was set up on 21 September 1999 with the corporate purpose of managing shares in other companies, as an indirect means of exercising economic activities. The participation in this company arose following a partnership with the Chamartin Group to rebuild the gated community 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° 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.

FID Loans 1 (Ireland) Limited and **FID Loans 2 (Ireland) Limited** are special purpose vehicles, with their head office at 1st Floor, 118 Lower Baggot Street, Dublin 2, Ireland, and were set up on 13 June 2017.

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

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

(amounts in Euros)

	2017			2016		
	Held for trading (Note 6)	At fair value through profit or loss	Total	Held for trading (Note 6)	At fair value through profit or loss	Total
Investments related to Unit-linked contracts	11,752	124,182,665	124,194,417	-	431,342,214	431,342,214
Other investments						
Debt instruments						
Other entities						
Bonds and other securities						
Domestic issuers	-	22,991,400	22,991,400	-	1,365,213	1,365,213
Foreign issuers	-	386,783,586	386,783,586	-	233,470,193	233,470,193
	-	409,774,986	409,774,986	-	234,835,406	234,835,406
Other financial instruments						
Participation units						
Domestic issuers	-	65,470	65,470	-	-	-
	-	65,470	65,470	-	-	-
Derivatives instruments with positive fair value						
Interest rate swaps	4,794	-	4,794	-	-	-
Exchange rate futures	57,911,533	-	57,911,533	9,140,004	-	9,140,004
Exchange rate forwards	9,122,608	-	9,122,608	16,728,216	-	16,728,216
	67,038,935	-	67,038,935	25,868,220	-	25,868,220
	67,050,687	534,023,121	601,073,808	25,868,220	666,177,620	692,045,840

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 2017 and 2016, the heading "Financial assets initially recognised at fair value through profit or loss" includes fixed-income securities with embedded derivatives of EUR 409,774,986 and EUR 234,835,406, respectively. These securities are recognised at their fair value, which is assessed on the basis of the prices indicated by the respective issuing bodies for the whole amount of the instrument, in line with the market conditions in operation at the reference date of the financial statements.

In 2017 and 2016, the Company recognised net gains with the valuation of these investments of EUR 12,113,384 and EUR 14,784,742, respectively.

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

(amounts in Euros)

	2017	2016
Financial assets initially recognised		
at fair value through profit or loss		
Debt instruments		
Group companies	102,855	49,920,465
Public debt		
Domestic issuers	89,467,752	340,390,253
Foreign issuers	8,443,100	12,646,763
Other issuers		
Domestic issuers	309,615	895,071
Foreign issuers	7,694,157	10,255,555
Equity instruments		
Domestic issuers	11,139,207	12,029,626
Foreign issuers	7,564,290	7,177,090
Accounts receivable	189	(31)
Transactions to be settled	(538,500)	(1,972,578)
	124,182,665	431,342,214
Financial assets held for trading		
Derivative instruments	11,752	-
Other assets		
Current deposits	42,440,826	41,786,452
Term deposits	9,040,139	39,851,839
	51,480,965	81,638,291
Total (Note 19)	175,675,382	512,980,505

The total of investment allocated to Unit-linked contracts reveals, at 31 December 2017 and 2016, a difference of EUR 82,015 and EUR 3,312 in relation to the total financial liabilities recognised at fair value (Note 19), which corresponds to the negative fair value of the swaps recognised in "Financial liabilities held for trading" (Note 20) and that are allocated to Unit-linked contracts.

6. Derivatives

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 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 2017 and 2016, 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)

	2017						
	Notional Amount			Book Value			
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives Assets (Note 5)	Liabilities (Note 20)	Hedge Derivatives Assets	Total
Fair value hedge							
Interest rate swaps	40,668,155	-	40,668,155	16,546	(5,654,647)	-	(5,638,101)
Exchange rate futures	3,340,750,000	940,500,000	4,281,250,000	57,911,533	(5,249,941)	14,922,592	67,584,184
Exchange rate forwards	181,510,271	-	181,510,271	9,122,607	(8,909,230)	-	213,377
	3,562,928,426	940,500,000	4,503,428,426	67,050,686	(19,813,818)	14,922,592	62,159,460

(amounts in Euros)

	2016							
	Notional Amount			Book Value				
	Trading Derivatives	Hedge Derivatives	Total	Trading Derivatives Assets (Note 5)	Liabilities (Note 20)	Hedge Derivatives Assets	Liabilities (Note 20)	Total
Fair value hedge								
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
	2,434,999,746	1,037,716,558	3,472,716,304	25,868,220	(33,170,490)	4,670,856	(8,737,701)	(11,369,115)

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 20).

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 and EUR/AUD risks, the instruments contracted are over-the-counter forwards.

The distribution of Fidelidade's derivative financial instrument operations at 31 December 2017 and 2016, by period to maturity, was as follows:

(amounts in Euros)

	2017				Total
	Up to 3 months	From 3 months to 6 months	Between 1 and 5 years	More than 5 years	
Fair value hedge					
Interest rate swaps	-	-	40,000,000	668,155	40,668,155
Exchange rate futures	2,359,125,000	1,922,125,000	-	-	4,281,250,000
Exchange rate forwards	48,125,386	133,384,885	-	-	181,510,271
	2,407,250,386	2,055,509,885	40,000,000	668,155	4,503,428,426

(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	
Fair value hedge						
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
	2,376,863,140	71,554,940	983,630,069	40,000,000	668,155	3,472,716,304

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

(amounts in Euros)

	2017		2016	
	Notional Amount	Book Value	Notional Amount	Book Value
Swaps				
Interest rate swaps				
Financial institutions				
Caixa Geral Depósitos Group	40,668,155	(5,638,101)	40,668,155	(7,164,395)
Futures				
Exchange rate futures				
On a stock exchange				
Chicago	4,281,250,000	67,584,184	2,962,125,000	(4,518,818)
Exchange rate forwards				
Financial institutions	181,510,271	213,377	469,923,149	314,098
	4,503,428,426	62,159,460	3,472,716,304	(11,369,115)

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

(amounts in Euros)

	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Derivatives	129,641,807	(13,270,447)	116,371,360	336,597,725	(372,707,569)	(36,109,844)
Hedged assets	1,702,775	(136,017,862)	(134,315,087)	157,776,330	(126,318,181)	31,458,149
	131,344,582	(149,288,309)	(17,943,727)	494,374,055	(499,025,750)	(4,651,695)

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 it is 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 2017 and 2016, the Company had the following traded derivatives in its portfolio within the scope of the trustee contract:

(amounts in Euros)

	2017		2016	
	Notional Amount	Book Value	Notional Amount	Book Value
Exchange rate futures	578,750,000	3,708,960	511,625,000	16,728,216
Exchange forwards	161,602,465	8,645,587	456,581,591	1,369,636
	740,352,465	12,354,547	968,206,591	18,097,852

Due to the contract entered into, Fidelidade passed the following results to its subsidiaries:

(amounts in Euros)

	2017		2016	
	Profit or losses	Commissions	Profit or losses	Commissions
Exchange rate futures	29,270,402	(124,984)	21,311,174	(56,115)
Exchange forwards	14,975,135	-	14,441,565	-
	44,245,537	(124,984)	35,752,739	(56,115)

7. Available-for-Sale Investments

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

(amounts in Euros)

	2017					Balance Sheet Value
	Amount before impairment	Accumulated impairment (Note 38)	Net amount	Exchange differences	Fair value reserve (Note 25)	
Debt instruments						
Public debt						
Domestic issuers	3,518,775,549	-	3,518,775,549	(1,096,495)	276,733,100	3,794,412,154
Foreign issuers	1,779,829,204	-	1,779,829,204	(8,471,665)	19,725,965	1,791,083,504
Other public issuers						
Foreign issuers	3,170,935	-	3,170,935	-	246,679	3,417,614
International financial organisations	126,854	-	126,854	-	64,935	191,789
Other issuers						
Domestic issuers	208,599,496	(49,979,822)	158,619,674	-	3,356,570	161,976,244
Foreign issuers	3,238,792,252	(84,412,309)	3,154,379,943	(178,049,987)	31,594,091	3,007,924,047
Group companies	374,780,269	-	374,780,269	-	(1,709,110)	373,071,159
	9,124,074,559	(134,392,131)	8,989,682,428	(187,618,147)	330,012,230	9,132,076,511
Equity instruments						
Recognised at fair value						
Domestic issuers	107,099,688	(11,683,229)	95,416,459	-	276,121	95,692,580
Foreign issuers	1,082,481,123	(257,703,164)	824,777,959	(24,695,762)	328,411,270	1,128,493,467
	1,189,580,811	(269,386,393)	920,194,418	(24,695,762)	328,687,391	1,224,186,047
Other instruments						
Participation bonds						
Residents	27,434	-	27,434	-	(5,611)	21,823
Investment units						
Residents	272,432,669	(36,042,504)	236,390,165	-	89,647,747	326,037,912
Non-residents	10,417,597	(4,612,771)	5,804,826	(67)	3,955,318	9,760,077
Others	(120,780)	-	(120,780)	-	-	(120,780)
	282,756,920	(40,655,275)	242,101,645	(67)	93,597,454	335,699,032
	10,596,412,290	(444,433,799)	10,151,978,491	(212,313,976)	752,297,075	10,691,961,590

(amounts in Euros)

	2016					
	Amount before impairment	Accumulated impairment (Note 38)	Net amount	Exchange differences	Fair value reserve (Note 25)	Balance Sheet Value
Debt instruments						
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
	7,594,050,316	(154,065,703)	7,439,984,613	53,388,584	(54,625,474)	7,438,747,723
Equity instruments						
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
	1,370,297,894	(274,932,738)	1,095,365,156	111,193,251	67,009,201	1,273,567,608
Other instruments						
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
Others	(66,587)	-	(66,587)	-	-	(66,587)
	338,950,433	(50,079,033)	288,871,400	5	75,977,948	364,849,353
	9,303,298,643	(479,077,474)	8,824,221,169	164,581,840	88,361,675	9,077,164,684

8. Loans and Accounts Receivable

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

(amounts in Euros)

	2017			2016		
	Gross amount	Impairment Loss (Note 38)	Net amount	Gross amount	Impairment Loss (Note 38)	Net amount
Deposits in ceding companies	672,542	-	672,542	1,455,310	-	1,455,310
Other deposits						
Term deposits	1,022,799,889	-	1,022,799,889	836,996,968	-	836,996,968
Margin accounts	63,158,679	-	63,158,679	73,067,721	-	73,067,721
	1,085,958,568	-	1,085,958,568	910,064,689	-	910,064,689
Loans made						
Mortgage loans	21,720,685	-	21,720,685	21,851,904	(29,803)	21,822,101
Loans over policies	1,592,222	(10,597)	1,581,625	1,328,653	(10,597)	1,318,056
Others	9,409,228	(370,205)	9,039,023	11,855,254	(1,089,835)	10,765,419
	32,722,135	(380,802)	32,341,333	35,035,811	(1,130,235)	33,905,576
Others	-	-	-	30,100	-	30,100
	1,119,353,245	(380,802)	1,118,972,443	946,585,910	(1,130,235)	945,455,675

9. Properties

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

(amounts in Euros)

	Properties for own use	Investment Properties	Total
Balances at 31 December 2015			
Gross amount	131,527,588	278,969,612	410,497,200
Accumulated depreciation and impairment	(33,729,943)	-	(33,729,943)
	97,797,645	278,969,612	376,767,257
Additions			
Subsequent expenditure	-	1,398,913	1,398,913
Revaluations			
As a credit to the income statement (Note 37)	-	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 38)	(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)
	90,849,010	293,878,666	384,727,676
Additions			
Subsequent expenditure	-	1,656,942	1,656,942
Revaluations			
As a credit to the income statement (Note 37)	-	13,547,725	13,547,725
As a credit to shareholders' equity	3,996,814	107,702	4,104,517
Additions/reversals of impairment in the year (Note 38)	697,719	-	697,719
Depreciation for the year	(1,970,835)	-	(1,970,835)
Transfers to non-current assets held for sale	(1,889,500)	(212,183,101)	(214,072,601)
Transfers	(411,962)	411,962	-
Disposals and write-offs (net)	(4,990,824)	(83,977)	(5,074,801)
Balances at 31 December 2017			
Gross amount	120,716,037	97,335,920	218,051,957
Accumulated depreciation and impairment	(34,435,614)	-	(34,435,614)
	86,280,423	97,335,920	183,616,343

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

The valuation techniques which are normally used are:

- a) Market method: consists of valuing the property by comparison, based on transactions and/or real purchase offers for land and buildings which have identical physical and functional characteristics, and which are located in the same area of the real estate market;
- b) Cost method: consists of determining the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of conservation and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the property in its current state, subtracting from that value, after conclusion of works, all the associated costs and margins which have not yet been made;
- c) Income method: consists of calculating the value of the property based on the ratio between the annual effective rent and an appropriate capitalisation rate.

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

Properties for own use

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

At 31 December 2017 and 2016, the fair value reserves associated with properties for own use were EUR 29,832,023 and EUR 25,727,507, respectively (Note 25).

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

(amounts in Euros)

	2017	2016
2017	65,342,988	-
2016	20,937,435	23,751,452
2015	-	67,097,558
	86,280,423	90,849,010

10. Allocation of Investments and Other Assets

At 31 December 2017 and 2016, the allocation of investments and other assets, using a prudential perspective, for insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts, may be summarised as follows:

(amounts in Euros)

	2017					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	15,187,550	1,459,203	61,009,337	(4,858,312)	126,581,197	199,378,975
Investments in subsidiaries, associates and joint ventures	-	88,305,834	1,624,908,164	200,328,353	50,992,605	1,964,534,956
Financial assets held for trading	5,977,151	1,040,133	30,053,154	9,676,131	20,304,118	67,050,687
Financial assets initially recognised						
at fair value through profit or loss	83,168,405	1,290,547	283,129,377	146,951,617	19,483,175	534,023,121
Hedge Derivatives	251,956	83,774	10,332,662	4,254,200	-	14,922,592
Available-for-sale investments	1,398,842,619	199,426,144	7,469,611,136	1,609,856,995	14,224,696	10,691,961,590
Loans and accounts receivable	411,299,802	9,644,618	410,059,605	36,618,665	251,349,753	1,118,972,443
Properties	-	-	-	159,456,789	24,159,555	183,616,344
Other tangible assets	-	-	-	-	9,391,677	9,391,677
	1,914,727,483	301,250,253	9,889,103,435	2,162,284,438	516,486,776	14,783,852,385

(amounts in Euros)

	2016					
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	Total
Cash and cash equivalents	155,597,476	29,889,541	196,222,828	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
	1,846,233,438	246,880,700	8,830,166,399	2,202,321,655	451,061,559	13,576,663,751

11. Other Tangible Assets and Inventories

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

(amounts in Euros)

	2017						2016		
	Opening balances			Transfers and adjustments	Depreciation for the year	Disposals and write-offs (net)	Closing balances		
Gross amount	Accumulated depreciation and impairment	Additions	Gross amount				Accumulated depreciation and impairment	Net amount	
Equipment									
Administrative	18,068,441	(18,009,400)	513,070	-	(412,687)	-	18,018,771	(17,859,347)	159,424
Machinery and tools	6,750,877	(6,081,784)	238,086	-	(232,379)	(2,752)	6,232,307	(5,560,259)	672,048
IT equipment	9,406,708	(7,739,777)	569,274	173,332	(1,111,144)	-	10,006,706	(8,708,313)	1,298,393
Interior installations	21,560,253	(18,031,170)	1,283,032	204,338	(919,727)	-	23,047,623	(18,950,897)	4,096,726
Transport material	338,945	(161,538)	-	-	(84,116)	-	338,945	(245,654)	93,291
Hospital equipment	6,542	(6,542)	9,422	-	(2,148)	-	15,964	(8,690)	7,274
Other equipment	4,543,723	(2,950,033)	57,567	-	(357,427)	(240,938)	4,042,939	(2,990,047)	1,052,892
Artistic assets	1,926,254	-	7,501	-	-	-	1,933,755	-	1,933,755
Leased equipment	114,043	(114,042)	-	-	-	-	33,275	(33,274)	1
Other assets	149,783	-	305,760	(377,670)	-	-	77,873	-	77,873
	62,865,569	(53,094,286)	2,983,712	-	(3,119,628)	(243,690)	63,748,158	(54,356,481)	9,391,677
Inventories	159,770	-	9,362	-	-	-	169,132	-	169,132
	63,025,339	(53,094,286)	2,993,074	-	(3,119,628)	(243,690)	63,917,290	(54,356,481)	9,560,809

(amounts in Euros)

	2016								
	Opening balances			Transfers and adjustments	Depreciation for the year	Disposals and write-offs (net)	Closing balances		
	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
	69,863,205	(60,176,882)	4,113,958	-	(3,967,207)	(61,791)	62,865,569	(53,094,286)	9,771,283
Inventories	117,107	-	42,663	-	-	-	159,770	-	159,770
	69,980,312	(60,176,882)	4,156,621	-	(3,967,207)	(61,791)	63,025,339	(53,094,286)	9,931,053

At 31 December 2017 and 2016, the heading "Tangible assets" includes fully amortised assets still in use of EUR 46,115,632 and EUR 44,206,860 respectively.

12. Other Intangible Assets

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

(amounts in Euros)

	2017								
	Opening balances			Transfers and adjustments	Depreciation for the year	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)	47,593,701	(42,172,558)	2,075,053	2,060,878	(4,667,193)	(305,067)	51,404,940	(46,820,126)	4,584,814
Intangible assets in progress	9,720,615	-	4,296,795	(2,060,878)	-	-	11,956,532	-	11,956,532
	57,314,316	(42,172,558)	6,371,848	-	(4,667,193)	(305,067)	63,361,472	(46,820,126)	16,541,346

(amounts in Euros)

	2016								
	Opening balances			Transfers and adjustments	Depreciation for the year	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)	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
	53,299,776	(36,406,864)	4,014,540	-	(5,765,694)	-	57,314,316	(42,172,558)	15,141,758

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

In 2017 and 2016, 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 19,952,553 and EUR 15,634,897, respectively.

13. Technical Provisions for Reinsurance Ceded

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

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	129,360	52,598,710	52,728,070	136,594	65,493,177	65,629,771
Mathematical provision	11,119,820	-	11,119,820	10,921,720	-	10,921,720
Claims provision						
Reported claims	8,085,106	232,955,621	241,040,727	7,324,643	143,693,449	151,018,092
Claims incurred but not reported (IBNR)	2,638,421	17,387,872	20,026,293	2,674,438	10,340,517	13,014,955
	10,723,527	250,343,493	261,067,020	9,999,081	154,033,966	164,033,047
Provision for profit sharing	-	1,072	1,072	-	-	-
	21,972,707	302,943,275	324,915,982	21,057,395	219,527,143	240,584,538

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

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance	129,360	-	129,360	136,594	-	136,594
Non-life insurance						
Workers' compensation	27,594	(5,519)	22,075	143,103	(5,678)	137,425
Personal accidents and passengers	3,058,095	(1,412,136)	1,645,959	3,462,298	(1,537,108)	1,925,190
Health	25,059,533	(54)	25,059,479	23,172,251	(148)	23,172,103
Fire and other damage	23,507,920	(3,371,739)	20,136,181	21,931,410	(3,578,390)	18,353,020
Motor	247,809	(43,335)	204,474	393,268	(31,364)	361,904
Marine, aviation and transport	87,303	(13,566)	73,737	227,412	(17,138)	210,274
Third party liability	2,073,328	(118,477)	1,954,851	1,822,029	(98,915)	1,723,114
Credit and suretyship	57,772	(3,024)	54,748	67,356	(1,604)	65,752
Legal protection	1,132	(117)	1,015	1,734,966	(84)	1,734,882
Assistance	39,477	(2,077)	37,400	13,866,260	(1,604)	13,864,656
Others	5,424,708	(2,015,917)	3,408,791	5,884,495	(1,939,638)	3,944,857
	59,584,671	(6,985,961)	52,598,710	72,704,848	(7,211,671)	65,493,177
	59,714,031	(6,985,961)	52,728,070	72,841,442	(7,211,671)	65,629,771

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

(amounts in Euros)

	2017		
	Opening balance	Liabilities originated in the year	Closing balance
Life insurance			
Provision for unearned premiums	136,594	(7,234)	129,360
Non-life insurance			
Provision for unearned premiums			
Workers' compensation	143,103	(115,509)	27,594
Personal accidents and passengers	3,462,298	(404,203)	3,058,095
Health	23,172,251	1,887,282	25,059,533
Fire and other damage	21,931,410	1,576,510	23,507,920
Motor	393,268	(145,459)	247,809
Marine, aviation and transport	227,412	(140,109)	87,303
Third party liability	1,822,029	251,299	2,073,328
Credit and suretyship	67,356	(9,584)	57,772
Legal protection	1,734,966	(1,733,834)	1,132
Assistance	13,866,260	(13,826,783)	39,477
Others	5,884,495	(459,787)	5,424,708
	72,704,848	(13,120,177)	59,584,671
Deferred acquisition costs			
Workers' compensation	(5,678)	159	(5,519)
Personal accidents and passengers	(1,537,108)	124,972	(1,412,136)
Health	(148)	94	(54)
Fire and other damage	(3,578,390)	206,651	(3,371,739)
Motor	(31,364)	(11,971)	(43,335)
Marine, aviation and transport	(17,138)	3,572	(13,566)
Third party liability	(98,915)	(19,562)	(118,477)
Credit and suretyship	(1,604)	(1,420)	(3,024)
Legal protection	(84)	(33)	(117)
Assistance	(1,604)	(473)	(2,077)
Others	(1,939,638)	(76,279)	(2,015,917)
	(7,211,671)	225,710	(6,985,961)
	65,493,177	(12,894,467)	52,598,710
	65,629,771	(12,901,701)	52,728,070

(amounts in Euros)

	2016		
	Opening balance	Liabilities originated in the year	Closing balance
Life insurance			
Provision for unearned premiums	122,501	14,093	136,594
Non-life insurance			
Provision for unearned premiums			
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
Others	4,870,290	1,014,205	5,884,495
	69,143,789	3,561,059	72,704,848
Deferred acquisition costs			
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)
Others	(1,468,715)	(470,923)	(1,939,638)
	(6,427,616)	(784,055)	(7,211,671)
	62,716,173	2,777,004	65,493,177
	62,838,674	2,791,097	65,629,771

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

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life Insurance	8,085,106	2,638,421	10,723,527	7,324,643	2,674,438	9,999,081
Non-life insurance						
Workers' compensation	1,916,549	1,143,742	3,060,291	579,480	54,226	633,706
Personal accidents and passengers	15,199,398	938,372	16,137,770	13,557,812	132,657	13,690,469
Health	49,631,073	4,644,001	54,275,074	43,988,709	3,126,392	47,115,101
Fire and other damage	130,474,553	6,001,501	136,476,054	52,751,264	4,565,835	57,317,099
Motor	7,695,990	2,061,293	9,757,283	6,127,617	1,618,479	7,746,096
Marine, aviation and transport	7,763,278	293,643	8,056,921	3,816,902	132,569	3,949,471
Third party liability	12,212,090	1,750,603	13,962,693	16,167,154	275,940	16,443,094
Credit and suretyship	396	10,510	10,906	550	17,270	17,820
Others	8,062,294	544,207	8,606,501	6,703,961	417,149	7,121,110
	232,955,621	17,387,872	250,343,493	143,693,449	10,340,517	154,033,966
	241,040,727	20,026,293	261,067,020	151,018,092	13,014,955	164,033,047

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

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
Life insurance	9,999,081	7,134,266	(6,409,820)	10,723,527
Non-life insurance				
Workers' compensation	633,706	2,739,259	(312,674)	3,060,291
Personal accidents and passengers	13,690,469	4,286,375	(1,839,074)	16,137,770
Health	47,115,101	216,155,386	(208,995,413)	54,275,074
Fire and other damage	57,317,099	123,297,852	(44,138,897)	136,476,054
Motor	7,746,096	10,234,932	(8,223,745)	9,757,283
Marine, aviation and transport	3,949,471	6,908,239	(2,800,789)	8,056,921
Third party liability	16,443,094	642,766	(3,123,167)	13,962,693
Credit and suretyship	17,820	(6,914)	-	10,906
Others	7,121,110	16,772,971	(15,287,580)	8,606,501
	154,033,966	381,030,866	(284,721,339)	250,343,493
	164,033,047	388,165,132	(291,131,159)	261,067,020

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
Life insurance	10,400,202	9,417,095	(9,818,216)	9,999,081
Non-life insurance				
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
Others	6,120,843	13,367,657	(12,367,390)	7,121,110
	131,534,654	268,483,240	(245,983,928)	154,033,966
	141,934,856	277,900,335	(255,802,144)	164,033,047

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 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts receivable for direct insurance operations		
Premiums pending collection	68,919,435	71,883,475
Claims reimbursements	23,394,130	22,492,630
Brokers	57,593,008	35,598,902
Co-insurers	20,322,368	22,708,040
Funding Institute of Agriculture and Fisheries (IFAP)	3,483,966	3,711,125
Workers' compensation fund	2,043,999	2,132,479
Others	631,247	547,757
	176,388,153	159,074,408
(Adjustments to premiums pending collection - Note 38)	(7,595,592)	(10,148,605)
(IFAP adjustments - Note 38)	(99,856)	(484,133)
(Adjustments for doubtful debts - Note 38)	(6,487,926)	(10,089,321)
	(14,183,374)	(20,722,059)
	162,204,779	138,352,349
Accounts receivable for other reinsurance operations		
Reinsurers' current accounts	44,000,339	18,436,208
Reinsureds' current accounts	11,616,141	8,735,045
	55,616,480	27,171,253
(Adjustments for doubtful debts - Note 38)	(6,390,243)	(6,665,093)
	49,226,237	20,506,160
Accounts receivable for other operations:		
Group companies	1,567,513	1,676,702
Associates	-	686,709
Employees	297,845	470,878
Pension fund	68,750	55,328
Clients - current accounts	7,262,813	4,673,655
Funding Institute of Agriculture and Fisheries (IFAP)	7,944,013	4,442,829
Debtors - items held under custody	304,385	251,840
Property rentals	2,232,266	2,454,038
Transactions to be settled	5,034,475	125,516,922
Other suppliers and services provided	519,795	466,017
Others	12,699,381	48,725,936
	37,931,236	189,420,854
(Adjustments for doubtful debts - Note 38)	(13,385,477)	(13,517,561)
	24,545,759	175,903,293
	235,976,775	334,761,802

The heading "Transactions to be settled" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

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

15. Tax Assets and Liabilities

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

(amounts in Euros)

	2017	2016
Current tax assets		
Income tax recoverable	10,652,994	73,929,009
Others	275,643	83,221
	10,928,637	74,012,230
Current tax liabilities		
Others		
Stamp duty	(8,069,006)	(8,029,748)
Motor insurance guarantee fund	(1,810,080)	(1,928,482)
Workers' compensation fund	(4,265,702)	(4,159,250)
National civil protection authority tax	(1,714,606)	(1,861,103)
Insurance and pension funds supervisory authority tax	(2,083,963)	(1,897,054)
National Medical Emergency Institute Tax	(2,503,211)	(2,628,006)
Social security	(2,274,131)	(2,161,725)
Withholdings	(5,430,377)	(5,819,730)
Others	(2,490,374)	(2,819,845)
	(30,641,450)	(31,304,943)
Deferred tax assets	239,964,693	403,870,553
Deferred tax liabilities	(227,348,810)	(204,280,152)
	12,615,883	199,590,401
Total	(7,096,930)	242,297,688

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

(amounts in Euros)

	2017	2016
Income tax estimate recognised as a charge to the income statement	(62,239,254)	(80,455,445)
Income tax estimate recognised as a charge to reserves	(6,994,028)	3,953,604
Withholding tax	9,872,781	3,271,172
Payments on account	108,161	93,069,668
Others	672,052	45,517
	(58,580,288)	19,884,516

At 31 December 2017 and 2016 the heading "Income tax estimate recognised as a charge to the income statement" corresponds to the amount of the estimate of CIT plus Municipal and State Surcharge and the autonomous taxation.

In 2017 and 2016, the income tax registered in reserves is the result of the change in the fair value reserve of available-for-sale investments linked to life insurance products with profit sharing and of the change in actuarial deviations relating to post-employment benefits granted to employees.

Movements of deferred taxes during 2017 and 2016 were:

(amounts in Euros)

	2017			Closing balance
	Opening balance	Shareholders' equity	Income statement	
Assets				
Valuation of available-for-sale investments	50,692,779	(38,218,307)	-	12,474,472
Properties				
For own use	40,228,619	(22,913,499)	(9,069,537)	8,245,583
Investment properties	122,958,383	-	(91,157,048)	31,801,335
Provisions and impairment temporarily not allowed for fiscal purposes	175,795,807	(63,421)	(3,629,147)	172,103,239
Employee benefits	14,194,965	(573,257)	1,718,356	15,340,064
	403,870,553	(61,768,484)	(102,137,376)	239,964,693
Liabilities				
Devaluation of available-for-sale investments	(88,719,655)	(128,997,449)	-	(217,717,104)
Properties				
For own use	(26,270,850)	22,171,642	(334,941)	(4,434,149)
Investment properties	(89,289,647)	(4,390,814)	88,482,904	(5,197,557)
	(204,280,152)	(111,216,621)	88,147,963	(227,348,810)
	199,590,401	(172,985,105)	(13,989,413)	12,615,883

(amounts in Euros)

	2016				Closing balance
	Opening balance	Change in		Others	
		Shareholders' equity	Income statement		
Assets					
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
	254,228,504	19,691,249	134,670,168	(4,719,368)	403,870,553
Liabilities					
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)
	(117,494,181)	2,503,676	(89,289,647)	-	(204,280,152)
	136,734,323	22,194,925	45,380,521	(4,719,368)	199,590,401

In 2017 the tax rate was 31.5%, 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)

	2017	2016
Current tax		
Estimated tax for the year	45,820,028	58,182,404
State and municipal surcharge	15,434,626	21,373,122
Autonomous taxation	1,227,496	888,782
	62,482,150	80,444,308
Others (Branches)	242,896	11,137
	62,239,254	80,455,445
Deferred tax	13,989,413	(45,380,521)
Total tax in income statement	76,228,667	35,074,924
Income before tax	264,018,024	135,495,427
Tax burden	28.87%	25.89%

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

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Income before tax		264,018,024		135,495,427
Income tax calculated at nominal rate	29.16%	76,990,317	28.84%	39,076,151
Permanent differences to be deducted				
Dividends from equity instruments	(0.63%)	(1,666,619)	(2.02%)	(2,741,493)
Real estate fair value adjustments	0.00%	-	(1.17%)	(1,581,031)
Capital losses included in the net profit	(28.12%)	(74,249,309)	(29.39%)	(39,824,057)
Provision not relevant for tax purposes	0.00%	-	(6.12%)	(4,991,734)
Post-employment benefits and other				
long term benefits to employees	0.00%	-	(0.58%)	(788,548)
Adjustments in respect of previous periods	(0.05%)	(138,312)	0.00%	-
Others	(0.08%)	(215,412)	0.00%	-
Permanent differences to be added				
Not relevant for fiscal purposes provisions	3.30%	8,700,632	0.00%	-
Impairment losses non-deductible	4.37%	11,544,301	3.85%	5,215,478
Real estate fair value adjustments	5.51%	14,541,186	0.00%	-
Capital gains (computed in fiscal terms)	17.40%	45,940,707	29.02%	39,323,752
Under estimation of CIT	0.02%	49,548	0.21%	281,922

(continuation)

(amounts in Euros)

	2017		2016	
	Rate	Tax	Rate	Tax
Post-employment benefits and				
other long term benefits to employees	0.02%	64,097	0.00%	-
Adjustments in respect of previous periods	0.00%	-	0.25%	335,073
Others	0.00%	-	0.18%	244,386
Tax benefits				
Net job creation	(0.23%)	(606,375)	(0.04%)	(57,037)
Others	0.00%	-	(0.23%)	(306,719)
Autonomous taxation	0.19%	513,028	0.66%	888,781
Deferred taxes assets and liabilities - Effect				
of tax rate change	(1.98%)	(5,239,122)	0.00%	-
	28.87%	76,228,667	25.89%	35,074,924

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 Company's Board of Directors, 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 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accrued income	3,629,933	3,238,475
Deferred expenses		
Commission on the issue of financial products	14,000,665	13,779,734
Insurance	678,636	421,841
Rents and leases	568,671	311,168
Assistance for IT equipment	631,013	1,596,382
Advertising	288,503	372,964
Portuguese Insurance Association subscriptions	282,665	496,645
Software licences	834,525	350,188
Others	449,957	514,040
	21,364,568	21,081,437

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

The heading "Deferred expenses – Commissions on the issue of financial products" corresponds to the deferral of commission charges made by Caixa Geral de Depósitos, S.A. on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the lifetime of the contracts.

17. Non-Current Assets Held for Sale

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

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

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

(amounts in Euros)

	2017
Non-current assets held for sale	
Properties for own use	1,889,500
Investment properties	212,183,100
Deferred tax assets	29,122,141
	243,194,741
Liabilities of a group for sale classified as held for sale	
Deferred tax liabilities	23,428,483
	23,428,483
Gains and losses on non-current assets classified as held for sale	
Gains	
Rents	659,789
Gains made	
	659,789
Losses	
Employee costs	(6,281)
External Supplies and Services	
Electricity	(10,812)
Water	(2,424)
Conservation and repair	(80,837)
Insurance	(15,282)
Fees	(2,370)
Cleanliness, hygiene and comfort	(14,358)
Security	(5,905)
Consultancy	(43,925)
Condominiums	(11,697)
Others	(491)
Taxes and charges	(30,567)
	(224,949)
	434,840

18. Technical Provisions

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

(amounts in Euros)

	2017			2016		
	Life	Non-Life	Total	Life	Non-Life	Total
Provision for unearned premiums	1,542,377	246,633,705	248,176,082	1,567,236	247,347,139	248,914,375
Mathematical provision for life insurance	1,759,742,499	-	1,759,742,499	1,646,693,482	-	1,646,693,482
Claims provision						
Reported claims	108,677,162	1,593,696,164	1,702,373,326	97,168,545	1,481,614,726	1,578,783,271
Claims incurred but not reported (IBNR)	23,710,431	70,050,767	93,761,198	23,801,595	59,635,670	83,437,265
	132,387,593	1,663,746,931	1,796,134,524	120,970,140	1,541,250,396	1,662,220,536
Provision for profit sharing	110,745,227	314	110,745,541	68,711,511	314	68,711,825
Provision for interest rate commitments	7,520,800	-	7,520,800	7,025,239	-	7,025,239
Provision for portfolio stabilisation	24,405,064	-	24,405,064	21,750,883	-	21,750,883
Equalisation provision	-	25,564,273	25,564,273	-	24,001,691	24,001,691
Provision for unexpired risks	-	47,581,380	47,581,380	-	46,210,749	46,210,749
	2,036,343,560	1,983,526,603	4,019,870,163	1,866,718,491	1,858,810,289	3,725,528,780

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

(amounts in Euros)

	2017			2016		
	Deferred premiums	Deferred costs	Net	Deferred premiums	Deferred costs	Net
Life insurance	1,542,377	-	1,542,377	1,567,236	-	1,567,236
Non-life insurance						
Workers' compensation	13,622,416	(2,535,093)	11,087,323	12,576,577	(2,062,019)	10,514,558
Personal accidents and passengers	9,279,052	(2,081,726)	7,197,326	8,950,472	(1,593,165)	7,357,307
Health	25,335,709	(3,167,902)	22,167,807	23,172,778	(2,778,612)	20,394,166
Fire and other damage	86,989,647	(20,829,354)	66,160,293	86,238,030	(15,373,098)	70,864,932
Motor	141,954,205	(29,475,306)	112,478,899	135,244,707	(26,927,652)	108,317,055
Marine, aviation and transport	1,619,086	(305,430)	1,313,656	1,690,049	(264,925)	1,425,124
Third party liability	10,333,352	(2,771,054)	7,562,298	9,683,268	(1,779,605)	7,903,663
Credit and suretyship	139,131	(11,164)	127,967	143,458	(12,030)	131,428
Legal protection	1,892,769	(838,442)	1,054,327	2,110,552	(422,004)	1,688,548
Assistance	12,031,003	(2,642,687)	9,388,316	11,207,505	(2,232,727)	8,974,778
Others	12,085,377	(3,989,884)	8,095,493	12,086,029	(2,310,449)	9,775,580
	315,281,747	(68,648,042)	246,633,705	303,103,425	(55,756,286)	247,347,139
	316,824,124	(68,648,042)	248,176,082	304,670,661	(55,756,286)	248,914,375

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

(amounts in Euros)

		2017	
	Opening balance	Liabilities originated in the year	Closing balance
Life insurance			
Provision for unearned premiums	1,567,236	(24,859)	1,542,377
Non-life insurance			
Provision for unearned premiums			
Workers' compensation	12,576,577	1,045,839	13,622,416
Personal accidents and passengers	8,950,472	328,580	9,279,052
Health	23,172,778	2,162,931	25,335,709
Fire and other damage	86,238,030	751,617	86,989,647
Motor	135,244,707	6,709,498	141,954,205
Marine, aviation and transport	1,690,049	(70,963)	1,619,086
Third party liability	9,683,268	650,084	10,333,352
Credit and suretyship	143,458	(4,327)	139,131
Legal protection	2,110,552	(217,783)	1,892,769
Assistance	11,207,505	823,498	12,031,003
Others	12,086,029	(652)	12,085,377
	303,103,425	12,178,322	315,281,747
Deferred acquisition costs			
Workers' compensation	(2,062,019)	(473,074)	(2,535,093)
Personal accidents and passengers	(1,593,165)	(488,561)	(2,081,726)
Health	(2,778,612)	(389,290)	(3,167,902)
Fire and other damage	(15,373,098)	(5,456,256)	(20,829,354)
Motor	(26,927,652)	(2,547,654)	(29,475,306)
Marine, aviation and transport	(264,925)	(40,505)	(305,430)
Third party liability	(1,779,605)	(991,449)	(2,771,054)
Credit and suretyship	(12,030)	866	(11,164)
Legal protection	(422,004)	(416,438)	(838,442)
Assistance	(2,232,727)	(409,960)	(2,642,687)
Others	(2,310,449)	(1,679,435)	(3,989,884)
	(55,756,286)	(12,891,756)	(68,648,042)
	247,347,139	(713,434)	246,633,705
	248,914,375	(738,293)	248,176,082

(amounts in Euros)

	2016		
	Opening balance	Liabilities originated in the year	Closing balance
Life insurance			
Provision for unearned premiums	1,796,858	(229,622)	1,567,236
Non-life insurance			
Provision for unearned premiums			
Workers' compensation	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
Others	8,449,690	3,636,339	12,086,029
	287,529,627	15,573,798	303,103,425
Deferred acquisition costs			
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)
Others	(1,609,743)	(700,706)	(2,310,449)
	(52,499,715)	(3,256,571)	(55,756,286)
	235,029,912	12,317,227	247,347,139
	236,826,770	12,087,605	248,914,375

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

(amounts in Euros)

	2017			2016		
	Reported	Not reported	Total	Reported	Not reported	Total
Life insurance	108,677,162	23,710,431	132,387,593	97,168,545	23,801,595	120,970,140
Non-life insurance						
Workers' compensation						
Mathematical provision	597,850,268	1,076,149	598,926,417	573,330,355	1,010,934	574,341,289
Provision for whole life assistance	169,605,546	7,948,876	177,554,422	163,207,398	7,950,714	171,158,112
Provision for temporary assistance	44,718,392	2,519,579	47,237,971	44,102,252	2,526,360	46,628,612
	812,174,206	11,544,604	823,718,810	780,640,005	11,488,008	792,128,013
Others						
Personal accidents and passengers	25,429,664	2,360,242	27,789,906	21,389,338	401,084	21,790,422
Health	49,748,732	4,902,733	54,651,465	44,000,718	3,302,247	47,302,965
Fire and other damage	201,202,274	15,971,169	217,173,443	107,518,037	13,275,799	120,793,836
Motor	400,039,426	15,839,187	415,878,613	422,184,686	15,437,791	437,622,477
Marine, aviation and transport	11,007,820	1,709,862	12,717,682	8,532,984	991,516	9,524,500
Third party liability	82,545,122	16,454,574	98,999,696	87,924,474	13,846,076	101,770,550
Credit and suretyship	368,296	77,662	445,958	431,202	64,140	495,342
Legal protection	15,110	8,453	23,563	12,402	6,579	18,981
Assistance	98,046	54,179	152,225	61,462	37,154	98,616
Others	11,067,468	1,128,102	12,195,570	8,919,418	785,276	9,704,694
	781,521,958	58,506,163	840,028,121	700,974,721	48,147,662	749,122,383
	1,593,696,164	70,050,767	1,663,746,931	1,481,614,726	59,635,670	1,541,250,396
	1,702,373,326	93,761,198	1,796,134,524	1,578,783,271	83,437,265	1,662,220,536

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

(amounts in Euros)

	2017			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
Life insurance	120,970,140	295,738,385	(284,320,932)	132,387,593
Non-life insurance				
Workers' compensation	792,128,013	176,328,271	(144,737,474)	823,718,810
Personal accidents and passengers	21,790,422	15,967,109	(9,967,625)	27,789,906
Health	47,302,965	218,038,969	(210,690,469)	54,651,465
Fire and other damage	120,793,836	228,654,981	(132,275,374)	217,173,443
Motor	437,622,477	317,174,664	(338,918,528)	415,878,613
Marine, aviation and transport	9,524,500	9,467,498	(6,274,316)	12,717,682
Third party liability	101,770,550	10,502,647	(13,273,501)	98,999,696
Credit and suretyship	495,342	(43,122)	(6,262)	445,958
Legal protection	18,981	4,836	(254)	23,563
Assistance	98,616	54,101	(492)	152,225
Others	9,704,694	24,723,232	(22,232,356)	12,195,570
	1,541,250,396	1,000,873,186	(878,376,651)	1,663,746,931
	1,662,220,536	1,296,611,571	(1,162,697,583)	1,796,134,524

(amounts in Euros)

	2016			
	Opening balance	Liabilities originated in the year	Claims paid	Closing balance
Life insurance	124,609,448	263,457,446	(267,096,754)	120,970,140
Non-life insurance				
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
Others	8,128,317	20,325,934	(18,749,557)	9,704,694
	1,548,693,486	791,989,332	(799,432,422)	1,541,250,396
	1,673,302,934	1,055,446,778	(1,066,529,176)	1,662,220,536

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

(amounts in Euros)

	2017	2016
Non-life insurance		
Workers' compensation	6,113,713	16,279,028
Personal accidents and passengers	191,581	223,197
Health	192,776	-
Fire and other damage	7,487,753	2,748,136
Motor	27,887,196	21,024,402
Marine, aviation and transport	12,672	416
Third party liability	950,506	411,465
Credit and suretyship	61,889	15,823
Legal protection	384	-
Assistance	4,682,786	5,467,544
Others	124	40,738
	47,581,380	46,210,749

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

(amounts in Euros)

	2017		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
Workers' compensation	16,279,028	(10,165,315)	6,113,713
Personal accidents and passengers	223,197	(31,616)	191,581
Health	-	192,776	192,776
Fire and other damage	2,748,136	4,739,617	7,487,753
Motor	21,024,402	6,862,794	27,887,196
Marine, aviation and transport	416	12,256	12,672
Third party liability	411,465	539,041	950,506
Credit and suretyship	15,823	46,066	61,889
Legal protection	-	384	384
Assistance	5,467,544	(784,758)	4,682,786
Others	40,738	(40,614)	124
	46,210,749	1,370,631	47,581,380

(amounts in Euros)

	2016		
	Opening balance	Appropriations for the year	Closing balance
Non-life insurance			
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
Others	36,428	4,310	40,738
	58,773,463	(12,562,714)	46,210,749

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

(amounts in Euros)

	2017				
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	Total
Insurance contracts					
Life individual risk	68,227,093	(194,702)	68,032,391	17,623,212	85,655,603
Life group risk	140,031,819	-	140,031,819	16,723,361	156,755,180
Life individual capitalisation	21,137,628	(14,794)	21,122,834	145,172	21,268,006
Life group capitalisation	3,059,094	-	3,059,094	-	3,059,094
	232,455,634	(209,496)	232,246,138	34,491,745	266,737,883
Investment contracts with a discretionary profit sharing component					
Life individual capitalisation	211,509,978	(9,151)	211,500,827	20,562,261	232,063,088
Life group capitalisation	312,340,437	-	312,340,437	5,990,684	318,331,121
Life individual PPR	1,003,678,850	(23,753)	1,003,655,097	49,700,537	1,053,355,634
	1,527,529,265	(32,904)	1,527,496,361	76,253,482	1,603,749,843
	1,759,984,899	(242,400)	1,759,742,499	110,745,227	1,870,487,726

(amounts in Euros)

			2016		Total
	Mathematical provision	Deferred acquisition costs	Total mathematical provision	Provision for profit sharing	
Insurance contracts					
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
	242,716,033	(127,525)	242,588,508	32,205,285	274,793,793
Investment contracts with a discretionary profit sharing component					
Life individual capitalisation	259,827,922	(11,462)	259,816,460	17,325,095	277,141,555
Life group capitalisation	301,373,036	-	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
	1,404,145,492	(40,518)	1,404,104,974	36,506,226	1,440,611,200
	1,646,861,525	(168,043)	1,646,693,482	68,711,511	1,715,404,993

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

(amounts in Euros)

	2017						Closing balance
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insurance persons from equity	Change in deferred acquisition costs	Others	Income distributed	
Direct insurance and reinsurance accepted							
Mathematical provision							
Insurance contracts	242,588,508	(11,465,724)	-	(81,972)	-	1,205,326	232,246,138
Investment contracts with a discretionary profit sharing component	1,404,104,974	94,305,401	-	7,614	21,557,472	7,520,900	1,527,496,361
	1,646,693,482	82,839,677	-	(74,358)	21,557,472	8,726,226	1,759,742,499
Profit sharing provision							
Insurance contracts	32,205,285	1,935,342	4,253,758	-	-	(3,902,640)	34,491,745
Investment contracts with a discretionary profit sharing component	36,506,226	(7,709,996)	54,978,149	-	-	(7,520,897)	76,253,482
	68,711,511	(5,774,654)	59,231,907	-	-	(11,423,537)	110,745,227
	1,715,404,993	77,065,023	59,231,907	(74,358)	21,557,472	(2,697,311)	1,870,487,726

(amounts in Euros)

	2016						
	Opening balance	Liabilities originated in the year and interest attributed	Amount attributable to insurance persons from equity	Change in deferred acquisition costs	Others	Income distributed	Closing balance
Direct insurance and reinsurance accepted							
Mathematical provision							
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
	1,632,603,560	1,709,556	-	(61,720)	3,396,418	9,045,668	1,646,693,482
Profit sharing provision							
Insurance contracts	30,915,804	4,941,827	(475,398)	-	-	(3,176,948)	32,205,285
Investment contracts with a discretionary profit sharing component	37,847,871	4,687,983	2,829,030	-	-	(8,858,658)	36,506,226
	68,763,675	9,629,810	2,353,632	-	-	(12,035,606)	68,711,511
	1,701,367,235	11,339,366	2,353,632	(61,720)	3,396,418	(2,989,938)	1,715,404,993

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).

19. Financial Liabilities of the Deposit Component of Insurance Contracts and on Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts

Information on movements in this account heading for 2017 and 2016 is set out below:

(amounts in Euros)

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

(amounts in Euros)

	2016					Closing balance
	Opening balance	Issues	Redemptions	Income and expenditure	Others	
Valued at fair value						
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
	573,049,422	36,154,158	(95,894,621)	(220,928)	(110,838)	512,977,193
Valued at amortised cost						
Other investment contracts						
PPR Life individual fixed rate	4,517,190,923	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
	7,502,593,808	2,080,581,893	(1,948,389,077)	148,712,098	(3,285,580)	7,780,213,142
	8,075,643,230	2,116,736,051	(2,044,283,698)	148,491,170	(3,396,418)	8,293,190,335

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

20. Financial Liabilities Held for Trading and Other Financial Liabilities

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

(amounts in Euros)

	2017	2016
Financial liabilities held for trading		
Fair Value Hedge (Note 6)	19,813,818	33,170,490
Other financial liabilities		
Hedge Derivatives		
Fair Value Hedge (Note 6)	-	8,737,701
Deposits received from reinsurers		
Life	3,823,879	4,438,349
Non-life	126,228,787	109,978,267
	130,052,666	123,154,317
	149,866,484	156,324,807

21. Other Creditors for Insurance and Other Operations

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Accounts payable for direct insurance operations		
Brokers	33,798,300	33,283,681
Policyholders	29,143,747	25,497,377
Co-insurers	13,768,735	12,008,818
	76,710,782	70,789,876
Accounts payable for other reinsurance operations		
Reinsurers' current accounts	38,726,995	29,485,681
Insured's current accounts	1,519,330	1,818,293
	40,246,325	31,303,974
Accounts payable for other operations		
Group companies	2,395,331	1,320,520
Aggregate tax	7,374,967	54,044,492
Suppliers of tangible assets	498,027	678,316
Suppliers' current accounts	11,066,769	10,089,790
Pension funds	384,785	385,614
Other internal regularisation accounts	7,024,058	9,604,819
Miscellaneous creditors	21,178,008	34,286,043
	49,921,945	110,409,594
	166,879,052	212,503,444

At 31 December 2017, 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 Special Rules for the Taxation of Corporate Groups (SRTCG).

The heading "Other internal regularisation accounts" recognises various transactions performed in the last days of December, which will be settled in the first days of the following month.

22. Accruals and Deferrals (Liabilities)

At 31 December 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017	2016
Deferred income		
Rents and leases	1,030,259	1,056,644
	1,030,259	1,056,644
Accrued expenses		
Interest payable	260,000	-
Holiday and holiday subsidies payable	14,146,920	13,228,881
Insurance	2,883,380	1,717,020
Variable remuneration payable to employees	1,448,017	1,478,875
Performance bonus	10,011,835	9,894,764
Seniority bonus	691,532	595,503
Other employee costs	287,639	21,449
Commissions payable	40,701,919	39,812,261
Deferred payments - marketing	5,083,669	4,879,121
Municipal tax on real estate	791,600	760,816
Audit	527,239	213,848
Advertising	134,399	5,301
Invoices pending conferral	5,462,884	4,300,996
Others	4,719,321	3,515,334
	87,150,354	80,424,169
	88,180,613	81,480,813

23. Other Provisions

Information on the above account heading movements for 2017 and 2016 is set out below:

(amounts in Euros)

	2017					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Actuarial gains and losses from equity	Others	
Provisions for tax	3,850,000	-	(3,801,797)	-	-	48,203
Provisions for the cost of employee benefits (Note 31)						
Health benefits	23,637,281	-	(541,533)	(131,718)	-	22,964,030
Pension costs	3,304,903	-	(185,133)	(537,326)	-	2,582,444
Provision for Workers' compensation fund	48,536,302	1,500,000	-	-	-	50,036,302
Provision for restructuring	35,424,918	-	(14,247,472)	-	-	21,177,446
Others	15,401,291	39,907,267	-	-	11,779	55,320,337
	130,154,695	41,407,267	(18,775,935)	(669,044)	11,779	152,128,762

(amounts in Euros)

	2016					Closing balances
	Opening balances	Increases	Recoveries and cancellations	Actuarial gains and losses from equity	Others	
Provisions for tax	20,520,772	3,000,000	(19,670,772)	-	-	3,850,000
Provisions for the cost of employee benefits (Note 31)						
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
	154,543,868	18,647,995	(45,552,187)	2,515,019		130,154,695

Fidelidade set up a provision related to the employee restructuring and rejuvenation programme which consists of hiring new qualified employees and a negotiated exit solution for a group of employees prior to retirement age. Accordingly, the plan was initiated in 2014 and 2015 and covered employees who met the criteria below.

The extent of the plan was as follows:

- In 2014: 153 departures, 100 of these of employees aged between 56 and 60 and 53 aged over 60.
- In 2015: 110 departures, 75 of these of employees aged between 56 and 60 and 35 aged over 60.

In 2014 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.

Following the plan, 98 employees left in 2017, which led to EUR 14,247,472 being used. At 31 December 2017 EUR 21,177,446 was recognised in the provision for restructuring. 247 employees were hired during the same period.

When calculating the provision, the actual cost of the recently negotiated redundancies of employees was considered, with an increase in the amount to reflect the additional expense resulting from the increase in the statutory retirement age to 66 years and 4 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 2017 and 2016, the "Other Provisions" headings include the constitution of EUR 38,214,363 in 2017 and the use of EUR 5,374,533 in 2016, which are registered under the heading "Impairment Losses (net of reversals)".

The heading "Provisions for costs of employee benefits - Health benefits" represents the liabilities assumed by the 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 31).

24. 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 2017 and 2016 was as follows:

(amounts in Euros)

Shareholders	2017		2016	
	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%
	121,000,000	100%	121,000,000	100%

The Company became a part of the Fosun Group as of 15 May 2014 when Longrun Portugal, SGPS, S.A. acquired 80% of Fidelidade's share capital.

The income of 2016 and 2015 was applied as indicated below:

(amounts in Euros)

	2016	2015
Application of income for the year		
Legal Reserve	9,842,748	17,033,340
Free Reserves	88,584,728	153,300,064
Retained earnings	1,993,027	37,528,813
	100,420,503	207,862,217

The income per share at 31 December 2017 and 2016 was as follows:

(amounts in Euros)

	2017	2016
Net Income for the year	187,789,354	100,420,503
Number of shares (at the end of the year)	121,000,000	121,000,000
Income per Share (in Euros)	1.55	0.83

25. Reserves, Retained Earnings and Income for the Year

At 31 December 2017 and 2016, reserves and retained earnings were composed as follows:

(amounts in Euros)

	2017	2016
Revaluation reserves		
Fair value adjustments		
Available-for-sale investments		
Gross gains (Note 7)	752,297,075	88,361,675
Amount attributable to policyholders	(67,062,089)	(7,633,508)
	685,234,986	80,728,167
Revaluations of properties for own use (Note 9)	29,832,023	25,727,507
	715,067,009	106,455,674
Exchange differences		
Gross gains	27,529,340	48,824,813
Amount attributable to policyholders	196,674	-
	27,726,014	48,824,813
	742,793,023	155,280,487
Deferred tax reserve		
Available-for-sale investments	(205,242,631)	(38,026,876)
Properties for own use	6,070,489	5,509,502
Actuarial gains and losses		
Post-employment benefits	24,721,343	24,747,576
Health benefits	1,979,487	2,976,512
Tax (paid)/deducted from potential capital gains or losses	(14,587,724)	(6,896,425)
	(187,059,036)	(11,689,711)
Revaluation Reserves, net of deferred taxes	555,733,987	143,590,776
Other reserves		
Legal reserve	143,971,718	134,128,970
Share premiums	115,103,280	115,103,280
Actuarial gains and losses		
Post-employment benefits	(50,782,055)	(55,296,129)
Health benefits	(6,284,085)	(6,415,803)
Other reserves	456,216,056	367,631,328
	658,224,914	555,151,646
Retained earnings	142,693,311	138,272,457
Income for the year	187,789,354	100,420,503
	1,544,441,566	937,435,382

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.

26. Earned Premiums, Net of Reinsurance

In 2017 and 2016 this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Gross premiums written						
Life insurance						
Insurance contracts without profit sharing	159,360,987	(12,058,192)	147,302,795	159,818,165	(13,345,085)	146,473,080
Insurance contracts with profit sharing	33,753,886	(1,119,595)	32,634,291	40,955,826	(1,228,286)	39,727,540
Investment contracts with a discretionary profit sharing component	247,888,173	-	247,888,173	132,569,311	-	132,569,311
	441,003,046	(13,177,787)	427,825,259	333,343,302	(14,573,371)	318,769,931
Non-life insurance						
Workers' compensation	172,666,008	(5,269,801)	167,396,207	151,693,550	(5,450,072)	146,243,478
Personal accidents and passengers	29,682,429	(8,589,369)	21,093,060	27,947,171	(11,367,269)	16,579,902
Health	269,024,231	(266,756,565)	2,267,666	236,441,704	(234,505,517)	1,936,187
Fire and other damage	244,201,069	(93,916,784)	150,284,285	239,829,977	(92,504,600)	147,325,377
Motor	395,485,640	(3,060,824)	392,424,816	371,866,729	(2,050,893)	369,815,836
Marine, aviation and transport	18,270,972	(10,387,866)	7,883,106	17,536,243	(10,147,350)	7,388,893
Third party liability	35,218,761	(9,532,524)	25,686,237	33,964,902	(9,450,320)	24,514,582
Credit and suretyship	652,801	(432,633)	220,168	612,631	(447,616)	165,015
Legal protection	4,916,427	(1,797,517)	3,118,910	5,113,947	(3,459,955)	1,653,992
Assistance	31,949,180	(15,747,085)	16,202,095	28,495,775	(28,156,925)	338,850
Others	34,228,578	(11,805,844)	22,422,734	37,225,149	(18,339,976)	18,885,173
	1,236,296,096	(427,296,812)	808,999,284	1,150,727,778	(415,880,493)	734,847,285
	1,677,299,142	(440,474,599)	1,236,824,543	1,484,071,080	(430,453,864)	1,053,617,216
Change in provision for unearned premiums						
Life insurance						
Insurance contracts without profit sharing	(34,046)	7,150	(26,896)	246,544	18,840	265,384
Insurance contracts with profit sharing	61,272	(14,384)	46,888	(10,765)	(4,747)	(15,512)
Investment contracts with a discretionary profit sharing component	(2,367)	-	(2,367)	(6,157)	-	(6,157)
	24,859	(7,234)	17,625	229,622	14,093	243,715

(continuation)

(amounts in Euros)

	2017			2016		
	Direct insurance and reinsurance accepted	Reinsurance ceded	Net	Direct insurance and reinsurance accepted	Reinsurance ceded	Net
Non-life insurance						
Workers' compensation	(1,045,839)	(115,509)	(1,161,348)	(459,046)	18,603	(440,443)
Personal accidents and passengers	(328,580)	(404,203)	(732,783)	(1,534,384)	(372,169)	(1,906,553)
Health	(2,162,931)	1,887,282	(275,649)	(910,901)	949,733	38,832
Fire and other damage	(751,617)	1,576,510	824,893	(1,455,889)	1,196,558	(259,331)
Motor	(6,709,498)	(145,459)	(6,854,957)	(5,801,528)	78,790	(5,722,738)
Marine, aviation and transport	70,963	(140,109)	(69,146)	300,016	(17,599)	282,417
Third party liability	(650,084)	251,299	(398,785)	(823,695)	159,452	(664,243)
Credit and suretyship	4,327	(9,584)	(5,257)	47,867	(42,616)	5,251
Legal protection	217,783	(1,733,834)	(1,516,051)	(4,746)	59,186	54,440
Assistance	(823,498)	(13,826,783)	(14,650,281)	(1,295,153)	516,916	(778,237)
Others	652	(459,787)	(459,135)	(3,636,339)	1,014,205	(2,622,134)
	(12,178,322)	(13,120,177)	(25,298,499)	(15,573,798)	3,561,059	(12,012,739)
	(12,153,463)	(13,127,411)	(25,280,874)	(15,344,176)	3,575,152	(11,769,024)
Earned premiums						
Life insurance						
Insurance contracts without profit sharing	159,326,941	(12,051,042)	147,275,899	160,064,709	(13,326,245)	146,738,464
Insurance contracts with profit sharing	33,815,158	(1,133,979)	32,681,179	40,945,061	(1,233,033)	39,712,028
Investment contracts with a discretionary profit sharing component	247,885,806	-	247,885,806	132,563,154	-	132,563,154
	441,027,905	(13,185,021)	427,842,884	333,572,924	(14,559,278)	319,013,646
Non-life insurance						
Workers' compensation	171,620,169	(5,385,310)	166,234,859	151,234,504	(5,431,469)	145,803,035
Personal accidents and passengers	29,353,849	(8,993,572)	20,360,277	26,412,787	(11,739,438)	14,673,349
Health	266,861,300	(264,869,283)	1,992,017	235,530,803	(233,555,784)	1,975,019
Fire and other damage	243,449,452	(92,340,274)	151,109,178	238,374,088	(91,308,042)	147,066,046
Motor	388,776,142	(3,206,283)	385,569,859	366,065,201	(1,972,103)	364,093,098
Marine, aviation and transport	18,341,935	(10,527,975)	7,813,960	17,836,259	(10,164,949)	7,671,310
Third party liability	34,568,677	(9,281,225)	25,287,452	33,141,207	(9,290,868)	23,850,339
Credit and suretyship	657,128	(442,217)	214,911	660,498	(490,232)	170,266
Legal protection	5,134,210	(3,531,351)	1,602,859	5,109,201	(3,400,769)	1,708,432
Assistance	31,125,682	(29,573,868)	1,551,814	27,200,622	(27,640,009)	(439,387)
Others	34,229,230	(12,265,631)	21,963,599	33,588,810	(17,325,771)	16,263,039
	1,224,117,774	(440,416,989)	783,700,785	1,135,153,980	(412,319,434)	722,834,546
	1,665,145,679	(453,602,010)	1,211,543,669	1,468,726,904	(426,878,712)	1,041,848,192

In 2017 and 2016, premiums for life insurance contracts may be broken down as follows:

(amounts in Euros)

	2017	2016
Direct insurance gross premiums written	440,932,317	333,282,291
Individual contracts	259,615,916	135,977,388
Group contracts	181,316,401	197,304,903
	440,932,317	333,282,291
Periodic	211,577,182	270,325,214
Non-periodic	229,355,135	62,957,077
	440,932,317	333,282,291
Contracts without profit sharing	159,415,122	159,834,765
Contracts with profit sharing	281,517,195	173,447,526
	440,932,317	333,282,291
Reinsurance accepted gross premiums written	70,729	61,011
Gross premiums written from direct insurance and reinsurance accepted	441,003,046	333,343,302
Reinsurance balance	1,498,365	(5,330,819)

27. Fees from Insurance Contracts and Operations Considered for Accounting Purposes as Investment Contracts or Service Contracts

In 2017 and 2016, the commissions received relating to insurance contracts and operations considered for accounting purposes as investment contracts totalled EUR 1,943,122 and EUR 2,551,811 respectively.

28. Claims Costs, Net of Reinsurance

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Claims paid	Changes in claims provisions	Total	Claims paid	Changes in claims provisions	Total
Life insurance						
Direct insurance and reinsurance accepted	288,470,322	11,439,077	299,909,399	268,891,603	(3,638,510)	265,253,093
Reinsurance ceded	(6,284,535)	(724,446)	(7,008,981)	(8,673,625)	401,122	(8,272,503)
	282,185,787	10,714,631	292,900,418	260,217,978	(3,237,388)	256,980,590
Non-life insurance						
Direct insurance and reinsurance accepted						
Workers' compensation	148,182,469	32,370,282	180,552,751	146,353,272	10,009,221	156,362,493
Personal accidents and passengers	11,918,419	5,998,740	17,917,159	10,564,468	(805,322)	9,759,146
Health	203,766,281	1,938,933	205,705,214	178,026,806	(2,295,651)	175,731,155
Fire and other damage	137,350,067	97,450,190	234,800,257	118,836,719	15,318,401	134,155,120
Motor	307,176,098	(19,108,157)	288,067,941	294,698,298	(27,623,610)	267,074,688
Marine, aviation and transport	6,207,829	3,197,390	9,405,219	3,633,674	(2,782,210)	851,464
Third party liability	12,348,211	(2,754,640)	9,593,571	13,531,159	(6,176,893)	7,354,266
Credit and suretyship	480,862	(49,385)	431,477	314,750	(88,428)	226,322
Legal protection	110,096	4,581	114,677	89,106	(4,881)	84,225
Assistance	708,468	53,609	762,077	488,943	(4,205)	484,738
Others	22,894,080	2,495,273	25,389,353	19,381,264	1,570,686	20,951,950
	851,142,880	121,596,816	972,739,696	785,918,459	(12,882,892)	773,035,567
Reinsurance ceded						
Workers' compensation	(236,071)	(2,426,585)	(2,662,656)	(801,405)	(357,318)	(1,158,723)
Personal accidents and passengers	(1,768,691)	(2,447,300)	(4,215,991)	(1,678,033)	(5,756,111)	(7,434,144)
Health	(201,894,563)	(1,752,213)	(203,646,776)	(176,790,769)	2,236,152	(174,554,617)
Fire and other damage	(39,124,325)	(79,116,574)	(118,240,899)	(42,768,843)	(22,003,460)	(64,772,303)
Motor	(6,699,028)	(2,011,341)	(8,710,369)	(971,548)	(2,599,118)	(3,570,666)
Marine, aviation and transport	(2,734,173)	(4,107,450)	(6,841,623)	(941,300)	2,015,562	1,074,262
Third party liability	(2,601,471)	2,497,062	(104,409)	(2,509,125)	5,513,008	3,003,883
Credit and suretyship	1,846	6,914	8,760	(35,272)	10,017	(25,255)
Assistance	-	(2)	(2)	(185)	-	(185)
Others	(14,234,620)	(1,485,390)	(15,720,010)	(12,288,483)	(1,000,270)	(13,288,753)
	(269,291,096)	(90,842,879)	(360,133,975)	(238,784,963)	(21,941,538)	(260,726,501)
	581,851,784	30,753,937	612,605,721	547,133,496	(34,824,430)	512,309,066
	864,037,571	41,468,568	905,506,139	807,351,474	(38,061,818)	769,289,656

"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 2017 and 2016:

(amounts in Euros)

	2017						Total
	Claims paid	Change in claims provisions	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
Direct insurance and reinsurance accepted							
Insurance contracts	105,183,117	9,763,384	114,946,501	2,654,182	(11,465,724)	1,935,342	108,070,301
Investment contracts with a discretionary profit sharing component	183,287,205	1,675,693	184,962,898	495,560	94,305,401	(7,709,996)	272,053,863
	288,470,322	11,439,077	299,909,399	3,149,742	82,839,677	(5,774,654)	380,124,164
Reinsurance ceded							
Insurance contracts	(6,284,535)	(724,446)	(7,008,981)	-	(196,626)	-	(7,205,607)
	(6,284,535)	(724,446)	(7,008,981)	-	(196,626)	-	(7,205,607)
Net							
Insurance contracts	98,898,582	9,038,938	107,937,520	2,654,182	(11,662,350)	1,935,342	100,864,694
Investment contracts with a discretionary profit sharing component	183,287,205	1,675,693	184,962,898	495,560	94,305,401	(7,709,996)	272,053,863
	282,185,787	10,714,631	292,900,418	3,149,742	82,643,051	(5,774,654)	372,918,557

(amounts in Euros)

	2016						Total
	Claims paid	Change in claims provisions	Sub-total	Changes in other technical provisions	Changes in mathematical provisions	Profit sharing	
Direct insurance and reinsurance accepted							
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
	268,891,603	(3,638,510)	265,253,093	(2,122,570)	1,709,556	9,629,810	274,469,889
Reinsurance ceded							
Insurance contracts	(8,673,625)	401,122	(8,272,503)	-	1,349,368	-	(6,923,135)
	(8,673,625)	401,122	(8,272,503)	-	1,349,368	-	(6,923,135)
Net							
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
	260,217,978	(3,237,388)	256,980,590	(2,122,570)	3,058,924	9,629,810	267,546,754

In 2017 and 2016, changes in other technical provisions include the allocation of the provision to stabilise the portfolio of EUR 2,654,182 and the reversal of EUR 3,521,275, respectively. In 2017 and 2016, this heading also includes the allocation of EUR 495,560 and EUR 1,398,705 respectively, to the provision for interest rate commitments.

29. Net Operating Costs, by Type and Function

In 2017 and 2016, Fidelidade's operating costs, by type, were as follows:

(amounts in Euros)

	2017	2016
Employee costs (Note 30)	148,930,230	156,545,613
External supplies and services		
Electricity	1,668,983	2,093,518
Fuel	550,562	446,786
Water	205,965	186,909
Printed Material	327,948	360,240
Office supplies	208,944	246,823
Conservation and repair	5,908,802	5,165,012
Rents and leases	16,216,416	16,166,801
Representation expenses	1,385,709	1,515,757
Communication	6,571,129	6,147,426
Travel and accommodation	4,069,874	3,957,065
Insurance	606,861	648,469
Expenditure with self-employed workers	584,694	509,798
Advertising and publicity	11,912,683	10,018,846
Litigation and notary expenses	191,797	202,789
Security and surveillance	1,307,377	1,233,654
Specialist work	49,350,573	37,423,292
Contributions	2,158,471	1,179,910
Cleanliness, hygiene and comfort	1,520,748	1,603,643
Expenses with premium collections	1,648,927	1,631,890
Software licences	5,838,042	5,262,096
Others	3,415,041	2,714,822
	115,649,546	98,715,546
Taxes and charges	12,104,839	11,957,054
Depreciation and amortisation for the year (Notes 9, 11 and 12)	9,757,656	11,704,235
Other provisions	(15,583,031)	(21,529,659)
Commissions	7,245,052	6,229,783
Interest paid	1,858,537	2,365,968
	279,962,829	265,988,540

In 2017 and 2016, the balance of reinsurance commissions and profit sharing is as follows:

(amounts in Euros)

	2017		
	Commissions	Reinsurance profit sharing	Total
Related to life insurance	1,210,416	6,267,363	7,477,779
Related to non-life insurance	56,899,740	3,045,917	59,945,657
	58,110,156	9,313,280	67,423,436

(amounts in Euros)

	2016		
	Commissions	Reinsurance profit sharing	Total
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
	61,025,704	7,812,262	68,837,966

In the 2017 and 2016 profit and loss statement, these costs were as follows:

(amounts in Euros)

	2017			Total
	Life technical account	Non-life technical account	Non technical account	
Claims costs - amounts paid				
Cost allocations	7,719,008	51,187,094	-	58,906,102
Technical costs	280,751,314	799,955,786	-	1,080,707,100
	288,470,322	851,142,880	-	1,139,613,202
Acquisition costs				
Cost allocations	29,529,009	88,857,418	-	118,386,427
Brokerage commissions	35,953,766	143,442,970	-	179,396,736
Others	60,174	1,382,020	-	1,442,194
	65,542,949	233,682,408	-	299,225,357
Administrative expenses				
Cost allocations	20,911,784	58,635,339	-	79,547,123
Brokerage remuneration	63,872	6,641,489	-	6,705,361
Others	115	13,358	-	13,473
	20,975,771	65,290,186	-	86,265,957
Financial expenses (Note 33)				
Cost allocations	9,446,930	6,762,534	6,913,713	23,123,177
Others	418,265	148,044	37,851	604,160
	9,865,195	6,910,578	6,951,564	23,727,337
Total operating costs allocations	67,606,731	205,442,385	6,913,713	279,962,829

(amounts in Euros)

	2016			Total
	Life technical account	Non-life technical account	Non technical account	
Claims costs - amounts paid				
Cost allocations	6,097,280	49,164,887	-	55,262,167
Technical costs	262,794,323	736,753,572	-	999,547,895
	268,891,603	785,918,459	-	1,054,810,062
Acquisition costs				
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)
	69,002,655	228,180,988	-	297,183,643
Administrative expenses				
Cost allocations	20,325,135	55,156,339	-	75,481,474
Brokerage remuneration	63,666	6,569,846	-	6,633,512
Others	(464)	(46,264)	-	(46,728)
	20,388,337	61,679,921	-	82,068,258
Financial expenses (Note 33)				
Cost allocations	2,667,227	9,625,577	2,279,605	14,572,409
Others	728,156	195,920	24,909	948,985
	3,395,383	9,821,497	2,304,514	15,521,394
Total operating costs allocations	57,905,826	205,803,109	2,279,605	265,988,540

30. Employee Costs

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Remuneration		
Statutory bodies	4,277,406	2,769,876
Employees	90,659,613	91,944,075
Remuneration expenses	21,304,642	21,618,674
Post-employment benefits	12,363,662	16,961,450
Termination of employment benefits	4,506,608	10,329,741
Mandatory insurance	1,748,847	1,693,887
Social action costs	10,719,669	9,741,337
Other employee costs	3,349,783	1,486,573
	148,930,230	156,545,613

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 2017 and 2016, employee costs included the impact resulting from the following movements with related entities:

(amounts in Euros)

	2017	2016
Expenses with Company employees performing functions for		
Multicare – Seguros de Saúde, S.A.	(2,856,336)	(1,777,215)
Sogruppo – Sistemas de Informação, S.A.	748,393	708,108
Fidelidade – Property Europe, S.A.	(590,662)	(802,583)
Fidelidade Angola – Companhia de Seguros, S.A.	(575,052)	190,868
E.A.P.S. – Empresa de Análise, Prevenção e Segurança, S.A.	144,813	245,584
Others	(519,824)	(494,104)
	(3,648,668)	(1,929,342)

In 2017 and 2016, the costs of post-employment benefits were as follows:

(amounts in Euros)

	2017	2016
Post-employment benefits		
Defined benefit plan (Note 31)	10,466,424	15,144,847
Individual retirement plan	1,178,871	1,076,204
Employee transfer	(43,107)	(23,239)
Other costs	761,474	763,638
	12,363,662	16,961,450

In 2017 and 2016, 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 2017 and 2016, the number of employees working for the Company, by category, was as follows:

	2017	2016
Senior management	41	39
Line management	227	187
Technical	882	836
Administrative	1,277	1,339
Ancillary	5	5
	2,432	2,406

In 2017 and 2016, the Company recorded a reversal in the estimate for seniority bonuses of EUR 234,960 and EUR 17,744, respectively. The heading “Accruals and deferred income” includes EUR 691,532 for seniority bonuses.

31. Retirement Pensions and Other Long-Term Benefits

At 31 December 2017 and 2016, the headings "Assets for post-employment benefits and other long-term benefits" and "Liabilities for post-employment benefits and other long-term benefits" were as follows:

(amounts in Euros)

	2017	2016
Assets		
Defined benefit plan	12,131,837	8,531,339
Liabilities		
Defined contribution plan	(83,416)	(72,273)
	12,048,421	8,459,066

Regarding 2017, in the "Defined contribution plan" the Company recorded a cost of EUR 1,166,960, with the payment of EUR 83,416 still pending, which corresponds to December 2016 contributions that were paid in January 2018.

Defined Contribution Plan

Within the scope of the new collective employment agreements for the insurance sector, published on 15 January 2012 and 29 January 2016, all employees of working age employed as permanent staff, with employment contracts of indefinite term, covered by these CEAs, are entitled to an individual retirement plan ("IRP"), a defined contribution plan which replaces the system of retirement pensions set out in the former CEAs.

The provisions of the previous defined benefit plan apply to employees of working age employed as permanent staff, with employment contracts of indefinite term, who are not covered by the CEAs.

In line with the rules set out in the new CEAs, the capitalised amount of the payments into the IRP can be claimed by the employee, in accordance with the law, on the date he/she retires through the Social Security system due to disability or old age, and there is a capital guarantee on the amounts of the initial transfer and the contributions made by the 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.

At 31 December 2017 and 2016, the liabilities and assets of Fidelidade's Individual Retirement Plan were:

(amounts in Euros)

Liabilities at 31 December 2016	22,769,492
Expenses for the year	1,166,960
Liabilities at 31 December 2017	23,936,452
Assets at 31 December 2016	22,697,218
Contributions	1,155,817
Assets at 31 December 2017	23,853,035
Difference	1.00
Funding level	99.65%

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 2017 and 2016, were determined by Fidelidade's life insurance actuarial department.

The assumptions and technical bases used to calculate the liabilities were as follows:

	2017	2016
Actuarial method	Projected	Projected
	Unit Credit	Unit Credit
Mortality table		
Men	TV 73/77 (-2)	TV 73/77 (-2)
Women	TV 88/90 (-2)	TV 88/90 (-2)
Discount rate	1.80%	1.80%
Salary growth rate	2.00%	2.00%
Pensions growth rate	0.75%	0.75%
Pre-retirement growth 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 2017 and 2016 and the actual amounts:

	2017		2016	
	Assumptions	Real	Assumptions	Real
Salary growth rate	2.00%	1.53%	2.00%	1.12%
Pensions growth rate	0.75%	0.28%	0.75%	0.24%

At 31 December 2017 and 2016, Fidelidade's liabilities for past service, based on the actuarial studies performed, and the funds and provisions available, were as follows:

(amounts in Euros)

	2017	2016
Liabilities for past services		
Active employees	7,218,484	10,217,625
Retired and pre-retired	173,886,543	182,184,965
	181,105,027	192,402,590
Autonomous pension funds	148,777,396	153,835,385
Mathematical provisions	44,459,468	47,098,544
	193,236,864	200,933,929
Difference	12,131,837	8,531,339
Funding level	106.70%	104.43%

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 2017 and 2016, 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:

Fidelidade - Companhia de Seguros, S.A.:	
Fidelidade Pension Fund	8.21 years
Mundial Confiança Pension Fund	7.04 years
Império Bonança Pension Fund	10.06 years

At 31 December 2017 and 2016, the number of beneficiaries was as follows:

	2017	2016
Active employees	1,007	1,117
Retired and pre-retired	2,100	2,115
Annuity holders	508	541
	3,615	3,773

The movements in the pension fund and in the mathematical provisions during 2017 and 2016 were as follows:

(amounts in Euros)

Balances at 31 December 2015	201,837,142
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
Balances at 31 December 2016	200,933,929
Contributions	10,090,175
Change in mathematical provisions	(2,639,075)
Pensions paid	(19,277,840)
(Payments)/ Receipts relating to other benefits	(599,149)
Net income of pension funds	4,728,824
Balances at 31 December 2017	193,236,864

At 31 December 2017 and 2016, Fidelidade's Pension Funds were managed by CGD Pensões - Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2017 and 2016, the pension fund assets were composed as follows, according to the respective valuation sources:

(amounts in Euros)

	2017			2016		
	Market value	Other	Portfolio value	Market value	Other	Portfolio value
Cash and cash equivalents	16,817,556	-	16,817,556	25,177,330	-	25,177,330
Debt instruments						
Public debt	-	-	-	3,811,388	-	3,811,388
	-	-	-	3,811,388	-	3,811,388
Investment funds						
National shares	717,289	-	717,289	663,286	-	663,286
European shares	5,409,819	-	5,409,819	5,627,802	-	5,627,802
Other shares	-	-	-	97,814	-	97,814
Real Estate	16,289,386	-	16,289,386	12,731,703	2,281,180	15,012,883
Bonds						
Public debt	16,791,265	-	16,791,265	17,424,477	-	17,424,477
Other issuers	91,899,098	-	91,899,098	85,373,345	-	85,373,345
Hedge funds	849,723	-	849,723	636,026	-	636,026
	131,956,581	-	131,956,581	122,554,453	2,281,180	124,835,634
Others	3,259	-	3,259	11,033	-	11,033
	148,777,396	-	148,777,396	151,554,204	2,281,180	153,835,385

On these dates, the pension fund portfolio contained the following assets issued or managed by entities in the CGD Group:

(amounts in Euros)

	2017	2016
Cash and cash equivalents	8,616,998	24,603,410
Investment funds		
National shares	710,956	657,727
Real estate	2,306,702	2,281,180
Bonds		
Other issuers	6,796,324	14,626,113
	9,813,982	17,565,020
	18,430,980	42,168,431

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 2017 and 2016, can be demonstrated as follows:

(amounts in Euros)

	Liabilities	Cover	Difference
Position at 31 December 2016	188,157,605	201,837,142	13,679,537
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
Increased liabilities for early retirements	14,770,494	-	(14,770,494)
Other changes in the income statement	-	(581,429)	(581,429)
Changes having an impact in the income statement (Note 30)	17,756,479	2,611,632	(15,144,847)
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)
Changes with an impact on shareholders' equity	8,591,614	166,327	(8,425,287)
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)	-
Position at 31 December 2016	192,402,590	200,933,929	8,531,339
Current services expenses	269,286	-	(269,286)
Net defined benefit interest	2,441,973	2,595,537	153,564
Normal cost for the year	2,711,259	2,595,537	(115,722)
Increased liabilities for early retirements	9,751,552	-	(9,751,552)
Other changes in the income statement	-	(599,149)	(599,149)
Changes having an impact in the income statement (Note 30)	12,462,811	1,996,388	(10,466,423)
Actuarial gains and losses			
return on plan assets, not included in interest income	-	2,133,288	2,133,288
resulting from differences between assumptions and actual amounts	(1,843,460)	-	1,843,460
Changes with an impact on shareholders' equity	(1,843,460)	2,133,288	3,976,748
Contributions to the plan			
paid by entity	-	10,090,173	10,090,173
Change in mathematical provisions	(2,639,074)	(2,639,074)	-
Payment made by the plan			
pensions paid	(19,277,840)	(19,277,840)	-
Position at 31 December 2017	181,105,027	193,236,864	12,131,837

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 2017 and 2016, these liabilities totalled EUR 22,964,031 and EUR 23,637,281, respectively, and were covered by provisions (Note 23). The actuarial deviations determined at 31 December 2017 and 2016 relating to this benefit amounted to EUR (669,044) and EUR 2,515,019, respectively.

Liabilities for past service with medical assistance were determined on the basis of actuarial studies performed by Fidelidade's life actuarial department, using actuarial assumptions identical to those presented above for liabilities with pensions.

Sensitivity analysis

At 31 December 2017, the sensitivity of the defined benefit liabilities assumed by the Company, due to significant changes in the assumptions, excluding the liabilities covered by whole life annuities, corresponds to:

Scenarios	2017	A	B	C
Financial Assumptions				
Discount Rate	1.80%	1.55%	2.05%	1.80%
Salary Growth Rate	2.00%	2.00%	2.00%	2.00%
Pre-retirement Salary Growth Rate	1.25%	1.25%	1.25%	1.25%
Pensions Growth Rate	0.75%	0.75%	0.75%	0.75%
Demographic Assumptions				
Mortality table				
> Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 88/90 (-2)
Age of Retirement	0	0	0	0

(amounts in Euros)

Liabilities at 31 December 2017 Scenarios		2017	A	B	C
Retirees	Old age	56,449,914	57,604,202	55,335,889	60,782,940
	Early retirement	14,473,747	14,801,382	14,157,771	15,597,766
	Disability	10,156,307	10,499,963	9,829,970	10,450,948
Pensioners	Widow/Widower	4,255,461	4,348,408	4,166,078	4,271,104
	Orphan	153,463	160,351	147,033	154,501
Pre-retirees	Pension up to Retirement Age	34,324,385	34,567,201	34,084,897	34,378,629
	Costs up to Retirement Age	6,067,433	6,113,129	6,022,384	6,091,210
	Pension after Retirement Age				
	> CEA Plan	3,272,866	3,384,874	3,166,037	3,478,646
	> Complementary Plan	273,500	284,860	262,734	278,493
Active employees	CEA Plan	3,681,627	3,898,301	3,479,750	3,872,810
	Complementary Plan	3,536,856	3,783,947	3,308,309	3,731,517
Totals		136,645,559	139,446,618	133,960,852	143,088,564

The information in the above table was prepared based on the method used to calculate the liabilities for accounting purposes, not including mathematical provisions, of EUR 44,459,468.

32. Income

In 2017 and 2016, the investment income headings were composed as follows:

(amounts in Euros)

	2017				2016			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
Investments allocated to technical provisions for life insurance								
Investments in subsidiaries, associates and joint ventures	-	1,237,186	-	1,237,186	-	54,169	-	54,169
Financial assets initially recognised at fair value through profit or loss	939,149	-	-	939,149	497,344	-	-	497,344
Available-for-sale investments	44,822,272	7,334,074	-	52,156,346	46,081,793	977,796	-	47,059,589
Loans and accounts receivable	886,521	-	-	886,521	3,749,353	-	-	3,749,353
Sight deposits	892	-	-	892	27,148	-	-	27,148
	46,648,834	8,571,260	-	55,220,094	50,355,638	1,031,965	-	51,387,603

(continuation)

(amounts in Euros)

	2017				2016			
	Interest	Dividends	Rents	Total	Interest	Dividends	Rents	Total
Investments related to contracts								
considered for accounting purposes								
as investment contracts								
Investments in subsidiaries,								
associates and joint ventures	-	8,885,797	-	8,885,797	-	1,241,295	-	1,241,295
Financial assets held for trading	(1,534,347)	-	-	(1,534,347)	(1,491,921)	-	-	(1,491,921)
Financial assets initially recognised								
at fair value through profit or loss	16,776,034	147,393	-	16,923,427	22,264,680	155,370	-	22,420,050
Available-for-sale investments	146,129,543	17,614,675	-	163,744,218	174,077,687	9,298,064	-	183,375,751
Loans and accounts receivable	2,003,133	-	-	2,003,133	3,144,985	-	-	3,144,985
Sight deposits	246	-	-	246	119,041	-	-	119,041
	163,374,609	26,647,865	-	190,022,474	198,114,472	10,694,729	-	208,809,201
	210,023,443	35,219,125	-	245,242,568	248,470,110	11,726,694	-	260,196,804
Investments allocated to technical								
provisions for non-life insurance								
Properties	-	-	18,061,367	18,061,367	-	-	18,709,499	18,709,499
Investments in subsidiaries,								
associates and joint ventures	-	3,464,120	-	3,464,120	-	-	-	-
Financial assets initially recognised								
at fair value through profit or loss	2,947,591	-	-	2,947,591	1,533,312	-	-	1,533,312
Available-for-sale investments	24,464,300	16,552,572	-	41,016,872	26,074,809	8,821,457	-	34,896,266
Loans and accounts receivable	546,206	-	-	546,206	736,133	-	-	736,133
Sight deposits	1,739	-	-	1,739	-	-	-	-
	27,959,836	20,016,692	18,061,367	66,037,895	28,344,254	8,821,457	18,709,499	55,875,210
Investments not allocated								
Properties	-	-	2,676,119	2,676,119	-	-	2,504,415	2,504,415
Investments in subsidiaries,								
associates and joint ventures	-	12,440,856	-	12,440,856	-	13,624	-	13,624
Financial assets held for trading	2,891	-	-	2,891	(460)	-	-	(460)
Financial assets initially recognised								
at fair value through profit or loss	39,280	-	-	39,280	215	-	-	215
Available-for-sale investments	1,613,861	49,903	-	1,663,764	416,422	3,164	-	419,586
Loans and accounts receivable	2,224,340	-	-	2,224,340	1,160,628	-	-	1,160,628
Sight deposits	175,477	-	-	175,477	(51,349)	-	-	(51,349)
	4,055,849	12,490,759	2,676,119	19,222,727	1,525,456	16,788	2,504,415	4,046,659
	242,039,128	67,726,576	20,737,486	330,503,190	278,339,820	20,564,939	21,213,914	320,118,673

33. Financial Expenses

In 2017 and 2016, the financial expenses headings were composed as follows:

(amounts in Euros)

	2017				2016			
	Life technical account	Non-life technical account	Non-technical account	Total	Life technical account	Non-life technical account	Non-technical account	Total
Investment Expenses (Note 29)								
Costs allocated	9,446,930	6,762,534	6,913,713	23,123,177	2,667,227	9,625,577	2,279,605	14,572,409
Other Investment expenses	418,265	148,044	37,851	604,160	728,156	195,920	24,909	948,985
	9,865,195	6,910,578	6,951,564	23,727,337	3,395,383	9,821,497	2,304,514	15,521,394

34. Net Income on Financial Assets and Liabilities not Recognised at Fair Value through Profit or Loss

In 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Available-for-sale investments	22,507,213	(2,010,414)	20,496,799	31,669,603	(12,469,189)	19,200,414
	22,507,213	(2,010,414)	20,496,799	31,669,603	(12,469,189)	19,200,414
Investments related to contracts considered for accounting purposes as investment contracts						
Available-for-sale investments	205,785,259	(17,510,634)	188,274,625	152,637,370	(15,115,795)	137,521,575
Loans and accounts receivable	-	(45,710)	(45,710)	-	(83,484)	(83,484)
Financial liabilities at amortised cost	22,380	(94,839,890)	(94,817,510)	342	(148,712,440)	(148,712,098)
	205,807,639	(112,396,234)	93,411,405	152,637,712	(163,911,719)	(11,274,007)
	228,314,852	(114,406,648)	113,908,204	184,307,315	(176,380,908)	7,926,407
Investments allocated to technical provisions for non-life insurance						
Available-for-sale investments	78,105,280	(2,912,927)	75,192,353	51,465,858	(3,126,142)	48,339,716
	78,105,280	(2,912,927)	75,192,353	51,465,858	(3,126,142)	48,339,716
Investments not allocated						
Available-for-sale investments	859,762	(185,700)	674,062	7,804,113	(1,496,133)	6,307,980
Loans and accounts receivable	-	(287,056)	(287,056)	-	-	-
	859,762	(472,756)	387,006	7,804,113	(1,496,133)	6,307,980
	307,279,894	(117,792,331)	189,487,563	243,577,286	(181,003,183)	62,574,103

35. Net Income on Financial Assets and Liabilities Recognised at Fair Value through Profit or Loss

In 2017 and 2016, these headings were composed as follows:

(amounts in Euros)

Realised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	-	(508,775)	(508,775)	-	(26,311,206)	(26,311,206)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	1,072,269	(2,487,957)	(1,415,688)	1,182,238	(525,056)	657,182
	1,072,269	(2,996,732)	(1,924,463)	1,182,238	(26,836,262)	(25,654,024)
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	135,354	(885,016)	(749,662)	83,278	(74,903,075)	(74,819,797)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	11,077,266	(10,265,012)	812,254	38,470,125	(3,031,295)	35,438,830
Others	1,463,241	(2,121,802)	(658,561)	-	-	-
	12,675,861	(13,271,830)	(595,969)	38,553,403	(77,934,370)	(39,380,967)
	13,748,130	(16,268,562)	(2,520,432)	39,735,641	(104,770,632)	(65,034,991)
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	-	(253,538)	(253,538)	-	(13,384,794)	(13,384,794)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	2,685,393	(1,294,229)	1,391,164	3,068,718	(6,958,200)	(3,889,482)
Others	5,041	(49,257)	(44,216)	-	-	-
	2,690,434	(1,597,024)	1,093,410	3,068,718	(20,342,994)	(17,274,276)
Investments not allocated						
Financial assets and liabilities held for trading	29,772,313	(51,247,425)	(21,475,112)	1,890,958	(13,232,440)	(11,341,482)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	-	(2,614)	(2,614)	12,292	(19,359)	(7,067)
	29,772,313	(51,250,039)	(21,477,726)	1,903,250	(13,251,799)	(11,348,549)
	46,210,877	(69,115,625)	(22,904,748)	44,707,609	(138,365,425)	(93,657,816)

(amounts in Euros)

Unrealised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(7,858,465)	51,797,957	106,677,897	(98,715,172)	7,962,725
Financial assets and liabilities initially recognised						
at fair value through profit or loss	3,762,152	(380,948)	3,381,204	1,134,621	(1,915,217)	(780,596)
Others	1,722,515	(1,476,631)	245,884	4,594,621	(5,731,918)	(1,137,297)
	65,141,089	(9,716,044)	55,425,045	112,407,139	(106,362,307)	6,044,832
Investments related to contracts considered for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,104,772	(26,680,247)	120,424,525	271,117,079	(233,451,677)	37,665,402
Financial assets and liabilities initially recognised						
at fair value through profit or loss	13,755,089	(18,604,502)	(4,849,413)	9,216,071	(37,080,944)	(27,864,873)
Others	88,993,892	(101,226,880)	(12,232,988)	359,388,838	(357,958,994)	1,429,844
	249,853,753	(146,511,629)	103,342,124	639,721,988	(628,491,615)	11,230,373
	314,994,842	(156,227,673)	158,767,169	752,129,127	(734,853,922)	17,275,205
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,478,185)	41,819,429	69,445,695	(73,444,296)	(3,998,601)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	6,758,071	(1,229,859)	5,528,212	3,069,945	(6,422,841)	(3,352,896)
Others	39,159,894	(44,413,740)	(5,253,846)	130,390,595	(135,334,837)	(4,944,242)
	95,215,579	(53,121,784)	42,093,795	202,906,235	(215,201,974)	(12,295,739)
Investments not allocated						
Financial assets and liabilities held for trading	52,667,891	(25,932,588)	26,735,303	167,801,517	(152,533,264)	15,268,253
Financial assets and liabilities initially recognised						
at fair value through profit or loss	112,479	(164,121)	(51,642)	43,441	(25,591)	17,850
	52,780,370	(26,096,709)	26,683,661	167,844,958	(152,558,855)	15,286,103
	462,990,791	(235,446,166)	227,544,625	1,122,880,320	(1,102,614,751)	20,265,569

(amounts in Euros)

Total	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for life insurance						
Financial assets and liabilities held for trading	59,656,422	(8,367,240)	51,289,182	106,677,897	(125,026,378)	(18,348,481)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	4,834,421	(2,868,905)	1,965,516	2,316,859	(2,440,273)	(123,414)
Others	1,722,515	(1,476,631)	245,884	4,594,621	(5,731,918)	(1,137,297)
	66,213,358	(12,712,776)	53,500,582	113,589,377	(133,198,569)	(19,609,192)
Investments related to contracts considered						
for accounting purposes as investment contracts						
Financial assets and liabilities held for trading	147,240,126	(27,565,263)	119,674,863	271,200,357	(308,354,752)	(37,154,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	24,832,355	(28,869,514)	(4,037,159)	47,686,196	(40,112,239)	7,573,957
Others	90,457,133	(103,348,682)	(12,891,549)	359,388,838	(357,958,994)	1,429,844
	262,529,614	(159,783,459)	102,746,155	678,275,391	(706,425,985)	(28,150,594)
	328,742,972	(172,496,235)	156,246,737	791,864,768	(839,624,554)	(47,759,786)
Investments allocated to technical provisions for non-life insurance						
Financial assets and liabilities held for trading	49,297,614	(7,731,723)	41,565,891	69,445,695	(86,829,090)	(17,383,395)
Financial assets and liabilities initially recognised						
at fair value through profit or loss	9,443,464	(2,524,088)	6,919,376	6,138,663	(13,381,041)	(7,242,378)
Others	39,164,935	(44,462,997)	(5,298,062)	130,390,595	(135,334,837)	(4,944,242)
	97,906,013	(54,718,808)	43,187,205	205,974,953	(235,544,968)	(29,570,015)
Investments not allocated						
Financial assets and liabilities held for trading	82,440,204	(77,180,013)	5,260,191	169,692,475	(165,765,704)	3,926,771
Financial assets and liabilities initially recognised						
at fair value through profit or loss	112,479	(166,735)	(54,256)	55,733	(44,950)	10,783
	82,552,683	(77,346,748)	5,205,935	169,748,208	(165,810,654)	3,937,554
	509,201,668	(304,561,791)	204,639,877	1,167,587,929	(1,240,980,176)	(73,392,247)

36. Exchange Differences

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Investments allocated to technical provisions for life insurance		
Financial assets held for trading	(1,721,685)	(1,735,182)
Financial assets initially recognised		
at fair value through profit or loss	(2,665,476)	1,446,002
Available-for-sale investments	(56,797,985)	14,290,983
Loans and accounts receivable	(5,325,997)	1,530,103
Sight Deposits	495,999	(1,256,939)
Others	6,647	(44,556)
	(66,008,497)	14,230,411
Investments related to contracts considered for accounting purposes as investment contracts		
Financial assets held for trading	(3,974,818)	(3,968,620)
Financial assets initially recognised		
at fair value through profit or loss	(6,894,025)	716,302
Available-for-sale investments	(127,830,385)	19,590,088
Loans and accounts receivable	(4,071,592)	795,172
Sight Deposits	4,321,062	(432,336)
Others	(2,464,857)	(3,580,467)
	(140,914,615)	13,120,139
	(206,923,112)	27,350,550
Investments allocated to technical provisions for non-life insurance		
Financial assets held for trading	(1,362,854)	(1,096,369)
Financial assets initially recognised		
at fair value through profit or loss	(12,363,989)	5,311,591
Available-for-sale investments	(26,207,079)	539,464
Loans and accounts receivable	(1,792,450)	674,892
Sight Deposits	9,598,939	4,562,981
Others	(894,518)	(1,315,738)
	(33,021,951)	8,676,821
Investments not allocated		
Financial assets held for trading	418,292	891,127
Financial assets initially recognised		
at fair value through profit or loss	(64,457)	(1,332)
Available-for-sale investments	(3,611,272)	804
Loans and accounts receivable	(4,450,713)	(731,131)
Sight Deposits	(19,114,770)	3,219,646
Others	(13)	2
	(26,822,933)	3,379,116
	(266,767,996)	39,406,487

37. Net Income on the sale of Non-Financial Assets which have not been Recognised as Non-Current Assets Held for Sale and Discontinued Operations

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

Realised gains and losses	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	21,023	-	21,023	55,493	(62,642)	(7,149)
	4,286,223	-	4,286,223	55,493	(62,642)	(7,149)

(amounts in Euros)

Unrealised gains and losses	2017			2016		
	Gains	Losses	Net (Note 10)	Gains	Losses	Net (Note 10)
Investments allocated to technical provisions for non-life insurance						
Investment properties	37,853,267	(23,911,154)	13,942,113	21,220,121	(8,796,229)	12,423,892
	37,853,267	(23,911,154)	13,942,113	21,220,121	(8,796,229)	12,423,892
Investments not allocated						
Investment properties	1,208,786	(1,603,174)	(394,388)	2,201,098	(2,965,838)	(764,740)
	1,208,786	(1,603,174)	(394,388)	2,201,098	(2,965,838)	(764,740)
	39,062,053	(25,514,328)	13,547,725	23,421,219	(11,762,067)	11,659,152

(amounts in Euros)

Total	2017			2016		
	Gains	Losses	Net	Gains	Losses	Net
Investments allocated to technical provisions for non-life insurance						
Properties for own use	4,265,200	-	4,265,200	-	-	-
Investment properties	37,874,290	(23,911,154)	13,963,136	21,275,614	(8,858,871)	12,416,743
	42,139,490	(23,911,154)	18,228,336	21,275,614	(8,858,871)	12,416,743
Investments not allocated						
Investment properties	1,208,786	(1,603,174)	(394,388)	2,201,098	(2,965,838)	(764,740)
	1,208,786	(1,603,174)	(394,388)	2,201,098	(2,965,838)	(764,740)
	43,348,276	(25,514,328)	17,833,948	23,476,712	(11,824,709)	11,652,003

38. Impairment Losses (Net of Reversals)

Information on impairment losses movements in 2017 and 2016 is set out below:

(amounts in Euros)

	2017				
	Opening balances	Increases	Recoveries and cancellations	Use	Closing balances
Impairment on investments in subsidiaries (Note 4)	23,670,952	345,074	(19,254,615)	-	4,761,411
Impairment on investments in associates (Note 4)	2,526,943	41,750	-	-	2,568,693
Impairment of available-for-sale investments (Note 7)					
Debt instruments	154,065,703	23,046,204	(914,070)	(41,805,706)	134,392,131
Equity instruments	274,932,738	72,458,867	-	(78,005,212)	269,386,393
Other instruments	50,079,033	4,824,712	-	(14,248,470)	40,655,275
Impairment of loans and accounts receivable (Note 8)	1,130,235	17,950	(767,383)	-	380,802
Impairment of property for own use (Note 9)	8,639,580	454,641	(1,152,360)	(185,474)	7,756,387
Adjustments to premiums pending collection (Note 14)	10,148,605	-	(2,553,013)	-	7,595,592
Value adjustments - IFAP (Note 14)	484,133	-	(384,277)	-	99,856
Adjustments for doubtful debts (Note 14)	30,271,975	-	(3,961,357)	(46,972)	26,263,646
	555,949,897	101,189,198	(28,987,075)	(134,291,834)	493,860,186

(amounts in Euros)

	2016				
	Opening balances	Increases	Recoveries and cancellations	Use	Closing balances
Impairment on investments in subsidiaries (Note 4)	23,816,647	917,455	(1,063,150)	-	23,670,952
Impairment on investments in associates (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
	406,902,803	191,964,451	(13,692,810)	(29,224,547)	555,949,897

In 2017, the account heading "Impairment losses (net of reversals)" included allocations of "Other provisions" (Note 23), of EUR 38,214,363. In 2016, the account heading "Impairment losses (net of reversals)" included uses of "Other provisions" (Note 23), of EUR 5,374,533.

39. Other Technical Income/Expenses, Net of Reinsurance

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017			2016		
	Income	Expenses	Net	Income	Expenses	Net
Related to life insurance						
Co-insurance management commissions	13,808	(16,752)	(2,944)	12,610	(21,730)	(9,120)
Pension fund management commissions	559,421	-	559,421	516,728	-	516,728
Others	53,034	(9,162)	43,872	18,141	(4,900)	13,241
	626,263	(25,914)	600,349	547,479	(26,630)	520,849
Related to non-life insurance						
Co-insurance management commissions	722,930	(176,948)	545,982	718,734	(195,586)	523,148
Others	3,701,077	(158,682)	3,542,395	467,169	(10,555)	456,614
	4,424,007	(335,630)	4,088,377	1,185,903	(206,141)	979,762
	5,050,270	(361,544)	4,688,726	1,733,382	(232,771)	1,500,611

40. Other Income/Expenses

In 2017 and 2016, this heading was composed as follows:

(amounts in Euros)

	2017	2016
Non-current income and gains		
Tax rebates	1,927,254	154,538
Others	512,874	65,644
	2,440,128	220,182
Financial income and gains		
Interest obtained	893,818	276,817
Exchange rate gains	3,774,423	6,610,752
Cash discounts	2,344	618
Others	229,490	887,475
	4,900,075	7,775,662
Income from other assets		
Gains on other tangible assets	-	50
	-	50

(continuation)

(amounts in Euros)

	2017	2016
Gains with pension plans		
Pension funds management fees (Macao Branch Life)	11,880	13,388
	11,880	13,388
Other non-technical income		
Adjustments to balances	172,738	16,957
Provisions of services	334,802	545,646
	507,540	562,603
Non-current expenses and losses		
Donations	(316,583)	(20,199)
Sponsorship	(681,967)	(549,529)
Gifts to clients	(63,120)	(6,994)
Fines and penalties	(29,190)	(41,231)
Miscellaneous contributions	(85,344)	(86,117)
Insufficient tax estimate	(479,161)	(955,667)
Corrections to previous years	(11,657)	(661,379)
Bad debts	(1,159,997)	(4,118,765)
Adjustments to balances	(305,196)	(454,208)
Others	(392,775)	(59,189)
	(3,524,990)	(6,953,278)
Financial expenses and losses		
Interest paid	(22,511)	(17,082)
Exchange rate losses	(5,945,442)	(5,848,795)
Banking services	(127,703)	(269,601)
Others	(31,097)	(1,773,376)
	(6,126,753)	(7,908,854)
Losses in other assets		
Losses in other intangible assets	(344,748)	-
Losses in other tangible assets	(243,689)	(60,792)
	(588,437)	(60,792)
	(2,380,557)	(6,351,039)

41. 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:
Life	
Risk	Risk
Capitalisation with profit sharing	Capitalisation with profit sharing
Financial liabilities	Financial liabilities
Non-Life	
Workers' compensation	Workers' compensation
Health	Health
Property	Fire and other damage
	Credit
	Suretyship
	Miscellaneous pecuniary losses on property
Motor	Passengers
	Land vehicles
	Third party liability for land motor vehicles
	Miscellaneous pecuniary losses related to motor
	Legal protection for motor
	Motor assistance
Transported goods	Transported goods
	Marine and transport
	Aviation
Third party liability	Third party liability
Other	Personal accidents
	Legal protection - other
	Assistance - other
	Miscellaneous insurance

For reporting by geographical segment, the Company selected the following:

- Portugal
- European Union
- Africa
- Asia
- Rest of the World

The distribution of income by lines of business and geographical markets in 2017 and 2016 was as follows:

2017

(amounts in Euros)

	Insurance segment			Total
	Life	Non-life	Not allocated	
Gains and losses				
Earned premiums net of reinsurance	427,842,884	783,700,785	-	1,211,543,669
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,943,122	-	-	1,943,122
Claims costs, net of reinsurance	(292,900,418)	(612,605,721)	-	(905,506,139)
Other technical provisions, net of reinsurance	(3,149,741)	(2,933,215)	-	(6,082,956)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(76,868,398)	(205,278)	-	(77,073,676)
Operating costs and expenses, net	(78,966,583)	(226,135,183)	-	(305,101,766)
Financial income	245,242,568	66,037,895	19,222,727	330,503,190
Financial expenses and net income on financial assets and liabilities	53,366,634	116,453,216	(48,353,795)	121,466,055
Impairment losses (net of reversals)	(81,141,979)	(2,244,812)	(27,029,695)	(110,416,486)
Other income/expenses and negative goodwill	602,879	4,102,174	-	2,308,169
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	434,840	434,840
Current income tax	(25,837,934)	(30,932,948)	(19,457,785)	(76,228,667)
	170,133,034	95,236,913	(77,580,593)	187,789,354
Assets				
Cash and cash equivalents and sight deposits	134,822,174	5,905,038	58,651,763	199,378,975
Investments in associates and joint ventures	1,713,213,998	200,328,354	50,992,604	1,964,534,956
Financial assets held for trading	37,070,438	9,676,130	20,304,119	67,050,687
Financial assets initially recognised at fair value through profit or loss	367,588,330	146,951,616	19,483,175	534,023,121
Hedge derivatives	10,668,392	4,254,200	-	14,922,592
Available-for-sale assets	9,067,879,899	1,609,856,995	14,224,696	10,691,961,590
Loans and accounts receivable	831,004,026	36,618,666	251,349,751	1,118,972,443
Properties	-	159,456,789	24,159,555	183,616,344
Other tangible and intangible assets	5,894,960	19,710,705	496,490	26,102,155
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	21,972,707	302,943,275	-	324,915,982
Asset for post-employment and other long-term benefits	-	-	12,131,837	12,131,837
Other debtors for insurance and other operations	55,032,503	163,777,424	18,938,305	237,748,232
Tax assets	139,106,336	99,913,833	12,252,131	251,272,300
Accruals and deferrals	14,865,934	2,136,080	4,362,554	21,364,568
Non-current assets held for sale	-	-	243,194,741	243,194,741
	12,399,119,697	2,761,529,105	730,541,721	15,891,190,523
Liabilities				
Provision for unearned premiums	1,542,378	246,633,704	-	248,176,082
Mathematical provision for life insurance	1,759,742,499	-	-	1,759,742,499
Claims provision	132,387,593	1,663,746,931	-	1,796,134,524
Provision for profit sharing	110,745,228	313	-	110,745,541
Provision for interest rate commitments	7,520,800	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	24,405,064
Equalisation provision	-	25,564,273	-	25,564,273
Provision for unexpired risks	-	47,581,380	-	47,581,380
Financial liabilities	8,593,120,341	126,228,859	14,157,024	8,733,506,224
Liabilities for post-employment and other long-term benefits	-	-	83,416	83,416
Other creditors for insurance and other operations	25,770,157	92,958,406	49,921,947	168,650,510
Tax liabilities	166,655,440	84,009,286	7,704,503	258,369,229
Accruals and deferrals	33,401,665	50,601,060	4,177,888	88,180,613
Other provisions	-	50,036,302	102,092,460	152,128,762
	10,855,291,165	2,387,360,514	201,565,721	13,444,217,400
Total segments				2,259,183,766
Shareholders' equity, reserves, retained earnings and non-controlling interests				2,259,183,766

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
Gains and losses				
Earned premiums net of reinsurance	173,399,026	254,443,858	-	427,842,884
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	1,943,122	1,943,122
Claims costs, net of reinsurance	(94,667,518)	(198,232,794)	(106)	(292,900,418)
Other technical provisions, net of reinsurance	(2,654,181)	(495,560)	-	(3,149,741)
Mathematical provision for life insurance and profit sharing, net of reinsurance	155,623	(77,024,021)	-	(76,868,398)
Operating costs and expenses, net	(24,218,808)	(9,457,790)	(45,289,985)	(78,966,583)
Financial income	9,106,991	46,113,102	190,022,475	245,242,568
Financial expenses and net income on financial assets and liabilities	(399,792)	6,463,307	47,303,119	53,366,634
Impairment losses (net of reversals)	2,849,842	(174,210)	(83,817,611)	(81,141,979)
Other income/expenses and negative goodwill	595,436	255	7,188	602,879
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-
Current income tax	(8,415,350)	(3,045,992)	(14,376,592)	(25,837,934)
	55,751,269	18,590,155	95,791,610	170,133,034
Assets				
Cash and cash equivalents and sight deposits	5,815,972	32,885,675	96,120,527	134,822,174
Investments in associates and joint ventures	88,305,834	-	1,624,908,164	1,713,213,998
Financial assets held for trading	1,295,932	5,721,352	30,053,154	37,070,438
Financial assets initially recognised at fair value through profit or loss	2,132,229	82,326,724	283,129,377	367,588,330
Hedge derivatives	83,774	251,956	10,332,662	10,668,392
Available-for-sale assets	283,780,824	1,314,487,939	7,469,611,136	9,067,879,899
Loans and accounts receivable	72,955,544	347,988,877	410,059,605	831,004,026
Properties	-	-	-	-
Other tangible and intangible assets	2,672,848	619,808	2,602,304	5,894,960
Goodwill	-	-	-	-
Technical provisions for reinsurance ceded	21,972,707	-	-	21,972,707
Asset for post-employment and other long-term benefits	-	-	-	-
Other debtors for insurance and other operations	6,595,331	10,917,005	37,520,167	55,032,503
Tax assets	10,567,565	5,872,921	122,665,850	139,106,336
Accruals and deferrals	268,208	1,742,016	12,855,710	14,865,934
Non-current assets held for sale	-	-	-	-
	496,446,768	1,802,814,273	10,099,858,656	12,399,119,697
Liabilities				
Provision for unearned premiums	1,521,893	20,485	-	1,542,378
Mathematical provision for life insurance	208,064,209	1,551,678,290	-	1,759,742,499
Claims provision	110,932,456	21,455,137	-	132,387,593
Provision for profit sharing	34,346,573	76,398,655	-	110,745,228
Provision for interest rate commitments	-	7,520,800	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	24,405,064
Equalisation provision	-	-	-	-
Provision for unexpired risks	-	-	-	-
Financial liabilities	3,823,879	21	8,589,296,441	8,593,120,341
Liabilities for post-employment and other long-term benefits	-	-	-	-
Other creditors for insurance and other operations	6,344,538	3,331,314	16,094,305	25,770,157
Tax liabilities	4,493,775	2,929,961	159,231,704	166,655,440
Accruals and deferrals	5,024,647	3,646,442	24,730,576	33,401,665
Other provisions	-	-	-	-
	398,957,034	1,666,981,105	8,789,353,026	10,855,291,165

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Gains and losses								
Earned premiums net of reinsurance	166,234,860	1,992,014	166,102,155	395,343,181	7,817,814	25,287,452	20,923,309	783,700,785
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-	-	-	-	-
Claims costs, net of reinsurance	(177,890,094)	(2,058,438)	(124,071,353)	(282,841,345)	(2,563,087)	(9,489,163)	(13,692,241)	(612,605,721)
Other technical provisions, net of reinsurance	10,165,315	(192,776)	(6,307,652)	(6,085,068)	(12,370)	(539,041)	38,377	(2,933,215)
Mathematical provision for life insurance and profit sharing, net of reinsurance	-	-	(190,792)	-	-	-	(14,486)	(205,278)
Operating costs and expenses, net	(34,117,631)	(3,199,873)	(54,722,085)	(113,321,381)	(2,923,069)	(9,852,251)	(7,998,891)	(226,135,181)
Financial income	27,001,740	3,122,734	10,512,399	20,245,364	476,183	3,781,984	897,491	66,037,895
Financial expenses and net income on financial assets and liabilities	38,873,305	5,571,504	19,518,410	42,659,535	990,886	7,846,233	993,343	116,453,216
Impairment losses (net of reversals)	(461,770)	231,549	(787,415)	(465,899)	(69,030)	(257,168)	(435,079)	(2,244,812)
Other income/expenses and negative goodwill	282,057	227,980	3,590,425	9,614	(3,429)	(69,969)	65,497	4,102,175
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-	-	-	-
Current income tax	(5,977,218)	(2,152,401)	(5,986,964)	(12,918,011)	(552,646)	(2,342,637)	(1,003,071)	(30,932,948)
	24,110,564	3,542,293	7,657,128	42,625,990	3,161,252	14,365,440	(225,751)	95,236,916
Assets								
Cash and cash equivalents and sight deposits	3,698,253	187,661	1,387,686	(185,987)	(9,360)	(43,197)	869,982	5,905,038
Investments in associates and joint ventures	88,079,127	8,748,711	24,801,400	65,394,511	1,425,244	9,640,749	2,238,612	200,328,354
Financial assets held for trading	3,617,944	419,395	1,731,823	3,146,913	68,277	513,507	178,271	9,676,130
Financial assets initially recognised at fair value through profit or loss	37,405,613	8,389,162	25,425,834	62,787,868	1,367,328	9,424,975	2,150,836	146,951,616
Hedge derivatives	1,671,760	201,276	570,589	1,504,486	32,790	221,798	51,501	4,254,200
Available-for-sale assets	784,286,296	58,267,400	224,585,241	434,502,030	9,438,990	68,827,083	29,949,955	1,609,856,995
Loans and accounts receivable	18,156,376	1,384,950	5,801,551	8,970,669	243,388	1,486,669	575,063	36,618,666
Properties	7,220,574	11,160,973	31,607,555	91,016,539	2,054,561	14,558,723	1,837,864	159,456,789
Other tangible and intangible assets	2,388,482	1,734,683	4,944,239	8,832,817	154,437	698,786	957,261	19,710,705
Goodwill	-	-	-	-	-	-	-	-
Technical provisions for reinsurance ceded	3,082,366	79,334,553	168,693,181	9,962,307	8,130,658	15,917,544	17,822,666	302,943,275
Asset for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other debtors for insurance and other operations	18,793,452	54,537,164	48,924,782	29,094,066	2,051,722	6,732,275	3,643,963	163,777,424
Tax assets	17,664,069	6,623,742	19,218,434	45,553,437	1,314,791	7,296,593	2,242,767	99,913,833
Accruals and deferrals	217,201	334,621	454,257	921,131	12,885	77,940	118,045	2,136,080
Non-current assets held for sale	-	-	-	-	-	-	-	-
	986,281,513	231,324,291	558,146,572	761,500,787	26,285,711	135,353,445	62,636,786	2,761,529,105

(continuation)

(amounts in Euros)

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Liabilities								
Provision for unearned premiums	11,087,323	22,167,808	72,179,588	125,104,805	1,311,869	7,562,298	7,220,013	246,633,704
Mathematical provision for life insurance	-	-	-	-	-	-	-	-
Claims provision	823,718,810	54,651,466	229,222,495	416,660,067	12,717,751	98,999,697	27,776,645	1,663,746,931
Provision for profit sharing	-	-	-	-	-	-	313	313
Provision for interest rate commitments	-	-	-	-	-	-	-	-
Provision for portfolio stabilisation	-	-	-	-	-	-	-	-
Equalisation provision	-	-	25,502,592	-	-	61,681	-	25,564,273
Provision for unexpired risks	6,113,713	192,776	7,549,766	32,688,882	12,786	950,506	72,951	47,581,380
Financial liabilities	804,403	73,161,077	29,120,410	4,155,341	531,344	1,645,790	16,810,494	126,228,859
Liabilities for post-employment and other long-term benefits	-	-	-	-	-	-	-	-
Other creditors for insurance and other operations	10,113,021	27,185,209	33,321,850	12,063,619	1,439,024	5,112,045	3,723,638	92,958,406
Tax liabilities	27,963,207	4,946,242	14,665,438	30,727,207	610,829	3,791,531	1,304,832	84,009,286
Accruals and deferrals	7,508,100	6,456,215	11,340,262	21,013,918	555,111	1,712,232	2,015,222	50,601,060
Other provisions	50,036,302	-	-	-	-	-	-	50,036,302
	937,344,879	188,760,793	422,902,401	642,413,839	17,178,714	119,835,780	58,924,108	2,387,360,514

	Insurance segment			Total
	Life	Non-life	Not allocated	
Gains and losses				
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)
	55,580,295	26,944,895	17,895,313	100,420,503
Assets				
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
	11,369,415,801	2,768,503,424	539,318,924	14,677,238,149
Liabilities				
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
	10,321,106,844	2,248,551,083	267,613,286	12,837,271,213
Total segments				1,739,546,433
Shareholders' equity, reserves, retained earnings and non-controlling interests				1,739,546,433

	Life			Total
	Risk	Capitalisation with profit sharing	Financial liabilities	
Gains and losses				
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)
	66,369,906	(2,625,180)	(8,164,431)	55,580,295
Assets				
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
	508,053,261	1,698,437,907	9,162,924,633	11,369,415,801
Liabilities				
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	-	-	-	-
	384,160,184	1,525,766,713	8,411,179,947	10,321,106,844

	Non-life							Total
	Workers' compensation	Health	Property	Motor	Transported goods	Third party liability	Other	
Gains and losses								
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)
	(25,546,727)	6,702,376	20,940,354	9,188,626	3,537,129	6,356,530	5,766,607	26,944,895
Assets								
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
	1,032,427,912	184,440,994	451,171,925	876,808,267	24,642,075	145,886,413	53,125,838	2,768,503,424
Liabilities								
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
	939,504,510	160,318,856	307,215,825	654,687,126	15,561,919	122,568,053	48,694,794	2,248,551,083

Geographical markets

2017

(amounts in Euros)

	Geographical segment				Total
	Portugal	Rest of European Union	Africa	Asia	
Gains and losses					
Earned premiums net of reinsurance	1,149,461,063	53,060,509	1,419,462	7,602,635	1,211,543,669
Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	1,898,555	44,567	-	-	1,943,122
Claims costs, net of reinsurance	(848,806,189)	(41,434,893)	(1,546,973)	(13,718,084)	(905,506,139)
Other technical provisions, net of reinsurance	(6,970,212)	505,751	381,505	-	(6,082,956)
Mathematical provision for life insurance and profit sharing, net of reinsurance	(79,793,933)	(6,862,679)	(94,655)	9,677,591	(77,073,676)
Operating costs and expenses, net	(282,605,102)	(19,913,592)	(2,122,969)	(460,101)	(305,101,764)
Financial income	317,127,724	12,315,037	330,029	730,400	330,503,190
Financial expenses and net income on financial assets and liabilities	121,024,817	5,020,062	(166,084)	(4,412,740)	121,466,055
Impairment losses (net of reversals)	(109,188,419)	(1,072,092)	(155,375)	(600)	(110,416,486)
Other income/expenses and negative goodwill	2,632,304	(750,485)	(45,614)	471,964	2,308,169
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	434,840	-	-	-	434,840
Current income tax	(75,087,118)	(1,119,364)	-	(22,185)	(76,228,667)
	190,128,330	(207,179)	(2,000,674)	(131,120)	187,789,357
Assets					
Cash and cash equivalents and sight deposits	177,743,367	19,187,439	2,088,613	359,556	199,378,975
Investments in associates and joint ventures	1,964,534,956	-	-	-	1,964,534,956
Financial assets held for trading	65,341,174	1,709,513	-	-	67,050,687
Financial assets initially recognised at fair value through profit or loss	521,467,901	12,555,220	-	-	534,023,121
Hedge derivatives	14,859,133	63,459	-	-	14,922,592
Available-for-sale assets	10,195,745,295	495,497,039	719,256	-	10,691,961,590
Loans and accounts receivable	997,341,193	95,298,121	1,331,077	25,002,052	1,118,972,443
Properties	183,616,344	-	-	-	183,616,344
Other tangible and intangible assets	24,813,311	390,093	898,751	-	26,102,155
Goodwill	-	-	-	-	-
Technical provisions for reinsurance ceded	248,707,621	75,579,120	605,776	23,465	324,915,982
Asset for post-employment and other long-term benefits	12,131,837	-	-	-	12,131,837
Other debtors for insurance and other operations	213,517,048	21,785,984	635,362	153,611	236,092,005
Tax assets	249,361,743	1,415,308	64,529	-	250,841,580
Accruals and deferrals	21,055,536	264,797	44,079	156	21,364,568
Non-current assets held for sale	243,194,741	-	-	-	243,194,741
	15,133,431,199	723,746,093	6,387,443	25,538,840	15,889,103,575
Liabilities					
Provision for unearned premiums	238,241,268	9,361,477	573,337	-	248,176,082
Mathematical provision for life insurance	1,401,724,831	335,317,345	111,269	22,589,054	1,759,742,499
Claims provision	1,709,645,929	85,684,786	802,501	1,308	1,796,134,524
Provision for profit sharing	106,225,541	4,488,054	-	31,946	110,745,541
Provision for interest rate commitments	7,451,488	69,312	-	-	7,520,800
Provision for portfolio stabilisation	24,405,064	-	-	-	24,405,064
Equalisation provision	25,530,136	34,137	-	-	25,564,273
Provision for unexpired risks	46,007,373	1,043,479	530,528	-	47,581,380
Financial liabilities	8,638,448,826	95,057,398	-	-	8,733,506,224
Liabilities for post-employment and other long-term benefits	83,416	-	-	-	83,416
Other creditors for insurance and other operations	150,302,638	15,918,034	481,502	292,109	166,994,283
Tax liabilities	251,101,130	6,781,384	29,039	26,956	257,938,509
Accruals and deferrals	86,522,680	1,442,038	185,254	30,642	88,180,614
Other provisions	151,070,283	1,058,479	-	-	152,128,762
	12,860,189,085	556,255,923	2,713,430	22,972,015	13,442,130,453
Total segments					2,259,183,766
Shareholders' equity, reserves, retained earnings and non-controlling interests					2,259,183,766

	Geographical segment				Total
	Portugal	Rest of European Union	Africa	Asia	
Gains and losses					
Earned premiums net of reinsurance	975,046,402	55,810,454	573,686	10,417,650	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)	(922,384)	(2,547,972)	(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)	(9,406)	(9,486,822)	(12,718,521)
Operating costs and expenses, net	(286,952,254)	(17,523,987)	(2,220,081)	(399,322)	(307,095,644)
Financial income	308,525,917	10,750,600	39,805	802,351	320,118,673
Financial expenses and net income on financial assets and liabilities	25,357,036	(1,366,913)	(178,770)	907,599	24,718,952
Impairment losses (net of reversals)	(173,692,660)	869,640	(74,425)	338	(172,897,107)
Other income/expenses and negative goodwill	(5,482,886)	529,329	(553,850)	656,979	(4,850,428)
Gains and losses from non-current assets (or groups for disposal) classified as held for sale	-	-	-	-	-
Current income tax	(34,759,793)	(303,994)	-	(11,137)	(35,074,924)
Non-controlling interests	-	-	-	-	-
	105,014,749	(3,173,217)	(1,760,693)	339,664	100,420,503
Assets					
Cash and cash equivalents and sight deposits	535,723,585	89,870,704	1,786,319	783,109	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	1,027,924	34,210,556	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
Goodwill	-	-	-	-	-
Technical provisions for reinsurance ceded	192,318,297	47,937,087	314,670	14,484	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	338,257	223,238	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
	14,041,589,547	574,092,563	5,106,728	35,231,387	14,656,020,225
Liabilities					
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	26,593	32,310,567	1,646,693,482
Claims provision	1,607,676,218	54,313,413	229,404	1,501	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	314,579	176,699	193,275,189
Tax liabilities	230,698,623	5,254,829	60,299	12,646	236,026,397
Accruals and deferrals	80,160,017	1,200,025	87,674	33,097	81,480,813
Other provisions	130,080,186	74,509	-	-	130,154,695
	12,264,491,660	516,982,612	2,003,571	32,575,446	12,816,053,289
					1,739,546,433
					1,739,546,433

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.

42. Related Parties

The Company's related parties are deemed to be the subsidiaries and associates of the Fosun Group, and Caixa Geral de Depósitos, S.A., and respective management bodies.

At 31 December 2017 and 2016 the Company's financial statements include the following balances and transactions with related parties, excluding the management bodies:

2017

(amounts in Euros)

	Fidelidade Assistência - Companhia de Seguros, S.A. (2)	Via Directa - Companhia de Seguros, S.A. (2)	Fidelidade Angola (2)	Caixa Geral de Depósitos, S.A. (5)	Garantia - Companhia de Seguros de Cabo Verde, S.A. (2)
Assets					
Cash and cash equivalents	-	-	-	103,842,510	-
Investments in subsidiaries, associates and joint ventures	-	39,800,120	10,967,358	-	5,915,110
Financial assets held for trading	-	-	-	16,546	-
Financial assets initially recognised at fair value through profit or loss	-	-	-	23,094,445	-
Available-for-sale investments	-	-	-	-	-
Loans and accounts receivable	-	-	464,187	253,374,023	84,925
Technical provisions on reinsurance ceded	12,470	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	43,907	-
Accounts receivable for other reinsurance operations	20,539,643	-	10,604,456	-	233,311
Accounts receivable for other operations	4,818	29,598	7,335,879	7,575	-
Accruals and deferrals	-	-	-	18,597	-
Liabilities					
Provision for unearned premiums	-	(12)	1,390,612	-	128,046
Claims provision	-	611,531	30,468,829	-	469,512
Financial liabilities held for trading	-	-	-	5,654,647	-
Other financial liabilities	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	3,301,899	-
Accounts payable for other reinsurance operations	7,026,302	31,617	-	-	-
Accounts payable for other operations	398	13	2,625,943	314	45,714
Accruals and deferrals	22,270	-	-	15,505,170	-
Gains and Losses					
Gross premiums written	-	1,682,592	4,318,663	(37,535)	1,439,235
Reinsurance ceded premiums	(23,788,779)	-	-	-	-
Provision for unearned premiums (change)	-	12	(38,611)	-	(92,042)
Provision for unearned premiums, reinsurers' share (change)	(16,928,541)	-	-	-	-
Claims costs, net of reinsurance	(6,197)	(571,244)	(30,201,223)	(270,117)	130,764
Operating costs and expenses, net	3,383,970	199,229	85,809	(37,128,871)	(323,855)
Financial income	266,760	271,596	522,532	5,107,781	354,227
Financial expenses	-	-	(1,233,300)	(2,851,395)	(21,985)
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	-	-	(63,868)	(3,071,172)	-
Impairment losses (net of reversals)	-	9,875,332	-	-	(345,074)
Other income/expenses	428	(1)	(1,570,654)	(90,818)	-

(continuation)

(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)
Assets					
Cash and cash equivalents	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	771,104,925	-	-	-	11,100,000
Financial assets held for trading	769,417	-	-	-	-
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-
Available-for-sale investments	-	132,255,732	11,548,849	-	-
Loans and accounts receivable	9,039,022	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	79,266,216	19,643,193
Accounts receivable for direct insurance operations	-	-	178,849	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	343,835
Accounts receivable for other operations	91	-	-	-	-
Accruals and deferrals	224,501	-	-	-	-
Liabilities					
Provision for unearned premiums	-	-	-	-	806,922
Claims provision	-	-	-	-	18,711,368
Financial liabilities held for trading	-	-	-	-	-
Other financial liabilities	-	-	-	73,090,948	238,919
Accounts payable for direct insurance operations	-	-	-	7,533,676	-
Accounts payable for other reinsurance operations	-	-	-	9,299,331	-
Accounts payable for other operations	2,441,529	-	-	404,557	2,627,913
Accruals and deferrals	506	-	-	48,274	-
Gains and Losses					
Gross premiums written	-	-	-	-	2,527,157
Reinsurance ceded premiums	-	-	-	(266,036,312)	(2,823,841)
Provision for unearned premiums (change)	-	-	-	-	(40,950)
Provision for unearned premiums, reinsurers' share (change)	-	-	-	1,887,426	73,979
Claims costs, net of reinsurance	(740,662)	-	-	203,166,104	(1,477,980)
Operating costs and expenses, net	(1,419,409)	-	-	38,316,929	(3,534)
Financial income	527,916	-	-	566,885	-
Financial expenses	(1,203,093)	-	-	(1,021,222)	(207)
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	(5,964,029)	-	-	-	-
Exchange differences	72,121	-	-	-	-
Impairment losses (net of reversals)	-	-	(138,556)	-	615,000
Other income/expenses	-	-	-	(250)	30,385

(continuation)

(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)
Assets					
Cash and cash equivalents	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	14,093,732	-	476,517,395	423,664,012	-
Financial assets held for trading	-	-	-	131,822	-
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-
Available-for-sale investments	-	43,898,906	-	-	102,753,909
Loans and accounts receivable	-	-	-	-	-
Technical provisions on reinsurance ceded	-	-	-	-	-
Accounts receivable for direct insurance operations	-	-	-	-	-
Accounts receivable for other reinsurance operations	-	-	-	-	-
Accounts receivable for other operations	-	-	-	-	-
Accruals and deferrals	-	-	-	-	-
Liabilities					
Provision for unearned premiums	-	-	-	-	-
Claims provision	-	-	-	-	-
Financial liabilities held for trading	-	-	-	11,986,354	-
Other financial liabilities	-	-	-	-	-
Accounts payable for direct insurance operations	-	-	-	-	-
Accounts payable for other reinsurance operations	-	-	-	-	-
Accounts payable for other operations	-	-	1,532	3,072,001	-
Accruals and deferrals	-	-	-	-	-
Gains and Losses					
Gross premiums written	-	-	-	-	-
Reinsurance ceded premiums	-	-	-	-	-
Provision for unearned premiums (change)	-	-	-	-	-
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	-
Claims costs, net of reinsurance	-	-	-	-	-
Operating costs and expenses, net	-	-	(79,084)	-	-
Financial income	-	-	-	-	5,274,510
Financial expenses	-	-	-	45,137	-
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	-	-	-	(32,610,917)	-
Exchange differences	-	-	-	(974,350)	-
Impairment losses (net of reversals)	8,764,056	-	-	-	(52,456,684)
Other income/expenses	-	-	-	-	-

(continuation)

(amounts in Euros)

	Fidelidade Macau - Companhia de Seguros, S.A. (2)	FPE (Lux) Holding Sarl	FID Loans 1 Ireland	Xingtao Assets Limited (5)	Peak Reinsurance Company (5)	Longrun Portugal, SGPS, S.A. (1)	Others	TOTAL
Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	103,842,510
Investments in subsidiaries, associates and joint ventures	17,889,052	-	190,000,000	-	-	-	3,483,252	1,964,534,956
Financial assets held for trading	-	-	-	-	-	-	-	917,785
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	-	-	23,094,445
Available-for-sale investments	-	-	-	270,317,250	-	-	-	560,774,646
Loans and accounts receivable	-	-	-	-	-	-	-	262,962,157
Technical provisions on reinsurance ceded	-	-	-	-	757,519	-	-	99,679,398
Accounts receivable for direct insurance operations	-	-	-	-	-	-	-	222,756
Accounts receivable for other reinsurance operations	9,036	-	-	-	-	-	-	31,730,281
Accounts receivable for other operations	-	-	-	-	-	-	508,577	7,886,538
Accruals and deferrals	-	-	-	-	-	-	-	243,098
Liabilities								
Provision for unearned premiums	13,968	-	-	-	-	-	-	2,339,536
Claims provision	239,573	-	-	-	55,972	-	885,201	51,441,986
Financial liabilities held for trading	-	1,269,431	-	-	-	-	-	18,910,432
Other financial liabilities	-	-	-	-	1,506,253	-	-	74,836,120
Accounts payable for direct insurance operations	-	-	-	-	-	-	-	10,835,575
Accounts payable for other reinsurance operations	-	-	-	-	2,149,198	-	-	18,506,448
Accounts payable for other operations	-	13,037,421	-	-	3,744	7,374,967	2,065,777	33,701,823
Accruals and deferrals	-	-	-	-	-	-	-	15,576,220
Gains and Losses								
Gross premiums written	165,955	-	-	-	-	-	-	10,096,067
Reinsurance ceded premiums	-	-	-	-	(8,834,201)	-	-	(301,483,133)
Provision for unearned premiums (change)	19,007	-	-	-	192,065	-	-	39,481
Provision for unearned premiums, reinsurers' share (change)	-	-	-	-	140,288	-	-	(14,826,848)
Claims costs, net of reinsurance	(293,314)	-	-	-	1,991,894	-	(2,508,260)	169,219,765
Operating costs and expenses, net	(52,564)	-	-	-	1,928,063	-	(823,562)	4,083,121
Financial income	-	-	-	9,328,853	-	-	25,320,216	47,541,276
Financial expenses	-	31,625	-	-	(3,842)	-	(41,557)	(6,299,839)
Net income on financial assets and liabilities not recognised at fair value through profit or loss	-	-	-	3,795	-	-	-	288,432
Net income on financial assets and liabilities recognised at fair value through profit or loss	-	(5,670,591)	-	-	-	-	-	(41,016,963)
Exchange differences	-	206,525	-	-	-	-	-	(3,830,744)
Impairment losses (net of reversals)	-	-	-	-	-	-	(54,515)	(33,740,441)
Other income/expenses	(11,204)	-	-	-	4,172	-	(44,601)	(1,682,543)

	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)
Assets					
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	-
Liabilities					
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	-
Gains and Losses					
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)	-

(continuation)

(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)
Assets					
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	-	-	-	-
Liabilities					
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	-
Gains and Losses					
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

(continuation)

(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)
Assets						
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	-	-	-	-	-	-
Liabilities						
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	-	-	-	-	-	-
Gains and Losses						
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)

(continuation)

(amounts in Euros)

	Xingtao Assets Limited (5)	BHF (ex. RHJ International, SA)	Peak Reinsurance Company (5)	Longrun Portugal, SGPS, S.A. (1)	Others	TOTAL
Assets						
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
Liabilities						
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
Gains and Losses						
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

The related parties are divided into the following categories

- (1) Parent company;
- (2) Subsidiaries;
- (3) Associates;
- (4) Joint ventures;
- (5) Other related parties.

Transactions with the related parties are performed on the basis of the market values on the respective dates.

Payment of remuneration to statutory bodies

The Remunerations Committee is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholders.

The remuneration and benefits paid to the members of the Corporate Bodies during 2017 were as follows:

(amounts in Euros)

Board of Directors	Fixed Remuneration	Capitalisation Insurance Deferred receipt	Variable Remuneration*	Meal allowance	Health insurance	Life insurance
Jorge Manuel Baptista Magalhães Correia	405,000	-	188,633	2,530	1,111	181
Rogério Miguel Antunes Campos Henriques	340,286	-	125,059	2,570	2,429	181
José Manuel Alvarez Quintero	323,786	-	125,059	2,630	1,989	181
António Manuel Marques de Sousa Noronha	323,786	-	125,059	2,610	1,162	181
Wai Lam William Mak	323,786	-	125,059	2,600	671	181
André Simões Cardoso	219,545	-	-	1,970	1,821	136
Jun Li	216,950	-	-	1,980	503	136

(amounts in Euros)

Supervisory Board	Fixed Remuneration	Variable Remuneration	Meal allowance	Health insurance	Life insurance
Pedro Nunes de Almeida	42,000	-	-	-	-
João Filipe Gonçalves Pinto	23,042	-	-	-	-
Vasco Jorge Valdez Ferreira Matias	23,042	-	-	-	-
José António da Costa Figueiredo	10,442	-	-	-	-
Luis Manuel Machado Vilhena da Cunha	10,442	-	-	-	-

* Concerning the financial year 2016

The non-executive members of the Board of Directors do not receive remuneration.

The estimated fees of Ernst & Young, SROC, S.A., the Company's Statutory Auditor, related to 2017, are EUR 529,668, EUR 431,140 of which are related to the Statutory Audit and EUR 98,528 to compliance and assurance services.

Other assurance services basically include certification of the annual solvency and financial condition report pursuant to Article 3(1) a) of ASF Regulatory Standard No. 2/2017-R, of 24 March.

43. Disclosures Relating to Financial Instruments

STATEMENTS OF FINANCIAL POSITION

At 31 December 2017 and 2016, the financial instruments had the following balance sheet value:

(amounts in Euros)

	2017		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
Assets			
Cash and cash equivalents	-	199,378,975	199,378,975
Investments in subsidiaries, associates and joint ventures	-	1,964,534,956	1,964,534,956
Financial assets held for trading	67,050,687	-	67,050,687
Financial assets initially recognised			
at fair value through profit or loss	534,023,121	-	534,023,121
Hedge derivatives	14,922,592	-	14,922,592
Available-for-sale investments	10,689,629,232	2,332,358	10,691,961,590
Loans and accounts receivable	-	1,118,972,443	1,118,972,443
Other debtors	-	205,371,660	205,371,660
	11,305,625,632	3,490,590,392	14,796,216,024
Liabilities			
Mathematical provision for life insurance	-	1,527,496,361	1,527,496,361
Financial liabilities of the deposit component of insurance			
contracts and on insurance contracts and operations			
considered for accounting purposes as investment contracts	175,593,367	8,408,046,373	8,583,639,740
Financial liabilities held for trading	19,813,818	-	19,813,818
Deposits received from reinsurers	-	130,052,666	130,052,666
Other creditors	-	116,957,107	116,957,107
	195,407,185	10,182,552,507	10,377,959,692

(amounts in Euros)

	2016		Balance sheet value
	Recognised at fair value	Not recognised at fair value	
Assets			
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
	9,717,759,211	3,617,356,862	13,335,116,073
Liabilities			
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
	554,885,385	9,400,828,581	9,955,713,966

The amount in the heading "Mathematical provision for life insurance" corresponds to the value of the mathematical provisions of capitalisation products in the life insurance business with profit sharing.

The amount considered in the headings "Other debtors" and "Other creditors" essentially corresponds to the balances receivable and payable from and to insured persons, reinsurers, reinsured persons, brokers, agents and other external entities.

GAINS AND LOSSES

In the years ended on 31 December 2017 and 2016, the net gains and losses on financial instruments had the following breakdown:

(amounts in Euros)

	2017			2016		
	As a charge to			As a charge to		
	Income	Shareholders' equity	Total	Income	Shareholders' equity	Total
Earned premiums net of reinsurance	247,885,806	-	247,885,806	132,563,154	-	132,563,154
Claims costs , net of reinsurance	(184,962,898)	-	(184,962,898)	(171,984,936)	-	(171,984,936)
Mathematical provision for life insurance, net of reinsurance	(94,305,401)	-	(94,305,401)	5,121,046	-	5,121,046
Income from financial instruments						
Assets held for trading	(1,531,456)	-	(1,531,456)	(1,492,381)	-	(1,492,381)
Financial assets at fair value through profit or loss	20,849,447	-	20,849,447	24,450,921	-	24,450,921
Available-for-sale investments	258,581,200	-	258,581,200	265,751,192	-	265,751,192
Loans and accounts receivable	5,660,200	-	5,660,200	8,791,099	-	8,791,099
Sight deposits	178,354	-	178,354	94,840	-	94,840
Other financial assets	26,027,959	-	26,027,959	1,309,088	-	1,309,088
Net gains from financial assets and liabilities not recognised at fair value through profit or loss						
Available-for-sale investments	284,637,839	583,408,021	868,045,860	211,369,685	(43,369,491)	168,000,194
Loans and accounts receivable	(332,766)	-	(332,766)	(83,484)	-	(83,484)
Financial liabilities at amortised cost	(94,817,510)	-	(94,817,510)	(148,712,098)	-	(148,712,098)
Net gains from financial assets and liabilities recognised at fair value through profit or loss						
Financial assets and liabilities held for trading	217,790,127	-	217,790,127	(68,959,500)	-	(68,959,500)
Financial assets and liabilities initially recognised at fair value through profit or loss	4,793,477	-	4,793,477	218,948	-	218,948
Others	(17,943,727)	-	(17,943,727)	(4,651,695)	-	(4,651,695)
Exchange differences	(266,767,996)	-	(266,767,996)	39,406,487	-	39,406,487
Impairment losses (net of reversals)						
Available-for-sale investments	(99,415,713)	-	(99,415,713)	(179,344,859)	-	(179,344,859)
Loans and accounts receivable at amortised cost	749,433	-	749,433	199,651	-	199,651
Others	18,867,791	-	18,867,791	145,695	-	145,695
Interest on deposits received from reinsurers	(1,833,601)	-	(1,833,601)	(2,334,984)	-	(2,334,984)
	324,110,565	583,408,021	907,518,586	111,857,869	(43,369,491)	68,488,378

In the years ended on 31 December 2017 and 2016, the income and expenses with interest, calculated according to the effective interest rate method, relating to financial assets and liabilities not recognised at fair value through profit or loss, had the following breakdown:

(amounts in Euros)

	2017	2016
Assets		
Available-for-sale investments	217,029,976	246,650,711
Loans and accounts receivable	5,660,200	8,791,099
Sight deposits in credit institutions	178,354	94,840
	222,868,530	255,536,650
Liabilities		
Mathematical provision for life insurance	(32,517,521)	(29,945,814)
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	(94,817,510)	(148,712,098)
Deposits received from reinsurers	(1,833,601)	(2,334,984)
	(129,168,632)	(180,992,896)

OTHER DISCLOSURES

Fair Value of Financial Instruments

At 31 December 2017 and 2016, the method for assessing the fair value of the financial instruments reflected in the Company's financial statements can be summarised as follows:

(amounts in Euros)

	2017			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	-	-	-	199,378,975	199,378,975
Investments in subsidiaries, associates and joint ventures	-	-	-	1,964,534,956	1,964,534,956
Financial assets held for trading	57,911,534	9,139,153	-	-	67,050,687
Financial assets initially recognised					
at fair value through profit or loss	225,581,225	308,342,501	99,395	-	534,023,121
Hedge derivatives	14,922,592	-	-	-	14,922,592
Available-for-sale investments	9,649,444,543	263,145,671	777,039,018	2,332,358	10,691,961,590
Loans and accounts receivable	-	-	-	1,118,972,443	1,118,972,443
Other debtors	-	-	-	205,371,660	205,371,660
	9,947,859,894	580,627,325	777,138,413	3,490,590,392	14,796,216,024
Liabilities					
Mathematical provision for life insurance	-	-	-	1,527,496,361	1,527,496,361
Financial liabilities of the deposit component of insurance					
contracts and on insurance contracts and operations considered					
for accounting purposes as investment contracts	-	175,593,367	-	8,408,046,373	8,583,639,740
Financial liabilities held for trading	5,249,940	14,563,878	-	-	19,813,818
Deposits received from reinsurers	-	-	-	130,052,666	130,052,666
Other creditors	-	-	-	116,957,107	116,957,107
	5,249,940	190,157,245	-	10,182,552,507	10,377,959,692
	9,942,609,954	390,470,080	777,138,413	(6,691,962,115)	4,418,256,332

(amounts in Euros)

	2016			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
Assets					
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
	7,006,624,558	1,749,520,979	961,613,674	3,617,356,862	13,335,116,073
Liabilities					
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
	18,015,581	536,869,804	-	9,400,828,581	9,955,713,966
	6,988,608,977	1,212,651,175	961,613,674	(5,783,471,719)	3,379,402,107

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 2017 and 2016 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.

When determining the fair value and respective classification in the light of IFRS 13, it was considered that prices obtained from BGN-type executable sources from informal platforms, such as Bloomberg, which were already important transaction locations for institutional investors, were now equivalent to comparable stock exchange prices. In fact, in 2017 Bloomberg developed its Multilateral Trading Facility to comply with the requirements of MiFid II.

This meant formal on boarding of the participating entities, which include Fidelidade, with accreditation of traders and the possibility of tracing transactions which are subject to scrutiny similar to the other market infrastructures set out in the European regulatory framework. This change led to the reclassification of a very significant component of securities from Level 2 to Level 1.

The debt securities reclassified in 2017 from level 2 to level 1, due to this new approach, amount to EUR 2,848,495,452. Applying the same criteria on 31 December 2016, would have been reclassified debt securities in the amount of EUR 1,302,902,115 from level 2 level to level 1.

The movement in 2016 and 2017 in the financial instruments classified within Level 3 of the fair value hierarchy can be broken down as follows:

(amounts in Euros)

	Available-for-sale investments	Financial assets initially recognised at fair value through profit or loss
Balances at 31 December 2015	1,724,818,822	7,928,105
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)
Balances at 31 December 2016	961,543,285	70,389
Acquisitions	30,334,188	46,373
Revaluations		
as a charge to the income statement	(7,411,216)	2,107
as a charge to shareholders' equity	32,353,151	-
Increase / reversal of impairment in the year	(4,824,691)	-
Transfers		
from level 3 to level 2	(91,513,356)	-
from level 2 to level 3	2,834,987	-
Disposals	(146,277,330)	(19,474)
Balances at 31 December 2017	777,039,018	99,395

At 31 December 2017 and 2016, the balance sheet value and the fair value of the financial assets valued at amortised cost or at historical cost were as follows:

(amounts in Euros)

	2017		
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents	199,378,975	199,378,975	-
Available-for-sale investments	2,332,358	2,332,358	-
Loans and accounts receivable	1,118,972,443	1,118,972,443	-
Other debtors	205,371,660	205,371,660	-
	1,526,055,436	1,526,055,436	-

(amounts in Euros)

	2016		
	Balance sheet value	Fair value	Difference
Assets			
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	-
	1,782,692,842	1,782,692,842	-

The main assumptions used to calculate the fair value of these assets were:

- The fair value of the financial applications recognised in "Cash and cash equivalents" is the same as their balance sheet value, as essentially they correspond to short-term deposits.

- The heading "Loans and accounts receivable" includes:

- i) Term deposits – fair value is the same as their balance sheet value, as essentially they correspond to short-term deposits;

- ii) Mortgage loans – fair value has not been calculated, given the intangible nature of the value and the fact that these are loans given to employees, with real guarantees.

Policies on managing financial risks inherent to Fidelidade's activity

The Company's objectives, rules and procedures on market risk management are governed by means of its Investments Policy.

This Policy is reviewed annually, or whenever other reviews are necessary in the light of changes in the law, trends in assets markets or changes to the company's investment guidelines and/or risk profile. The Policy defines:

- the main guidelines for managing investments and how the Company assesses, approves, implements, controls and monitors its investment activities and the risks resulting from those activities;
- activities related to the Company's investment process, including Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA), the decision-making process and control and reporting activities;
- the duties and responsibilities of those involved in the investment process.

The Investments Policy aims to ensure alignment between the portfolio objectives and the investment strategy, and to encourage effective and continual monitoring. It is the cornerstone of the Company's investment process.

Establishing an appropriate assets portfolio is, at any time, the result of a well-structured, disciplined and transparent investment process, which includes the following components:

- an investment strategy designed to create value, yet in line with the Company's business profile and risk appetite;
- an investments policy reflecting that strategy, implemented by investment managers with appropriate knowledge and resources;
- continual and independent control of the investment activity;
- appropriate reporting procedures;

These aspects having been established, the Company's investment management cycle is composed of the following key activities:

- **Defining** – Definition and approval of the general investment management cycle, including the global investment strategy, investment policies, asset and liability and liquidity management, and strategic asset allocation (SAA);
- **Investing** – Performance of all investment activities, in line with the strategies and policies defined (identification, assessment and approval of investment opportunities, and placing, settling and allocating investments);
- **Monitoring** – Monitoring the evolution of the assets portfolio in terms of performance, liquidity and credit quality;
- **Managing** – Reviewing the strategies, policies, benchmarks and limits in line with current and future market conditions/expectations and internal risk capacity;
- **Controlling** – Ensuring compliance with all the strategies, policies, procedures and responsibilities assigned.

The following items are also decisive within the scope of the investment activity:

1. Definition of the portfolio objective

The main objective of the Company's investments portfolio management is to optimise its return in a sound and prudent manner, ensuring that all stakeholders are protected, protecting in particular the interests of policyholders, insured persons and beneficiaries. Accordingly, the portfolio must be systematically optimised according to the nature of the business subscribed, the Company's risk appetite and its liquidity needs.

2. Rules for investment in assets

On one hand, the Company's assets are invested appropriately, taking into account both the nature and duration of the responsibilities assumed by the Company and the capacity to ensure the security, quality, availability, liquidity and profitability of the portfolio as a whole.

On the other hand, the assets are well diversified to avoid excessive concentration of risk in the portfolio as a whole.

Lastly, the assets are invested to guarantee a regular cash return, thereby enabling the Company to adequately manage its liquidity.

3. Classes of assets

As a general rule, the Company's portfolio is mainly composed of liquid assets (in line with the liquidity criteria set out in the ALM and Liquidity Policy), participation units in investment funds and real estate.

The classes of assets eligible for investment by the Company are:

- Treasury (cash, deposits and equivalent);
- Fixed income (medium and long-term debt instruments);
- Variable income (instruments which provide variable gains);
- Real estate (including properties for own use and for investment);
- Alternative investments.

Derivatives may be used exceptionally and in a simple format (swaps, forwards, futures, etc.) to hedge specific positions or for asset-liability management purposes.

4. Exposure limits

In order to enable the Company, in the light of market changes, to pursue its investment objectives without taking excessive risks, a set of targets and maximum and minimum limits has been established, in line with the following criteria:

- Class of asset;
- Credit quality and duration;
- Sector of activity;
- Geographical location;
- Concentration by position;
- Currency.

5. Risk management and control process

The Risk Management Division (DGR) is responsible for controlling and monitoring the allocation of assets, in the light of the targets and limits established.

Accordingly, procedures are defined, including those responsible for them, for when there is non-compliance with the targets and/or limits established.

Regarding asset losses control mechanisms, DGR provides information on the evolution of the most important risks related with investments, in particular, their impact on the solvency capital requirements. Based on the time-weighted return (TWR) evolution and solvency capital requirement estimates, DGR provides regular information on the estimated solvency position coverage, and procedures are defined to be adopted when certain warning levels are reached.

A regular process of reporting has been set up for the various levels of the Company involved in investment management, in order to enable adequate supervision and the activation of risk mitigation management mechanisms. Accordingly, the information which should be produced has been defined, including the type of report, its content, its frequency and the body responsible for producing it.

Credit risk

At 31 December 2017 and 2016, the Company's exposure to credit risk was as follows:

(amounts in Euros)

	2017			2016		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	194,005,417	-	194,005,417	625,244,600	-	625,244,600
Financial assets initially recognised						
at fair value through profit or loss	515,792,465	-	515,792,465	648,943,513	-	648,943,513
Available-for-sale investments	9,266,490,465	(134,392,131)	9,132,098,334	7,592,829,341	(154,065,703)	7,438,763,638
Loans and accounts receivable	1,119,353,245	(380,802)	1,118,972,443	946,585,910	(1,130,235)	945,455,675
Other debtors	225,845,421	(20,473,761)	205,371,660	179,854,300	(26,903,019)	152,951,281
Maximum exposure to credit risk	11,321,487,013	(155,246,694)	11,166,240,319	9,993,457,664	(182,098,957)	9,811,358,707

In 2017 and 2016, the net book value of the available-for-sale investments presented in the table includes shares with credit risk of EUR 21,823 and EUR 15,915, respectively, which are recognised under the heading "Other Instruments" (Note 7).

Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2017 and 2016, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Deposits in credit institutions					
A- to A+	342,397	237,393,377	-	100,005,280	337,741,054
BBB- to BBB+	293,018,211	200,591,713	-	-	493,609,924
BB- to BB+	393,551,120	24,821,477	-	3,345,092	421,717,689
B- to B+	-	-	-	25,002,054	25,002,054
Not rated	1,441,000	23,417	-	428,847	1,893,264
	688,352,728	462,829,984	-	128,781,273	1,279,963,985
Deposits in ceding companies					
Not rated	-	97,096	9,628	565,818	672,542
	-	97,096	9,628	565,818	672,542
Total	688,352,728	462,927,080	9,628	129,347,091	1,280,636,527

(amounts in Euros)

Class of asset	2016			Total
	Country of origin			
	Portugal	Rest of European Union	Other	
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
	824,830,282	668,230,685	42,248,322	1,535,309,289
Deposits in ceding companies				
Not rated	805,710	-	649,600	1,455,310
	805,710	-	649,600	1,455,310
Total	825,635,992	668,230,685	42,897,922	1,536,764,599

"Deposits in credit institutions" includes other deposits in the heading "Loans and accounts receivable" of EUR 1,085,958,568 and EUR 910,064,689, in 2017 and 2016, respectively.

At 31 December 2017 and 2016, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	806,660	106,328	-	912,988
A- to A+	-	1,283,237	46,013,826	-	47,297,063
BBB- to BBB+	206,231	900,178	84,063,636	41,509,075	126,679,120
BB- to BB+	-	-	29,357,389	-	29,357,389
Not rated	-	63,084,866	50,981,767	3,668,807	117,735,440
	206,231	66,074,941	210,522,946	45,177,882	321,982,000
Governments and other local authorities					
AAA	-	2,466,718	-	-	2,466,718
AA- to AA+	-	3,310,451	-	-	3,310,451
BBB- to BBB+	-	2,665,931	-	-	2,665,931
BB- to BB+	89,467,752	-	-	-	89,467,752
	89,467,752	8,443,100	-	-	97,910,852
Financial Institutions					
AAA	-	199,430	-	-	199,430
AA- to AA+	-	150,842	-	-	150,842
A- to A+	103,384	33,680,412	303,200	-	34,086,996
BBB- to BBB+	102,855	969,023	37,344,039	55,028	38,470,945
CCC- to CCC+	22,991,400	-	-	-	22,991,400
	23,197,639	34,999,707	37,647,239	55,028	95,899,613
Total Financial assets initially recognised at fair value through profit or loss	112,871,622	109,517,748	248,170,185	45,232,910	515,792,465

(amounts in Euros)

Class of asset	2017				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Available-for-sale investments (net of impairment)					
Corporate					
AA- to AA+	-	68,070	16,302,572	36,144,355	52,514,997
A- to A+	-	39,207,457	197,340,888	403,392,716	639,941,061
BBB- to BBB+	-	103,307,282	524,629,613	111,402,447	739,339,342
BB- to BB+	11,854,982	208,968,265	169,935,666	97,470,835	488,229,748
B- to B+	-	-	22,867,424	2,267,255	25,134,679
CCC- to CCC+	-	3,389,259	-	-	3,389,259
CC- to CC+	-	-	-	5,139,798	5,139,798
D	-	14,744,377	-	-	14,744,377
Not rated	149,103,911	102,753,909	-	308,700,808	560,558,628
	160,958,893	472,438,619	931,076,163	964,518,214	2,528,991,889
Governments and other local authorities					
AAA	-	20,854,370	-	-	20,854,370
AA- to AA+	-	22,393,481	-	-	22,393,481
BBB- to BBB+	-	1,676,072,664	-	-	1,676,072,664
BB- to BB+	3,794,412,154	-	-	75,180,603	3,869,592,757
	3,794,412,154	1,719,320,515	-	75,180,603	5,588,913,272
Financial institutions					
AAA	-	-	-	1,155,576	1,155,576
AA- to AA+	-	9,806,963	-	3,958,521	13,765,484
A- to A+	-	113,525,681	59,614,152	166,524,615	339,664,448
BBB- to BBB+	21,822	20,761,609	348,892,429	172,516,247	542,192,107
BB- to BB+	1,017,351	29,644,508	-	44,153,914	74,815,773
Not rated	-	-	42,407,988	-	42,407,988
	1,039,173	173,738,761	450,914,569	388,308,873	1,014,001,376
Other issuers					
AAA	-	-	-	191,797	191,797
	-	-	-	191,797	191,797
Total Available-for-sale investments (net of impairment)	3,956,410,220	2,365,497,895	1,381,990,732	1,428,199,487	9,132,098,334

(amounts in Euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Financial assets initially recognised at fair value through profit or loss					
Corporate					
AA- to AA+	-	1,680,353	106,914	-	1,787,267
A- to A+	-	1,221,073	304,438	-	1,525,511
BBB- to BBB+	198,468	1,766,637	506,974	-	2,472,079
BB- to BB+	-	106,531	-	83,955,509	84,062,040
Not rated	-	66,326,470	-	52,155,838	118,482,308
	198,468	71,101,064	918,326	136,111,347	208,329,205
Governments and other local authorities					
AAA	-	3,022,121	-	-	3,022,121
AA- to AA+	-	4,430,571	-	-	4,430,571
BBB- to BBB+	-	5,194,071	-	-	5,194,071
BB- to BB+	340,390,253	-	-	-	340,390,253
	340,390,253	12,646,763	-	-	353,037,016
Financial Institutions					
AAA	-	421,112	-	-	421,112
AA- to AA+	-	401,844	-	122,943	524,787
A- to A+	104,694	2,143,312	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
	50,597,515	3,832,643	549,589	180,400	55,160,147
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
	1,384,769	31,032,376	-	-	32,417,145
Total Financial assets initially recognised at fair value through profit or loss	392,571,005	118,612,846	1,467,915	136,291,747	648,943,513

(amounts in Euros)

Class of asset	2016				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Available-for-sale investments (net of impairment)					
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
	158,940,398	374,139,624	216,792,172	868,561,778	1,618,433,972
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
	5,180,390,953	95,166,769	-	136,502,157	5,412,059,879
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
	24,607,778	197,378,102	82,535,067	79,980,613	384,501,560
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
	1,461,690	-	4,937,730	17,368,807	23,768,227
Total Available-for-sale investments (net of impairment)	5,365,400,819	666,684,495	304,264,969	1,102,413,355	7,438,763,638

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 38). At 31 December 2017 and 2016, the balance sheet value of premiums from insured persons pending collection was as follows:

(amounts in Euros)

	2017					Impairment losses	Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 and 1 year overdue	Over 1 year overdue		
Life insurance							
Capitalisation products	8,548,099	283,635	369,897	29,525	23,159	(800)	9,253,515
Life risk products	(1,797,045)	836,680	123,231	407,338	681,725	(237,134)	14,795
Non-life insurance							
Motor	10,293,371	1,219,249	572,279	335,653	216,479	(2,526,810)	10,110,221
Workers' compensation	1,881,405	2,130,411	903,019	135,944	250,126	(1,820,158)	3,480,747
Health	3,613,911	7,307,757	889,897	389,261	61,980	(363,648)	11,899,158
Fire and other damage	7,348,670	4,031,802	1,525,844	1,785,988	187,316	(1,060,261)	13,819,359
Transports	1,114,354	92,417	90,520	38,511	7,436	(171,794)	1,171,444
Third party liability	1,527,048	305,962	181,903	430,988	48,608	(306,304)	2,188,205
Others (includes personal accidents)	3,046,000	5,421,701	689,117	380,218	958,046	(1,108,683)	9,386,399
	35,575,813	21,629,614	5,345,707	3,933,426	2,434,875	(7,595,592)	61,323,843

(amounts in Euros)

	2016					Impairment losses	Net balance sheet value
	Less than 30 days overdue	Between 30 and 90 days overdue	Between 90 and 180 days overdue	Between 180 and 1 year overdue	Over 1 year overdue		
Life insurance							
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
Non-life insurance							
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
Others (includes personal accidents)	4,420,513	5,061,179	228,751	217,479	531,193	(579,186)	9,879,929
	39,519,697	18,616,984	5,292,307	3,378,059	5,076,428	(10,148,605)	61,734,870

Liquidity risk

At 31 December 2017 and 2016, the estimated undiscounted cash-flows of the financial instruments, according to the respective contractual maturity, were as follows:

(amounts in Euros)

	2017									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	
Assets										
Cash and cash equivalents	199,378,975	-	-	-	-	-	-	-	-	199,378,975
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	1,964,534,956	1,964,534,956
Financial assets held for trading	-	-	-	-	-	-	-	-	67,050,687	67,050,687
Financial assets initially recognised										
at fair value through profit or loss	3,163,674	4,021,636	98,282,579	65,056,031	181,253,891	117,771,927	52,035,274	79,763,472	8,492	601,356,976
Hedge derivatives	-	-	-	-	-	-	-	-	14,922,592	14,922,592
Available-for-sale investments	133,690,647	294,124,473	472,254,059	211,393,599	1,524,929,525	2,347,450,319	5,082,982,863	74,555,162	18,515,680	10,159,896,327
Loans and accounts receivable	300,817,122	498,769,191	99,221,857	100,628,094	51,942,251	1,138,060	320,263	168,679	2,065,706	1,055,071,223
Other debtors	205,371,660	-	-	-	-	-	-	-	-	205,371,660
	842,422,078	796,915,300	669,758,495	377,077,724	1,758,125,667	2,466,360,306	5,135,338,400	154,487,313	2,067,098,113	14,267,583,396
Liabilities										
Mathematical provision										
for life insurance	17,312,817	20,460,030	22,192,947	92,013,225	323,030,533	328,975,139	297,688,145	327,519,842	23,809,493	1,453,002,171
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes										
as investment contracts	185,342,648	246,915,721	467,923,399	707,406,887	2,266,309,898	2,593,884,254	1,764,471,864	797,276,066	5,719,379	9,035,250,116
Financial liabilities held for trading	-	760,537	(7,769)	980,153	3,831,737	1,929,073	17,139	-	4,299	7,515,169
Hedge derivatives	-	-	-	-	-	-	-	-	-	-
Deposits received from reinsurers	135,472	270,943	406,415	130,865,495	-	-	-	-	-	131,678,325
Other creditors	116,957,107	-	-	-	-	-	-	-	-	116,957,107
	319,748,044	268,407,231	490,514,992	931,265,760	2,593,172,168	2,924,788,466	2,062,177,148	1,124,795,908	29,533,171	10,744,402,888

(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		
Assets											
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	
	1,358,743,101	860,314,003	552,982,751	1,460,637,623	1,774,842,627	1,586,402,363	3,583,358,210	139,347,900	3,520,868,349	14,837,496,927	
Liabilities											
Mathematical provision											
for life insurance	40,214,577	16,550,164	22,990,288	98,152,490	292,708,367	279,575,920	292,957,743	299,375,626	-	1,342,525,175	
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes											
as investment contracts	113,606,065	276,221,337	186,111,430	886,928,427	2,633,721,193	2,344,235,626	1,906,575,498	731,039,535	4,884,887	9,083,323,998	
Financial liabilities held for trading	-	761,600	(7,350)	771,155	3,050,810	3,050,810	4,410	-	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	
	256,033,676	293,771,469	209,451,920	1,100,983,792	2,929,480,370	2,626,862,356	2,199,537,651	1,030,415,161	39,628,683	10,686,165,078	

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 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 2017 and 2016, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

(amounts in Euros)

	2017			Total
	Exposure to Fixed rate	Variable rate	Not subject to Interest rate risk	
Assets				
Cash and cash equivalents	-	194,005,417	5,373,558	199,378,975
Investments in subsidiaries, associates and joint ventures	-	-	1,964,534,956	1,964,534,956
Financial assets held for trading	-	16,546	67,034,141	67,050,687
Financial assets initially recognised at fair value through profit or loss	477,526,351	34,597,307	21,899,463	534,023,121
Hedge derivatives	-	-	14,922,592	14,922,592
Available-for-sale investments	8,565,160,958	557,014,919	1,569,785,713	10,691,961,590
Loans and accounts receivable	-	1,118,972,443	-	1,118,972,443
Other debtors	-	-	205,371,660	205,371,660
	9,042,687,309	1,904,606,632	3,848,922,083	14,796,216,024
Liabilities				
Mathematical provision for life insurance	-	1,527,496,361	-	1,527,496,361
Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	8,408,046,373	175,593,367	-	8,583,639,740
Financial liabilities held for trading	5,654,647	-	14,159,171	19,813,818
Deposits received from reinsurers	-	130,052,666	-	130,052,666
Other creditors	-	-	116,957,107	116,957,107
	8,413,701,020	1,833,142,394	131,116,278	10,377,959,692

(amounts in Euros)

	2016			
	Exposure to		Not subject to Interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
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
	7,798,376,090	1,860,001,236	3,676,738,747	13,335,116,073
Liabilities				
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
	7,780,332,784	2,038,543,536	136,837,646	9,955,713,966

At 31 December 2017 and 2016, 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)

	2017					
	Change +200 bps	Change +100 bps	Change +50 bps	Change -50 bps	Change -100 bps	Change -200 bps
Assets						
Financial assets initially recognised at fair value through profit or loss	(21,243,814)	(11,018,129)	(5,615,664)	5,846,102	11,941,881	24,971,127
Available-for-sale investments	(789,679,567)	(408,640,205)	(207,924,011)	215,461,333	438,808,617	910,660,421
Loans and accounts receivable	(5,368,901)	(2,708,780)	(1,360,571)	1,373,137	2,759,048	5,570,049
	(816,292,282)	(422,367,114)	(214,900,246)	222,680,572	453,509,546	941,201,597
Liabilities						
Financial liabilities held for trading	(286,728)	(145,939)	(73,629)	74,980	151,346	308,370
	(286,728)	(145,939)	(73,629)	74,980	151,346	308,370

(amounts in Euros)

	2016					
	Change +200 bps	Change +100 bps	Change +50 bps	Change -50 bps	Change -100 bps	Change -200 bps
Assets						
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
	(581,950,143)	(301,546,716)	(153,546,955)	159,377,648	324,889,218	675,637,597
Liabilities						
Financial liabilities held for trading	(3,884)	(1,970)	(992)	1,007	2,030	4,125
	(3,884)	(1,970)	(992)	1,007	2,030	4,125

The sensitivity of the fair value of the financial assets and technical liabilities was calculated by considering the future cash flows discounted at the YTM, with positive and negative changes of 50, 100 and 200 bps, in the respective yields.

At 31 December 2017 and 2016, the breakdown of financial instruments by currency was as follows:

(amounts in Euros)

	2017				
	Euros	Dólares U.S. Dollar	Hong-Kong Dollar	Other currencies	Total
Assets					
Cash and cash equivalents	179,883,193	-	14,942,022	4,553,760	199,378,975
Investments in subsidiaries, associates and joint ventures	1,929,763,210	-	-	34,771,746	1,964,534,956
Financial assets held for trading	9,139,153	51,564,438	-	6,347,096	67,050,687
Financial assets initially recognised					
at fair value through profit or loss	246,136,699	287,442,899	-	443,523	534,023,121
Hedge derivatives	-	14,537,123	-	385,469	14,922,592
Available-for-sale investments	7,216,082,755	2,850,983,036	495,541,790	129,354,009	10,691,961,590
Loans and accounts receivable	1,011,340,319	72,416,766	6,525,153	28,690,205	1,118,972,443
Other debtors	194,184,191	10,057,244	49,502	1,176,489	205,467,426
	10,786,529,520	3,272,464,383	517,058,467	205,722,297	14,796,311,790
Liabilities					
Mathematical provision for life insurance	1,524,341,184	-	-	3,155,177	1,527,496,361
Financial liabilities of the deposit component of insurance contracts					
and on insurance contracts and operations considered					
for accounting purposes as investment contracts	8,583,639,740	-	-	-	8,583,639,740
Financial liabilities held for trading	14,563,877	1,857,427	-	3,392,514	19,813,818
Deposits received from reinsurers	130,052,666	-	-	-	130,052,666
Other creditors	115,282,096	1,306,065	96,791	367,921	117,052,873
	10,367,879,563	3,163,492	96,791	6,915,612	10,378,055,458

(amounts in Euros)

	2016				Total
	Euros	Dólares U.S. Dollar	Hong-Kong Dollar	Other currencies	
Assets					
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
	10,603,853,594	1,912,700,008	642,660,733	176,001,468	13,335,215,803
Liabilities					
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
	9,932,666,135	17,549,196	110,962	5,487,403	9,955,813,696

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.

44. Disclosures Relating to Insurance Contract Risks

Below is a summary of the acceptance and risk management policies in force.

44.1. 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.

44.2. 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.

44.3. 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)

	2017			2016		
	Gross Premiums Earned	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio	Gross Premiums Earned	Claims and Expenses Ratio	Post-investment Claims and Expenses Ratio
Accidents	200,240,801	1.17	1.15	177,009,518	1.15	1.14
Health	266,855,030	0.93	0.91	235,163,325	0.88	0.87
Fire and Other Damage	236,074,982	1.09	1.07	232,500,910	0.88	0.87
Motor	387,006,789	1.04	1.03	364,502,656	1.01	1.00
Marine	4,440,089	0.43	0.42	4,215,745	0.32	0.31
Aviation	6,852,250	0.80	0.79	6,086,809	-0.19	-0.21
Transported Goods	6,729,878	0.75	0.74	7,079,288	0.45	0.43
Third Party Liability	34,140,311	0.78	0.76	32,496,223	0.57	0.56
Other Lines of Business (Credit and Suretyship + Others)	71,128,143	0.70	0.68	66,525,720	0.76	0.76

Note: Ratios for the years of occurrence 2017 and 2016.

In the last 12 months some variations in the post-investment claims/expenses ratio were seen. Only Other Lines of Business saw a decrease in the ratio of 10.4%.

The ratio tended to increase in Aviation, Transported Goods, Third Party Liability, Marine, Fire and Other Damage, Health, Motor and Accidents.

An analysis of the above table reveals that in the last 12 months premiums in the Accidents, Fire and Other Damage and Motor lines of business were not sufficient to meet the liabilities.

Fidelidade Portugal's pre-tax technical results for non-life were positive in December 2017, reaching over EUR 106 million.

Premiums sufficiency and creation of a provision for unexpired risks

Direct insurance

Fidelidade's direct non-life insurance premiums for Accidents, Fire and Other Damage and Motor were insufficient to meet the liabilities associated with claims, operating costs and investments. A reduction of 15.5%, 7.1% and 2.6%, respectively, in the costs would be needed to eliminate the premiums shortfall in these lines of business.

The premiums earned from direct insurance were sufficient to meet the liabilities assumed in all other lines of business.

Net of reinsurance

With the exception of the Aviation and Marine lines of business, the insurance company's premiums net of reinsurance were insufficient, in 2017, to meet the costs associated with the operation of most of the lines of business.

Consequently, a provision for unexpired risks was set up, in line with the rules in force, which is lower than the provision set up in 2016.

Provision for unearned premiums

The provision is calculated in line with the rules in force, and tests are carried out in order to determine the adequacy of the level of provisions.

Equalisation provision

The calculation for the equalisation provision is defined in the rules of the ASF which are applied both in terms of the algorithms and regarding the lines of business to be considered. The insurance company follows the criteria listed there.

Claims provision

The claims provision is calculated as described in the accounting policies.

Throughout the year actuaries monitor the levels of the provisions set up, and statistical methods are used which are appropriate to the nature of the risks, namely estimating using stochastic methods of future cash flows associated with the assumed liabilities.

Risk concentration and mitigation

At Fidelidade, the Accidents, Health, Fire and Other Damage and Motor lines of business represent approximately 89.9% of the Gross Premiums Earned and 94.5% 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 2017.

Distribution of Reinsurers by Rating

Rating	% Reinsurers	
	2017	2016
A -	18.5%	14.3%
A	25.9%	25.0%
A +	22.2%	25.0%
AA -	25.9%	25.0%
AA	-	3.6%
AA+	3.7%	3.6%
Not rated	3.7%	3.6%

There is a specific "Excess of Loss" treaty to guarantee catastrophic risks, with a retention of EUR 100,000,000 and a capacity of EUR 420,000,000.

At Fidelidade 60.79% of the sums insured retained for cover for Seismic Phenomena are located in Zone I, the most serious in terms of seismic risk. The sums insured considered in this analysis are estimates.

Comparison between estimated and actual claims

Fidelidade's claims provision at 31 December 2016 totalled EUR 1,541 million. During 2017, EUR 329,186,049 were paid for claims which occurred in 2016 and previous years.

In December 2017, natural consumption would lead to a provision of EUR 1,212,064,347. However, there was a negative readjustment of over EUR 38 million, and the provision at the end of December 2016 was EUR 1,263,414,294.

There were negative readjustments for all lines of business except Accidents, Health and Other Lines of Business. The most significant, in absolute terms, was in Motor, which was greater than EUR 47 million.

Development of the Claims Provision Regarding Claims Occurred in Previous Years and their Readjustments (Corrections)

(amounts in Euros)

Headings	Claims Provision at 31 December 2016 (1)	Claims Paid in the Year* (2)	Claims Provision at 31 December 2017* (3)	Readjustments (3)+(2)-(1)
Accidents and Health	861,221,400	136,396,648	758,791,227	33,966,475
Fire and Other Damage	120,793,836	50,062,807	129,922,724	59,191,695
Motor	437,622,477	115,871,854	273,903,326	(47,847,297)
Marine and Transport	3,862,941	1,697,682	2,440,143	274,884
Aviation	1,099,255	196,643	793,379	(109,233)
Transported Goods	4,562,304	2,766,264	1,715,887	(80,153)
Third Party Liability	101,770,550	8,525,120	86,735,070	(6,510,360)
Credit and Suretyship	495,342	(95,422)	341,323	(249,441)
Legal Protection	18,981	(553)	897	(18,637)
Assistance	98,616	0	7,615	(91,001)
Other	9,704,694	13,765,006	8,762,703	12,823,015
Total	1,541,250,396	329,186,049	1,263,414,294	51,349,947

* Claims occurred in the year N-1 and previous years.

Insurance Risks

The Insurer underwrites contracts in all the non-life lines of business, the most significant risks of which are:

- Changes in the longevity of pensioners in the Workers' Compensation line of business and in income rates associated with assets allocated to the respective mathematical provisions;
- Climate change and natural disasters;
- Inflation risk, in the lines of business in which claims take longer to be fully settled;
- In health insurance, the most significant risks are the result of changes in lifestyle and scientific and technological developments.

Exposure to risks is mitigated by the diversification obtained due to the size of the insurer's portfolio of policies and the extent of the risks underwritten in all non-life lines of business. Variability of the risks is improved by the selection of risks to be underwritten and the implementation of underwriting strategies and policies which are defined so as to ensure that the risks are diversified in terms of the type of risk and the level of guarantees taken out.

Furthermore, policies are defined for claims revision and claims management procedures. These policies are regularly checked to ensure they reflect the practices in course and form the basis of the control carried out. Claims being managed are regularly reviewed, and any giving rise to suspicions of fraud are investigated. The insurer carries out active and timely management of claims, in order to reduce its exposure to unforeseen developments which may have a negative impact on its liabilities.

In relation to whole life provisions in the Workers' Compensation line of business, the mortality table applied is regularly assessed, in order to reflect the real longevity of the beneficiaries of these covers.

The Insurer also limits its exposure to risk by both imposing maximum amounts of indemnifiable damage in most contracts and using reinsurance programmes which limit its exposure in particular to catastrophic events.

The assessment of exposure to seismic risk is studied by the insurer's reinsurers, and their conclusions are considered when the reinsurance treaties are acquired and renewed.

Risk Assessment Assumptions

Non-life lines of business, except annuities

The main assumption for estimating the insurer's liabilities is that future development of claims and indemnities will follow a similar pattern to known past experience for those variables. These assumptions include probabilities relating to the average cost of claims, claims management costs, inflation and the number of claims per year.

Qualitative judgements are also used to assess the adequacy of the past trends and whether they can be applied in the future or not, for example:

- Changes in market conditions, such as clients' attitudes regarding reporting claims;
- Economic conditions;
- Internal factors, such as the composition of the portfolios of policies, policy guarantees, and procedures, and greater or lesser speed in managing claims;
- External factors, namely changes to legislation or rules and court decisions and relevant regulations or legislation that may affect the cost estimate.

Annuities and whole life assistance in the Workers' Compensation line of business

For whole life liabilities in the Workers' Compensation line of business, assumptions are adopted regarding the longevity of the beneficiaries of these provisions, discount rates and the costs of their management.

The table below shows the impact on the insurer's liabilities of changes which are reasonably possible in the assumptions indicated. All the others remain constant.

Assumption	Factor	Increase in Liability
Longevity	+ 20%	5.33%
Expense	+ 10%	0.64%
Revision	4%	2.04%
Interest Rate	-1%	12.10%

44.4. 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-".

44.5. 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
2018	149,431,364	104,164,879	0	14,997,333	21,112,335	156,861,500
2019	127,979,657	88,020,733	0	14,153,768	19,121,920	171,715,932
2020	119,126,882	81,169,650	0	13,292,457	17,084,652	165,509,079

The following tables provide information on the 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
2018	145,903,655	102,046,121	0	14,997,333	20,576,038	212,770,678
2019	118,137,985	82,303,914	0	14,153,768	17,686,937	209,879,123
2020	104,060,331	72,529,828	0	13,292,457	15,000,426	187,892,171

45. Capital Management

The new solvency regime (Solvency II), approved by Directive 2009/138/EC of the European Parliament and of the Council, of 25 November, and transposed into Portuguese Law by Law No. 147/2015, of 9 September, came into force on 1 January 2016.

The Solvency II rules are divided into three pillars.

Pillar I (quantitative requirements)

The Solvency II rules define criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance Company's assets and liabilities. They also define two levels of capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR).

The SCR is calculated taking into account all the risks that an Insurance Company may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which an Insurance Company may be exposed.

The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer's compliance with its liabilities.

If it is detected that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the Company's risk profile has been reduced.

In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the Company's risk profile.

Pillar II (qualitative requirements and supervision)

This pillar defines qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who effectively run the Company, supervise it and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA), which must be performed at least once a year. Through this exercise, the Company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. The resulting report must be sent to the ASF.

Pillar III (prudential reporting and public disclosures)

Pillar III sets out the obligations for disclosing public information and information to the Supervisor.

Within this context, Fidelidade's capital management objectives meet the following general principles:

- Complying with the legal requirements by which Fidelidade is bound;
- Generating adequate profitability, creating value for the shareholder and providing it with remuneration on the capitals applied;
- Sustaining the development of the operations that Fidelidade is legally authorised to perform, maintaining a solid capital structure capable of responding to growth in the business and to the risks arising from it.

To achieve the objectives described, Fidelidade has defined a set of policies and processes.

On one hand, it has implemented a risk management system which is an integral part of the Company's daily activities, with an integrated approach being applied to ensure that the strategic objectives (clients' interests, financial solidity and efficiency of processes) are being maintained. This integrated approach also ensures value creation by identifying an appropriate balance between risk and return, at the same time guaranteeing the Company's obligations to its stakeholders.

Risk management aids the Company in identifying, assessing, managing and monitoring risks, enabling appropriate and immediate actions to be adopted in the event of material changes in its risk profile.

In establishing its risk profile, the Company identifies the different risks to which it is exposed and then assesses those risks. Risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks not included in that formula, the Company has opted to use a qualitative analysis in order to classify the foreseeable impact on capital needs.

On the other hand, the ORSA enables risk, capital and return to be related, in a prospective vision, in the context of the Company's business strategy.

The ORSA, which coincides timewise with the Company's strategic planning (which is never less than 3 years), plays a key role in the Company's Capital Management, and supports its main activities, namely:

- Assessing, together with risk management, the risk appetite structure in relation to the business and capital management strategy;
- Contributing to the commencement of the strategic planning process, by performance of a capital adequacy assessment in the most recent period;
- Monitoring capital adequacy in line with the regulatory capital requirements and internal capital needs.

Taking into account the results obtained in the ORSA, and if the capital requirements differ from those defined, both in terms of the regulations and other limits defined internally, corrective actions to be implemented are prepared, in order to restore the capital level to the adequate or intended level.

Lastly, the obligations regarding public information, in particular, the obligation to disclose an annual "Solvency and Financial Condition Report", enable detailed information to be provided on the Company's activities and performance, governance system, risk profile, solvency assessment and capital management.

Given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report", it is important to state that the Company complies comfortably with the capital requirements, considering the preliminary data reported to the ASF on a quarterly basis and the information available on this date.

To ensure compliance with the policies and processes, the Company has implemented an appropriate system of governance involving, among others, an organisational structure which involves several bodies that perform key risk management and internal control functions: the Risk Management Division, the Compliance Office, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, and the Life and Non-Life Products Committees.

46. Managed Pension Funds

At 31 December 2017 and 2016, the Macao branch was managing the following pension funds. In these periods, the pension fund portfolio contained the following assets:

	2017							
	BNU Pension Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund	Smartsafe Pension Fund
Amounts in Patacas								
Cash and deposits	28,003,144	24,326,810	42,484,019	188,291	226,478	329,492	263,753	827,907
Debt instruments	114,934,707	469,029,419	-	5,193,808	3,372,269	6,533,339	3,476,160	-
Equity instruments	23,576,635	219,047,187	-	1,754,443	5,165,134	9,355,561	6,233,622	-
Others	(24,973)	(373,816)	(306,523)	(60,646)	(73,298)	(134,426)	(88,625)	(136)
	166,489,513	712,029,601	42,177,496	7,075,896	8,690,584	16,083,966	9,884,909	827,771
Amounts in Euros								
Cash and deposits	2,900,918	2,520,077	4,401,030	19,506	23,461	34,133	27,323	85,765
Debt instruments	11,906,384	48,587,973	-	538,040	349,342	676,806	360,104	-
Equity instruments	2,442,365	22,691,666	-	181,747	535,070	969,167	645,757	-
Others	(2,587)	(38,725)	(31,754)	(6,282)	(7,593)	(13,926)	(9,181)	(14)
	17,247,080	73,760,991	4,369,276	733,011	900,280	1,666,180	1,024,003	85,751

Amounts in Euros, considering the exchange rate at 31 December 2017 of 1 EUR/ 9,65320 MOP.

	2016							
	BNU Pension Fund	Golden Age Retirement Pension Fund	Guaranteed Capital Pension Fund	International Stable Pension Fund	International Opportunities Pension Fund	Greater China Opportunities Pension Fund	Emerging Markets Opportunities Pension Fund	
Amounts in Patacas								
Cash and deposits	24,399,235	32,857,477	34,154,957	392,968	180,119	688,283	360,681	
Debt instruments	112,727,740	387,450,630	-	3,593,161	2,363,705	4,460,539	2,931,578	
Equity instruments	23,285,816	185,620,055	-	1,256,682	3,683,091	6,312,482	5,051,920	
Others	(20,049)	(318,112)	(174,828)	(43,055)	(53,486)	(93,521)	(68,720)	
	160,392,742	605,610,050	33,980,129	5,199,756	6,173,429	11,367,783	8,275,459	
Amounts in Euros								
Cash and deposits	2,897,634	3,902,128	4,056,216	46,669	21,391	81,740	42,834	
Debt instruments	13,387,457	46,013,328	-	426,721	280,712	529,730	348,152	
Equity instruments	2,765,405	22,044,090	-	149,243	437,401	749,665	599,962	
Others	(2,381)	(37,779)	(20,762)	(5,113)	(6,352)	(11,106)	(8,161)	
	19,048,115	71,921,767	4,035,454	617,520	733,152	1,350,029	982,787	

Amounts in Euros, considering the exchange rate at 31 December 2016 of 1 EUR/ 8.4204 MOP.

47. Subsequent Events

On 15 January 2018, Fidelidade sold 49% of the shares representing the share capital of Luz Saúde, S.A. (46,815,704 shares) to Fosun International Limited, for EUR 267,317,670, so that its holding is now 49.7881%.

REPORT AND OPINIONS ON THE 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 financial statements of Fidelidade – Companhia de Seguros, S.A. (the “Company”), which comprise the Separate Statement of Financial Position as at December 31, 2017 (which establishes a total of 15,889,040,096 euros and total equity of 2,446,973,123 euros, including a net profit for the year of 187,789,357 euros), the Separate Income Statement, the Separate Statement of Comprehensive Income, the Separate Statement of Changes in Equity and the separate Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Fidelidade – Companhia de Seguros, S.A. as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal (“Autoridade de Supervisão de Seguros e Fundos de Pensões” - “ASF”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section below. We are independent of the Company in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors’ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters in the current year audit are the following:

1. Measurement of technical provisions for life insurance and of financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
As described in notes 18 and 19 of financial statements, as at December 31, 2017, the technical provisions for life insurance and the financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as	Our approach to the risk of material misstatements in the measurement of technical provisions for life insurance and financial liabilities included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>investment contracts amounted to 2,036 m and 8,584 million euros ("m"), respectively, representing approximately 79% of the total liabilities.</p> <p>These matters were considered to be as a key audit matter based on materiality to the financial statements and the fact that it is an area with a significant degree of judgement about uncertain future results, namely the timing and total value of liabilities to policyholders, as well as estimating the future income of the assets portfolio underlying these obligations. As described in note 2.15, the liabilities for insurance contracts are determined based on actuarial methods, historical data and other methods accepted in the sector, and the actual amounts to be disbursed in the future may be significantly different from the estimates made.</p>	<ul style="list-style-type: none"> • 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 measurement of technical provisions for life insurance and financial liabilities; • Analytical review procedures, recalculation and analysis of the methodologies for the projection of cash flows, including the underlying financial and demographic assumptions (when applicable), with special attention to the obligations for products with guaranteed rates; • With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the Company's actuaries for the measurement of liabilities arising from life insurance and investment contracts, including an analysis of their consistency with those used in the previous year and using as reference the specific terms of the products, regulatory requirements and practices in the insurance sector; and • Review the completeness and consistency of the disclosures in the separate financial statements of the technical provisions for life insurance and financial liabilities with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

2. Measurement of claims provisions (non-life)

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As described in note 18 to the financial statements as at December 31, 2017, the claims provisions arising from non-life insurance contracts amounted to 1,664 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 administrative costs related to future settlement.</p> <p>These provisions include estimates for long-term claims provisions of workers' compensation, requiring assumptions based on judgments, in particular the discount rate, mortality tables and estimation of</p>	<p>Our approach to the risk of material misstatements in the measurement of claims provisions (non-life) included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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 measurement of claims provisions (non-life); • Analytical review procedures on the financial statements line items relating to claims provisions (non-life) to understand the annual changes and of the main factors contributing to the most significant variations;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>expenses to be incurred (see details in subparagraph (d)) 2.15 note).</p> <p>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.</p>	<ul style="list-style-type: none"> • With the involvement of our actuarial experts, we analysed the methodologies and assumptions used by the actuaries of the Company for the measurement of the claims liabilities (non-life), including analysis of consistency with those used in the previous year and with the default payment history by segment and by reference to the specifics of the 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 separate financial statements for claims provisions (non-life) with the respective accounting and technical data, actuarial reports and requirements of International Financial Reporting Standards.

3. Valuation of financial instruments at fair value

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>As detailed in note 44, the assets and liabilities include financial instruments valued at fair value amounting to 11,306 m and 20 m, respectively, which represent about 71% of the total assets and 0.1% of the total liabilities.</p> <p>The determination of the fair value of the financial instruments was primarily based on quotes in active markets. In the case of instruments with reduced liquidity in these markets, valuation models were used and other information involving judgment, such as information provided by specialised entities, observable and unobservable market assumptions and other estimates. The total value of instruments with reduced liquidity, recognised in the assets and liabilities of the Company, amounting to about 1,358 m (9% of the asset) and 15 m (0.1% of the liabilities), respectively, which were classified under the fair value hierarchy defined in the accounting</p>	<p>Our approach to the risk of material misstatements in the valuation of financial instruments at fair value included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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; • 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; and

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>framework as "level 2" and "level 3" (Note 43).</p> <p>The consideration of this matter as significant to the audit was based on their materiality to the financial statements and the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of the fair value of financial instruments.</p>	<ul style="list-style-type: none"> Review the completeness and consistency of disclosures of financial instruments at fair value in the separate financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

4. Recognition and measurement of Impairment in investments in subsidiaries, associates and joint venture

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The financial statements of the Company as at December 31, 2017 include in the statement of financial position as more fully disclosed in note 4, investments in subsidiaries and associates of 1.965 m, representing approximately 12% of the assets.</p> <p>These assets are subject to impairment tests at least annually. This impairment assessment is a process that requires judgment and is based on assumptions regarding economic and financial market conditions of issuers (such as discount rates, inflation, growth rates/profit margins and prospective financial information).</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the valuation models and assumptions used, since the use of different techniques and valuation assumptions can result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the valuation of investments in subsidiaries, associates and joint ventures included a specific response by performing the following procedures:</p> <ul style="list-style-type: none"> 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. Recognition and measurement of impairment losses on financial assets

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The income statement of the Company as at December 31, 2017, includes impairment losses from financial instruments held, classified as "available-for-sale financial assets", of 99 m (details disclosed in note 38).</p> <p>In accordance with the accounting principles and the defined investment policy, which is described in note 2.4 (d), the Company 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.</p> <p>The consideration of this matter as significant for the audit was based on the risk of judgment associated with the recognition and measurement of impairment losses on financial assets, since they are based on assumptions taking into account impairment indicators observable at a given time, based on information currently available, and that the use of different assumptions or obtaining additional information may result in different estimates of impairment losses.</p>	<p>Our approach to the risk of material misstatements in the recognition and measurement of impairment losses of financial assets included a specific strategy consisting of a combination of controls evaluation and substantive procedures, including the following:</p> <ul style="list-style-type: none"> • 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 separate 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 separate financial statements on recognition of impairment losses on financial assets with the respective accounting data and requirements of International Financial Reporting Standards.

6. Valuation of real estate investments

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>The financial statements of the Company as at December 31, 2017 include real estate assets as disclosed in notes 9 and 17 to the financial statements, recorded at fair value, classified as own use and investment properties, of 88 m and 310 m, respectively, which represent a total of about 3% of the assets of the Company.</p> <p>The real estate appraisals were based on the methods disclosed in note 9 to the financial statements and assumptions for which the effects of the economic and financial environment and the ability of the</p>	<p>Our approach to the risk of material misstatements in the valuation of real estate investments included a specific strategy consisting of a combination of evaluation of controls and substantive procedures, namely:</p> <ul style="list-style-type: none"> • 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 separate financial statements;

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
<p>market to absorb the available supply is crucial.</p> <p>The consideration of this matter as a key audit matter was based on their materiality to the financial statements and the inherent risk on the assumptions used in appraisals performed by external experts.</p>	<ul style="list-style-type: none"> • 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 separate financial statements with the respective accounting data and requirements of International Financial Reporting Standards.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- ▶ the preparation of the financial statements which present a true and fair view of financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by ASF;
- ▶ the preparation of the Management Report, in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ assessing the Company's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the 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, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- ▶ from the matters communicated with those charged with governance, including the supervisory body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- ▶ we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of Management Report with financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Company, we have not identified any material misstatement.

On additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant to article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- ▶ We were appointed as auditors of Fidelidade – Companhia de Seguros, S.A. for the first time in the shareholders' general meeting held on May 15, 2014 for the year 2014. We were reappointed for a second mandate in the shareholders' general meeting held on March 31, 2015 for the period between 2015 and 2017. On March 29, 2017, we renounced that mandate, between 2015 and 2017, and were appointed at the shareholders' meeting held on March 31 for the mandate between 2017 and 2019;
- ▶ Management has confirmed that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement to the financial statements due to fraud;
- ▶ We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Company; and
- ▶ We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Company in conducting the audit.

Lisbon, March 12, 2018

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(signed)

Ana Rosa Ribeiro Salcedas Montes Pinto – ROC nº 1.230
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Fidelidade – Companhia de Seguros, S.A.

Report and Opinion of the Supervisory Board

2017

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of its accounting records and compliance with 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, 12 March 2018

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABILITY
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD
OF FIDELIDADE – COMPANHIA DE SEGUROS, S.A.
FOR 2017

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the separate accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 12 March 2018.

SUPERVISORY BOARD

Pedro Antunes de Almeida – Chairman

Vasco Jorge Valdez Ferreira Matias – Member

João Filipe Gonçalves Pinto – 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 communicate its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2017 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies and in Article 32(1) a) iv) of Regulatory Standard No. 8/2016 – R, of 16 August.

INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. Capital structure

Fidelidade's share capital, of 381,150,000.00 euros, is represented by 121,000,000 nominative shares, with a nominal value of 3.15 euros each, which are fully subscribed and paid up. All the shares have identical rights and are mutually fungible.

In line with its Articles of Association, besides the ordinary shares, Fidelidade may issue non-voting preferential shares, 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
TOTAL	100%	121,000,000

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 beginning on completion 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 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 2017, 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 on the number of votes that may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders.

5. Shareholders agreements which the company is aware of and which may lead to restrictions regarding the transfer of securities or voting rights

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 2017, with an indication of the percentage of capital and votes and of votes attributed and the source and causes of attribution, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights	Method of Attribution
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 2017, the members of the management and supervisory bodies did not hold any shares in the Company.

B. CORPORATE BODIES AND COMMITTEES

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 at 31 December 2017 had the following composition:

Position	Name
President	Nuno Azevedo Neves
Secretary	Paula Rodrigues Morais

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 there is a vote in favour 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 2017, the Board of Directors was composed of fourteen members appointed to exercise duties for the three-year period 2017-2019, seven of whom were non-executive members and seven of whom were executive members, as reflected in the following table:

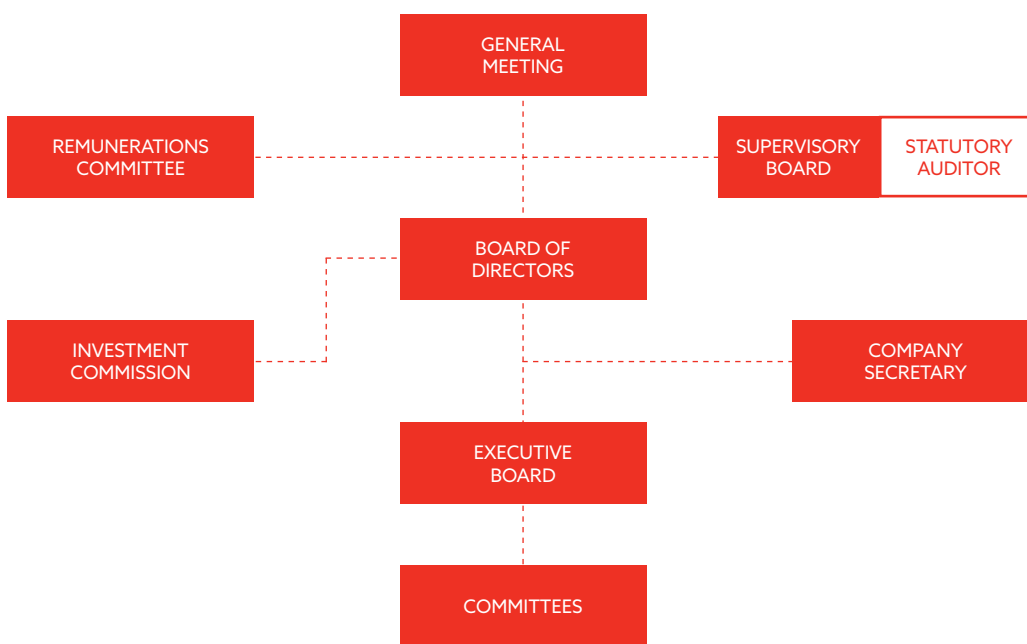
Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Jorge Manuel Baptista Magalhães Correia	Chairman	31-03-2017	2017/2019	Executive
Lan Kang	Vice-Chairman	31-03-2017	2017/2019	Non-executive
José Manuel Alvarez Quintero	Vice-Chairman	15-05-2014	2014/2016	Executive
Xiaodong Yu	Member	31-03-2017	2017/2019	Non-executive
Lingjiang Xu	Member	31-03-2017	2017/2019	Non-executive
José João Guilherme	Member	31-03-2017	2017/2019	Non-executive
Francisco Ravara Cary	Member	31-03-2017	2017/2019	Non-executive
João Eduardo de Noronha Gamito de Faria	Member	31-03-2017	2017/2019	Non-executive
António Manuel Marques de Sousa Noronha	Member	31-03-2017	2017/2019	Executive
Rogério Miguel Antunes Campos Henriques	Member	31-03-2017	2017/2019	Executive
Wai Lam William Mak	Member	31-03-2017	2017/2019	Executive
Jun Li	Member	31-03-2017	2017/2019	Executive
André Simões Cardoso	Member	31-03-2017	2017/2019	Executive
Tao Li	Member	07-09-2017	2017/2019	Non-executive

At 31 December 2017, 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	Chairman	31-03-2017	2017/2019
Rogério Miguel Antunes Campos Henriques	Vice-Chairman	31-03-2017	2017/2019
José Manuel Alvarez Quintero	Member	31-03-2017	2017/2019
António Manuel Marques de Sousa Noronha	Member	31-03-2017	2017/2019
Wai Lam William Mak	Member	31-03-2017	2017/2019
Jun Li	Member	31-03-2017	2017/2019
André Simões Cardoso	Member	31-03-2017	2017/2019

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 2017:



Board of Directors

The Board of Directors, as a governing body of the Company, has the broadest of powers to manage and represent the company. Pursuant to Article 15(1) of the Articles of Association, besides the general powers given to it, the Board of Directors is responsible for:

- a) 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;
- b) 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;
- c) Acquiring, selling or otherwise disposing of or encumbering movable and immovable rights and property;
- d) Setting up companies, subscribing, acquiring, pledging and disposing of shares;
- e) Establishing the technical and administrative organisation of the company and the rules of internal operation, regarding employees and their remuneration;
- f) Appointing legal representatives, with the powers it deems appropriate, including those of delegation.

Resolutions of the Board of Directors which deal with the following issues may only be taken by a majority of 6 of the 7 members:

- a) 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 Board of Directors in and out of court;
- b) Coordinating the Board of Directors' activity and convening and managing the respective meetings;
- c) Ensuring the correct implementation of the Board of Directors' resolutions.

Executive Committee

Without prejudice to the possibility of rescinding powers delegated to the Executive Committee, the Board of Directors has delegated the day-to-day management of the Company to this 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 Executive Committee does not cover matters which remain the exclusive competence of the Board of Directors.

Investment Committee

All of the Company's investment decisions are subject to supervision by the Investment Committee, and the Executive Committee reports operations performed to the Investment Committee.

The Investment Committee is responsible for defining the investment guidelines and the decisions which require its prior approval.

The members of the Investment Committee are appointed by the Board of Directors, and the respective mandate coincides with the mandate of the Board of Directors.

III. Supervision

Supervisory Board and Statutory Auditor

Composition

16. Identification of the supervisory body and competences

Supervision of the company is the responsibility, pursuant to Article 413(1) a) of the Code of Commercial Companies, of a Supervisory Board and a Statutory Auditor Firm, with the competences set out in law and the current mandate of which corresponds to the period 2017-2019.

The Company's Articles of Association define the Supervisory Board's competences as those 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 2017:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Pedro Antunes de Almeida	Chair	31-03-2017	2017/2019
Vasco Jorge Valdez Ferreira Matias	Member	31-03-2017	2017/2019
João Filipe Gonçalves Pinto	Member	31-03-2017	2017/2019
Isabel Gomes de Novais Paiva	Replacement	31-03-2017	2017/2019

The members of the Supervisory Board comply with the independence requirements set out in Article 414(5) of the Code of Commercial Companies, as they are not associated with any specific interest group in the Company and there are no circumstances which might affect their impartiality when analysing or taking decisions.

IV. Statutory Auditor

18. Identification of the Statutory Auditor and the partner of the Statutory Auditor representing it

The Statutory Auditor, at 31 December 2017, 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, and reappointed on 31 March 2017, and exercise its duties until the end of the period 2017/2019.

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 other types of services on a recurring basis to the Company or the companies controlled by it.

However, when this does occur, the provision of other services to the Company or companies controlled by it is in strict compliance with the procedures defined in law, namely in Law No. 140/2015, of 7 September.

C. INTERNAL ORGANISATION

I. Articles of Association

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 corporate 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 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.

Accordingly, the Company implemented a global risk management system, in order to meet these requirements.

The implementation of this system, besides complying with the rules applicable to the insurance business, is regarded as an opportunity to improve the processes for assessing and managing risk, thereby contributing to maintaining the solidity and stability of the insurance group to which Fidelidade belongs.

The risk management system is therefore an integral part of the Company's daily activities, and an integrated approach is applied, enabling the Company to ensure that its strategic objectives (client interests, profitability, financial solidity and efficiency of processes) are upheld.

Moreover, the own risk and solvency assessment (ORSA) enables risk, capital and return to be related to each other in a prospective vision, in the context of the Company's business strategy.

The Group has policies, processes and procedures relating to the governance system that are adapted to its business strategy and operations, guaranteeing sound and prudent management of its business. In terms of organisational structure, the risk management and internal control systems are managed by the following bodies: the Risk Management Division, the Compliance Office, the Audit Division, the Risk Committee, the Underwriting Policy Acceptance and Supervision Committee, and the Life and Non-Life Products Committees.

The remaining Management Bodies are responsible for enhancing the risk management and internal control process, so as to ensure that the management and control of operations is performed in a sound and prudent manner. They are also responsible for the existence and updating of documentation relating to the business processes, their risks and control activities.

Included within the set of prudential recommendations of the supervisory authorities, in order to guarantee operational continuity of the processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of a structured assessment of damage and agile decision-making regarding the type of recovery to be undertaken.

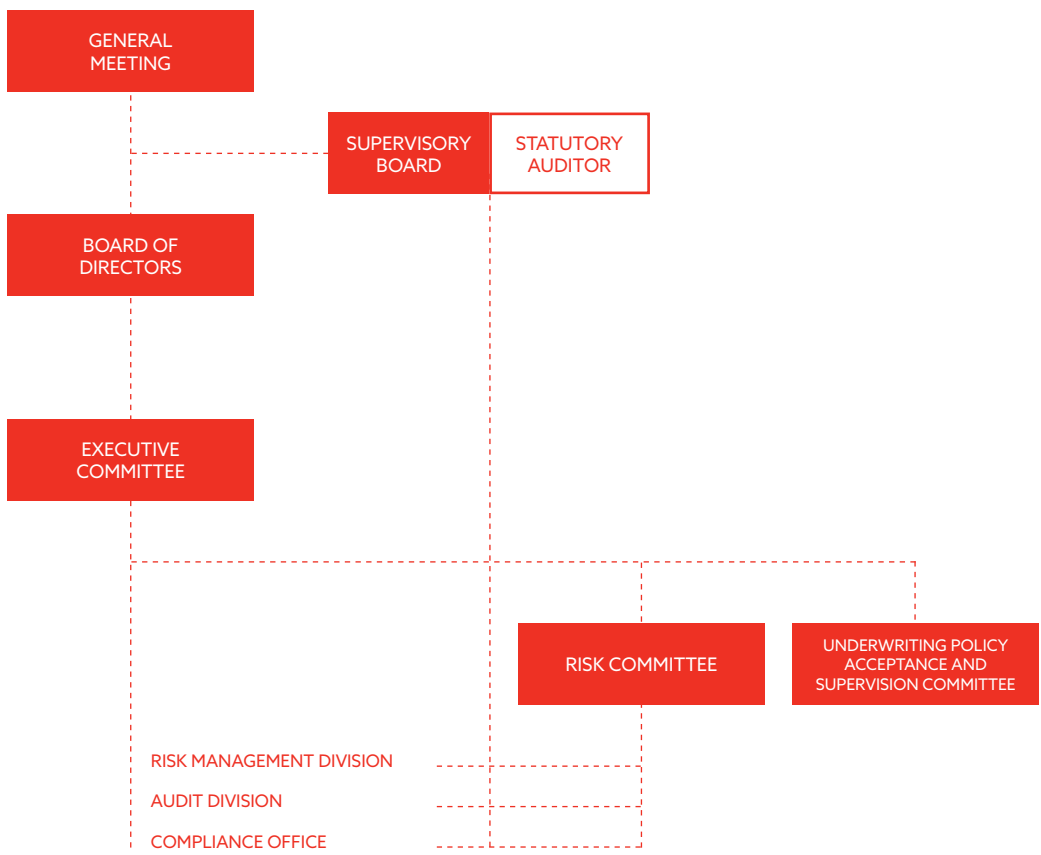
Regarding the public reporting requirements, in 2017 the Company prepared and disseminated, on its Internet site, the "2016 Solvency and Financial Condition Report", which contains detailed information on its activities and performance, governance system, risk profile, solvency assessment and capital management for 2016. This information, together with the annual quantitative reports submitted to the ASF, is certified by the statutory auditor and the responsible actuary.

The Company also conducted the annual own risk and solvency assessment (ORSA) in 2017, reporting its findings to the ASF in a supervision report, and provided quarterly quantitative information for supervisory purposes.

Accordingly, the measures adopted during the preparatory phase for applying the Solvency II rules, which have been further consolidated during these two first years of application, 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 committees of the company

The hierarchical and functional relationship of dependence of the Risk Management Division, the Audit Division and Compliance Division, in relation to other bodies or committees 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, 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.

Consequently, 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 necessary information 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 relative to each entity, 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 43, 44 and 45) and Consolidated Financial Statements (Notes 48, 49 and 50).

27. Description of the process of identification, assessment, monitoring, control and management of risks

The risk management system enables the Company to identify, assess, manage and monitor risks, enabling appropriate and immediate actions to be adopted in the event of material changes in its risk profile.

In establishing its risk profile, the Company identifies the different risks to which it is exposed and then assesses those risks. Risk assessment is based on a standard formula used to calculate the solvency capital requirement. For other risks not included in that formula, the Company has opted to use a qualitative analysis in order to classify the foreseeable impact on capital needs.

The ORSA plays a key role in monitoring the Company's risk profile and the capital adequacy in terms of meeting the regulatory requirements and the internal capital needs.

V. Internet Site

28. Address(es)

The address of Fidelidade's website is:

www.fidelidade.pt

29. Place where information on the company, corporate bodies and documents relating to the company accounts can be found

Information about the Company and the corporate 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 corporate bodies can be found

The Articles of Association and the rules governing the functioning of the bodies and committees 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 of resolutions passed at the Company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is available 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 corporate 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 corporate 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 2017, at 31 December 2017 is as follows:

Position	Name
Chair	Lan Kang
Member	Yongqing Zhang

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 2017, 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 current Remuneration Policy, 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."

Information on the annual amount of remuneration paid to the members of the corporate bodies is that which is set out in this Corporate Governance Report.

Given the above, the level of compliance with the recommendations contained in Circular No. 6/2010, of 1 April, from the then Portuguese Insurance Institute, now the Insurance and Pension Funds Supervisory Authority, regarding the remuneration policy can be summarised as follows:

Item	Recommendation	Level of Compliance	Observations
I. General Principles	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Met</p> <p>Met</p> <p>Met</p>	
II. Approval of the remuneration policy	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>	
III. Remunerations committee	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Met</p> <p>Met</p> <p>Met</p>	

Item	Recommendation	Level of Compliance	Observations
IV. Remuneration of members of the management body Executive members	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.
Non-executive members	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.
Compensation in the event of dismissal	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.

Item	Recommendation	Level of Compliance	Observations
V. Remuneration of employees	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	
Relationship between fixed remuneration and variable remuneration	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.
Criteria for awarding variable remuneration	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	
Criteria for awarding variable remuneration	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.
Deferral of the variable remuneration	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.
Deferral of the variable remuneration	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.
Deferral of the variable remuneration	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.

Item	Recommendation	Level of Compliance	Observations
Remuneration of employees who perform key functions	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	While the remuneration is consistent with the role in the institution, it is not dissociated from the performance of the latter.
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	405,000	188,633	01.01.2017 to 31.12.2017
Rogério Miguel Antunes Campos Henriques	340,286	125,059	01.01.2017 to 31.12.2017
José Manuel Alvarez Quintero	323,786	125,059	01.01.2017 to 31.12.2017
António Manuel Marques de Sousa Noronha	323,786	125,059	01.01.2017 to 31.12.2017
Wai Lam William Mak	323,786	125,059	01.01.2017 to 31.12.2017
Jun Li	216,950	0	01.04.2017 to 31.12.2017
André Simões Cardoso	219,545	0	01.04.2017 to 31.12.2017
TOTAL	2,153,137	688,868	

* Related to 2016 tax year.

38. Compensation paid or owed to former executive directors concerning contract termination during the year

No executive director terminated his or her functions during 2017.

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	
Vasco Jorge Valdez Ferreira Matias	23,042	
João Filipe Gonçalves Pinto	23,042	
José António da Costa Figueiredo	10,442	
Luís Manuel Machado Vilhena da Cunha	10,442	
Isabel Gomes de Novais Paiva	0	Reserve
TOTAL	108,968	

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 receives gross annual remuneration of € 3,000.

V. Agreements with remuneration implications

37. Reference to the existence and description, with an indication of the sums involved, of agreements between the company and members of the management body, which provide for compensation in the event of resignation or unfair dismissal or termination of the employment following a change in the control of the company (article 245-A, (1) L)

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the company.

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 42) and Consolidated Financial Statements (Note 47).

