

Longrun Portugal, SGPS, S.A.

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**Solvency and financial
condition report 2017**

Summary

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

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

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

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

Business and performance

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

Key indicators in 2017 were:

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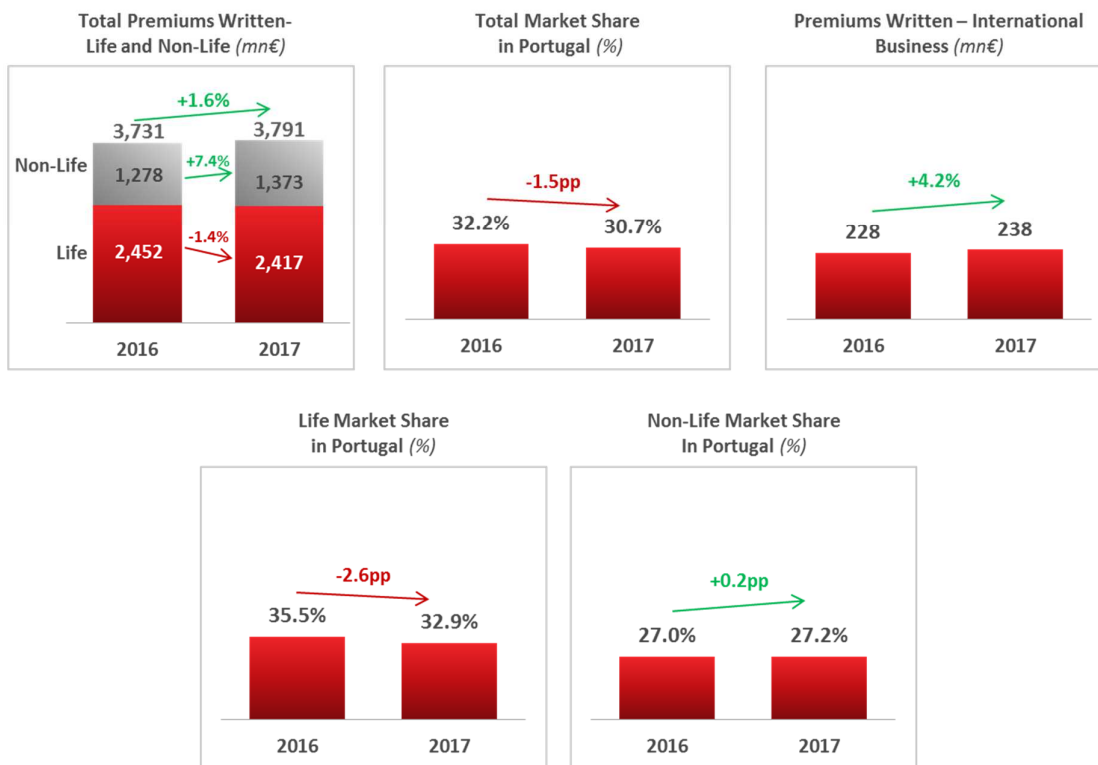
€ 3,791 million Total Premiums Written <small>(includes amounts relating to investment contracts)</small> Life: € 2,417 million Non-Life: € 1,373 million	30.7% Market Share (PT) Life: 32.9% Non-Life: 27.2%	11.1% Weight of International Non-Life operation
€ 17.4 billion Net Assets	3,686 Employees	99.0% Non-Life Combined Ratio
€ 194.3 million Net Profits <small>(after minority interests)</small>	€ 2,490 million Shareholders' Equity	8.8% Return on Equity

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

In 2017, the companies in Longrun's consolidation perimeter had a very consistent performance, recording total premiums written of EUR 3,791 million. Regarding the activity in Portugal, Longrun registered EUR 3,553 million in its consolidated accounts, which enabled it to maintain its leadership position, with a market share of 30.7%. The international business recorded a 4.2% increase in premiums, reflecting the strengthening of existing international operations.

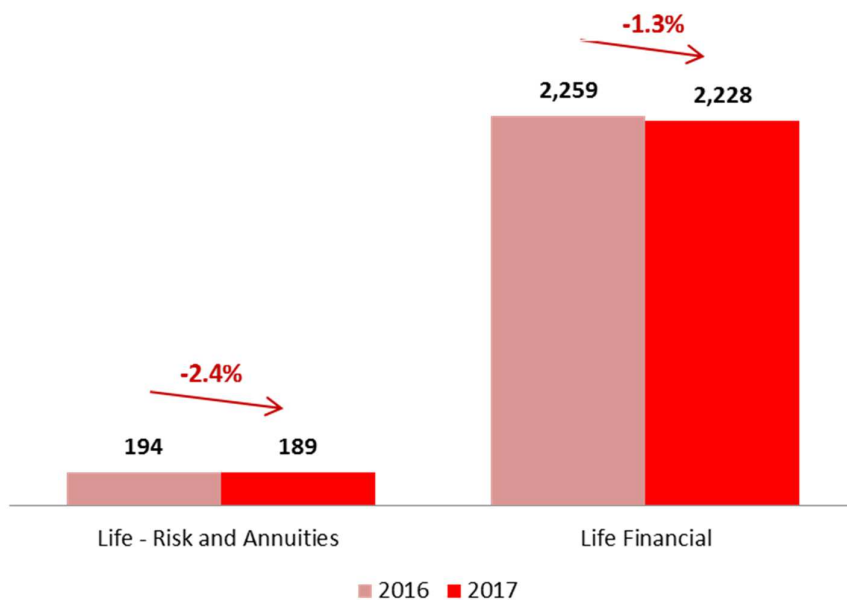
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Amounts in million Euros (mn€)



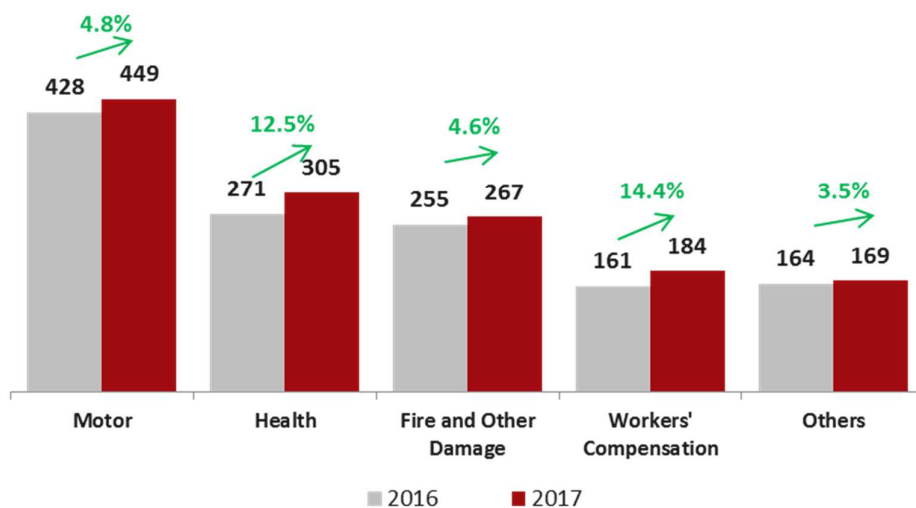
In the Life segment, Longrun's insurance business continues to be the clear market leader, with a share of 32.9%, despite a slight fall, reflecting both the market conditions for financial products and the fact that the amount of premiums in 2016 was particularly high.

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In the Non-Life segment performance was clearly positive, with premiums written increasing 7.4%, which allowed the leadership position to be enhanced, increasing the market share to 27.2%, which represents an increase of 0.2%.

Premiums Written – Non-Life – By Line of Business (mn€)



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Operational performance fell slightly in 2017, with the combined ratio increasing from 97.2% to 99.0% (+1.8 pp), due to the claims ratio increasing 3.3 pp, from 69.9% to 73.2% in 2017, influenced by the forest fires in Portugal in June and October, and the floods in Macao.

On the other hand, there was a 1.5 pp fall in the expense ratio, from 27.3% to 25.8% in 2017. This result reflects the increase in operational efficiency of the companies in Longrun's consolidation perimeter, and the effort to optimise resources and contain costs.

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

Longrun's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 15.7 billion, corresponding to an increase of 11.0% compared to 2016.

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

Overall, investments performed well, resulting in an investment income of EUR 539 million (EUR 444 million in 2016) and an investment yield of 3.6% (3.2% in 2016).

For the determination of consolidated data for solvency purposes, and taking into account both the provisions of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, and the understanding of the ASF, the following subsidiaries were not considered in the consolidation perimeter:

- Luz Saúde, S.A., Sociedade Aberta;
- Fundo de Investimento Imobiliário Fechado Saudeinveste;
- Fundo de Investimento Imobiliário Fechado Bonança I;
- Fundo Broggi;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED;
- FID Loans 1 (Ireland) Limited;
- FID Loans 2 (Ireland) Limited.

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It is important to note that in 2017 the joint venture Madison 30 31 JV LLC was not considered in the consolidation perimeter for solvency purposes since Fidelidade sold its position in this project during the year.

Taking into account these differences between the scope of the group used in the consolidated financial statements and the scope of the consolidated data for solvency purposes, consolidated financial statements were prepared for comparative purposes, considering the consolidation perimeter for solvency purposes.

Accordingly, in Chapter 4 of this report, the valuation of assets, technical provisions and other liabilities for solvency purposes is compared to the consolidated financial statements considering the consolidation perimeter for solvency purposes.

Likewise, in Chapter 5, the excess of assets over liabilities calculated for solvency purposes is compared to that resulting from the financial statements referred to in the previous paragraph.

Lastly, no activities or other significant events with a material impact on the Group occurred during the period covered by this report.

System of governance

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the participations held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A.

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the group, the governance requirements applied to the insurance group are defined therein. Accordingly, the relevant body to which the Group's governance requirements apply is the Executive Committee of Fidelidade – Companhia de Seguros, S.A.

The risk management and internal control systems are managed by bodies within Fidelidade's structure which perform functions transversal to the group.

Key functions of risk management, internal audit, actuarial and compliance are defined as part of the risk management and internal control systems. These key functions are performed by Fidelidade bodies which perform functions transversal to the group.

Various corporate functions have been implemented and strengthened in the group, including the following areas: information systems, planning and control, accounting and investment.

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The remuneration policy applicable to the management body and the way the practices in it are established promote sound and effective risk management and do not encourage excessive risk-taking.

Longrun has processes to assess the adequacy requirements of the persons who effectively run the company, supervise it, are its managers or perform key functions within it.

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

Operational risk management and internal control processes are also implemented in Longrun's insurance business to ensure that operations are managed and controlled in a sound and prudent manner.

Longrun has approved the ORSA Policy with the aim of establishing general principles for the own risk and solvency assessment. The ORSA plays a critical role in its management, and the results obtained from it are taken into consideration in Risk Management, in Capital Management and in Decision Making.

The rules and principles that the internal audit function must comply with are established in the Internal Audit Regulation.

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

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

Longrun has approved the Outsourcing Policy with the aim of establishing a set of principles applicable to the outsourcing of critical or important functions or activities. Within the Group a range of outsourced functions or activities considered critical or important have been identified, most of which are outsourced intra-group, the service providers of these functions or activities mainly being located in Portugal.

Lastly, there were no material changes in the governance either of Longrun or of the Companies held by it during the period covered by this report.

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

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- Taking into consideration the market changes seen in recent years and the new regulatory framework applicable to the insurance business since 2016, a revision of the Companies' Investments Policy was approved, in September 2017;
- Following the revision of this Policy, in March 2018 the Asset and Liability and Liquidity Risk Management Policy was approved. Together with the Investments Policy, this describes the strategy for managing financial risks, insurance risks and liquidity risks, in the short, medium and long term, in a context of asset and liability management;
- In 2017, Fidelidade outsourced activities related with asset management regarding, on the one hand, a Senior Secured Loans portfolio and, on the other, two Investment Grade Fixed Income Securities portfolios;
- Revision of the Fit & Proper Policy, considering, essentially, the amendments introduced by ASF Regulatory Standard No. 3/2017-R, of 18 May. This revision was concluded in January 2018.

Risk profile

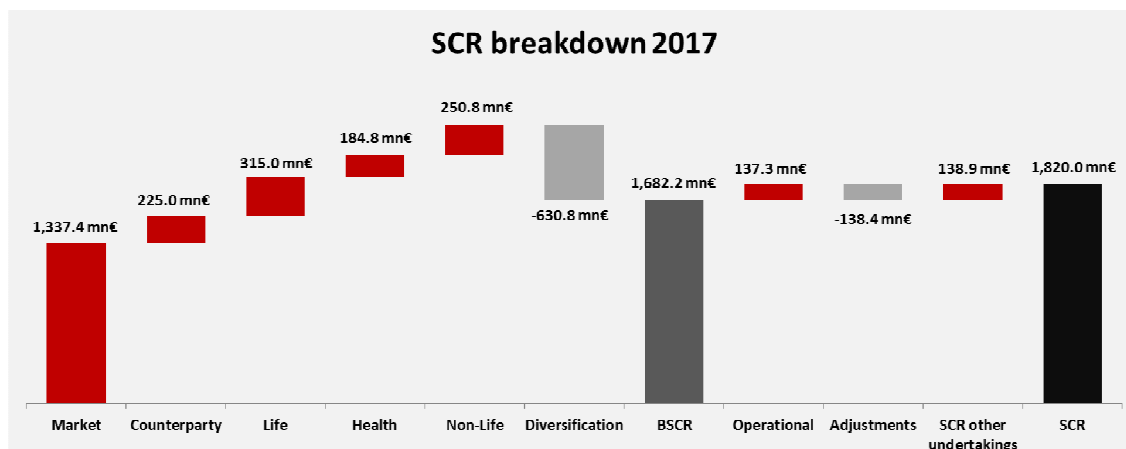
Risk management is an integral part of the daily activities of Longrun's insurance business. An integrated approach is used to ensure that the Companies' strategic objectives (client interests, financial solidity and efficiency of processes) are upheld.

Accordingly, to outline Longrun's risk profile, the material risks to which all the group entities are exposed are identified, as well as the specific risks in the group context which are not considered at the individual level.

The risk assessment is based, as at the individual level, on the standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the option taken, as at the individual level, was to use a qualitative analysis to classify the foreseeable impact on Longrun's capital needs.

Hence, the calculation of Longrun's solvency capital requirement (SCR) for 2017 was as follows:

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

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

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

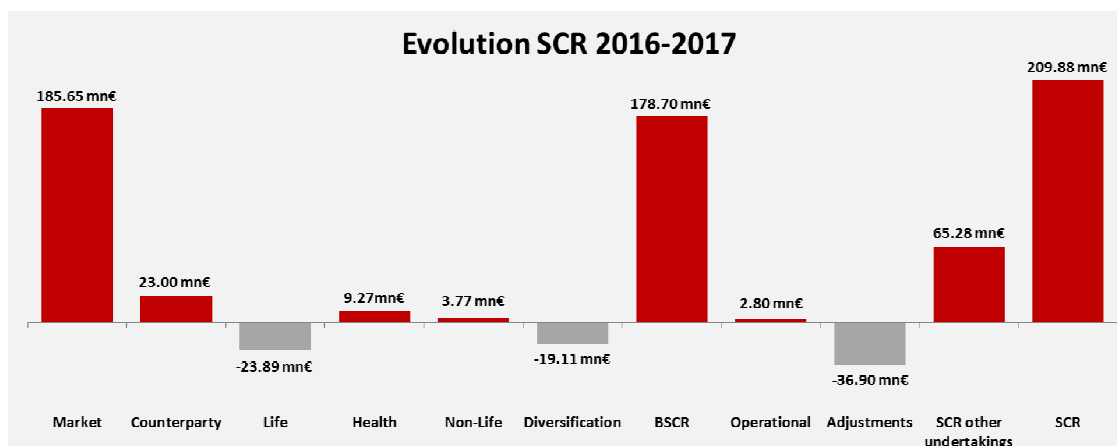
In order to guarantee compliance with all the requirements laid down by the ASF, the companies in the Longrun group have a project in progress for recognition of adjustment for the loss-absorbing capacity of deferred taxes.

Accordingly, regarding 2017, the Companies only recognised adjustment relating to the decrease in deferred tax liabilities.

In 2016, only Fidelidade made this calculation. The other companies (Fidelidade Assistência, Multicare, Via Directa and CPR) considered this adjustment to be nil, for 2016.

During the period covered by this report, there was an increase in Longrun's risk profile, embodied in an increase in the solvency capital requirement (SCR) of around EUR 210 million, when compared with the figure at 31 December 2016.

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This increase was largely a result of:

- **the increase in market risk**, arising from increases in the sub-modules of spread risk, interest rate risk and equity risk, due to
 - the increase in exposure to corporate debt as against the decrease in exposure to debt where the shock to be applied to the spread risk is zero;
 - the decrease in assets subject to the transitional measure on equity risk;
- **the increase in the adjustment amount**, as a consequence of the fact that, in 2017, the Companies recognised adjustment for the loss-absorbing capacity of deferred taxes;
- **the increase in 'SCR - other companies'** as a result of new participations being considered in 2017, namely Fundo Broggi and the subsidiaries FID Loans 1 (Ireland) Limited and FID Loans 2 (Ireland) Limited.

Valuation for solvency purposes

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

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

Amounts in thousand euros

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Assets	Solvency II	Financial statements	Difference ¹	Solvency II (previous year)
Financial assets	12,956,692	13,259,791	-303,099	10,964,119
Real estate assets	1,973,993	1,972,527	1,466	2,214,676
Other assets	1,189,672	1,328,418	-138,746	1,808,240
Reinsurance recoverables	257,739	286,667	-28,928	158,644
TOTAL	16,378,096	16,847,403	-469,307	15,145,679

The main differences are in the following classes of assets:

- Holdings in related undertakings, including participations

This results, on the one hand, from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM), (net, the total value of these holdings for solvency purposes increased by € 3,507 thousand).

On the other hand, it is due to the recognition of the market value of Luz Saúde, which is registered in the financial statements at acquisition cost (the value of this participation for solvency purposes fell by € 306,626 thousand).

- Equities — unlisted

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

- Assets held for index-linked and unit-linked contracts

This results from the use of closing quoted prices at 31/12/2017, obtained, at the end of that day, at different times, either for solvency purposes or for financial statements purposes.

- Collective investment undertakings

This results from the use of closing quoted prices at 31/12/2017, obtained at different times, either for solvency purposes or for financial statements purposes.

- Goodwill and Deferred acquisition costs

¹ Valuation for solvency purposes less financial statements valuation.

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The value of these assets for solvency purposes is zero.

- Intangible assets

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

- Deferred tax assets

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

- Insurance and intermediaries receivables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life (€ 11,985 thousand) and Health - NSLT (€ 13,299 thousand) technical provisions, given that its valuation for solvency purposes is net of these receivables.

- Cash and cash equivalents

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

The differences between the amounts for solvency purposes in 2016 and those in 2017 reflect the evolution of Longrun's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of the assets for solvency purposes.

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

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Of its subsidiaries, only Fidelidade applied the transitional measure, set out in Article 25 of Law No. 147/2015, of 9 September, on technical provisions for liabilities similar to life regarding the homogeneous risk groups “Capital redemption products”, with and without profit-sharing, and “Health – SLT”, related with liabilities with workers’ compensation contracts.

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference ²	Solvency II (previous year)
Life	10,067,655	10,623,526	-555,871	9,675,780
Non-Life	914,611	1,199,214	-284,603	830,984
Health – SLT	830,695	825,834	4,861	815,600
Health – NSLT	222,000	219,729	2,271	204,617
TOTAL	12,034,961	12,868,303	-833,342	11,526,981

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

The differences between the amounts for solvency purposes in 2016 and those in 2017 reflect the evolution of Longrun’s insurance business in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

Pursuant to Article 25 of Law No. 147/2015, of 9 September, Fidelidade applied the transitional deduction on technical provisions on the first day of 2017. The table below shows the amount of that deduction at 31/12/2017:

² Valuation for solvency purposes less financial statements valuation.

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Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Transitional Deduction		
		Initial Value	Decrease at 1/1/2017	Value at 31/12/2017
29 and 33	Life insurance liabilities - Health – SLT	325,545	-20,347	305,198
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	-12,844	192,664
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	-24,612	369,180
Total		924,845	-57,803	867,042

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

Amounts in thousand euros

	Solvency II	Financial statements	Difference ³	Solvency II (previous year)
Other liabilities	1,426,254	1,164,210	262,044	1,393,140
Total	1,426,254	1,164,210	262,044	1,393,140

The main differences are in the following classes of liabilities:

- Deferred tax liabilities

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

- Debts owed to credit institutions

This results from the difference, when negative, between the balances of current accounts related with futures contracts and the components relating either to the valuation of unmatured contracts (recorded under the heading “Derivatives”) or to the initial margin (collateral), which

³ Valuation for solvency purposes less financial statements valuation.

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was considered in the financial statements valuation under the heading “Cash and cash equivalents” in other assets;

- Reinsurance payables

The difference relates to reinsurance ceded payables for reimbursement of amounts paid out in direct insurance claims. For solvency purposes these payables are included in the Non-Life technical provisions, the valuation of which was net of these.

The differences between the amounts for solvency purposes in 2016 and those in 2017 reflect the evolution of Longrun's activity in the period covered by this report, as no changes were made to the bases, methods and main assumptions used for the valuation of other liabilities for solvency purposes.

Capital Management

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

Method 1 (accounting consolidation-based method) described in Article 270 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, was used to calculate the group's solvency, using the net data of any intra-group transactions.

Amounts in thousand euros

	Solvency II	Financial statements	Difference⁴	Solvency II (previous year)
Assets	16,378,096	16,847,403	-469,307	15,145,679
Technical Provisions	12,034,961	12,868,303	-833,342	11,526,981
Other liabilities	1,426,254	1,164,210	262,044	1,393,140
Excess of assets over liabilities	2,916,881	2,814,890	101,991	2,225,558

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

⁴ Valuation for solvency purposes less financial statements valuation.

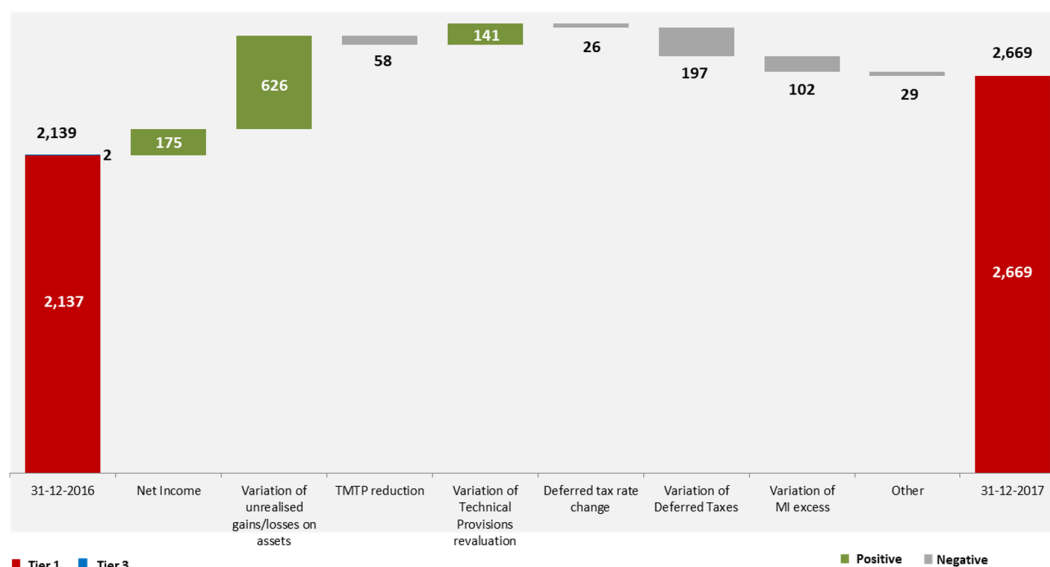
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The table below shows the amounts of own funds available and eligible to meet the solvency capital requirement (SCR) and the minimum capital requirement (MCR), classified by tier, relating to 31/12/2017 and 31/12/2016:

Amounts in thousand euros

	Available own funds to meet				Eligible own funds to meet			
	SCR	SCR (previous year)	MCR	MCR (previous year)	SCR	SCR (previous year)	SCR	MCR (previous year)
Tier 1	2,668,592	2,137,960	2,668,592	2,137,960	2,668,592	2,137,960	2,668,592	2,137,960
Tier 2	0	0	0	0	0	0	0	0
Tier 3	0	1,313	0	0	0	1,313	0	0
Total	2,668,592	2,139,273	2,668,592	2,137,960	2,668,592	2,139,273	2,668,592	2,137,960

The graph below shows the main changes to Longrun's available own funds during the period covered by this report (amounts in million euros):



TMTP – Transitional Measure on Technical Provisions
MI – Minority Interests

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When calculating the Solvency Capital Requirement (SCR), the Companies in Longrun's insurance business use the standard formula and do not apply any internal model.

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

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

To hedge the exchange rate exposure of assets held directly or indirectly and denominated in Yens (JPY) and Australian Dollars (AUD) Fidelidade used exchange rate forwards contracts, and the effect of these was also reflected in those capital requirements.

The consolidated group solvency capital requirement (SCR) and the consolidated group minimum solvency capital requirement (MCR), at 31/12/2017 and 31/12/2016, were:

Amounts in thousand euros

	Capital Requirements	Capital Requirements (previous year)	Coverage Ratio	Coverage Ratio (previous year)
SCR	1,819,976	1,610,099	146.63%	132.87%
MCR	485,517	435,777	549.64%	490.61%

This improvement in the coverage ratios is the result of significant growth in Longrun's own funds, which considerably exceeded the increase in its risk profile as described above.

Lastly, it should be stressed that if Longrun did not apply the transitional deduction to the technical provisions, the consolidated group solvency capital requirement (SCR) would be 119.42%.

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1. Business and performance

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

Notwithstanding, comparisons with the information included in the 2016 report are presented throughout this chapter.

1.1. Business

1.1.1. Name and legal form

Longrun Portugal SGPS, S.A. (“Longrun” or “Company”), with its head office in Lisbon, at Largo de São Carlos no. 3, was set up on 13 February 2014 and has as its corporate purpose the management of shareholdings in other companies, as a direct or indirect means of exercising economic activities. From this date, it became part of the Group Fosun International Holdings Ltd.

It holds shares in other insurance companies and other subsidiaries, associates and joint ventures, which together form the Longrun Group. The Group’s insurance companies held by the Company include Fidelidade – Companhia de Seguros, S.A. (“Fidelidade”), Via Directa - Companhia de Seguros, S.A. (“Via Directa”), Companhia Portuguesa de Resseguros, S.A. (“CPR”), Garantia - Companhia de Seguros de Cabo Verde, S.A. (“Garantia”), Fidelidade Angola – Companhia de Seguros, S.A. (previously Universal Seguros, S.A.), Multicare - Seguros de Saúde, S.A. (“Multicare”), Fidelidade Assistência – Companhia de Seguros, S.A. (“Fidelidade Assistência”) and Fidelidade Macau – Companhia de Seguros, S.A. (“Fidelidade Macau”).

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

1.1.2. Supervisory authority responsible for supervision of the group

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ASF, with its head office at Av. da República, 76, 1600-205 Lisbon, is the national authority responsible for the regulation and supervision of insurance, reinsurance, pension funds and their management companies and insurance mediation, both from a prudential and a market conduct point of view.

For the purposes of Supervision of Insurance Groups, the ASF is also the supervisor of the Longrun Group.

1.1.3. Statutory Auditor

The Statutory Auditor, at 31 December 2017, is Ernst & Young Audit & Associados – SROC, S.A., with its head office at Avenida da República, nº 90 6º – 1600-206 Lisbon, represented by its partner Ana Rosa Ribeiro Salcedas Montes Pinto, Statutory Auditor no. 1230 and registered with the Securities Commission with the no. 20160841.

The Statutory Auditor was appointed on 26 September 2014, and reappointed to perform functions until the end of the 2017/2019 three-year period.

1.1.4. Holders of qualifying holdings

The qualifying shares in Longrun's share capital, at 31 December 2017, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights
Millennium Gain Limited	50,000	100%	100%

At 31 December 2017, the members of the management and supervisory bodies did not hold shares in the Company.

1.1.5. Insurance group structure

Longrun Portugal, SGPS, S.A.

Longrun operates in the Portuguese market through its different insurance companies (Fidelidade, Multicare, Via Directa, Fidelidade Assistência and Companhia Portuguesa de Resseguros). It also has a presence in the international market through Fidelidade branches (in Spain, France, Luxembourg, Macao-Life Segment, and Mozambique) and through its insurance subsidiaries, Fidelidade Angola, Garantia (Cape Verde) and Fidelidade Macao (Non-Life segment).

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

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

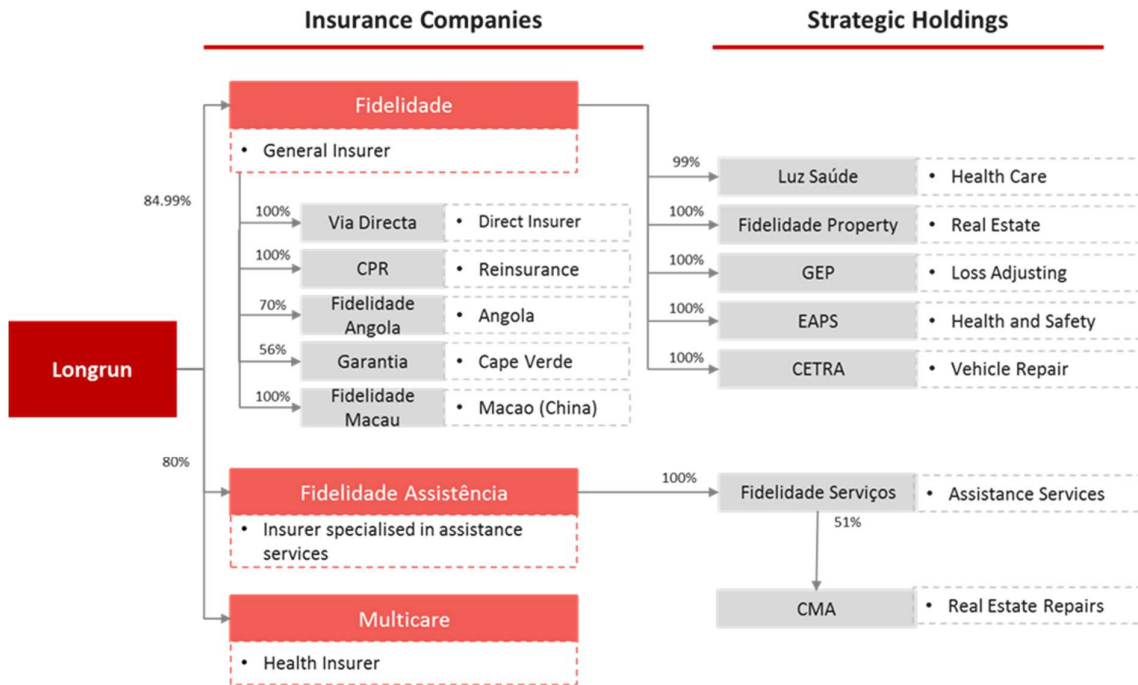


Figure 1 – Group structure

Longrun Portugal, SGPS, S.A.

1.1.6. Group Business

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

Key indicators in 2017 were:

€ 3,791 million Total Premiums Written <small>(includes amounts relating to investment contracts)</small> Life: € 2,417 million Non-Life: € 1,373 million	30.7% Market Share (PT) Life: 32.9% Non-Life: 27.2%	11.1% Weight of International Non-Life operation
€ 17.4 billion Net Assets	3,686 Employees	99.0% Non-Life Combined Ratio
€ 194.3 million Net Profits <small>(after minority interests)</small>	€ 2,490 million Shareholders' Equity	8.8% Return on Equity

Figure 2 – Business indicators 2017

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

Longrun Portugal, SGPS, S.A.



Figure 3 – Distribution network

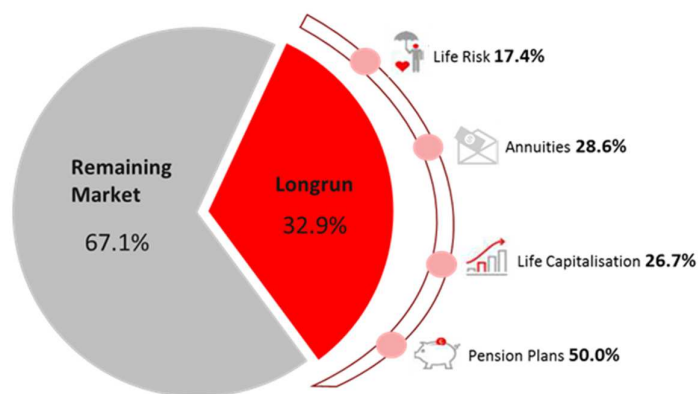
Longrun's insurance companies reach clients through three different brands, all of which are leaders in their business segment: Fidelidade, Multicare and Ok! teleseguros.

Brand	Brief description
	<ul style="list-style-type: none"> • Life and Non-Life products • Benchmark brand focused on all channels
	<ul style="list-style-type: none"> • Health Insurance • Broad offer of health insurance
	<ul style="list-style-type: none"> • Online sales of insurance • Focus on Non-Life products (ex. Motor, Property) sold through the remote channel

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

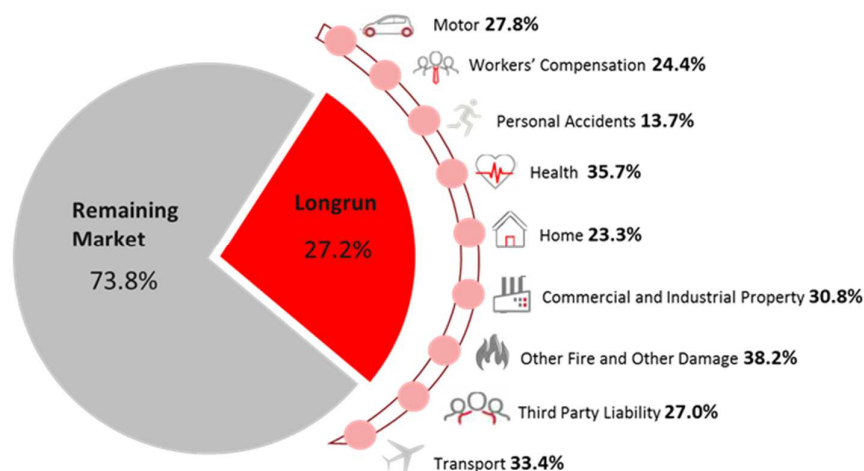
Longrun Portugal, SGPS, S.A.

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



Graph 1 – Market share – Life Segment

In the **Non-Life Segment**, Longrun's insurance business 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.



Graph 2 - Market share – Non-life Segment

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

Longrun Portugal, SGPS, S.A.

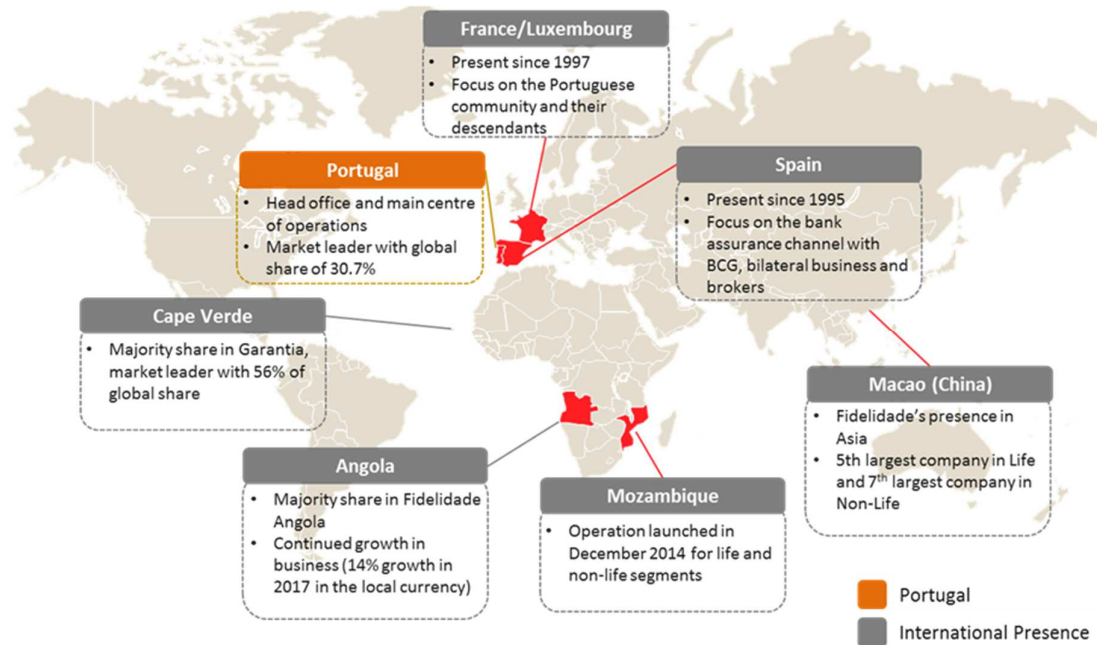


Figure 4 – International Business

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

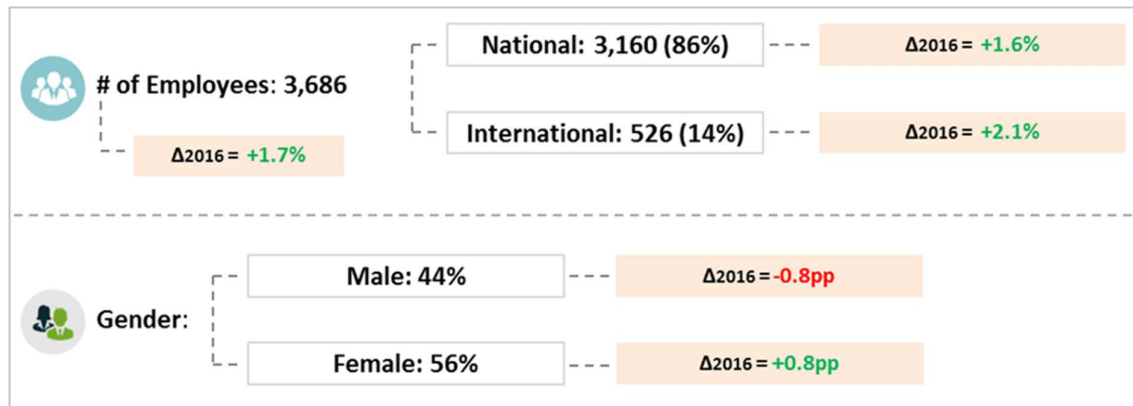


Figure 5 – Employees

Longrun Portugal, SGPS, S.A.

1.1.7. Events Summary 2017

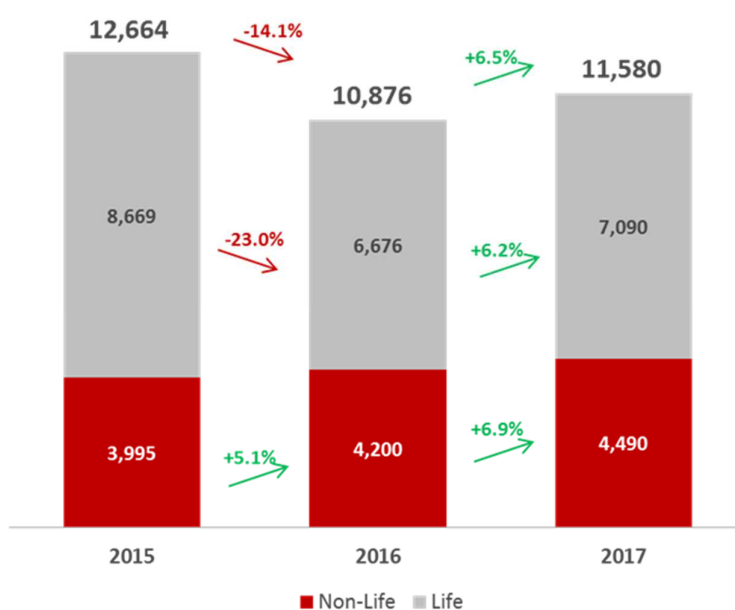


Longrun Portugal, SGPS, S.A.

1.2. Underwriting performance

1.2.1. 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.

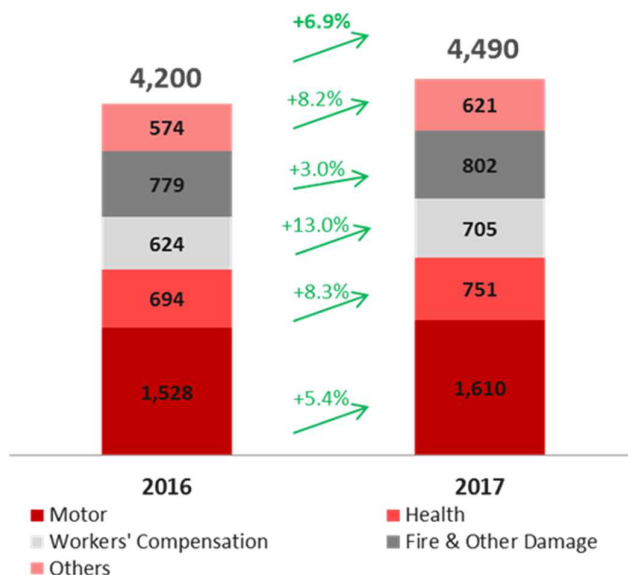


Graph 3 – Evolution of the Insurance Market (Source APS/ million euros)

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

The Non-Life segment demonstrated remarkable progress in 2017, with growth of 6.9% to EUR 4,490 million, confirming the upward trend in total premiums that began in 2015. The growth rate in 2017 was the highest annual rate since 2003, in both nominal and real terms.

Longrun Portugal, SGPS, S.A.



Graph 4 – Non-Life Segment Premiums (Source APS/ million euros)

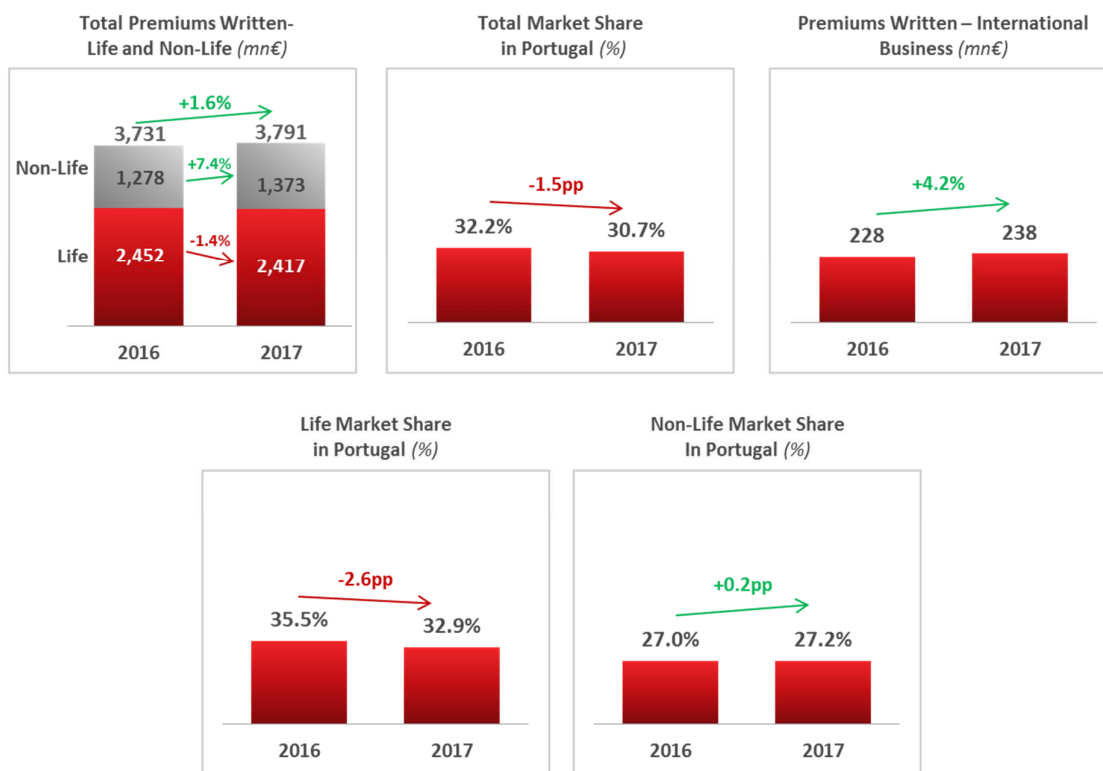
1.2.2. Group performance

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

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

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

Longrun Portugal, SGPS, S.A.



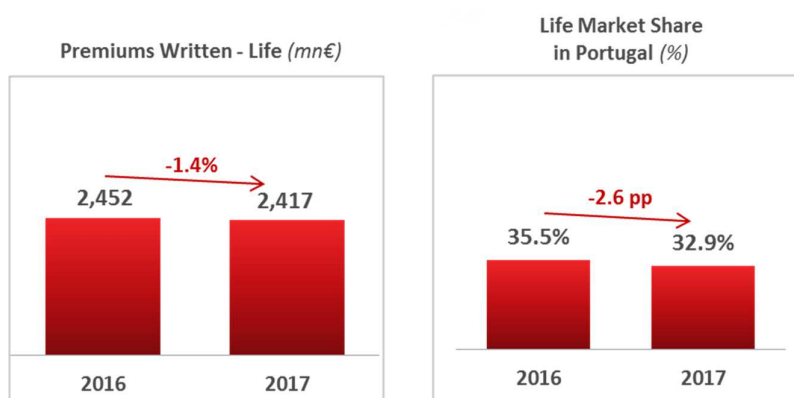
Graph 5 – Group performance - summary

a) Life Segment

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

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

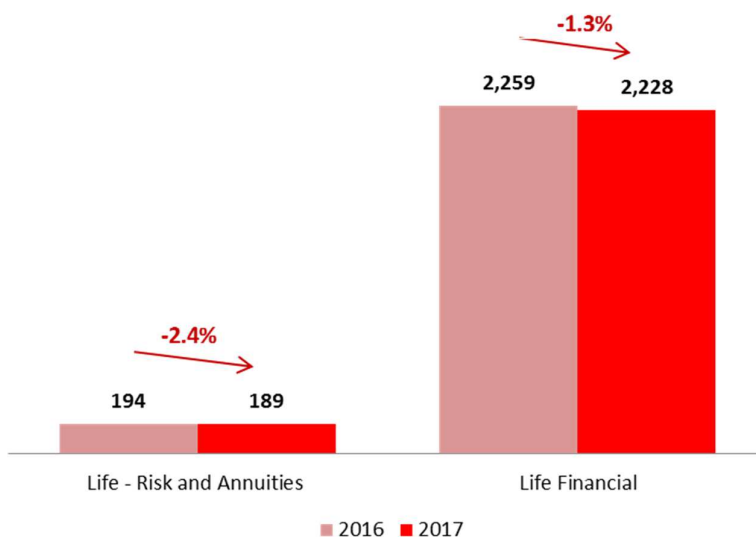
Longrun Portugal, SGPS, S.A.



Graph 6 – Group performance – Life Segment

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

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



Graph 7 – Life Segment premiums – group

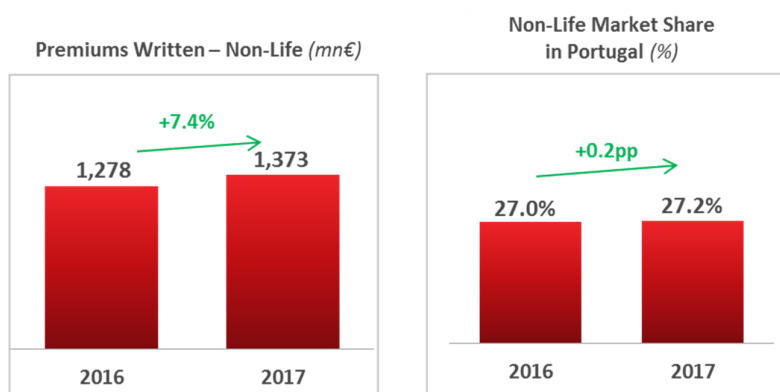
Longrun Portugal, SGPS, S.A.

b) Non-Life Segment

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

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

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



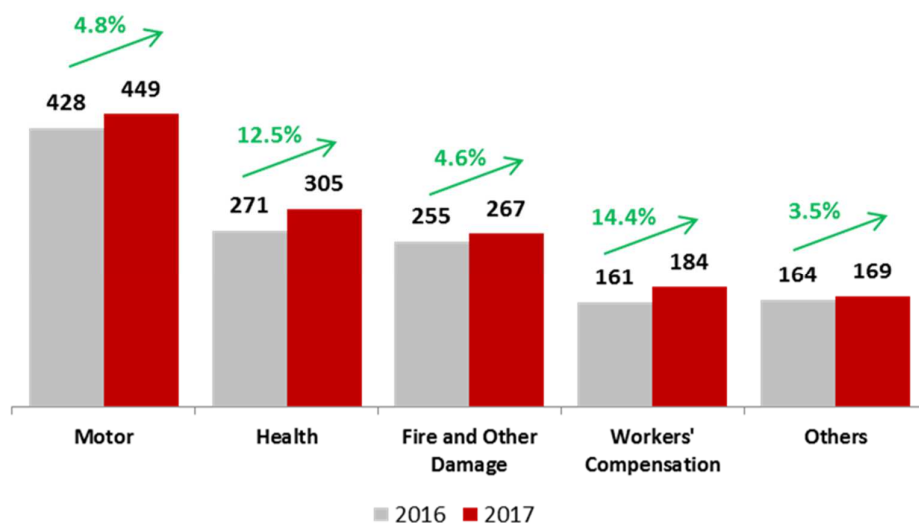
Graph 8 – Group Performance – Non-Life Segment

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

The Motor line of business continues to be, clearly, the most significant activity in the Non-Life segment, representing over 30% of the segment total. The performance of this line of business was particularly solid, with premiums increasing 4.8% due to both an improved structure of vehicle

Longrun Portugal, SGPS, S.A.

ownership, with growth and improved quality, and the capacity to capitalise on the product and service innovations introduced in recent years, for example, the launch of the “*Proteção Vital do Condutor*” and the “*Auto Estima*” own damage insurance.



Graph 9 – Non-Life Segment premiums - group (million euros)

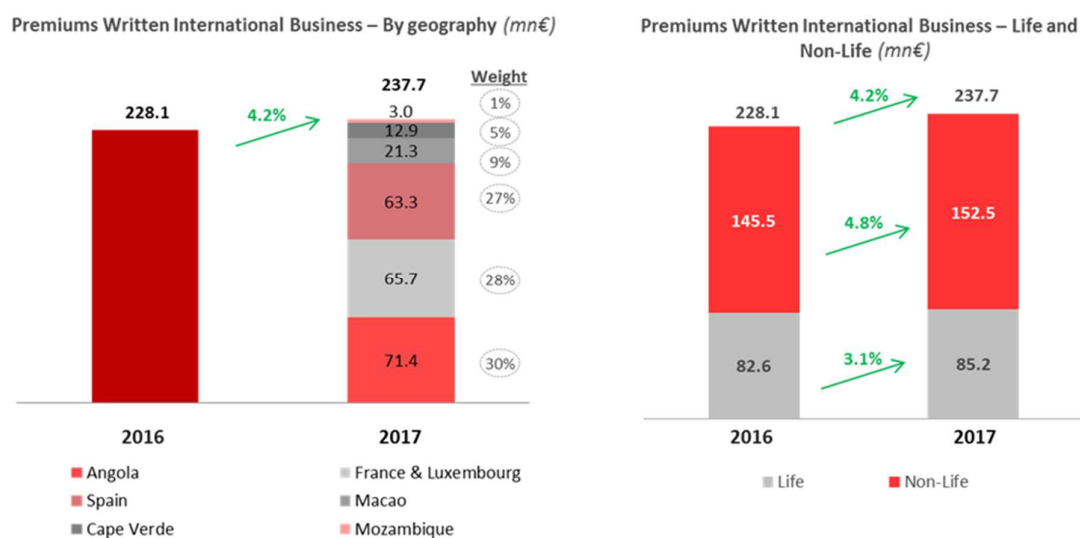
c) International Activity

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

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

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

Longrun Portugal, SGPS, S.A.



Graph 10 – International business premiums (million euros)

d) Operational Performance

The combined ratio was 99.0% in 2017, with an increase of 1.8 pp compared to the previous year, mainly influenced by 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 27.3% to 25.8% in 2017. This result reflects the increase in the operational efficiency of the companies in Longrun's consolidation perimeter, in addition to an effort to optimise and contain costs at the same time as the volume of premiums has been increasing.

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

Longrun Portugal, SGPS, S.A.

1.2.3. Premiums, claims and expenses by line of business

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

Amounts in thousand euros

Life Line of business	Insurance with profit sharing	Index-linked and unit-linked insurance	Other life insurance	Life reinsurance	Total
Premiums written					
Gross	282,067	2,091	2,133,329	0	2,417,487
Reinsurers' share	1,120	0	12,203	0	13,323
Net	280,947	2,091	2,121,126	0	2,404,164
Premiums earned					
Gross	282,126	2,091	2,133,295	0	2,417,512
Reinsurers' share	1,134	0	12,196	0	13,330
Net	280,992	2,091	2,121,099	0	2,404,182
Claims incurred					
Gross	213,148	343,476	1,494,502	12	2,051,138
Reinsurers' share	78	0	6,931	0	7,009
Net	213,070	343,476	1,487,571	12	2,044,129
Changes in other technical provisions					
Gross	70,801	0	10,870	0	81,671
Reinsurers' share	-67	0	320	0	253
Net	70,868	0	10,550	0	81,418
Expenses incurred					
Expenses incurred	18,901	-1,598	79,366	5	96,674

Table 1 – Premiums, claims and expenses - Life

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Health – SLT Line of Business	Health insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Total
Premiums written					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
Net	0	0	0	0	0
Premiums earned					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
Net	0	0	0	0	0
Claims incurred					
Gross	0	94,120	0	0	94,120
Reinsurers' share	0	0	0	0	0
Net	0	94,120	0	0	94,120
Changes in other technical provisions					
Gross	0	0	0	0	0
Reinsurers' share	0	0	0	0	0
Net	0	0	0	0	0
Expenses incurred					
Expenses incurred	0	1,954	0	0	1,954

Table 2 – Premiums, claims and expenses – Health (SLT)

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Health – NSLT Line of business	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Total
Premiums written				
Gross - Direct business	302,759	31,829	183,790	518,378
Gross - Proportional reinsurance accepted	1,816	0	32	1,848
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	5,951	8,987	970	15,908
Net	298,624	22,842	182,852	504,318
Premiums earned				
Gross - Direct business	298,761	31,397	182,617	512,775
Gross - Proportional reinsurance accepted	1,652	0	76	1,728
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	6,118	9,258	970	16,346
Net	294,295	22,139	181,723	498,157
Claims incurred				
Gross - Direct business	224,320	16,968	79,439	320,727
Gross - Proportional reinsurance accepted	1,852	-65	-30	1,757
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	2,338	4,699	2,533	9,570
Net	223,834	12,204	76,876	312,914
Changes in other technical provisions				
Gross - Direct business	229	37	-10,165	-9,899
Gross - Proportional reinsurance accepted	0	0	-4	-4
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	0	0	0	0
Net	229	37	-10,169	-9,903
Expenses incurred				
Expenses incurred	69,096	11,467	52,026	132,589

Table 3 – Premiums, claims and expenses – Health (NSLT)

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Non-Life Line of business	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Premiums written										
Gross - Direct business	274,718	173,782	19,964	265,771	38,507	820	5,522	38,224	34,207	851,515
Gross - Proportional reinsurance accepted	113	0	0	879	259	0	61	51	5	1,368
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	2,955	673	10,899	107,360	10,903	433	3	134	11,455	144,815
Net	271,876	173,109	9,065	159,290	27,863	387	5,580	38,141	22,757	708,068
Premiums earned										
Gross - Direct business	274,777	167,667	19,840	260,996	37,522	818	5,756	37,083	34,211	838,670
Gross - Proportional reinsurance accepted	115	0	0	766	112	0	61	51	2	1,107
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	2,945	861	11,089	102,364	10,857	442	2	106	11,846	140,512
Net	271,947	166,806	8,751	159,398	26,777	376	5,815	37,028	22,367	699,265
Claims incurred										
Gross - Direct business	212,465	64,386	9,314	238,007	15,196	-119	-476	33,107	24,069	595,949
Gross - Proportional reinsurance accepted	374	0	-154	3,664	-5,524	1	54	-37	-13	-1,635
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	8,643	257	6,862	139,405	135	-9	0	-1	15,608	170,900
Net	204,196	64,129	2,298	102,266	9,537	-109	-422	33,071	8,448	423,414
Changes in other technical provisions										
Gross - Direct business	7,046	-1,401	9	7,214	558	46	0	-788	163	12,847
Gross - Proportional reinsurance accepted	32	-409	3	-750	-19	0	0	-113	0	-1,256

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Non-Life Line of business	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0	0
Net	7,078	-1,810	12	6,464	539	46	0	-901	163	11,591
Expenses incurred										
Expenses incurred	96,074	69,362	3,387	70,339	10,664	703	3,664	16,234	10,623	280,495

Table 4 - Premiums, claims and expenses – Non-Life

Longrun Portugal, SGPS, S.A.

1.3. Investment performance

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

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

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

Longrun's investment portfolio (including Cash and Bank Deposits), in the consolidated accounts, was at EUR 15.7 billion, corresponding to an increase of 11.0% compared to 2016.

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

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

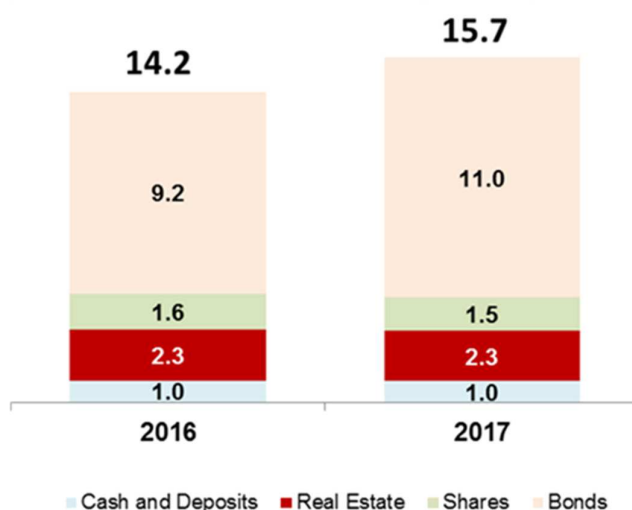


Figure 6 – Longrun's Investment Structure (consolidated accounts) by class of assets (€ billion)

Longrun Portugal, SGPS, S.A.

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

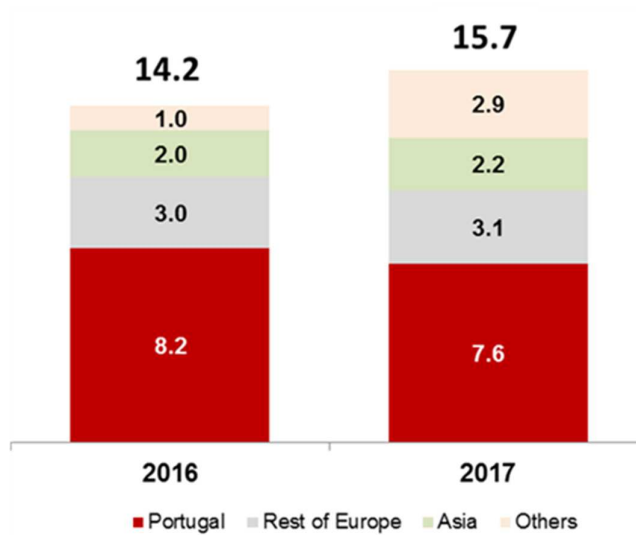


Figure 7 – Geographical Distribution of Longrun's investments – consolidated accounts (€ billion)

1.3.1. Income and expenses from investments

At 31 December 2017, the allocation of investments and other assets to insurance contracts or insurance contracts and other operations classified as investment contracts is as follows (amounts for solvency purposes):

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Investments and other assets	Life Insurance	Non-Life insurance	Not allocated	Total
Property, plant and equipment held for own use	0	83,463	80,370	163,833
Property (other than for own use)	0	283,915	904,503	1,188,418
Holdings in related undertakings, including participations	295,464	58,871	23,774	378,109
Equities - listed	934,109	442,297	340	1,376,746
Equities – unlisted	1,282	458	334	2,074
Government bonds	5,176,483	582,313	10,019	5,768,815
Corporate bonds	3,192,564	778,499	53,914	4,024,977
Structured notes	30,990	367	6,166	37,523
Collateralised securities	0	305	0	305
Collective investment undertakings	222,480	121,084	366,146	709,710
Derivatives	47,727	13,930	19,267	80,924
Deposits other than cash equivalents	751,200	62,846	209,513	1,023,559
Assets held for index-linked and unit-linked contracts	175,692	0	0	175,692
Loans and mortgages	0	0	23,303	23,303
Cash and cash equivalents	0	0	434,880	434,880
Total	10,827,991	2,428,348	2,132,529	15,388,868

Table 5 – Allocation of investments and other assets

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

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Investments allocated to unit-linked contracts	Total
Group companies debt instruments	103
Public debt instrument – domestic issuers	89,496
Public debt instrument – foreign issuers	8,443
Debt instrument – other domestic issuers	309
Debt instrument – other foreign issuers	7,694
Equity instruments – domestic issuers	11,129
Equity instruments – foreign issuers	7,564
Transactions to be settled	-539
Derivatives	12
Sight deposits	42,441
Term deposits	9,040
Total	175,692

Table 6 – Investments allocated to unit-linked contracts

In 2017, the following income was gained from investments:

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total
Investments allocated to technical provisions – life segment				
Government bonds	0	116,015	0	116,015
Corporate bonds	0	91,637	0	91,637
Equity securities	12,457	-1,018	0	11,439
Collective investment undertakings	13,674	0	0	13,674
Structured notes	0	1,112	0	1,112
Collateralised securities	0	5	0	5
Cash and cash equivalents	0	2,930	0	2,930
Loans and mortgages	0	0	0	0
Property	0	0	23	23
Derivatives	0	-1,534	0	-1,534
Subtotal	26,131	209,147	23	235,301

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Investments	Dividends	Interest	Rents	Total
Investments allocated to technical provisions – non-life segment				
Government bonds	0	10,301	0	10,301
Corporate bonds	0	22,022	0	22,022
Equity securities	12,401	0	0	12,401
Collective investment undertakings	4,347	0	0	4,347
Structured notes	0	22	0	22
Collateralised securities	0	2	0	2
Cash and cash equivalents	0	1,217	0	1,217
Loans and mortgages	0	0	0	0
Property	0	0	18,091	18,091
Derivatives	0	0	0	0
Subtotal	16,748	33,564	18,091	68,403
Investments not allocated				
Government bonds	0	547	0	547
Corporate bonds	0	7,760	0	7,760
Equity securities	635	0	0	635
Collective investment undertakings	50	0	0	50
Structured notes	0	234	0	234
Collateralised securities	0	0	0	0
Cash and cash equivalents	0	651	0	651
Loans and mortgages	0	1,397	0	1,397
Property	0	0	110,831	110,831
Derivatives	0	3	0	3
Subtotal	685	10,573	110,831	122,089
Total	43,564	253,303	128,945	425,812

Table 7 – Investment income

In 2017, the financial expenses resulting from investments were as follows:

Amounts in thousand euros

Investment expenses	Life	Non-Life	Not allocated	Total
Costs allocated	9,468	6,713	34,179	50,360
Other investment expenses	418	148	163	729
Total	9,886	6,861	34,342	51,089

Table 8 – Investment financial expenses

Longrun Portugal, SGPS, S.A.

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

In 2017, the net gains and losses in financial instruments were as follows:

Amounts in thousand euros

Investments (Amounts in thousand euros)	As a charge to		Total
	Income Statement	Shareholders' Equity	
Investments allocated to technical provisions – life segment			
Government bonds	139,657	-17,695	121,962
Corporate bonds	83,790	-181,272	-97,482
Equity securities	110,000	-103,738	6,262
Collective investment undertakings	19,076	1,126	20,202
Structured notes	1,369	0	1,369
Collateralised securities	5	0	5
Cash and cash equivalents	3,088	-12,939	-9,851
Loans and mortgages	0	0	0
Property	23	-205	-182
Derivatives	-2,430	256,260	253,830
	354,578	-58,463	296,115
Investments allocated to technical provisions – non-life segment			
Government bonds	14,103	55	14,158
Corporate bonds	27,389	-46,431	-19,042
Equity securities	90,121	-45,763	44,358
Collective investment undertakings	6,601	969	7,570
Structured notes	23	0	23
Collateralised securities	1	0	1
Cash and cash equivalents	1,143	5,464	6,607
Loans and mortgages	0	0	0
Property	22,922	14,073	36,995
Derivatives	-298	73,834	73,536
	162,005	2,201	164,206

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Amounts in thousand euros

Investments (Amounts in thousand euros)	As a charge to		Total
	Income Statement	Shareholders' Equity	
Investments not allocated			
Government bonds	674	-16	658
Corporate bonds	7,152	-5,477	1,675
Equity securities	-29,397	-16,479	-45,876
Collective investment undertakings	404	12	416
Structured notes	234	0	234
Collateralised securities	0	0	0
Cash and cash equivalents	-2,672	-19,417	-22,089
Loans and mortgages	1,385	0	1,385
Property	109,481	-5,857	103,624
Derivatives	-21,472	26,980	5,508
	65,789	-20,254	45,535
Total	582,372	-76,516	505,856

Table 9 - Net income and losses on financial instruments

1.3.3. Information on investment in securitisations

At 31 December 2017, the value of investment in securitisations is immaterial, and no information is therefore included in this chapter.

1.4. Performance of other activities

There are no other activities performed by the companies included in Longrun's consolidation perimeter with material relevance for the purposes of disclosure in this report.

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1.5. Any other information

1.5.1. Group Structure

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the Group, the governance requirements applied to the Insurance Group are defined therein.

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, which produced accounting effects with reference to 1 January 2012. This operation was authorised by ASF through a resolution of its Board of Directors dated 23 February 2012. The Company’s purpose is to perform the “Non-life” and “Life” insurance activity, as set out in the statute governing this activity.

Multicare - Seguros de Saúde, S.A., with its head office in Lisbon, at Rua Alexandre Herculano, nº. 53, was set up on 9 March 2007 and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance. The company is focused on the management of health insurance.

Fidelidade Assistência – Companhia de Seguros, S.A. (formerly Cares – Companhia de Seguros, S.A.), with its head office in Lisbon, at Avenida José Malhoa nº 13 - 7º, was set up on 17 February 1995, with the name Companhia de Seguros Tágus, S.A., and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business and operations, and may also perform activities related to insurance and reinsurance. In 2015, CARES – Companhia de Seguros, S.A. changed its name and image to Fidelidade Assistência – Companhia de Seguros, S.A. and now acts under the Fidelidade Assistance brand.

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Via Directa - Companhia de Seguros, S.A. (OK Teleseguros), with its head office in Lisbon, at Avenida José Malhoa, nº 13 - 4º, was set up on 28 November 1997 and has the corporate purpose of performing insurance and reinsurance activities, in all legally authorised non-life insurance lines of business, and may also perform activities related to insurance and reinsurance.

Companhia Portuguesa de Resseguros, S.A., with its head office in Lisbon, at Largo do Calhariz nº 30, was set up on 22 September 1979 and has the corporate purpose of performing any operations regarding reinsurance of non-life lines of business, both in Portugal and abroad, in addition to participating in the redistribution in the market of certain risks of a specific type or dimension.

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

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

Fidelidade Macau – Companhia de Seguros, S.A., with its head office in Macao at Avenida da Praia Grande, nº 567, BNU Building, 14º, was set up on 30 September 2015 and has 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 changed its name to Fidelidade-Mundial, Sociedade de

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Gestão e Investimento Imobiliário, S.A., and this name was changed 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.

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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 the Hospital da Arrábida.

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OTHER SECTORS

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

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

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

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

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

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

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

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

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

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

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

1.5.2. Information on the scope of the group

For the preparation of **Longrun's consolidated financial statements**, the subsidiaries listed in point 1.5.1 above were considered in the company's consolidation perimeter.

For the determination of **consolidated data for solvency purposes**, and taking into account both the provisions of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, and the understanding of the ASF, the following subsidiaries were not considered in the consolidation perimeter:

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- Luz Saúde, S.A., Sociedade Aberta;
- Fundo de Investimento Imobiliário Fechado Saudeinveste;
- Fundo de Investimento Imobiliário Fechado Bonança I;
- Fundo Broggi;
- FCM Beteiligungs GmbH;
- FID I (HK) LIMITED;
- FID III (HK) LIMITED;
- FID Loans 1 (Ireland) Limited;
- FID Loans 2 (Ireland) Limited.

Taking into account these differences between the scope of the Group used in the consolidated financial statements and the scope of the consolidated data for solvency purposes, consolidated financial statements were prepared for comparative purposes, considering the consolidation perimeter for solvency purposes, that is, not including Luz Saúde, Fundo Saudinveste, Fundo Bonança I, Fundo Broggi, FCM Beteiligungs GmbH, FID I (HK) Limited, FID III (HK) Limited, FID Loans 1 and FID Loans 2.

Thus, the table below summarises the main differences between Longrun's consolidated financial statements (Accounting Financial Statements) and the consolidated financial statements considering the consolidation perimeter for solvency purposes described above (Solvency II Financial Statements):

Amounts in thousand euros

	Accounting Financial Statements	Solvency II Financial Statements	Difference	Accounting Financial Statements (previous year)	Solvency II Financial Statements (previous year)
Total Assets	17,377,679	16,847,403	530,276	15,932,127	15,632,498
Total Liabilities	14,483,542	14,032,513	451,029	13,680,483	13,446,082
Excess assets over liabilities	2,894,137	2,814,890	79,247	2,251,644	2,186,416

Table 10 – Comparison of accounting financial statements with financial statements within the scope of the consolidated data for solvency purposes

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Accordingly, in Chapter 4 of this report, the valuation of assets, technical provisions and other liabilities for solvency purposes is compared to the consolidated financial statements considering the consolidation perimeter for solvency purposes described above (Solvency II Financial Statements).

Likewise, in Chapter 5, the excess of assets over liabilities calculated for solvency purposes is compared to that resulting from the Solvency II Financial Statements.

It is important to note that in 2017 the joint venture Madison 30 31 JV LLC was not considered in the consolidation perimeter for solvency purposes since Fidelidade sold its position in this project during the year.

1.5.3. Intra-group operations and transactions

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

- During 2017 Luz Saúde, S.A. sold its own shares, of EUR 656,388 and Fidelidade acquired shares in the company of EUR 541, thereby holding 98.79% of the share capital at 31 December 2017.
- On 24 March 2017 Fidelidade – Companhia de Seguros, S.A. granted Fidelidade – Property Europe, S.A. supplementary contributions of EUR 19,873,562.
- On 20 April 2017 there was a reduction in the supplementary contribution of Fidelidade – Property International, S.A., of EUR 98,912,709.
- In the first quarter of 2017, Fidelidade – Property International, S.A. reduced the share capital of GK Kita Aoyoma Support 2 and Higashi Shinagawa Two TMK by EUR 24,274,667 and EUR 25,993,865, respectively.
- In 2017, Fidelidade – Property Europe, S.A. granted FPE (IT) Società per Azioni supplementary contributions of EUR 23,873,562.
- On 24 March 2017 FPE (IT) Società per Azioni set up Fundo Broggi, issuing 7,132 participation units on 27 March, holding 100% of the share capital of EUR 356,600,000.
- In June 2017 Thomas More Square (Lux) Investments Limited was wound up, with a 100% transfer to 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

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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.

The following tables present the main intra-group transactions, involving:

- a. Equity-type transactions, debt and asset transfer;

Derivatives, including the guarantees supporting any derivatives instruments;

Reinsurance;

Internal cost sharing, contingent liabilities (other than derivatives) and off balance sheet items and other types of intragroup transactions.

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a) Equity-type transactions, debt and asset transfer

Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
Fidelidade - Companhia de Seguros, S.A.	Garantia - Companhia de Seguros de Cabo Verde, S.A.	Shares and equity securities - Shares / participations			CVE			350		
Fidelidade - Companhia de Seguros, S.A.	GEP - Gestao de Peritagens Automoveis, S.A.	Shares and equity securities - Shares / participations			EUR			106		
Fidelidade - Companhia de Seguros, S.A.	FIDELIDADE Angola - Companhia de Seguros, S.A.	Shares and equity securities - Shares / participations			AOA			520		
Fidelidade - Companhia de Seguros, S.A.	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Shares and equity securities - Shares / participations			EUR			69		
FIDELIDADE ASSISTENCIA - Companhia de Seguros, S.A.	Fidelidade Servico Assistencia, SA	Shares and equity securities - Shares / participations			EUR			819		
FIDELIDADE ASSISTENCIA - Companhia de Seguros, S.A.	FIDELIDADE Angola - Companhia de Seguros, S.A.	Shares and equity securities - Shares / participations			AOA			3		
E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	FIDELIDADE Angola - Companhia de Seguros, S.A.	Shares and equity securities - Shares / participations			AOA			3		
Fidelidade Servico Assistencia, SA	Cares Multiassistencia, SA	Shares and equity securities - Shares / participations			EUR			404		
Multicare - Seguros de Saúde, S.A.	FIDELIDADE Angola - Companhia de Seguros, S.A.	Shares and equity securities - Shares / participations			AOA			3		

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Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
Fidelidade - Property Internacional, S.A.	GK Kita Aoyoma Support 2	Shares and equity securities - Shares / participations			JPY			20,045		
Fidelidade - Property Internacional, S.A.	Higashi Shinagawa Two TMK	Shares and equity securities - Shares / participations			JPY			34,294		
Fidelidade - Companhia de Seguros, S.A.	FPE - Fidelidade - Property Europe, S.A	Bonds/Debt - -- uncollateralised	18/07/2014	18/07/2024	EUR			408	6,799	6.00%
Fidelidade - Companhia de Seguros, S.A.	FPE - Fidelidade - Property Europe, S.A	Bonds/Debt - -- uncollateralised	17/07/2014	17/07/2024	EUR			120	2,000	6.00%
Fidelidade - Property Internacional, S.A.	FPI (AU) 1 PTY LIMITED	Bonds/Debt - -- uncollateralised	23/12/2014	23/12/2019	EUR		4,312	205		5.01%
Fidelidade - Property Internacional, S.A.	FPI (AU) 1 PTY LIMITED	Bonds/Debt - -- uncollateralised	03/03/2015	03/03/2020	EUR		44,601	2,122		5.01%
FPE - Fidelidade - Property Europe, S.A	Thomas More Square (Lux) Sarl	Bonds/Debt - -- uncollateralised	01/03/2016	23/03/2021	EUR		1,202	1,713	33,137	5.10%
FPE - Fidelidade - Property Europe, S.A	Thomas More Square (Lux) Sarl	Bonds/Debt - -- uncollateralised	01/03/2016	23/03/2021	EUR		6,009	4,533	165,684	2.70%
FPI (UK) 1 LIMITED	FPI (US) 1 LLC	Bonds/Debt - -- uncollateralised	08/01/2015	08/01/2020	GBP		55,751	4,389		8.00%
Fidelidade - Companhia de Seguros, S.A.	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	24/03/2017		EUR	1,223				

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Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
Fidelidade - Companhia de Seguros, S.A.	FPE - Fidelidade - Property Europe, S.A	Shares and equity securities - Other	24/03/2017		EUR	18,650				
Fidelidade - Companhia de Seguros, S.A.	Fidelidade - Property Internacional, S.A.	Shares and equity securities - Other	20/04/2017		EUR		98,913			
FPE - Fidelidade - Property Europe, S.A	FPE (IT) Societa per Azioni	Shares and equity securities - Other	01/03/2017		EUR	23,874				
Fidelidade - Property Internacional, S.A.	GK Kita Aoyoma Support 2	Shares and equity securities - Shares / participations	01/01/2017		JPY		26,722			
Fidelidade - Property Internacional, S.A.	Higashi Shinagawa Two TMK	Shares and equity securities - Shares / participations	01/01/2017		JPY		28,647			
FPE (IT) Societa per Azioni	Fundo Broggi	Shares and equity securities - Shares / participations	24/03/2017		EUR	356,600				
Thomas More Square (Lux) Sarl	Thomas More Square	Shares and equity securities - Shares / participations	01/06/2017		GBP		111,960			
Fidelidade - Companhia de Seguros, S.A.	Garantia - Companhia de Seguros de Cabo Verde, S.A.	Shares and equity securities - Shares / participations	01/04/2017		CVE		588			
Fundo Broggi	Broggi Retail S.R.L	Shares and equity securities - Shares / participations	01/09/2017		EUR	250				
Fidelidade - Property Internacional, S.A.	Higashi Shinagawa Two TMK	Shares and equity securities - Shares / participations	01/09/2017		JPY		59			

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Amounts in thousand euros

Investor / lender name	Issuer / borrower name	Transaction type	Transaction issue date	Maturity date of transaction	Currency	Contractual amount of transaction / Transaction price	Amount of redemptions/ prepayments/ paybacks during reporting period	Amount of dividends/interest/ coupons and other payments made during reporting period	Balance of contractual amount of transaction at reporting date	Coupon/Interest rate
FIDELIDADE Angola - Companhia de Seguros, S.A.	Universal Assistencia e Servicos, Lda	Shares and equity securities - Shares / participations	01/10/2017		AOA	1				
Fidelidade - Property Internacional, S.A.	GK Kita Aoyoma Support 2	Shares and equity securities - Shares / participations	01/10/2017		JPY		203			
Higashi Shinagawa Two TMK	GK Kita Aoyoma Support 2	Shares and equity securities - Shares / participations	01/10/2017		JPY		26,777			
FPI (UK) 1 LIMITED	FPI (US) 1 LLC	Shares and equity securities - Shares / participations	01/11/2017		GBP		52,327			
FPI (US) 1 LLC	Madison 30 31JV LLC	Shares and equity securities - Shares / participations	01/11/2017		USD		107,533			

Table 11 – Intra-group transactions – equity-type transactions, debt and asset transfer.

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b) Derivatives, including the guarantees supporting any derivatives instruments

Amounts in thousand euros

Investor / Buyer	Issuer / seller	Transaction type	Transaction date	Maturity Date	Currency	Notional amount at transaction date	Notional amount at reporting date	Value of collateral
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	22/12/2017	11/01/2018	AUD	31,952	32,084	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	16/06/2017	07/05/2018	JPY	138,296	129,518	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	01/11/2017	20/12/2017	GBP	631,649	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FPE(Lux) Holding, Sarl	Derivatives - futures	01/11/2017	20/12/2017	GBP	980,106	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	01/10/2017	20/12/2017	GBP	731,490	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	13/12/2017	21/03/2018	GBP	132,907	131,638	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FPE(Lux) Holding, Sarl	Derivatives - futures	21/12/2017	21/03/2018	GBP	196,625	197,394	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	13/12/2017	21/03/2018	GBP	145,164	143,810	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	15/12/2017	20/06/2018	USD	111,002	109,147	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	20/12/2017	11/01/2018	AUD	3,919	0	0

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Amounts in thousand euros

Investor / Buyer	Issuer / seller	Transaction type	Transaction date	Maturity Date	Currency	Notional amount at transaction date	Notional amount at reporting date	Value of collateral
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	16/10/2017	06/04/2018	JPY	8	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	13/07/2017	20/09/2017	USD	121,573	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY EUROPE	Derivatives - futures	13/07/2017	20/09/2017	GBP	136,079	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FPE(Lux) Holding, Sarl	Derivatives - futures	15/09/2017	20/09/2017	GBP	194,882	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - futures	15/09/2017	20/09/2017	GBP	133,621	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	18/08/2017	18/08/2017	AUD	4,039	0	0
FIDELIDADE - COMPANHIA DE SEGUROS, SA	FIDELIDADE - PROPERTY INTERNATIONAL	Derivatives - forwards	05/07/2017	08/09/2017	JPY	10,851	0	0

Table 12 – Intra-group transactions - derivatives, including the collateral underlying any instruments of this type.

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c) Reinsurance

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per risk)	Non-proportional property reinsurance	01/01/2014	31/12/2014	EUR	2,500	3,090	1,565	31
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Proportional assistance reinsurance	01/01/2017	31/12/2017	EUR	0	-13,570	-21,264	-54,076
Fidelidade Companhia de Seguros, S.A.	Multicare Seguros de Saude, S.A.	quota share	Health reinsurance	01/01/2017	31/12/2017	EUR	0	3,090	54,007	-22,206
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2012	31/12/2012	EUR	3,500	0	0	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2012	31/12/2012	EUR	0	0	100	-4
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2012	31/12/2012	EUR	135,000	0	0	-10
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2013	31/12/2013	EUR	21,000	0	0	-17
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2013	31/12/2013	EUR	3,500	0	0	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2013	31/12/2013	EUR	0	0	0	-7

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2013	31/12/2013	EUR	135,000	0	0	-23
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2014	31/12/2014	EUR	21,000	0	1	-40
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2014	31/12/2014	EUR	3,500	0	0	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2014	31/12/2014	EUR	0	0	114	106
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	General liability insurance	01/01/2014	31/12/2014	EUR	7,500	0	0	-7
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2014	31/12/2014	EUR	135,000	0	0	-17
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2015	31/12/2015	EUR	21,000	0	3	-79
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2015	31/12/2015	EUR	3,500	0	0	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	General liability insurance	01/01/2015	31/12/2015	EUR	7,500	0	0	-12
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2015	31/12/2015	EUR	135,000	0	0	-63

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2016	31/12/2016	EUR	24,000	0	15,652	15,311
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2016	31/12/2016	EUR	3,500	0	0	-2
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2016	31/12/2016	EUR	0	0	4	-57
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2016	31/12/2016	EUR	135,000	0	0	-86
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	24,000	0	1,313	48
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	other proportional treaties	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	10,000	0	0	-1
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Proportional income protection reinsurance	01/01/2017	31/12/2017	EUR	3,500	0	0	-4
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event)	Proportional income protection reinsurance	01/01/2017	31/12/2017	EUR	50,000	0	0	-14
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2017	31/12/2017	EUR	0	0	45	-18
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	General liability insurance	01/01/2017	31/12/2017	EUR	7,500	0	0	-46

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Motor vehicle liability insurance	01/01/2017	31/12/2017	EUR	135,000	0	0	-39
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	Motor vehicle liability insurance	01/01/2017	31/12/2017	EUR	0	0	26	22
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	excess of loss (per event and per risk)	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	0	55	0	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	General liability insurance	01/01/2018	31/12/2018	EUR	3,000	0	1	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2018	31/12/2018	MZN	0	39	234	14
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Insurance with profit sharing	01/01/2018	31/12/2018	MZN	0	3	0	1
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Other motor insurance	01/01/2018	31/12/2018	MZN	0	-69	347	-25
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Medical expenses insurance	01/01/2018	31/12/2018	MZN	0	1	3	0
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	General liability insurance	01/01/2018	31/12/2018	MZN	0	5	3	2
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2018	31/12/2018	MZN	0	8	1	3

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	quota share	Workers' compensation insurance	01/01/2018	31/12/2018	MZN	0	42	40	15
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2018	31/12/2018	MZN	0	-51	1	-35
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2018	31/12/2018	MZN	0	-4	0	-3
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Other motor insurance	01/01/2018	31/12/2018	MZN	0	-1	0	0
Fidelidade Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Legal expenses insurance	01/01/2018	31/12/2018	MZN	0	-2	0	-1
Fidelidade Companhia de Seguros, S.A.	Multicare Seguros de Saude, S.A.	quota share	Insurance with profit sharing	01/01/2018	31/12/2018	MZN	0	-34	1	-33
Multicare Seguros de Saude, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expenses insurance	01/01/2016	31/12/2016	EUR	0	169	0	-555
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2015	31/12/2015	EUR	0	1	29	1
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2016	31/12/2016	EUR	0	14	61	24
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2012	31/12/2012	EUR	2,000	8	464	93

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Fire and other damage to property insurance	01/01/2013	31/12/2013	EUR	4,950	1	0	0
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2007	31/12/2007	EUR	2,000	-1	0	-1
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	0	21	58	-136
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	surplus	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	0	-11	0	-138
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	10,000	-2	0	-21
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2016	31/12/2016	EUR	2,000	0	11	10
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event and per risk)	Income protection insurance	01/01/2017	31/12/2017	EUR	1,000	0	0	-5
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2017	31/12/2017	EUR	2,500	0	0	-848
Via Directa Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Fire and other damage to property insurance	01/01/2017	31/12/2017	EUR	5,000	0	0	-52
Via Directa Companhia de Seguros, S.A.	Multicare Seguros de Saude, S.A.	quota share	Medical expenses insurance	01/01/2017	31/12/2017	EUR	0	2	97	-66

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2017	31/12/2017	EUR	0	268	-181	-391
Via Directa Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Legal expenses insurance	01/01/2017	31/12/2017	EUR	0	1,047	-2,793	-7,196
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	USD	0	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	USD	0	0	0	18
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	MZN	0	-37	0	-47
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional other motor reinsurance	01/01/2015	31/12/2015	USD	0	4	0	-26
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional other motor reinsurance	01/01/2016	31/12/2016	USD	0	90	12	132
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional other motor reinsurance	01/01/2017	31/12/2017	MZN	0	-11	108	-52
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional general liability reinsurance	01/01/2015	31/12/2015	USD	0	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional general liability reinsurance	01/01/2016	31/12/2016	USD	0	2	0	0

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional general liability reinsurance	01/01/2017	31/12/2017	MZN	0	-4	0	-10
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional marine, aviation and transport reinsurance	01/01/2017	31/12/2017	MZN	0	0	0	-8
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2015	31/12/2015	USD	0	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	USD	0	26	9	39
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	USD	0	-1	0	-3
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	MZN	0	-23	0	-29
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2016	31/12/2016	USD	0	0	7	3
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2015	31/12/2015	USD	0	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2016	31/12/2016	MZN	0	3	0	3

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Proportional workers' compensation reinsurance	01/01/2017	31/12/2017	MZN	0	-68	7	-83
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	04/04/2016	03/04/2017	EUR	56,800	15	18	20
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/02/2017	31/01/2018	EUR	61,800	0	0	-58
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/02/2016	31/01/2017	EUR	61,800	0	0	-11
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	06/04/2016	05/04/2017	USD	2,486	-1	0	-7
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	27/06/2016	31/08/2017	USD	9,218	-6	0	-6
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	EUR	28,072	1	0	-3
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/10/2016	19/10/2017	EUR	2,607	34	0	39
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	27/02/2017	26/08/2017	USD	287	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	EUR	11,080	2	5	4

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	EUR	3,000	-3	399	280
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	15/03/2017	14/03/2018	USD	2,588	-3	0	-3
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	EUR	35,500	0	10	6
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	stop loss	Proportional medical expenses reinsurance	01/01/2017	31/12/2017	MZN	7,875	-6	0	-6
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	11/05/2016	10/05/2017	USD	3,461	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	02/06/2016	01/06/2017	USD	30,565	-86	164	62
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	15/05/2017	30/04/2018	USD	6,498	0	0	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2017	02/05/2018	USD	8,936	-32	0	-32
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/02/2017	19/02/2018	USD	7,879	-8	0	-8
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	20/10/2016	19/10/2017	USD	420	0	0	-1

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2017	30/06/2018	EUR	1,920	1	0	1
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	22/08/2017	21/08/2018	USD	2,242	-3	0	-3
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/12/2017	30/11/2018	EUR	11,913	-6	1	-6
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/12/2017	30/11/2018	EUR	200	-1	0	-1
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	16/12/2013	15/11/2017	MOP	22,705	-6	1,654	1,500
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2016	31/12/2016	EUR	55,200	17	0	-15
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/01/2017	31/12/2017	EUR	55,200	0	14	-69
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2012	30/06/2013	EUR	0	0	112	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional general liability reinsurance	01/07/2016	30/06/2017	EUR	0	0	13	0
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	03/05/2013	02/05/2014	MOP	4,267	0	0	0

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	30/06/2017	EUR	0	0	17,516	15,784
Companhia Portuguesa de Resseguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	17/07/2017	16/07/2018	EUR	29,278	0	106	73
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Fire and other damage to property insurance	01/01/2017	31/12/2017	USD	6,650	-9,955	32,555	28,564
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2017	31/12/2017	USD	280	0	0	0
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2017	31/12/2017	USD	2,363	-33	107	94
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	quota share	Marine, aviation and transport insurance	01/01/2017	31/12/2017	USD	2,364	0	1	0
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2017	31/12/2017	USD	300	-67	236	207
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Proportional general liability reinsurance	01/01/2017	31/12/2017	USD	500	-26	93	81
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Workers' compensation insurance	01/01/2017	31/12/2017	USD	500	-215	756	663
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Income protection insurance	01/01/2017	31/12/2017	USD	2,750	0	2	1

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Marine, aviation and transport insurance	01/01/2017	31/12/2017	USD	250	0	0	0
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2017	31/12/2017	AOA	0	-15	36	-5
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Medical expenses insurance	01/01/2017	31/12/2017	AOA	0	-1,317	0	-393
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Assistance	01/01/2017	31/12/2017	AOA	0	-241	0	-72
Fidelidade Angola Companhia de Seguros, S.A.	Fidelidade Assistencia Companhia de Seguros, S.A.	quota share	Legal expenses insurance	01/01/2017	31/12/2017	AOA	0	0	0	0
Fidelidade Angola Companhia de Seguros, S.A.	Multicare Seguros de Saude, S.A.	stop loss	Insurance with profit sharing	01/01/2017	31/12/2017	EUR	0	-2,763	231	-16
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Assistencia Companhia de Seguros, S.A.	Facultative proportional	Assistance	01/01/2016	31/12/2017	CVE	33	-16	9	-140
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other non-proportional treaties	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	01/01/2016	31/12/2017	CVE	127	-14	0	44
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other non-proportional treaties	Income protection insurance	01/01/2016	31/12/2017	CVE	3,628	-17	14	-24

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other non-proportional treaties	Fire and other damage to property insurance	01/01/2016	31/12/2017	CVE	4,535	-63	64	-436
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other non-proportional treaties	Marine, aviation and transport insurance	01/01/2016	31/12/2017	CVE	2,267	-53	180	-414
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other non-proportional treaties	Marine, aviation and transport insurance	01/01/2016	31/12/2017	CVE	1,333	-35	3	-80
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	other proportional treaties	Marine, aviation and transport insurance	01/01/2016	31/12/2017	CVE	363	-19	13	-29
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	quota share	General liability insurance	01/01/2016	31/12/2017	CVE	317	-33	42	-76
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Motor vehicle liability insurance	01/01/2016	31/12/2017	CVE	765	0	120	36
Garantia Companhia de Seguros de Cabo Verde, S.A	Fidelidade Companhia de Seguros, S.A.	excess of loss (per event)	Workers' compensation insurance	01/01/2016	31/12/2017	CVE	871	0	130	-43
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Medical expenses insurance	01/03/2017	28/02/2018	MOP	12,179	0	1	-6
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Fire and other damage to property insurance	01/01/2017	31/12/2017	MOP	618,644	0	59	-17
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Proportional fire and other damage to property reinsurance	01/07/2016	30/06/2017	MOP	100,425	0	108	108

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Amounts in thousand euros

Name of cedent	Name of reinsurer	Type of reinsurance contract / treaty	Line of business	Validity period (start date)	Validity period (expiry date)	Currency	Maximum cover by reinsurer under contract / treaty	Net Receivables	Total reinsurance recoverable	Reinsurance result (for reinsured entity)
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Fire and other damage to property insurance	03/05/2017	02/05/2018	MOP	181,459	0	31	50
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Fire and other damage to property insurance	30/11/2017	29/11/2018	MOP	322,481	-23	41	11
Fidelidade Macau Companhia de Seguros, S.A.	Fidelidade Companhia de Seguros, S.A.	Facultative proportional	Fire and other damage to property insurance	03/05/2013	02/05/2014	MOP	181,459	-12	0	0
Fidelidade Macau Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	Fire and other damage to property insurance	16/12/2013	15/11/2018	MOP	192,686	-6	1,499	1,470
Fidelidade Macau Companhia de Seguros, S.A.	Companhia Portuguesa de Resseguros, S.A.	Facultative proportional	Fire and other damage to property insurance	01/01/2015	31/12/2015	MOP	287,001	0	0	-28

Table 13 – Intra-group transactions – Reinsurance.

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d) Internal cost sharing, contingent liabilities (other than derivatives) and off balance sheet items and other types of intragroup transactions

Amounts in thousand euros

Investor / buyer / beneficiary name	Issuer / seller / provider name	Transaction type	Trigger event	Transaction issue date	Currency	Value of transaction/ collateral/ guarantee
FIDELIDADE COMPANHIA SEGUROS SA	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of employees	31/12/2017	EUR	748
FIDELIDADE COMPANHIA SEGUROS SA	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Internal cost sharing	Assignment of employees	31/12/2017	EUR	145
MULTICARE SEGUROS SAUDE SA	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of employees	31/12/2017	EUR	2,856
FIDELIDADE ASSISTENCIA - COMPANHIA DE SEGUROS, S.A.	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of employees	31/12/2017	EUR	502
VIA DIRECTA - COMPANHIA DE SEGUROS, S.A.	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of employees	31/12/2017	EUR	236
FIDELIDADE Angola - Companhia de Seguros, S.A.	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of employees	31/12/2017	EUR	577
FIDELIDADE COMPANHIA SEGUROS SA	FPE - Fidelidade - Property Europe, S.A	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	2,666
FIDELIDADE COMPANHIA SEGUROS SA	E.A.P.S. - Empresa de Analise, Prevencao e Seguranca, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	1,276
FIDELIDADE COMPANHIA SEGUROS SA	FIDELIDADE Angola - Companhia de Seguros, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	1,302
FIDELIDADE ASSISTENCIA - COMPANHIA DE SEGUROS, S.A.	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	269

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Amounts in thousand euros

Investor / buyer / beneficiary name	Issuer / seller / provider name	Transaction type	Trigger event	Transaction issue date	Currency	Value of transaction/ collateral/ guarantee
VIA DIRECTA - COMPANHIA DE SEGUROS, S.A.	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	272
Fidelidade Servico Assistencia, SA	FIDELIDADE ASSISTENCIA - COMPANHIA DE SEGUROS, S.A.	Internal cost sharing	Assignment of external supplies and services	31/12/2017	EUR	485
MULTICARE SEGUROS SAUDE SA	FIDELIDADE COMPANHIA SEGUROS SA	Internal cost sharing	Assignment of external supplies and services	31/12/2016	EUR	588

Table 14 – Cost Sharing, contingent liabilities, off balance sheet and other items.

2. System of governance

There were no material changes in the governance either of Longrun or of the Companies held by it during the period covered by this report.

However, the following aspects should be highlighted:

- Taking into consideration the market changes seen in recent years and the new regulatory framework applicable to the insurance business since 2016, a revision of the Companies' Investments Policy was approved, in September 2017;
- Following the revision of this Policy, in March 2018 the Asset and Liability and Liquidity Risk Management Policy was approved. Together with the Investments Policy, this describes the strategy for managing financial risks, insurance risks and liquidity risks, in the short, medium and long term, in a context of asset and liability management;
- In 2017, Fidelidade outsourced activities related with asset management regarding, on the one hand, a Senior Secured Loans portfolio and, on the other, two Investment Grade Fixed Income Securities portfolios;
- Revision of the Fit & Proper Policy, considering, essentially, the amendments introduced by ASF Regulatory Standard No. 3/2017-R, of 18 May. This revision was concluded in January 2018.

2.1. General information on the system of governance

2.1.1. Corporate governance structure

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

Longrun adopts a unitary corporate governance model with a Board of Directors.

The following table represents Longrun's Corporate Governance structure during 2017:

Longrun Portugal, SGPS, S.A.

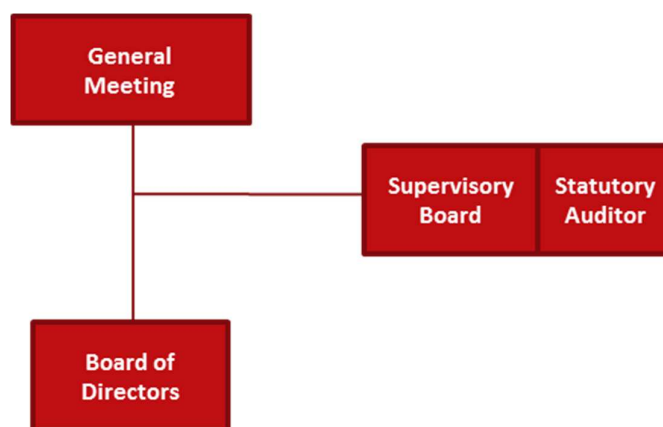


Figure 8 – Corporate governance structure

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

a) General Meeting

Pursuant to the Company's Articles of Association, the General Meeting is composed of the shareholders present and represented in the terms of the law, and each share has one corresponding vote.

The Company's Articles of Association do not provide for any maximum percentage of voting rights that may be exercised by a single shareholder or even by a shareholder who has with the former any of the relationships set out in Article 20(1) of the Securities Code.

b) Board of Directors

As one of the Company's corporate bodies, the Board of Directors has, pursuant to Article 13(1) of the Company's Articles of Association, the broadest of powers to manage and represent the company.

The Board of Directors may not deliberate if the majority of its members is not present or represented.

c) Supervisory Board and Statutory Auditor

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

The Company's Articles of Association define the Supervisory Board's competences as those set out in law.

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2.1.2. Internal governance

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

As an insurance holding company, Longrun, SGPS, SA., does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade – Companhia de Seguros, SA, Multicare – Seguros de Saúde, S.A. and Fidelidade Assistência - Companhia de Seguros, S.A..

Since Fidelidade – Companhia de Seguros, SA, is the most representative company of the Group, the governance requirements applied to the insurance Group are defined therein. Accordingly, the relevant body to which the Group's governance requirements apply is the Executive Committee of Fidelidade – Companhia de Seguros, S.A.

The risk management and internal control systems are managed by bodies within Fidelidade's structure which perform functions transversal to the Group.

Various corporate functions have been implemented and strengthened in the Group, including the following areas: information systems, planning and control, accounting and investment.

Additionally, the operational risk and internal control management processes described in this report enable the dissemination, to all the companies, of a culture of risk management, thereby strengthening the protection of their stakeholders, in particular, the policy holders and beneficiaries.

Regarding the Group's solvency, as described in points 2.3.2, 3 and 5.1.1. of this report, there are adequate mechanisms to identify and measure all the material risks incurred and adequately relate the eligible own funds to the risks.

In relation to transactions with related parties, a series of objective and transparent rules, which are subject to specific approval mechanisms, are applicable to these.

Conditions are, therefore, created for the relevant body at Group level to adequately manage the risk management and internal control systems, both at the individual and Group level, with appropriate reporting lines and procedures for providing information.

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2.1.3. Key functions

The key functions established within the scope of the risk management and internal control systems are performed by the following Bodies of Fidelidade – Companhia de Seguros, S.A., which perform functions transversal to the Group.

- Risk Management Division (DGR);
- Compliance Office (GCO);
- Audit Division (DAU);

The key functions established within those systems are given to the following bodies:

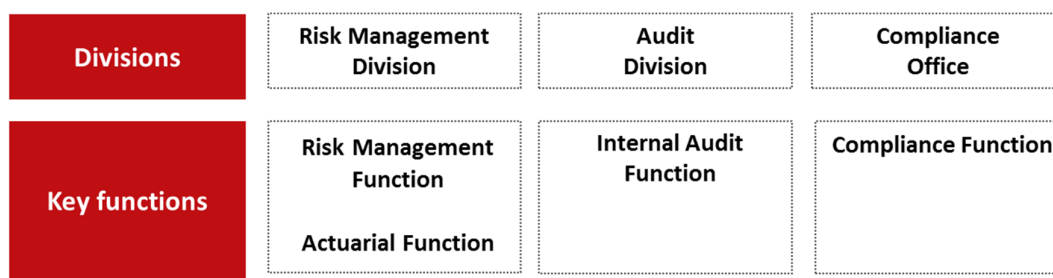


Figure 9 – Key functions

The following functions are defined for these bodies:

2.1.3.1. Risk Management Function

- Ensuring information is produced and made available to support decision-making, both by the Executive Committee and by the different Divisions;
- Ensuring the development, implementation and maintenance of a risk management system which enables all material risks to which the Insurers and the Group are exposed to be identified, assessed and monitored;
- Drawing up, proposing and revising the Capital Management Policy, the medium-term Capital Management Plan and the respective Contingency Plans;
- Assessing and monitoring the current and future solvency situation;
- Drawing up, proposing and revising the Asset and Liability Management Policy;

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- Participating in the drawing up and revision of the Investment and Liquidity Policies;
- Identifying, assessing and monitoring the market risks and counterparty credit risks;
- Monitoring compliance with the defined level of liquidity and coverage of estimated payments by estimated receipts;
- Identifying, assessing and monitoring operational risks incurred in the insurance Group, as well as identifying and characterising the existing control tools;
- Diagnosing and identifying improvements in the operational and control systems;
- Assessing and monitoring the risk mitigation instruments, namely Reinsurance;
- Participating in the revision of the Underwriting and Reinsurance Policies;
- Drawing up, proposing and revising the Provisioning Policies;
- Identifying, assessing and monitoring underwriting risks, and the credit risk of instruments to mitigate those risks, and preparing information to support decision-making.

2.1.3.2. Actuarial Function

- Monitoring the accounting Technical Provisions, assessing their level of prudence;
- Undertaking an actuarial assessment of the portfolios, including calculation of the fair value of liabilities of a technical nature;
- Ensuring consultancy and actuarial technical assistance to the bodies and institutions which request it, as part of contracts for the provision of actuarial-type services, in particular, on the subject of pension funds, benefits plans or any other private pension plan frameworks.

2.1.3.3. Internal Audit Function

- Drawing up an Annual Audit Plan based on a methodical analysis of risk, covering all significant activities and the governance system of the Insurers in the Fidelidade Portugal Group, including planned developments regarding activities and innovations;

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- Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of effectiveness;
- Carrying out audit actions based on a specific methodology which, since it always has risk assessment in mind, can help to determine the probability of the risks occurring and the impact they may have on the Fidelidade Group;
- Planning and executing Continuous Audit Indicators, with a view to analysing potential situations of breach of rules, high risk procedural situations and/or atypical situations, on a frequent or continuous basis;
- Drawing up the Annual Audit Report and presenting it to the Executive Committee and the Supervisory Bodies, with a summary of the main deficiencies detected in the audit actions and identifying recommendations that were followed;
- Aiding the Executive Committee, when requested by the latter, in uncovering the facts relating to potential disciplinary breaches by employees and irregularities performed by agents or service providers;
- Confirming compliance with the laws and regulations which govern the business;
- Performing ad hoc assessments and reviews, as requested by the Executive Committee;
- Working with the External Audit and with the Statutory Auditor.

2.1.3.4. Compliance Function

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

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2.1.3.5. Committees

The management of the risk management and internal control systems is also ensured by the following committees which perform functions transversal to the Group:

a. Risk Committee;

Underwriting Policy Acceptance and Supervision Committee;

Products Committee (Life and Non-Life).

a) Risk Committee

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

b) Underwriting Policy Acceptance and Supervision Committee

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

c) Products Committee (Life and Non-Life)

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

2.1.4. Remuneration rights of the members of the management body

The fixing of the remunerations of the members of the corporate bodies is the responsibility of the General Meeting, since no Remunerations Committee has been set up in the Company.

The members of the Board of Directors are not remunerated for the performance of their functions.

The members of the Supervisory Board only receive fixed remuneration.

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There are no complementary pensions and early retirement rules applicable to the members of the management and supervisory body.

There are no share allocation or stock option plans for members of the Company's management and supervisory bodies.

There are no agreements between the Company and the members of the Management Body that provide for compensation in the event of removal, dismissal without just cause or cessation of the employment relationship, following a change of control in the Company.

The remuneration of the members of the management and supervisory bodies, if any, is be fixed with reference to the applicable legal and regulatory standards, and to the principles guiding the policy for fixing the remunerations of the members of the corporate bodies of the Group companies.

2.1.5. Transactions with related parties

Operations to be performed between the company and holders of qualifying shares or entities which are in any kind of relationship with them are subject to assessment and a decision of the Board of Directors, and these operations, like all others performed by the company, are subject to supervision by the Supervisory Board. Information on business with related parties is disclosed in the Notes to the Separate Financial Statements (Note 14) and Notes to the Consolidated Financial Statements (Note 47).

2.1.6. Assessment of the adequacy of the system of governance

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

2.2. Fit and proper requirements

On 5 May 2017, Longrun's Board of Directors approved the Fit & Proper policy which falls within the scope of the requirements set out in Article 66(2) of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance (RJASR) and the objective of which is to establish general principles for assessing that the persons who effectively run the company, supervise it, are its managers or perform key functions within it are fit and proper.

The aforementioned Policy was approved by the General Meeting of Longrun, which met on 31 May 2017.

Pursuant to Article 64(5) of the RJASR, the policies set out in these rules must be revised at least once a year. Accordingly, the Fit & Proper Policy was revised in 2017, basically considering the amendments introduced by ASF Regulatory Standard No. 3/2017-R, of 18 May, and the revision was concluded in January 2018.

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

For this reason, they must comply with the requirements of qualifications (fit), integrity (proper), independence and availability.

Qualifications requirement

Qualifications are apparent in the appropriate connection between the person's skills and qualifications, acquired through academic education, specialised training and professional experience, and the functions allocated to him/her.

Integrity requirement

Integrity is expressed in the good reputation and uprightness that the person demonstrates in managing both professional and personal business, and in the exercise of his/her profession, via the capacity to take well-considered and wise decisions, the tendency to timely comply with his/her obligations, and the adoption of behaviour which is compatible with retaining the trust of the market.

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Independence requirement

Independence is based on the absence of undue influence over the person, resulting from personal relationships or from the performance of roles in other entities, which impede the impartial exercise of his/her functions.

Availability requirement

Availability takes the form of a lack of obstacles, resulting from the person's performance of functions in other entities, which hinder adequate performance of the role allocated to him/her.

Additional requirements are provided for collegiate bodies.

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

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

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

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

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

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

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

2.3. Risk management system including the own risk and solvency assessment

2.3.1. Risk management processes

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

The activities carried out by the Risk Management Division, in 2017, are fundamentally based on the enhancement and consolidation of several matters related with the three Solvency II pillars, and technical aspects and certification of information produced within this scope.

The following activities can be highlighted:

- Conducting the annual own risk and solvency assessment (ORSA) and reporting the results to the ASF in the respective supervision report;
- Preparing and sending annual information, with reference to 31 December 2016, incorporated in the Quantitative Report Templates (QRT), which has been subject to certification by the statutory auditor and the responsible actuary pursuant to the regulations issued by the ASF, and also the Regular Supervisory Report;
- Reporting to the ASF and publicly disclosing the Solvency and Financial Condition Report relating to 31 December 2016, accompanied by certification by the statutory auditor and the responsible actuary;
- Preparing and sending the quarterly quantitative reporting under Solvency II.

Among the activities performed by the Risk Management Division in 2017, it is also important to mention the activities related with the review of the governance system, namely, the review and maintenance of risk management policies and the review of processes, data and methodologies for validating the technical provisions, and those related with the implementation of capital optimisation measures, namely improvements in the ALM process and recognition of adjustment for the loss-absorbing capacity of deferred taxes.

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The adoption of assessment cycles for operational risk and internal control contributes decisively to spreading a risk management culture throughout the Companies, thereby strengthening the protection of their stakeholders, namely policyholders and beneficiaries.

Considering that described in point 2.1.2. of this report, the risk management processes and procedures within the Group are those set out for each of the insurance and reinsurance companies belonging to it.

2.3.2. Own risk and solvency assessment

The ORSA Policy was approved with the aim of establishing the general principles for the own risk and solvency assessment regarding:

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

According to the Policy, the ORSA aims to provide a level of security which is acceptable to the Companies' management bodies regarding compliance with the strategic objectives, within the framework of the risk appetite established.

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

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

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

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In order to comply with these objectives, the ORSA process is divided into five major activities: (1) business strategy; (2) prospective assessment; (3) analysis of scenarios and definition of limits; (4) reporting; (5) constant monitoring.

The Companies' management bodies are responsible for steering the entire ORSA process, including approving it. Fidelidade's Risk Management Division and the Strategic Planning and Corporate Performance Division are involved in carrying out the process.

As part of the ORSA, the global solvency needs are calculated considering the Companies' and the Group's risk profile. The concept of Economic Capital is used to produce this calculation, which is based on a standard formula for calculating the solvency capital requirement (SCR). In this process, all the risks that the Companies and the Group are or may be exposed to are identified. These risks are assessed quantitatively and/or qualitatively.

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

Given that the Economic Capital calculated within the scope of the ORSA will tend to be different to the SCR, an assessment is made (which is qualitative and, whenever so justified, quantitative) of the possible differences between the risk profile of the Companies and of the Group and the assumptions underlying the calculation of the SCR.

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

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

Also within the scope of the ORSA process, an assessment is planned to determine, on a continuous basis, the regulatory capital requirements and the requirements provided for in the Solvency II Directive applicable to the technical provisions.

This assessment, which is one of the activities in the ORSA process described above, named "continuous monitoring", consists of the production of a monthly report containing the estimated Solvency II position, adjusted by the effect of capital optimisation measures in progress or being studied.

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

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ORSA and Risk Management

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

Therefore, based on the results obtained, the Companies define possible actions to be taken:

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

ORSA and Capital Management

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

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

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

ORSA and Decision-Making Processes

The Companies take the results of the ORSA into account in their organisational and management processes.

Examples of processes which consider the ORSA results are:

- Product design and development;

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- Product launch, amendment or discontinuation;
- Investment profile changes (Geographies, classes of assets, etc.);
- Changes to the risk underwriting policy;
- Reinsurance.

2.4. Internal control system

2.4.1. Information on the internal control system

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

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

Management of the Companies' operational risk and their internal control is performed according to the following flow diagram:

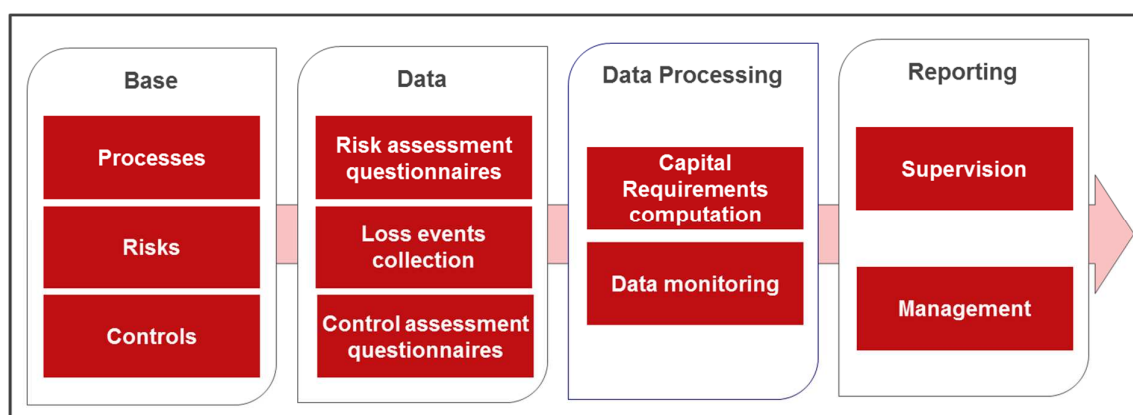


Figure 10 - Flow diagram of operational risk and internal control management

a) Business processes

All the Companies' business processes have been documented, considering a pre-defined "tree" of processes containing three levels: macroprocess; process; sub-process.

Documentation and updating of the Companies' business processes are a necessary condition for the aforementioned systems.

b) Risks and controls

For these processes, the most significant **risks** to which they are exposed were identified (on the basis of a pre-defined risk matrix) and also the existing **controls** which mitigate these.

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Accordingly, the Companies' **controls were documented and characterised**, while being associated to the risks previously identified.

In documenting the controls, a range of items needed in order to characterise them were defined, namely: the category, nature, type, frequency and evidence of the control.

c) **Assessment**

To assess the Companies' operational risk, quantitative information is collected on the risks previously identified by means of answers to **Risk Assessment Questionnaires** and the recording of events and subsequent losses resulting from the risks associated with the processes.

The **assessment of the internal control system** is supported by a process of own assessment of the controls. This process of information collection occurs by means of answers to **Controls Assessment Questionnaires** (in addition to a specific question, included in the Risk Assessment Questionnaire, on the mitigation capacity of existing controls regarding the risk being assessed). The Controls Assessment Questionnaires aim to assess the effectiveness of the controls by those responsible for their execution.

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

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2.4.2. Information on activities performed by the compliance function

The Compliance Office (GCO) is a body of staff with functional independence which performs key functions within the system of Risk Management and Internal Control, and which reports directly to Fidelidade's Executive Committee.

The GCO's main mission is to contribute so that the management bodies, management structure and staff of the Group Companies comply with the legislation, rules, codes and standards in force, both externally and internally, in order to avoid situations which may harm the companies' image and their reputation in the market, as well as potential financial losses.

Among the compliance function's processes and controls, carried out by the GCO throughout 2017, the following can be highlighted:

- a. Analysis of main changes to regulations

Recording of compliance incidents

Analysis of new products and advertising and marketing material

Analysis of internal processes

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

2.5. Internal Audit Function

As stated above, the internal audit function is given to the Audit Division (DAU), which is a first-line body in the corporate structure, reporting directly to Fidelidade's Executive Committee. Its mission is to guarantee assessment and monitoring of the Companies' risk management and internal control systems, and to confirm compliance with the internal rules and the legislation in force. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the effectiveness and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

The rules and principles that the internal audit function must obey are established in the Internal Audit Regulation.

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

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

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

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

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

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

In terms of reporting, principles are set out which must govern the drawing up of the reports, their minimum content, the persons to whom they are addressed and the type of reports (preliminary report and final report).

Lastly, there are provisions on internal audit's monitoring of the application of any improvement actions proposed, with the production of follow-up reports whenever justified.

2.6. Actuarial Function

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

Despite being allocated, as previously stated, to the Risk Management Division, these actuarial functions are independent in functional terms and report directly to the Companies' Management Bodies.

Accordingly, at least once a year these functions send the Management Body of each Company the report provided for in Article 272(8) of Commission Delegated Regulation (EU) 2015/35.

The persons responsible for these functions must also directly inform the Management Body of each Company of any matter which the former or the latter consider important to analyse or monitor on a more regular basis.

Within the hierarchy, those responsible for the actuarial functions report to the head of the Risk Management Division, although only on matters related to the management of people and resources.

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

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

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

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

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

The actuarial function reports regularly to the management body on the results obtained from monitoring the provisions levels.

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

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

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

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

The actuarial function provides support to the reinsurance area in the negotiation of reinsurance treaties, providing information with risk and profitability metrics and sensitivity analyses and portfolio statistics.

The actuarial function monitors the evolution of the reinsurance treaties, including their conditions in the actuarial analyses conducted. The adequacy of the treaties for the Companies' liabilities is subject to actuarial analysis.

2.7. Outsourcing

2.7.1. Outsourcing policy

Longrun's Board of Directors approved the Outsourcing Policy within the framework of the requirements set out in Article 64(4) of the RJASR, with the aim of establishing a set of principles applicable to the outsourcing of critical or important functions or activities.

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

Insofar as the Companies maintain full responsibility for any functions or activities which may be outsourced, definitions are provided of the main aspects to be implemented related with the monitoring inherent to the outsourced function or activity.

The responsibilities of each of the participants are identified, both in the outsourcing process and in the subsequent monitoring of the service provider.

With the approval of the Outsourcing Policy, the principles and process applicable to new outsourcing of critical or important functions or activities were established.

2.7.2. Outsourced critical or important functions or activities

Regarding the application of the Outsourcing Policy, within the Group a range of outsourced functions or activities considered critical or important have been identified, most of which are outsourced intra-group, and which are related with key functions, investments, accounting, information technology, claims and call centres.

In Fidelidade's specific case, of note are the activities related with asset management regarding, on the one hand, a Senior Secured Loans portfolio and, on the other, two Investment Grade Fixed Income Securities portfolios. The jurisdictions of the providers of these services are located in the United Kingdom, Luxembourg and Portugal.

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Fidelidade Assistência, Multicare, Via Directa and CPR outsource services related with key functions of risk management, internal audit, actuarial and compliance, in line with the RJASR. These key functions are subcontracted to Fidelidade – Companhia de Seguros, S.A..

The Contact Center management and operation services for Fidelidade, Fidelidade Assistência and Multicare are provided at Fidelidade's premises in Évora and Lisbon by a service provider with its headquarters in Portugal.

2.8. Any other information

2.8.1. Option to produce a single own risk and solvency assessment document

As soon as the regulations have been created for such, the Group intends to request permission to produce a single own risk and solvency assessment document.

2.8.2. Other information

The main changes related to the governance system which took place during the period covered by this report are outlined at the beginning of this chapter. Below is a summary of other facts which occurred in 2017 at Fidelidade – Companhia de Seguros S.A.:

- Abolition of the Advisory Board, which was part of the Company's corporate governance;
- Revision by the Remunerations Committee of the Remuneration Policy applicable to Fidelidade's corporate bodies, which, nonetheless, maintained its guiding principles, so there were no material changes;
- The Company's communications area was reorganised. Accordingly, and in order to obtain a greater degree of specialisation in the external and internal communication areas, a separate institutional corporate communication function was created, which now deals with corporate communication and media relations and provides support for the Group's institutional relations.

3. Risk profile

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

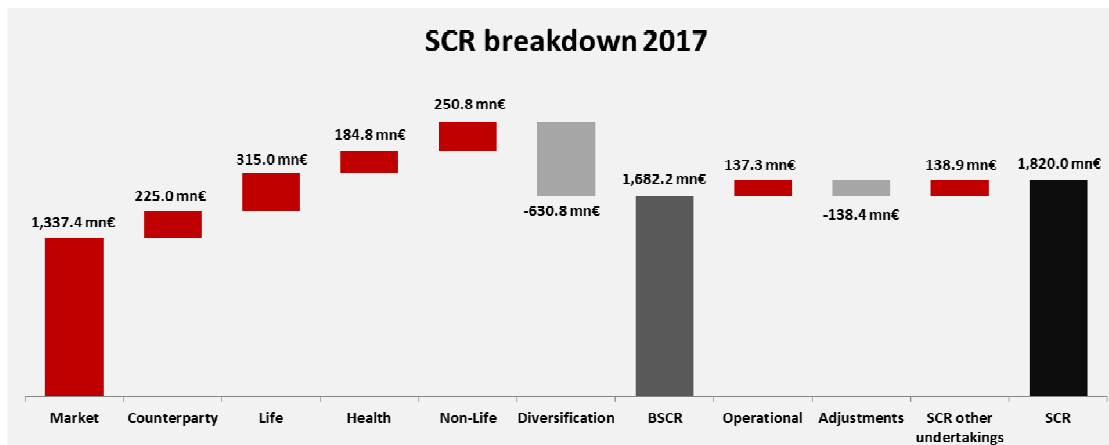
On the other hand, this integrated approach ensures value creation via the identification of adequate balance between risk and return, simultaneously guaranteeing the Companies' obligations to their stakeholders.

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

Accordingly, to outline Longrun's risk profile, the material risks to which all the entities in the group are exposed are identified, as well as the specific risks in the group context which are not considered at the individual level.

The risk assessment is based, as at the individual level, on a standard formula used to calculate the solvency capital requirement. For other risks, not included in that formula, the option was taken, as at the individual level, to use a qualitative analysis to classify the foreseeable impact on Longrun's capital needs.

Hence, the calculation of Longrun's solvency capital requirement (SCR) was as follows:

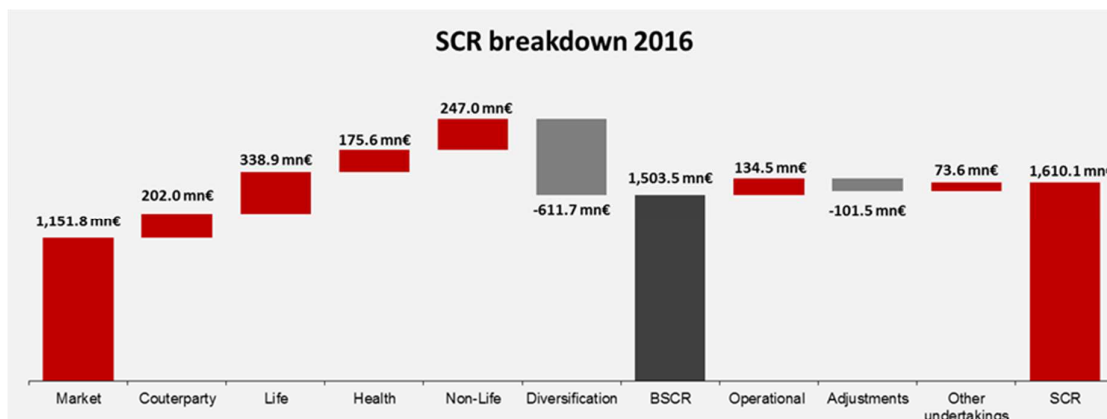


Graph 11 – Solvency capital requirement at 31-12-2017

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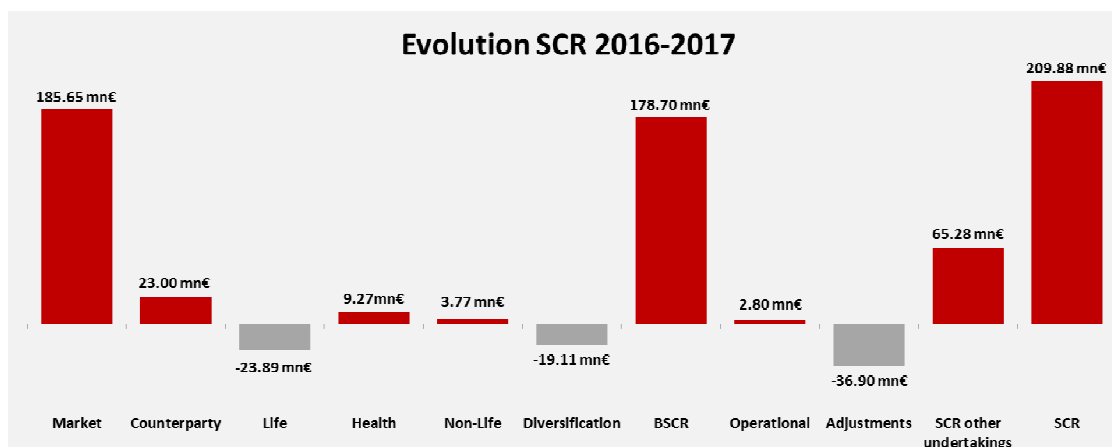
The market risk is clearly prominent in this requirement, followed by the Life and Non-Life underwriting risks, which are much lower.

The same calculation relating to 31/12/2016 was as follows:



Graph 12 – Solvency capital requirement at 31-12-2016

The difference, of **EUR 209.88 million**, is shown in the graph below:



Graph 13 – SCR Change 2016-2017

The following elements can be highlighted in this evolution:

- **the increase in market risk**, arising from increases in the sub-modules of spread risk, interest rate risk and equity risk, resulting, as stated in point 3.2, from:
 - the increase in exposure to corporate debt as against the decrease in exposure to debt where the shock to be applied to the spread risk is zero;
 - the decrease in assets subject to the transitional measure on equity risk;

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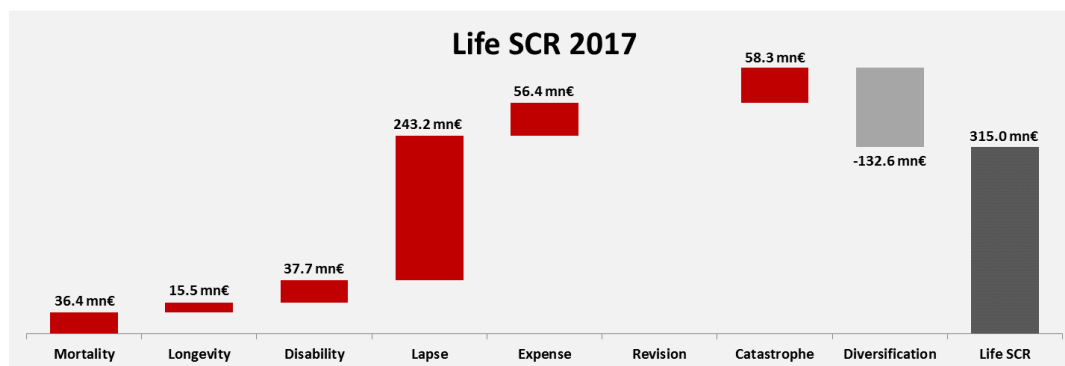
- **the increase in the adjustments amount**, as a consequence of the fact that, in 2017, the Companies recognised adjustment for the loss-absorbing capacity of deferred taxes, as described in point 3.8.1.;
- **the increase in 'SCR - other undertakings'**. The participations mentioned in point 1.5.2 of this report were considered, as in the previous year, under Article 336 d) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, for the purpose of calculating the Group's consolidated solvency capital requirement. However, the fact that new participations, namely, Fundo Broggi and the subsidiaries FID Loans 1 (Ireland) Limited and FID Loans 2 (Ireland) Limited, were considered explains the increase registered under this heading.

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

3.1. Underwriting risks

3.1.1. Life underwriting risk

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



Graph 14 – Life underwriting risk at 31-12-2017

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

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

The second most significant sub-module, although carrying much less weight than the lapse risk, is the **catastrophe risk**. This risk is significantly related with the mortality risk which results from the significant weight in sums insured associated with life risk contracts.

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

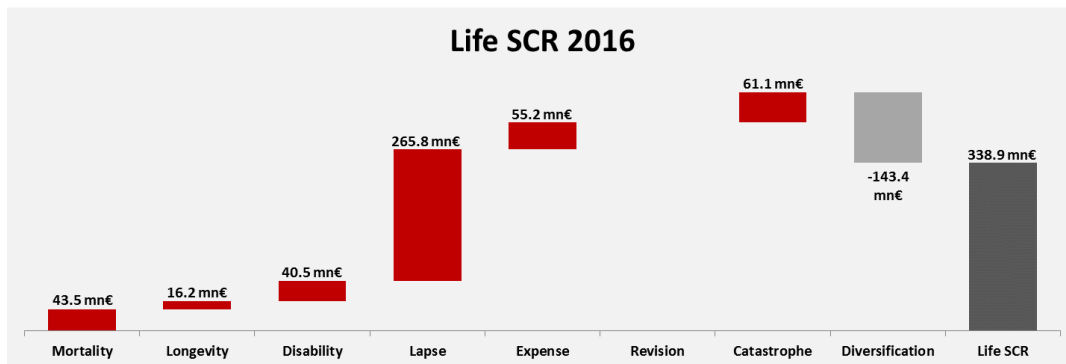
With similar values, not far from the weight of the two previous risks (catastrophe and expense risks), we have the **mortality and disability risks**, both with their origins in Life Risk insurance contracts.

Longrun Portugal, SGPS, S.A.

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

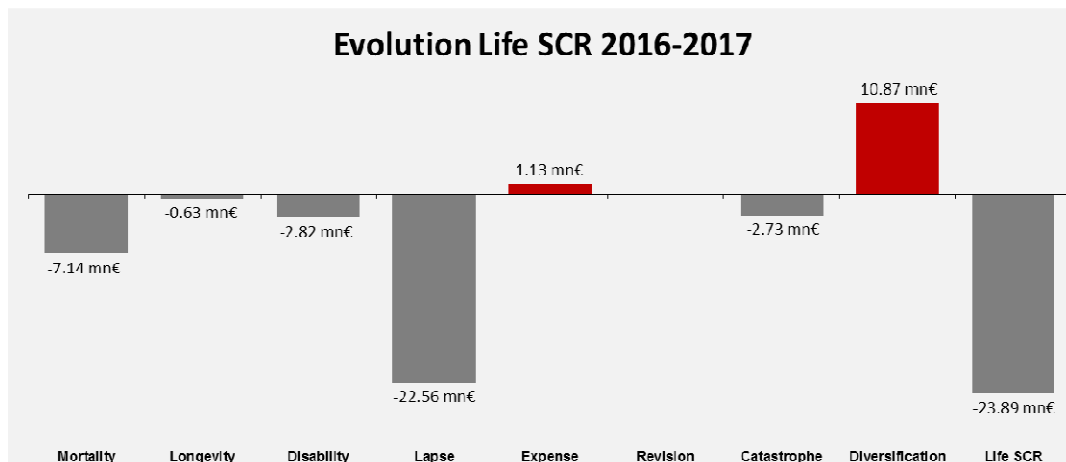
The **revision risk** is zero, since there is no exposure to this risk in the Portuguese market.

The Life SCR at 31/12/2016 was:



Graph 15 – Life underwriting risk at 31-12-2016

The difference, of **EUR 23.89 million**, is shown in the graph below:



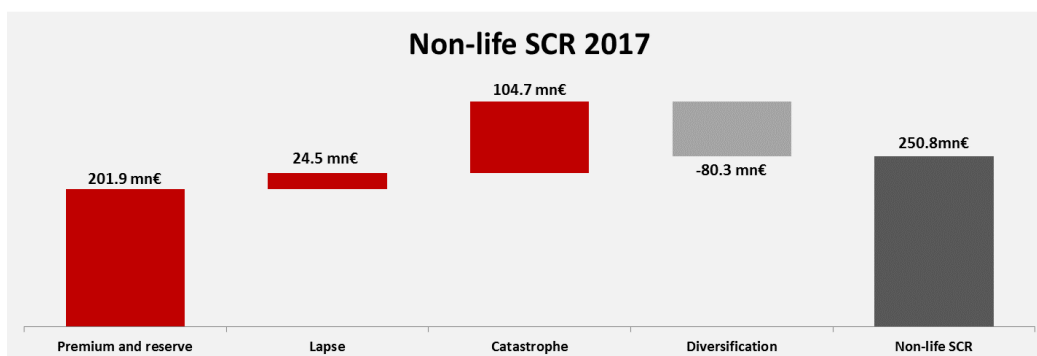
Graph 16 – Life SCR Change 2016-2017

As can be seen, there were no significant changes in the sub-modules composing this risk, and the overall difference is basically explained by the reduction in the lapse risk.

Longrun Portugal, SGPS, S.A.

3.1.2. Non-life underwriting risk

The non-life underwriting risk is the third most significant for Longrun.



Graph 17 – Non-life underwriting risk at 31-12-2017

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

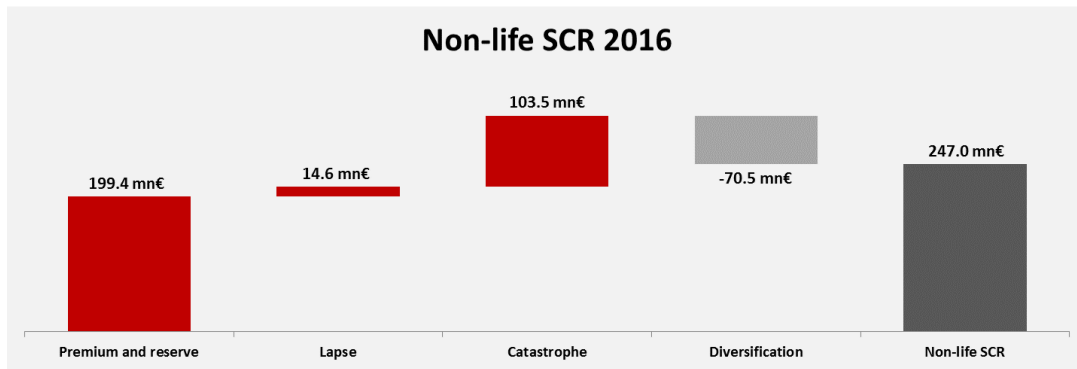
The weight of this risk basically results from the volume of premiums and reserves relating to motor insurance contracts (third party liability and other coverages), fire and other damage insurance and general third-party liability insurance.

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

Regarding the **lapse risk**, its weight is particularly insignificant, given that the insurance contracts have a contractual boundary up to the next renewal date and the operating margin is low.

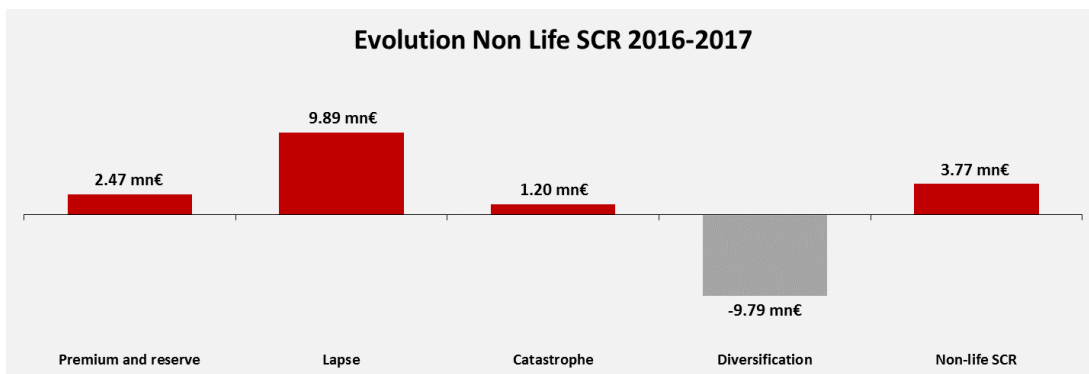
The Non-Life SCR at 31/12/2016 was:

Longrun Portugal, SGPS, S.A.



Graph 18 – Non-life underwriting risk at 31-12-2016

The difference, of **EUR 3.8 million**, is shown in the graph below:



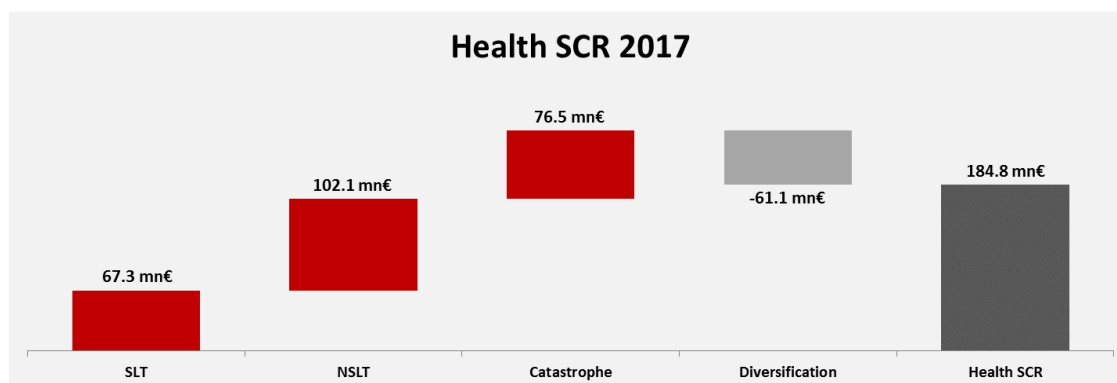
Graph 19 – Non-Life SCR Change 2016-2017

As can be seen, there were no significant changes in the sub-modules composing this risk.

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3.1.3. Health underwriting risk

In terms of weight, this is the third risk in the hierarchy of underwriting risk modules.



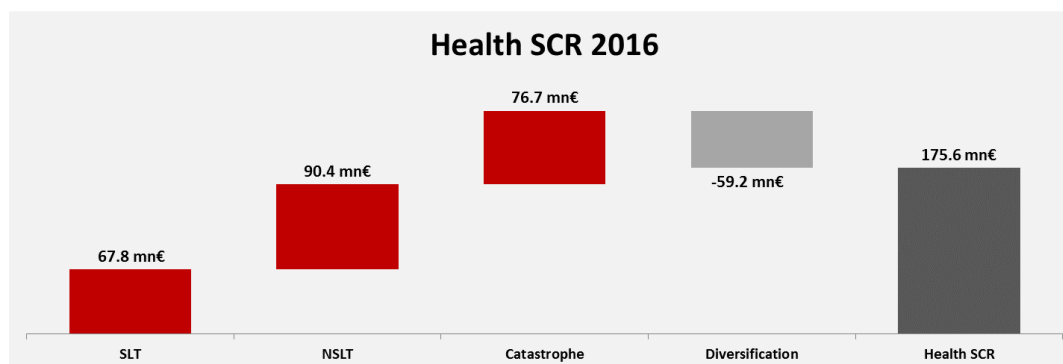
Graph 20 – Health underwriting risk at 31-12-2017

The **NSLT** (not similar to life techniques) **module of health** is made up of the premium and reserve risk arising from health insurance, workers' compensation insurance and personal accidents insurance.

The **catastrophe risk** is the second most significant sub-module, mainly as a result of the concentration of accidents, given the sums insured involved.

With a lower figure is the **SLT** (similar to life techniques) **module of health** which originates from the longevity risk resulting from pensions and permanent assistance expenses in the workers' compensation line of business.

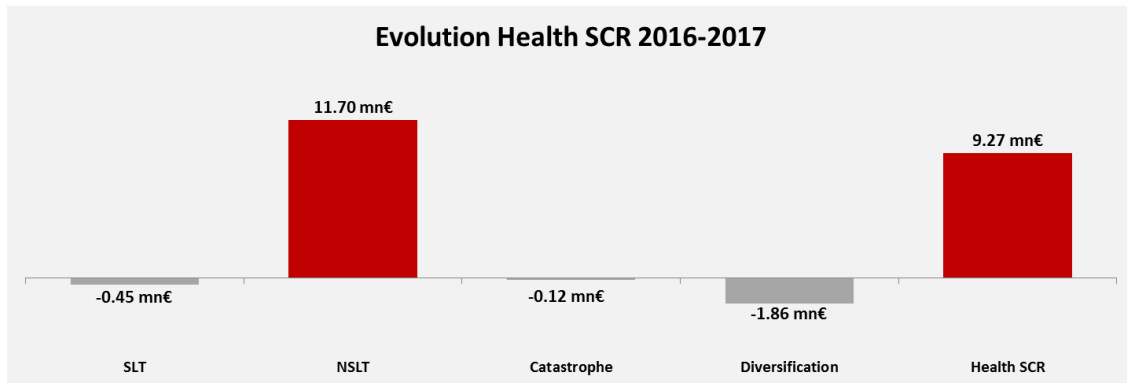
The Health SCR at 31/12/2016 was:



Graph 21 – Health underwriting risk at 31-12-2016

Longrun Portugal, SGPS, S.A.

The difference, of **EUR 9.27 million**, is shown in the graph below:



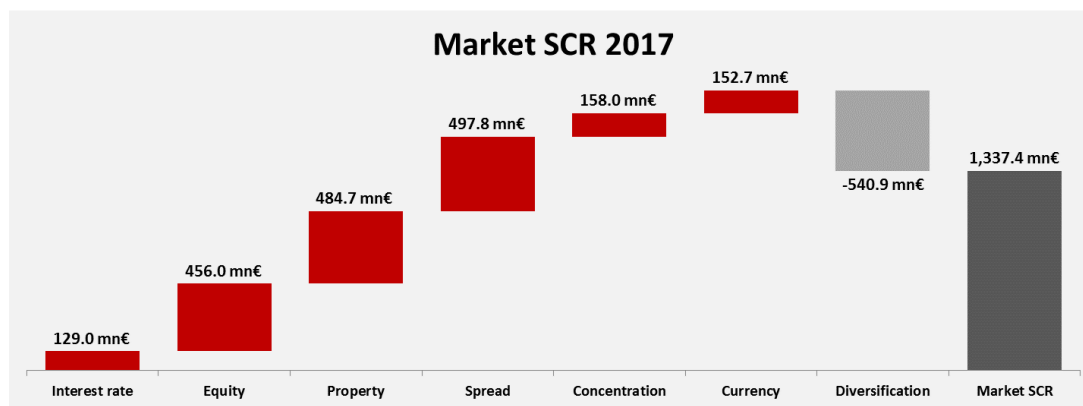
Graph 22 – Health SCR Change 2016-2017

As in the other underwriting risk modules, there were no significant changes in the sub-modules composing this risk.

Longrun Portugal, SGPS, S.A.

3.2. Market risk

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



Graph 23 – Market risk at 31-12-2017

Within this module, the **spread risk** is the highest. The weight of this risk is due to the Companies' high exposure to financial instruments (bonds and term deposits) with a lower rating, namely, exposure to Portuguese entities whose credit quality has been downgraded as a result of the financial markets context in recent years.

The next most important risk is the **property risk**, reflecting the investment strategy that has been followed for the group. A substantial part of these investments were made by means two property investment vehicles held by Fidelidade. In individual terms, these two exposures affect the equity risk. At the group level, they essentially affect the property risk. Hence, the greater weight of this risk for Longrun, when compared to Fidelidade, at the individual level.

With very similar values we have, next, the **equity risk**. The exposure to equity markets reflects the investment strategy followed by the group. As previously stated, at group level this risk does not include the two property investment vehicles, which are reflected in the equity risk at the individual level. It must be stressed that instruments considered to be alternative investments, such as commodities, funds, private equity, etc., have a very low weight in the portfolio as a whole.

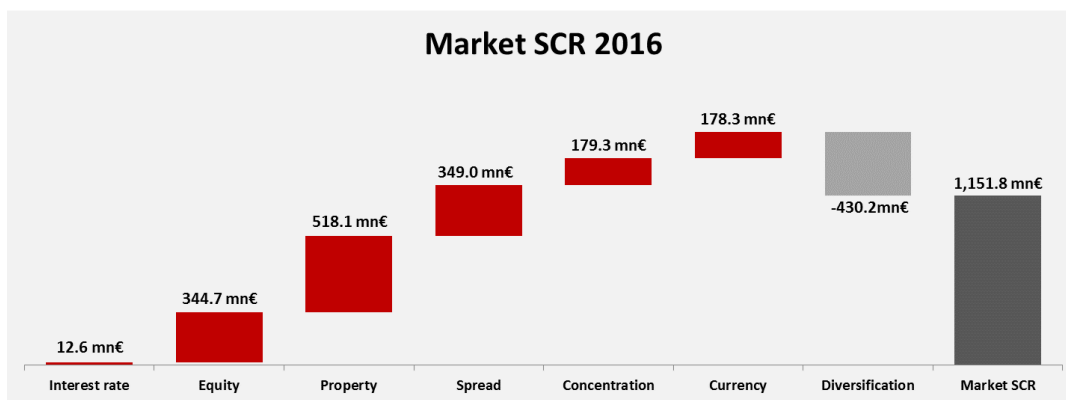
The next risk, in terms of importance, in this model is the **concentration risk**. The greatest exposure in this risk is to the Fosun International Limited economic group, with the total amount exposed being heavily influenced by Fidelidade's direct participation in Luz Saúde (which, according to the understanding of the ASF, is not considered a complementary services company).

With a figure close to the concentration risk, we have the **currency risk** and the **interest rate risk**. The value of the currency risk reflects the hedging for the most significant exposures to foreign currency.

Longrun Portugal, SGPS, S.A.

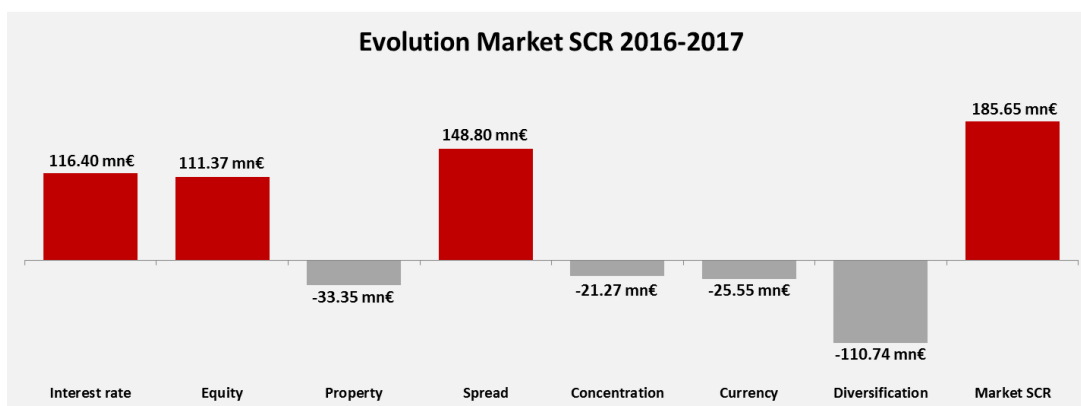
The low value for the interest rate risk is a result of the Asset and Liability management monitoring of the duration gap.

The Market Risk SCR at 31/12/2016 was:



Graph 24 – Market risk at 31-12-2016

The difference, of **EUR 185.65 million**, is shown in the graph below:



Graph 25 – Market Risk SCR Change 2016-2017

Longrun Portugal, SGPS, S.A.

The increase in the **equity risk** is largely explained by the decrease in assets subject to application of the transitional measure on equity risk. The amount of assets subject to equity risk remained stable, while the amount of assets not subject to transitional measures rose significantly.

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

No significant changes occurred in the **currency risk**. In fact, although there was an increase in foreign currency investments, the currency risk exposure not covered by mitigation instruments remained relatively stable.

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

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

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

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

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

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

According to these guidelines, the main objective of the investment portfolio is to generate income for the Companies, while considering the associated risks and other restrictions arising from their business strategy.

Longrun Portugal, SGPS, S.A.

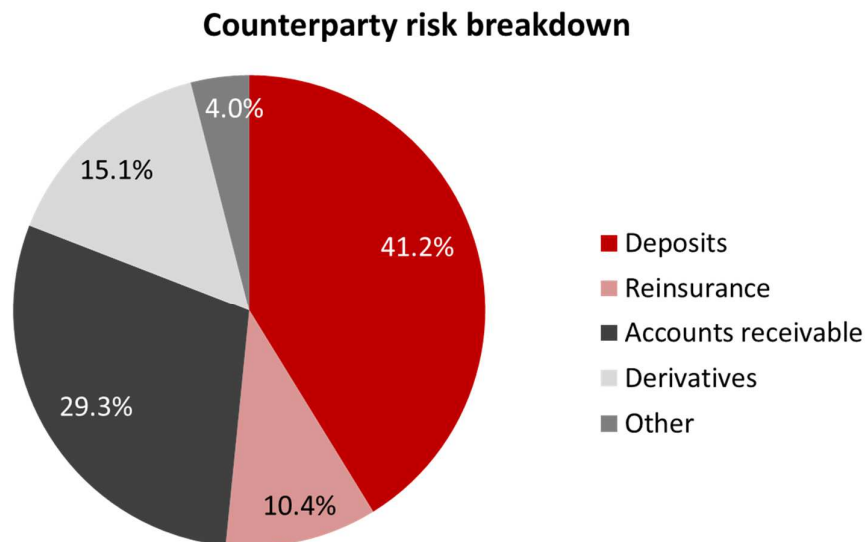
Assets are allocated to each investments portfolio in a way which enables the aggregate return from all portfolios and respective cumulative risk to meet the established investment objectives.

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3.3. Counterparty Default risk

The **counterparty default risk** module is the fourth highest of all the risks assessed by Longrun.

The breakdown of this risk by counterparty type is as follows:



Graph 26 – Counterparty default risk 2016

This figure is the result, on the one hand, of the application of sight deposits, with Caixa Geral de Depósitos having a significant weight, and, on the other, the remaining types of exposure to other counterparties, in particular those relating to reinsurance (around 10%) and the risk hedging positions (around 15%).

Longrun Portugal, SGPS, S.A.

3.4. Liquidity risk

This risk is managed at Longrun so that there is always capacity to meet its obligations and liabilities.

Accordingly, Fidelidade prepares a monthly ALM analysis of the Assets and Liabilities.

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

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

A sensitivity analysis is carried out monthly on different factors, such as changes in the interest rate structures, downturns in the stock market or default of some of the Companies' major positions. These analyses lead to recommendations on the liquidity level of the assets held in portfolio.

Given the above, there is considered to be adequate mitigation of this risk, which permits the conclusion that this risk is low.

It is important to highlight, taking into account the provisions of Article 72(7) of the legal framework on the taking-up and pursuit of the business of insurance and reinsurance approved by Law No. 147/2015, of 9 September, that the result of these analyses is reported regularly to the ASF.

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

The EPIFP, at 31 December 2017, is:

Amount in thousand euros	
Expected profit included in future premiums	595,949

This figure only refers to the life risk line of business, and the methods and main assumptions described in point 4.2.1 of this report are used.

It is important to stress that the premiums considered when calculating this profit are net of reinsurance liabilities.

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

3.5. Operational risk

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

This is the risk module with least weight of all the risks assessed by Longrun.

In their management of operational risk and internal control, the Companies identify, within their processes, the most significant operational risks to which they are exposed (based on a pre-defined risks matrix), and document the controls which exist to mitigate these.

To assess the Companies' operational risk, quantitative information is collected on the risks previously identified and an assessment is carried out of the internal control system, supported by a process of own assessment of the control activities documented.

3.6. Other material risks

As previously stated, given the characteristics of Longrun, which, it will be recalled, is an insurance holding company which does not carry out insurance or reinsurance activities, and whose activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência and their subsidiaries, **no specific risks of the Group were identified**, other than those which have already been identified for the different entities of which it is composed.

In the specific cases of Garantia (Cape Verde), Fidelidade Angola and Fidelidade Macau, besides no risks being identified which could have an impact on the group's global solvency needs, the nature, size and complexity of their business does not affect the group's risk profile outlined by the profiles of the aforementioned Companies.

3.7. Mitigation measures

Various risk mitigation techniques are in use, or are being studied at Fidelidade, for a set of risks to which Longrun is exposed. The following may be highlighted:

Market Risk - Currency

Using futures and forwards contracts Fidelidade hedges the currency exposure of its portfolio assets:

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

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

As a result of the rotation of hedge contracts, this risk includes risks resulting from potential changes in the cost of that hedging (basis risk) in roll-over occurring in the next 12 months.

The effect of this mitigation on the calculation of the capital requirement associated with currency risk is also reflected in the counterparty default risk module, considering exposure to the Chicago Mercantile Exchange in the case of futures and exposure to the derivatives counterparties in the case of forwards.

Underwriting risk - life

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

Longrun Portugal, SGPS, S.A.

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

Underwriting risks

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

The effect of this mitigation on the calculation of the capital requirement associated with underwriting risks is also considered in the counterparty default risk module.

Longrun Portugal, SGPS, S.A.

3.8. Any other information

3.8.1. Adjustment for the loss-absorbing capacity of deferred taxes

In order to guarantee compliance with all the requirements laid down by the ASF, the Companies in the Longrun Group have a project in progress for recognition of adjustment for the loss-absorbing capacity of deferred taxes.

Accordingly, regarding 2017, the Companies only recognised the adjustment relating to the decrease in deferred tax liabilities.

However, with the conclusion of the aforementioned project, it is predicted that in the next years this adjustment will be greater than that which is now being presented, with the subsequent increase in the solvency capital requirement coverage ratio.

In 2016, only Fidelidade made this calculation. The other companies (Fidelidade Assistência, Multicare, Via Directa and CPR) considered this adjustment to be nil, for 2016.

3.8.2. Risk sensitivity

The sensitivity of the solvency ratio, at 31 December 2017, to the main risks to which Longrun is exposed, expressed as an absolute impact on that ratio (in percentage points), is presented in the table below:

Percentage points

Risk Type	Effect on:		
	Eligible Funds	Capital Requirement	Ratio
Value of equity-20%	-10.5	+4.3	-6.5
Value of property -10%	-7.1	+2.8	-4.5
Spread +100bps	-14.5	+0.1	-14.4
Interest rate - 100 bps increase	-3.0	-0.8	-3.8
Interest rate - 50 bps decrease	+0.7	+1.0	+1.7

Table 15 – Sensitivity of solvency ratio to main risks

Longrun Portugal, SGPS, S.A.

Explanation of the Solvency II sensitivity analyses:

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

Table 16 – Scenarios used in the sensitivity analysis

3.8.3. Risk concentration

The following table presents the significant concentrations of risk between entities in the scope of group supervision and third parties which exceed 10% of the group's solvency capital requirement:

Amounts in thousand euros

Country of the exposure	Type of Exposure				
	Assets – shares and equity securities	Assets - bonds	Assets - others	Liabilities - insurance	
	Value of the exposure			Value of the exposure	Maximum amount to be paid by the reinsurer
PT	87,747	4,116,252	550,702	22,187,100	18,233,503
IT		1,411,695	365,047		
JP			403,753		
GB			344,385		
ES		276,717			
VG		270,317			
CN	254,475				
LU			200,001		
IE	190,120				

Table 17 – Risk concentration

Longrun Portugal, SGPS, S.A.

The amount of exposure for 'Liabilities – insurance' corresponds to the sums insured per entity.

Regarding the 'Assets' exposures, the greatest concentration relates to Portuguese and Italian public debt (€ 3,981,983 thousand and € 1,150,325 thousand respectively, around 30% of the Group's total assets).

The third largest exposure within 'Assets' exposures is approximately 3.4% of the Group's total assets.

Longrun Portugal, SGPS, S.A.

4. Valuation for solvency purposes

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

The same information, for solvency purposes, is presented in relation to 31 December 2016.

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

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

Amounts in thousand euros

		Solvency II	Financial statements	Difference⁵	Solvency II (previous year)
Assets					
4.1	Total Assets	16,378,096	16,847,403	-469,307	15,145,679
Liabilities					
4.2	Technical Provisions	12,034,961	12,868,303	-833,342	11,526,981
4.3	Other liabilities	1,426,254	1,164,210	262,044	1,393,140
	Total Liabilities	13,461,215	14,032,513	-571,298	12,920,121
	Excess of Assets over Liabilities	2,916,881	2,814,890	101,991	2,225,558

⁵ Valuation for solvency purposes less financial statements valuation.

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4.1. Assets

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

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

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

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

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference⁶	Solvency II (previous year)
Financial assets	12,956,692	13,259,791	-303,099	10,964,119
Real estate assets	1,973,993	1,972,527	1,466	2,214,676
Other assets	1,189,672	1,328,418	-138,746	1,808,240
Reinsurance recoverables	257,739	286,667	-28,928	158,644
TOTAL	16,378,096	16,847,403	-469,307	15,145,679

Table 18 – Comparison of the valuation of assets for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

4.1.1. Financial assets

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

⁶ Valuation for solvency purposes less financial statements valuation.

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Assets	Solvency II	Solvency II (previous year)
Holdings in related undertakings, including participations	378,109	215,964
Equities — listed	1,376,746	1,326,065
Equities — unlisted	2,074	3,112
Government bonds	5,768,815	5,584,361
Corporate bonds	4,024,977	2,168,859
Structured notes	37,523	100,376
Collateralised securities	305	2,004
Collective investment undertakings	87,968	108,509
Derivatives	80,924	30,539
Deposits other than cash equivalents	1,023,559	911,353
Other investments	0	0
Assets held for index-linked and unit-linked contracts	175,692	512,977
TOTAL	12,956,692	10,964,119

Table 19 – Valuation of financial assets for solvency purposes at 31-12-2017 and 31-12-2016

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

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

Within the scope of the Solvency II regime, the following categories are used to determine the fair value of financial instruments:

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

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

Longrun Portugal, SGPS, S.A.

In the case of a share, this corresponds to the closing price on the buyer's side at the close of the stock exchange session, using the main market as defined by IFRS (*IFRS Appendix A*), that is, the market with the highest level of liquidity in the case of instruments listed in several markets. The criterion for defining the stock exchange with the highest level of liquidity is determined by comparing the average volume of sales for the last 3 months in the different markets where the security is admitted to listing. This valuation does not consider securities listed in markets with different legal forms (for example, ordinary shares versus American Depositary Receipt (ADR) and securities which are listed on other markets in currencies different to those of the securities held in portfolio).

In the case of a bond, this corresponds to the bid price obtained in the selected provider. The criteria for selecting the provider consider the use of prices which are directly observable in the price formation and the regularity of the observations, giving preference, in decreasing order, to the CBBT (Composite Bloomberg Bond Trade), the BGN (Bloomberg Generic), other sources, subject, however, to an analysis of reasonableness, for example, the frequency of prices or, if none of the above can be used, the BVAL (Bloomberg Valuation Service) prices with scoring above 5 and which imply the use of direct observations. For unlisted assets, in the absence of consensus prices composed of direct observations, the valuation is obtained from prices reported through OTC transactions platforms, such as TRACE (Trade Reporting and Compliance Engine) when these prices are available.

In the case of units of participation, the Net Asset Value (NAV) disclosed for the Fund is used. The NAV is mainly ascertained from the relevant regulator (for example, the CMVM). When the NAV is not registered with the regulator, use is made of information disclosed by the managing company or by the agent hired by the managing company in line with the disclosure cycles contracted.

QMPS – Quoted market price in active markets for similar assets

In this category, fair value is determined by considering the prices obtained from the market maker. This valuation is constructed, in the absence of transactions, from similar assets. In defining similar assets, issues preferably from the same issuer are considered or from an issuer with a similar credit quality for similar residual maturities.

Longrun's portfolio assets in this situation are essentially private placements.

AVM – Alternative valuation methods

Longrun does not make valuations from financial models.

However, Longrun has assets in its portfolio classified, for the purpose of valuation, in this category:

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- assets with evidence of impairment, recognised at zero value or immaterial;
- monetary assets (cash and deposits) are valued at face value;
- assets valued using BVAL (*Bloomberg Valuation Service*) prices with scoring lower than or equal to 5, but not based on direct observations;

AEM – Adjusted equity method

Assets considered in this category are initially recognised at cost and are periodically subjected to revaluation in line with the financial statements disclosure. This valuation is made from the book value perspective, with the adjustments necessary to align it with the Solvency II criteria (for example, elimination of goodwill and non-tradable intangible assets).

The valuation, considering the financial statements, also takes into account eventual qualifications or emphasis of matters in the auditor's report, also incorporating any relevant fact occurring after the balance sheet date which Longrun is aware of.

IEM – IFRS equity methods

Not currently applicable.

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

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference ⁷
Holdings in related undertakings, including participations	378,109	681,228	-303,119
Equities — listed	1,376,746	1,376,746	0
Equities — unlisted	2,074	2,071	3
Government bonds	5,768,815	5,768,815	0
Corporate bonds	4,024,977	4,024,977	0
Structured notes	37,523	37,523	0
Collateralised securities	305	305	0
Collective investment undertakings	87,968	87,968	0
Derivatives	80,924	80,924	0
Deposits other than cash equivalents	1,023,559	1,023,559	0
Other investments	0	0	0
Assets held for index-linked and unit-linked contracts	175,692	175,675	17
TOTAL	12,956,692	13,259,791	-303,099

Table 20 - Comparison of the valuation of financial assets for solvency purposes and their valuation in the financial statements at 31-12-2017

The differences, by class of asset, are:

- Holdings in related undertakings, including participations

This results, on the one hand, from the valuation, for solvency purposes, of unlisted subsidiaries using the Adjusted Equity Method (AEM), (net, the total value of these holdings for solvency purposes increased by € 3,507 thousand).

On the other hand, it is due to the recognition of the market value of Luz Saúde which is registered in the financial statements at acquisition cost (the value of this participation for solvency purposes fell by € 306,626 thousand).

⁷ Valuation for solvency purposes less financial statements valuation.

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- Equities — unlisted

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

- Assets held for index-linked and unit-linked contracts

This results from the use of closing quoted prices at 31/12/2017, obtained, at the end of that day, at different times, either for solvency purposes or for financial statements purposes.

4.1.2. Real estate assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II (previous year)
Property, plant and equipment held for own use	163,833	146,673
Property (other than for own use)	1,188,418	1,799,330
Collective investment undertakings	621,742	268,673
TOTAL	1,973,993	2,214,676

Table 21 - Valuation of real estate assets for solvency purposes at 31-12-2017 and 31-12-2016

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

The real estate assets are accounted for at their Market Value, which is the price for which the property could be sold, at the valuation date, in a private agreement between an independent and interested vendor and purchaser, taking into account three conditions: the property is put up for sale on the market, the conditions of sale permit a regular sale; and the period for negotiating the sale is normal, considering the nature of the property.

The Property Value (i.e. the Market Value) is calculated in this way, by applying the following valuation methods:

- Comparative 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.

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To use this method there must be a representative and credible sample in terms of transactions and/or real purchase offers which are not out of step regarding the time of valuation (homogeneity of the sample).

- 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.

When determining the final value of the building the depreciation rate must be considered on the basis of its age, state of conservation and estimated useful life, plus the required profit margins.

- c. **Income Method:** consists of calculating the value of the property based on the ratio between the effective annual rent or that foreseeably produced, net of conservation and maintenance costs, and a capitalisation rate appropriate to its characteristics and the level of investment risk, given the general conditions of the real estate market at the time of valuation.
- d. **Future Rentals Updating Method:** consists of calculating the value of the property from the sum of the effective cash flows or those foreseeably produced and its residual value at the end of the planned investment period or of its useful life, updated at a market rate for applications with a similar risk profile.

The use of this methodology to calculate the Market Value is directly related to analysis of real estate investments, and is not, therefore, generally applied to Longrun's property in the same way the methods mentioned above are.

Thus, the market value of properties for own use or for income is usually calculated by applying weighting factors to the result obtained either from the Comparative Method or from the Income Method, taking into consideration the property establishment rules of the property in question.

In the case of land or buildings the market value of which is estimated to be greater than seven and a half million euros, two valuations are performed by different experts, and the lower value prevails.

Assets belonging to Real Estate Investment Funds are valued annually, in line with the provisions of CMVM Regulation No. 08/2002 and Law No. 16/2015, of 24 February. For these valuations, two independent, CMVM-registered experts are used, who produce reports containing a range of information and minimum items.

Real estate is valued at least every two years. Besides this, it is also valued whenever there are substantial changes in real estate market conditions or when the assumptions underlying the previous valuation have changed significantly. In the case of sales, the valuation must always have been made

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in the last six months. Expert Asset Valuers registered with the CMVM are also used, and whenever the asset's value is over € 7,500,000.00 valuations are sought from two experts.

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

Amounts in thousand euros

Assets⁸	Solvency II	Financial statements	Difference⁹
Property, plant and equipment held for own use	163,833	163,833	0
Property (other than for own use)	1,188,418	1,188,418	0
Collective investment undertakings	621,742	620,276	1,466
TOTAL	1,973,993	1,972,527	1,466

Table 22 - Comparison of real estate assets for solvency purposes and their valuation in the financial statements at 31-12-2017

The differences, by class of assets, are:

- Collective investment undertakings

This is a result of the use of quoted prices obtained at different times, either for solvency purposes or for financial statements purposes.

⁹ Valuation for solvency purposes less financial statements valuation.

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4.1.3. Other Assets

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

Amounts in thousand euros

Assets	Solvency II	Solvency II (previous year)
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	319,655	457,561
Pension benefit surplus	12,345	8,739
Loans and mortgages to individuals	79	21,642
Other loans and mortgages	21,642	1,318
Loans on policies	1,582	180
Deposits to cedents	167	876
Insurance and intermediaries receivables	189,755	163,597
Reinsurance recoverables	19,684	15,112
Receivables (trade, not insurance)	164,171	180,184
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	434,880	934,049
Any other assets, not elsewhere shown	25,712	24,982
TOTAL	1,189,672	1,808,240

Table 23 - Valuation of other assets for solvency purposes at 31-12-2017 and 31-12-2016

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

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Amounts in thousand euros

Assets	Solvency II	Financial statements	Difference ¹⁰
Goodwill	0	70,194	-70,194
Deferred acquisition costs	0	69,530	-69,530
Intangible assets	0	17,318	-17,318
Deferred tax assets	319,655	284,659	34,996
Pension benefit surplus	12,345	12,345	0
Loans and mortgages to individuals	79	79	0
Other loans and mortgages	21,642	21,642	0
Loans on policies	1,582	1,582	0
Deposits to cedents	167	167	0
Insurance and intermediaries receivables	189,755	215,039	-25,284
Reinsurance recoverables	19,684	19,684	0
Receivables (trade, not insurance)	164,171	164,171	0
Own shares (held directly)	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0
Cash and cash equivalents	434,880	426,296	8,584
Any other assets, not elsewhere shown	25,712	25,712	0
TOTAL	1,189,672	1,328,418	-138,746

Table 24 - Comparison of the valuation of other assets for solvency purposes and their valuation in the financial statements at 31-12-2017

¹⁰ Valuation for solvency purposes less financial statements valuation.

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The differences, by class of asset, are:

- Goodwill and Deferred acquisition costs

The value of these assets for solvency purposes is zero.

- Intangible assets

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

- Deferred tax assets

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

- Insurance and intermediaries receivables

The difference relates to receivables for reimbursement of amounts paid out in claims. This amount is considered in the Non-Life (€ 11,985 thousand) and Health - NSLT (€ 13,299 thousand) technical provisions, given that its valuation for solvency purposes is net of these receivables.

- Cash and cash equivalents

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

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4.1.4. Reinsurance and special purpose vehicles recoverables

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

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference ¹¹	Solvency II (previous year)
Life and accidents and health similar to life, excluding accidents and health insurance and index-linked and unit-linked	17,123	22,046	-4,923	16,364
Life, index-linked and unit-linked	0	0	0	0
Non-Life, excluding accidents and health insurance	219,232	239,511	-20,279	126,509
Accidents and health similar to life	0	0	0	0
Accidents and health similar to non-life	21,384	25,110	-3,726	15,771
TOTAL	257,739	286,667	-28,928	158,644

Table 25 - Comparison of the valuation of reinsurance recoverables for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

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

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

- In each of the insurers in the Group, in the Non-Life, Health SLT and Health NSLT lines of business, when calculating the claims provision, the values of the accounting provisions of reinsurance ceded adjusted by the expected losses from counterparty default were assumed as the base value, and these were then distributed in annual future cash flows calculated on the basis of the future pattern of payments obtained for direct insurance in each of the lines of business. Longrun's values were obtained by consolidation, eliminating intra-group relations;
- The component of the provision for premiums in the Non-Life, Health SLT and Health NSLT lines of business was calculated as described in points 4.2.2 and 4.2.4.

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

¹¹ Valuation for solvency purposes less financial statements valuation.

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

The expected inflation and interest rate structures referred to in points 4.2.5 and 4.2.6, respectively, were applied to the cash flows in the Life, Non-Life, Health SLT and Health NSLT lines of business.

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4.2. Technical provisions

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

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

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

Amounts in thousand euros

Line of Business	Solvency II	Financial statements	Difference ¹²	Solvency II (previous year)
Life	10,067,655	10,623,526	-555,871	9,675,780
Non-Life	914,611	1,199,214	-284,603	830,984
Health – SLT	830,695	825,834	4,861	815,600
Health – NSLT	222,000	219,729	2,271	204,617
TOTAL	12,034,961	12,868,303	-833,342	11,526,981

Table 26 - Comparison of the valuation of technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

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

However, this degree of uncertainty is lower due to the Companies held by Longrun not using simplifications when calculating the technical provisions.

¹² Valuation for solvency purposes less financial statements valuation.

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4.2.1. Life

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

Amounts in thousand euros

Line of Business		Best estimate	Risk margin	TMP ¹³	Technical Provisions	Technical Provisions (previous year)
Index-linked and unit-linked insurance	Contracts without options and guarantees	87,634	237	0	87,871	135,539
	Contracts with options and guarantees	85,978	28	0	86,006	373,958
Savings	Contracts with profit sharing	1,774,662	13,850	-192,664	1,595,848	1,508,263
	Contracts without profit sharing	8,725,601	17,764	-369,180	8,374,185	7,773,985
Risk	Contracts with profit sharing	41,277	269	0	41,546	41,068
	Contracts without profit sharing	-484,550	132,429	0	-352,121	-395,460
Annuities	Contracts with profit sharing	132,082	6,669	0	138,751	149,379
	Contracts without profit sharing	92,407	3,162	0	95,569	89,048
Reinsurance accepted		0	0	0	0	0
TOTAL		10,455,091	174,408	-561,844	10,067,655	9,675,780

Table 27 - Valuation of Life technical provisions for solvency purposes at 31-12-2017 and 31-12-2016

The Life technical provisions are the result of the sum of the best estimate and the risk margin less the transitional measure on technical provisions.

The best estimate corresponds to the current value of future projected cash flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rate term structures (see point 4.2.6). Stochastic techniques were used when determining the time value of the options and guarantees.

¹³ Transitional measure on technical provisions.

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

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

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

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

The value of the claims provision corresponds to the value reported in the financial statements, at 31 December 2017, since the average payment time is very low so that any reduction caused by the discount effect would be minimal.

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

Income to calculate profit-sharing, included in the claims estimates, was determined on the basis of assets held in portfolio at 31 December 2017 and their potential gains at that date. For such purpose a "risk neutral" projection was made, in which different securities were subject to the reference interest rates curve (see point 4.2.6), added to the recognition of potential gains at that date.

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

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

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

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

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

For unit-linked insurance with guarantees, the best estimate is calculated using the current value of the best estimate of future cash flows, maturities, redemptions, claims, commissions, expenses and less any future premiums. When calculating the maturity cash flow, we consider the higher of the guaranteed value and the estimated value of the assets on the maturity date, with these figures being obtained based on their market value on the valuation date, on the reference curve (see point 4.2.6) and net of the products' management costs.

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

The following calculation assumptions were used:

a) Decreases by Death and Disability

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

b) Decreases by Redemption and Cancellation

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

c) Technical Management Costs

Since these come into play in determining the economic value of the existing business, the acquisition costs were removed from the total expenses charged to the Life Line of Business, at 31 December 2017. The total expenses were divided by the different classes of products.

Technical management costs were allocated to the classes of products in line with the following allocation criteria:

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- Investment costs according to the average mathematical provisions;
- Claims costs according to the indemnities;
- Administrative costs according to the average number of insured persons.

The inflation rate described in point 4.2.5 was considered for the purposes of the expenses.

d) Premiums

For products with demographic risk all future premiums were considered, while for savings products it was assumed that, if the policy is in force, the policyholder will comply with the established premiums payment plan, provided that the product's general and specific conditions so permit. For products whose contracts allow for extraordinary payments, the average payments made was taken into account.

For temporary annual renewable insurance the duration assumed was up to the date of the next renewal, with the exception of a series of annual renewable group life insurance policies linked to mortgages for which Fidelidade has waived the right to termination.

e) Commissions

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

f) Future management measures

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

Annually, potential gains on fixed income securities are recognised in proportion to the remaining duration of the liabilities.

The percentages of allocation of profit-sharing balances and management costs remained constant throughout the projection, in line with that set out in the contract conditions.

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g) Policyholders' behaviour

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

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

h) Risk margin

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

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

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

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Amounts in thousand euros

Line of Business		Technical Provisions	Financial statements	Difference ¹⁴
Index-linked and unit-linked insurance	Contracts without options and guarantees	87,871	89,388	-1,517
	Contracts with options and guarantees	86,006	86,205	-199
Savings	Contracts with profit sharing	1,595,848	1,654,988	-59,140
	Contracts without profit sharing	8,374,185	8,411,105	-36,920
Risk	Contracts with profit sharing	41,546	42,259	-713
	Contracts without profit sharing	-352,121	147,915	-500,036
Annuities	Contracts with profit sharing	138,751	102,909	35,842
	Contracts without profit sharing	95,569	88,757	6,812
Reinsurance accepted		0	0	0
TOTAL		10,067,655	10,623,526	-555,871

Table 28 - Comparison of the valuation of the Life technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

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

On the other hand, the difference stems from the fact that the contract boundaries of a series of temporary annual renewable (TAR) group life insurance contracts linked to mortgages are linked to the maturity of the underlying mortgage contract, as described in point 4.5.2 of this report. This change to the contract boundaries has a positive impact on Longrun's solvency capital requirement coverage ratio of around 9.7 pp.

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

For savings products, without profit-sharing, the differences are a result, on the one hand, of the application of the transitional technical provisions measure and, on the other, of the difference between

¹⁴ Valuation for solvency purposes less financial statements valuation.

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the rates guaranteed to clients and the rates contained in the reference interest rates curve (see point 4.2.6).

4.2.2. Non-Life

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

Amounts in thousand euros

Line of Business	Best estimate	Risk margin	Technical Provisions	Technical Provisions (previous year)
Motor vehicle liability insurance	370,948	10,913	381,861	394,383
Other motor insurance	71,159	3,906	75,065	80,843
Marine, aviation and transport insurance	13,029	435	13,464	9,595
Fire and other damage to property insurance	290,674	4,183	294,857	192,659
General liability insurance	93,288	2,555	95,843	100,329
Credit and suretyship insurance	2,538	140	2,678	2,008
Legal expenses insurance	3,367	164	3,531	3,672
Assistance	26,797	1,094	27,891	26,894
Miscellaneous financial loss	18,591	830	19,421	20,601
Non-proportional reinsurance accepted	0	0	0	0
TOTAL	890,391	24,220	914,611	830,984

Table 29 - Valuation of Non-Life technical provisions for solvency purposes at 31-12-2017 and 31-12-2016

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

Longrun's best estimate is the result of the sum of the best estimate of the different insurers in the group, after elimination of intra-group effects.

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The best estimate of the provisions corresponds to the current value of future projected cash flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rate term structures (see point 4.2.6).

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

The risk margin for each of the Group's insurers is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

In this method capital corresponds to the solvency capital requirement of the Non-life Underwriting Risk, Operational Risk and Counterparty Risk (in the part corresponding to the Non-life segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation.

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

Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference ¹⁵
Motor vehicle liability insurance	381,861	542,550	-160,689
Other motor insurance	75,065	97,489	-22,424
Marine, aviation and transport insurance	13,464	14,744	-1,280
Fire and other damage to property insurance	294,857	346,401	-51,544
General liability insurance	95,843	112,336	-16,493
Credit and suretyship insurance	2,678	954	1,724
Legal expenses insurance	3,531	6,834	-3,303
Assistance	27,891	27,997	-106
Miscellaneous financial loss	19,421	24,279	-4,858
Non-proportional reinsurance accepted	0	0	0
Other technical provisions	0	25,630	-25,630
TOTAL	914,611	1,199,214	-284,603

Table 30 - Comparison of the valuation of Non-life technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2017

¹⁵ Valuation for solvency purposes less financial statements valuation.

Longrun Portugal, SGPS, S.A.

The main differences identified result from:

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled “insurance and intermediaries receivables” in point 4.1.3. of Other Assets;
- A prudent provisioning policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
 - provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
 - the estimate of payables not discounted.

The heading Other technical provisions, which only appears in the financial statements with the value of € 25,630 thousand, mostly corresponds to amount allocated to the equalisation provision.

4.2.3. Health – SLT

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

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Amounts in thousand euros

Line of Business		Best estimate	Risk margin	TMT ¹⁶	Technical Provisions	Technical Provisions (previous year)
Health insurance (direct insurance)	Contracts without options and guarantees	0	0	0	0	0
	Contracts with options and guarantees	0	0	0	0	0
Health insurance (reinsurance accepted)		0	0	0	0	0
Annuities stemming from non-life insurance contracts and relating to health insurance obligations		1,048,021	87,872	-305,198	830,695	815,600
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations		0	0	0	0	0
TOTAL		1,048,021	87,872	-305,198	830,695	815,600

Table 31 - Valuation of Health - SLT technical provisions for solvency purposes at 31-12-2017 and 31-12-2016

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

The Health – SLT component is only calculated for Fidelidade. The other insurers in the group only have the Health – NSLT component, and therefore all the figures reported for Longrun are identical to those for Fidelidade.

The best estimate of the provisions corresponds to the current value of future projected cash-flows related to insurance contracts, including claims and expenses, discounted at the relevant interest rate term structures (see point 4.2.6).

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

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

¹⁶ Transitional measure on technical provisions.

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6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

In this method capital corresponds to the solvency capital requirement of the Health - SLT Underwriting Risk and Operational Risk (in the part corresponding to the Health - SLT segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation.

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

Amounts in thousand euros

Line of Business		Technical Provisions	Financial statements	Difference ¹⁷
Health insurance (direct insurance)	Contracts without options and guarantees	0	0	0
	Contracts with options and guarantees	0	0	0
Health insurance (reinsurance accepted)		0	0	0
Annuities stemming from non-life insurance contracts and relating to health insurance obligations		830,695	825,834	4,861
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations		0	0	0
TOTAL		830,695	825,834	4,861

Table 32 - Comparison of the valuation of the Health-SLT technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2017

Considering the adjustment of the transitional measure on technical provisions, the impact of revaluing the provisions results fundamentally from the evolution of the interest rates term structure referred to in point 4.2.6.

4.2.4. Health – NSLT

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

¹⁷ Valuation for solvency purposes less financial statements valuation.

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Amounts in thousand euros

Line of Business	Best estimate	Risk margin	Technical Provisions	Technical Provisions (previous year)
Medical expenses insurance	80,270	3,852	84,122	70,972
Income protection insurance	34,709	619	35,328	33,028
Workers' compensation insurance	99,014	3,536	102,550	100,617
TOTAL	213,993	8,007	222,000	204,617

Table 33 - Valuation of the Health - NSLT technical provisions for solvency purposes at 31-12-2017 and 31-12-2016

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

Longrun's best estimate is the result of the sum of the best estimate of the different insurers in the group, after elimination of intragroup effects.

The best estimate of the provisions corresponds to the current value of future projected cash-flows related to insurance contracts, including premiums, claims, commissions and expenses, discounted at the relevant interest rates term structures (see point 4.2.6).

Future cash-flows projections are obtained by applying probabilities of events occurring based on a historical analysis of these events in the portfolio of each of the insurers in the group, in particular claims, lapse, expense and inflation.

The risk margin is calculated using the formula mentioned in Article 37(1) of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, that is, using the cost of capital method with a rate of 6%. The consolidation of the group's risk margin is obtained by applying the requirements set out in Article 340 of the same Regulation.

In this method capital corresponds to the solvency capital requirement of the Health - NSLT Underwriting Risk, Operational Risk and Counterparty Risk (in the part corresponding to the Health - NSLT segment), allocated by line of business, after the consolidation process, in line with Article 336 of the aforementioned Regulation.

The Group's risk margin is calculated by aggregating the risk margins of the different insurers, in line with Method 1 described in Article 340 of that Regulation.

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

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Amounts in thousand euros

Line of Business	Technical Provisions	Financial statements	Difference ¹⁸
Medical expenses insurance	84,122	100,396	-16,274
Income protection insurance	35,328	38,505	-3,177
Workers' compensation insurance	102,550	80,828	21,722
TOTAL	222,000	219,729	2,271

Table 34 - Comparison of the valuation of the Health - NSLT technical provisions for solvency purposes and their valuation in the financial statements at 31-12-2017

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

- The provisions calculated on the basis of economic principles include the associated estimate of reimbursements, while the accounting provisions presented are gross of reimbursements, as previously stated in the paragraph entitled "insurance and intermediaries receivables" in point 4.1.3. of Other Assets;
- A prudent provisions policy, associated with good claims management and follow-up;
- The statutory provisions reflect:
 - provision for premiums and provision for unexpired risks calculated using a different method to that applied to obtain the provision for premiums under Solvency II;
 - the estimate of payables not discounted.

4.2.5. Inflation rate

Banco de Portugal discloses the harmonised index of prices in the economic bulletin, and this is used as the inflation rate for the purposes of calculating the best estimate.

The harmonised index of prices disclosed by Banco de Portugal in December 2017 has a timeframe of three years (2018-2020):

¹⁸ Valuation for solvency purposes less financial statements valuation.

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	Weights 2017	Projections March 2018				EB December 2017			
		2017	2018 ^(p)	2019 ^(p)	2020 ^(p)	2017 ^(p)	2018 ^(p)	2019 ^(p)	2020 ^(p)
Gross domestic product	100.0	2.7	2.3	1.9	1.7	2.6	2.3	1.9	1.7
Private consumption	65.0	2.2	2.1	1.9	1.7	2.2	2.1	1.8	1.7
Public consumption	17.6	0.1	0.5	0.4	0.5	0.1	0.6	0.4	0.2
Gross fixed capital formation	16.1	9.0	6.5	5.6	5.4	8.3	6.1	5.9	5.4
Domestic demand	99.0	2.8	2.7	2.3	2.2	2.7	2.5	2.2	2.1
Exports	43.1	7.9	7.2	4.8	4.2	7.7	6.5	5.0	4.1
Imports	42.1	7.9	7.7	5.4	5.0	7.5	6.7	5.5	4.8
Contribution to GDP growth net of imports (in p.p.)									
Domestic demand		1.2	1.1	1.1	1.0	1.2	1.2	1.0	1.0
Exports		1.5	1.2	0.8	0.7	1.5	1.2	0.9	0.7
Employment		3.3	1.9	1.3	0.9	3.1	1.6	1.3	0.9
Unemployment rate		8.9	7.3	6.3	5.6	8.9	7.8	6.7	6.1
Current plus capital account (% of GDP)		1.4	2.1	2.1	1.9	1.5	2.3	2.2	2.2
Trade balance (% of GDP)		1.8	1.5	1.6	1.3	1.8	1.6	1.6	1.5
Harmonized index of consumer prices		1.6	1.2	1.4	1.5	1.6	1.5	1.4	1.6

Sources: Banco de Portugal and INE

Figure 11 - Banco de Portugal Projections 2018-2020 | Annual rate of change, percentage

In the best estimate projections, 1.5% was considered in 2018, 1.4% in 2019 and 1.6% in subsequent years.

4.2.6. Reference interest rates

When valuing the technical provisions, Longrun used the relevant risk-free interest rate structures established in Commission Implementing Regulation (EU) 2018/165, of 31 January 2018, without volatility adjustment.

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4.3. Other liabilities

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

Amounts in thousand euros

Liabilities	Solvency II	Financial statements	Difference ¹⁹	Solvency II (previous year)
Contingent liabilities	0	0	0	0
Provisions other than technical provisions	154,637	154,637	0	83,529
Pension benefit obligations	375	375	0	439
Deposits from reinsurers	59,379	59,379	0	47,571
Deferred tax liabilities	524,388	270,768	253,620	455,242
Derivatives	6,422	6,422	0	23,807
Debts owed to credit institutions	298,783	290,199	8,584	414,848
Financial liabilities other than debts owed to credit institutions	77	77	0	70
Insurance and intermediaries payables	108,456	108,456	0	101,776
Reinsurance payables	37,806	37,966	-160	28,947
Payables (trade, not insurance)	128,666	128,666	0	131,015
Subordinated liabilities	0	0	0	0
Any other liabilities, not elsewhere shown	107,265	107,265	0	105,896
TOTAL	1,426,254	1,164,210	262,044	1,393,140

Table 35 - Comparison of the valuation of other liabilities for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

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

- Deferred tax liabilities

¹⁹ Valuation for solvency purposes less financial statements valuation.

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

- Debts owed to credit institutions

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

- Reinsurance payables

The difference relates to reinsurance ceded payables for reimbursement of amounts paid out in direct insurance claims. For solvency purposes these payables are included in the Non-technical provisions, the valuation of which was net of these.

4.4. Alternative valuation methods

As mentioned in point 4.1.1 of this report, Longrun does not make valuations from financial models.

On the other hand, to determine the fair value of its financial assets for solvency purposes, Longrun classifies them into different categories.

In two of these categories the determination of fair value is not based on quoted price in active markets. These are AVM and AEM:

- **AVM:**
 - Assets of bankrupt entities or assets without value, not derecognised;
 - Monetary assets (cash and deposits);
 - Bonds with low liquidity or with a quoted price not based on transactions;
- **AEM** – Unlisted participations

4.5. Any other information

4.5.1. Information on the valuation for solvency purposes

The bases, methods and main assumptions used at group level for the valuation of assets, technical provisions and other liabilities for solvency purposes do not differ from those used in any of its subsidiaries for valuation for solvency purposes of the respective assets, technical provisions and other liabilities.

4.5.2. Changing the contractual limits of temporary annual renewable insurance contracts

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

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

4.5.3. Application of the transitional deduction on technical provisions

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

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

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Accordingly, the following table contains the respective amounts of the gross technical provisions and of the reinsurance recoverables, for solvency purposes, with the reference date of 1/1/2016, and in the financial statements, with the reference date of 31/12/2015. The **amount of the transitional deduction applied** is also shown:

Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Gross Technical Provisions			Reinsurance Recoverables		Transitional Deduction
		Financial Statements	Solvency II		Financial Statements	Solvency II	
			Best estimate	Risk margin			
29 and 33	Life insurance liabilities - Health – SLT	793,788	1,033,799	85,534	0	0	325,545
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	1,482,854	1,676,417	11,945	0	0	205,508
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	7,505,455	7,883,284	15,963	0	0	393,792
Total		9,782,097	10,593,500	113,442	0	0	924,845

Table 36 - Amount of transitional deduction applied on the technical provisions

Pursuant to Article 25 of Law No. 147/2015, of 9 September, the **transitional deduction to the technical provisions was applied on the first day of 2017**. The table below shows the amount of that deduction at 31/12/2017:

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Amounts in thousand euros

Lines of business/ Homogeneous risk groups		Transitional Deduction		
		Initial Amount	Decrease at 1/1/2017	Amount at 31/12/2017
29 and 33	Life insurance liabilities - Health – SLT	325,545	-20,347	305,198
30	Life insurance liabilities - Insurance with profit sharing - Capital redemption products	205,508	-12,844	192,664
32	Life insurance liabilities - Other liabilities similar to life - Capital redemption products	393,792	-24,612	369,180
Total		924,845	-57,803	867,042

Table 37 – Decrease in the transitional deduction on the technical provisions in 2017

The following table quantifies the impact on Longrun’s financial condition, at 31/12/2017, of **not applying this transitional deduction**, namely the impact on the amount of the technical provisions, the consolidated group solvency capital requirement, the basic own funds and the eligible own funds to meet the consolidated group solvency capital requirement:

Amounts in thousand euros

	Transitional Measure on Technical Provisions		
	Amount with the transitional measure	Amount without the transitional measure	Impact of the transitional measure
Technical provisions	10,898,350	11,765,392	-867,042
Basic own funds	2,668,592	2,173,477	495,116
Excess of assets over liabilities	2,916,881	2,322,957	593,924
Eligible own funds to meet SCR	2,668,592	2,173,477	495,115
Tier 1	2,668,592	2,109,503	559,089
Tier 2	0	0	0
Tier 3	0	63,974	-63,974
Solvency Capital Requirement (SCR)	1,819,976	1,819,976	0
SCR coverage ratio	146.63%	119.42%	

Table 38 – Impact of not applying the transitional deduction on the technical provisions

The **impact of the decrease in the transitional deduction on technical provisions, on the first day of 2018**, is approximately 0.5% of the total amount of Longrun’s technical provisions and 1.85 pp of its SCR coverage ratio, and the effects on its solvency condition are therefore immaterial, in the wording of Article 291 of Commission Delegated Regulation (EU) 2015/35, of 10 October 2014.

5. Capital management

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

The changes which occurred in 2017, both in its own funds and in its solvency capital requirement are explained in this chapter.

Method 1 (accounting consolidation-based method) described in Article 270 of the Legal Framework on the Taking-up and Pursuit of the Business of Insurance and Reinsurance, approved by Law No. 147/2015, of 9 September, was used to calculate the group's solvency, using the net data of any intra-group transactions.

5.1. Own funds

5.1.1. Management of own funds

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

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

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

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

As an insurance holding company, Longrun, SGPS, SA, does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência and their subsidiaries.

Therefore, the group perimeter considered in that assessment covers the following Companies:

- Fidelidade – Companhia de Seguros, SA;
- Multicare – Seguros de Saúde, SA;
- Via Directa – Companhia de Seguros, SA;
- Fidelidade Assistência – Companhia de Seguros, SA;
- Companhia Portuguesa de Resseguros, SA;
- Garantia, Companhia de Seguros de Cabo Verde, SA;

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- Fidelidade Angola – Companhia de Seguros, SA
- Fidelidade Macau – Companhia de Seguros, SA

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

5.1.2. Structure, amount and tiering of own funds

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

Amounts in thousand euros

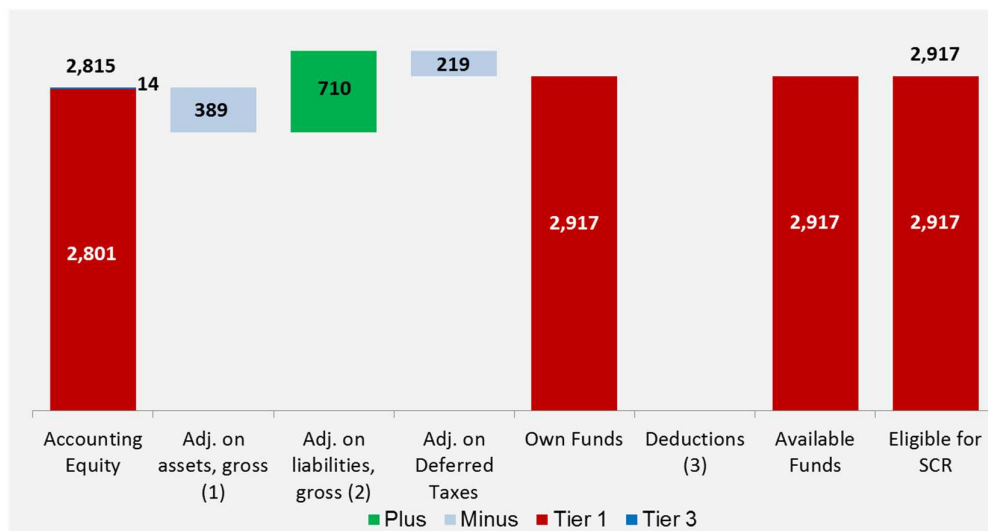
	Solvency II	Financial statements	Difference ²⁰	Solvency II (previous year)
Assets	16,378,096	16,847,403	-469,307	15,145,679
Technical Provisions	12,034,961	12,868,303	-833,342	11,526,981
Other liabilities	1,426,254	1,164,210	262,044	1,393,140
Excess of assets over liabilities	2,916,881	2,814,890	101,991	2,225,558

Table 39: Comparison of the valuation of own funds for solvency purposes and their valuation in the financial statements at 31-12-2017 and 31-12-2016

²⁰ Valuation for solvency purposes less financial statements valuation.

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The difference is explained by the graph below (amounts in million euros):



- (1) Own Funds impact of difference between market value and book value of assets
- (2) Own Funds impact of difference between fair value plus risk margin and book value of liabilities (net of reinsurance)
- (3) Own Funds deductions for participations (>20%) in financial and credit institutions

Graph 27 – Explanation of the differences between own funds for solvency purposes and their value in the financial statements

The following table provides information on the structure, amount and quality of the basic own funds and ancillary own funds, at 31/12/2017 and 31/12/2016:

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Amounts in thousand euros

Own Funds - Structure		Amount	Tier	Amount (previous year)	Tier (previous year)
Basic Own Funds	Ordinary share capital (gross of own shares)	50	1	50	1
	Non-available called but not paid in ordinary share capital at group level	0		0	
	Share premium account related to ordinary share capital	0		0	
	Surplus funds	0		0	
	Non-available surplus funds at group level	0		0	
	Preference shares	0		0	
	Non-available preference shares at group level	0		0	
	Share premium account related to preference shares	0		0	
	Non-available share premium account related to preference shares at group level	0		0	
	Reconciliation reserve	1,317,432	1	624,440	1
	Subordinated liabilities	0		0	
	Non-available subordinated liabilities at group level	0		0	
	An amount equal to the value of net deferred tax assets	0		2,318	3
	An amount equal to the value of net deferred tax assets non available at group level	0		0	
	Other items approved by the supervisory authority as basic own funds not specified above	1,599,399	1	1,598,750	1
	Non-available own funds related to other own funds items approved by supervisory authority	0		0	
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0		0	
	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities, whereof deducted according to art 228 of the Directive 2009/138/EC	0		0	
	Deductions for participations where there is non-availability of information (Article 229)	0		0	
	Deduction for participations included with D&A when the combination of methods is used	0		0	
TOTAL BASIC OWN FUNDS	2,916,881		2,225,558		
Ancillary Own Funds	Unpaid and uncalled ordinary share capital callable on demand	0		0	
	Unpaid and uncalled preference shares callable on demand	0		0	
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0		0	
	Letters of credit and guarantees under Article 96(2) of Directive 2009/138/EC	0		0	
	Letters of credit and guarantees other than under Article 96(2) of Directive 2009/138/EC	0		0	
	Non available ancillary own funds at group level	0		0	
	Other ancillary own funds	0		0	
	TOTAL ANCILLARY OWN FUNDS	0		0	0
EXCESS OF ASSETS OVER LIABILITIES	2,916,881		2,225,558	0	
Minority interests at group level (if not reported as part of another own fund item)	0		0		

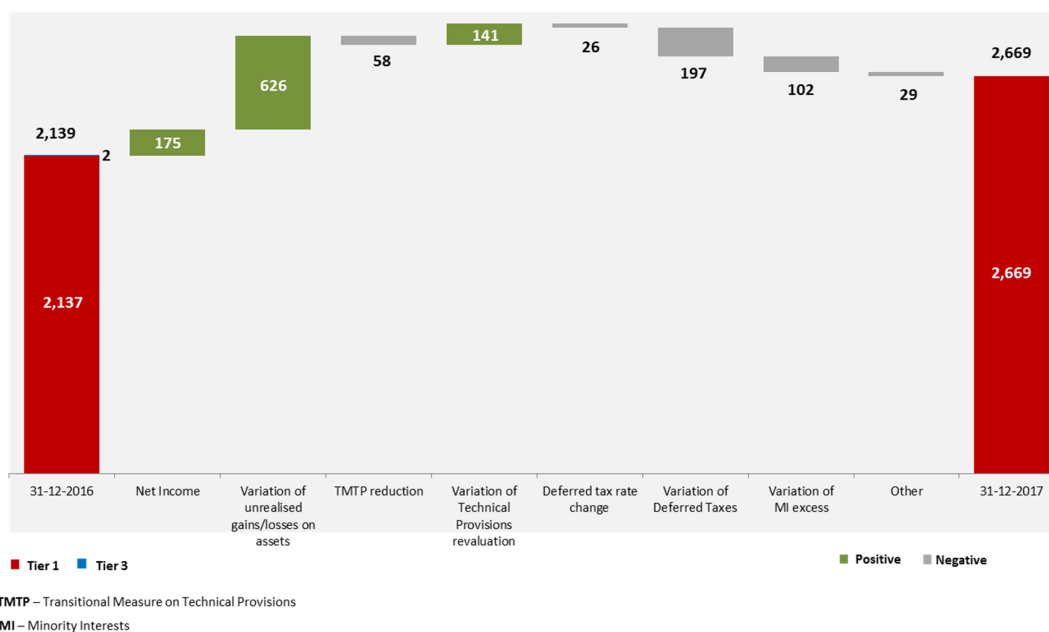
Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

Own Funds - Structure	Amount	Tier	Amount (previous year)	Tier (previous year)
Non available minority interests at group level	-248,289	1	-85,281	1
			-1,004	3
TOTAL AVAILABLE OWN FUNDS	2,668,592		2,139,273	

Table 40 - Structure, amount and tiering of own funds at 31-12-2017 and 31-12-2016

The graph below shows the main changes to the available own funds during the period covered by this report (amounts in million euros):



Graph 28 – Explanation of the main changes to the available own funds between 31-12-2016 and 31-12-2017

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The table below shows the amounts of own funds available and eligible to meet the consolidated group solvency capital requirement (SCR) and the minimum consolidated group solvency capital requirement (MCR), classified by tier, for 31/12/2017 and 31/12/2016:

Amounts in thousand euros

	Available own funds to meet				Eligible own funds to meet			
	SCR	SCR (previous year)	MCR	MCR (previous year)	SCR	SCR (previous year)	SCR	MCR (previous year)
Tier 1	2,668,592	2,137,960	2,668,592	2,137,960	2,668,592	2,137,960	2,668,592	2,137,960
Tier 2	0	0	0	0	0	0	0	0
Tier 3	0	1,313	0	0	0	1,313	0	0
Total	2,668,592	2,139,273	2,668,592	2,137,960	2,668,592	2,139,273	2,668,592	2,137,960

Table 41 – Own funds available and eligible to meet the SCR and MCR

5.1.3. Restrictions to the transferability and fungibility of the own funds in the subsidiaries

No restrictions were identified which affect the availability and transferability of the own funds of the subsidiaries.

Longrun Portugal, SGPS, S.A.

5.2. Solvency capital requirement and minimum capital requirement

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

Information is presented below on the consolidated group solvency capital requirement (SCR) and the minimum consolidated group solvency capital requirement (MCR), and also the respective coverage ratio, for 31/12/2017 and 31/12/2016.

Amounts in thousand euros

	Capital Requirements	Capital Requirements (previous year)	Coverage Ratio	Coverage Ratio (previous year)
SCR	1,819,976	1,610,099	146.63%	132.87%
MCR	485,517	435,777	549.64%	490.61%

Table 42 – SCR and MCR at 31-12-2017 and 31-12-2016 and respective coverage ratio

The table below provides a breakdown of the SCR into its major components, with reference to 31/12/2017 and 31/12/2016, focusing, in particular, on the breakdown of the basic solvency capital requirement (BSCR) and the adjustments for the loss-absorbing capacity of the technical provisions and of deferred taxes.

Amounts in thousand euros

	SCR Breakdown	SCR Breakdown (previous year)
Market risk	1,337,433	1,151,778
Counterparty default risk	225,026	202,024
Life underwriting risk	314,980	338,866
Health underwriting risk	184,830	175,560
Non-Life underwriting risk	250,784	247,016
Diversification	-630,846	-611,736
Intangible assets risk	0	0
Basic Solvency Capital Requirement	1,682,207	1,503,508

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Amounts in thousand euros

	SCR Breakdown	SCR Breakdown (previous year)
Operational risk	137,303	134,506
Loss-absorbing capacity of technical provisions	-5,892	-5,254
Loss-absorbing capacity of deferred taxes	-132,535	-96,275
Solvency Capital Requirement	1,681,083	1,536,485
Capital requirement for residual undertakings	138,893	73,614
Consolidated Group Solvency Capital Requirement	1,819,976	1,610,099

Table 43 – SCR Breakdown at 31-12-2017 and 31/12/2016

Information on the main changes to the solvency capital requirement in the period covered by this report, and the reasons for those changes, is included in Chapter 3.

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

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

Longrun Portugal, SGPS, S.A.

5.4. Differences between the standard formula and any internal model used

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

Longrun Portugal, SGPS, S.A.

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

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

5.6. Any other information

5.6.1. Transitional measure on equity risk

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

5.6.2. Futures contracts

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

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

5.6.3. Solvency capital requirement and own funds of the Group's insurance and reinsurance undertakings

The following table presents the solvency capital requirement of each of the group's insurance and reinsurance undertakings included in the group's solvency calculation:

Longrun Portugal, SGPS, S.A.

a) EEA Insurance Undertakings

Amounts in thousand euros

Legal name of undertaking	SCR Market risk	SCR Counterparty default risk	SCR Underwriting risk - Life	SCR Underwriting risk - Health	SCR Underwriting risk - Non-Life	SCR Operational risk	SCR individual	NCR individual	Individual Own Funds Eligible for SCR coverage
Fidelidade - Companhia de Seguros, S.A.	1,470,588	150,438	314,980	147,205	229,094	133,260	1,734,353	433,588	2,642,195
Fidelidade Assistência - Companhia de Seguros, S.A.	2,312	4,358	0	0	14,621	1,418	18,232	4,558	39,724
Multicare - Seguros Saúde, S.A.	961	15,987	0	47,029	0	7,852	59,921	15,376	75,856
Via Directa - Companhia de Seguros, S.A.	2,636	1,173	0	28	12,492	1,407	14,374	6,468	26,157
Companhia Portuguesa de Resseguros, S.A.	1,030	1,495	0	92	679	664	3,062	3,600	10,417

Table 44 – Solvency capital requirement of the group's insurance and reinsurance undertakings (EEA)

Longrun Portugal, SGPS, S.A.

b) Insurance and reinsurance undertakings outside the EEA (not using Solvency II rules)

Amounts in thousand euros

Legal name of undertaking	Local capital requirement	Minimum local capital requirement	Own funds eligible in line with local rules
Fidelidade Macau – Companhia de Seguros, S.A.	15,873	3,968	22,454
Garantia - Companhia de Seguros de Cabo Verde, S.A.	8,072	7,400	10,060
Fidelidade Angola – Companhia de Seguros, S.A.	27,836	10,559	11,223

Table 45 – Solvency capital requirement of the group's insurance and reinsurance undertakings (outside the EEA)

5.6.4. Effects of group diversification

As previously stated, as an insurance holding company, Longrun Portugal, SGPS, SA, does not carry out insurance or reinsurance activities, and its activity is limited to management of the shares held in the insurance companies Fidelidade, Multicare and Fidelidade Assistência..

On the other hand, of the entities held by Longrun, Fidelidade's business has a very substantial weight, when compared with the other entities.

Accordingly, the effect of diversification resulting from the consolidation of the business of the group's insurance and reinsurance undertakings is not significant, as can be seen in the following table:

Longrun Portugal, SGPS, S.A.

Amounts in thousand euros

	SCR
Fidelidade – Companhia de Seguros, SA	1,734,353
Fidelidade Assistência – Companhia de Seguros, SA	18,232
Multicare – Seguros de Saúde, SA	59,921
Via Directa – Companhia de Seguros, SA	14,374
Companhia Portuguesa de Resseguros, SA	3,062
Total	1,829,942
Group diversification effects	-9,966
Group SCR	1,819,976

Table 46 – Group diversification effects

5.6.5. Minimum consolidated group solvency capital requirement

The minimum consolidated group solvency capital requirement corresponds to the sum of the following items:

Amounts in thousand euros

Insurance undertakings	MCR ²¹	Proportional part ²²
Fidelidade – Companhia de Seguros, SA	433,588	100%
Fidelidade Assistência – Companhia de Seguros, SA	3,600	100%
Multicare – Seguros de Saúde, SA	4,558	100%
Via Directa – Companhia de Seguros, SA	6,468	100%
Companhia Portuguesa de Resseguros, SA	15,376	100%
Garantia, Companhia de Seguros de Cabo Verde, SA	10,559	100%
Fidelidade Angola – Companhia de Seguros, SA	7,400	100%
Fidelidade Macau – Companhia de Seguros, SA	3,968	100%
Minimum consolidated group solvency capital requirement	485,517	

Table 47 – Minimum consolidated group solvency capital requirement at 31-12-2017

²¹ Minimum capital requirement at 31/12/2017.

²² Taking into account Article 261 of the Legal Framework on the Taking-Up and Pursuit of the Business of Insurance and Reinsurance.

Appendices

Longrun Portugal, SGPS, S.A.

Quantitative information

S.02.01.02
Balance sheet

	Solvency II value
	C0010
Assets	
Goodwill	
Deferred acquisition costs	
Intangible assets	
Deferred tax assets	
Pension benefit surplus	
Property, plant & equipment held for own use	
Investments (other than assets held for index-linked and unit-linked contracts)	
Property (other than for own use)	
Holdings in related undertakings, including participations	
Equities	
Equities - listed	
Equities - unlisted	
Bonds	
Government Bonds	
Corporate Bonds	
Structured notes	
Collateralised securities	
Collective Investments Undertakings	
Derivatives	
Deposits other than cash equivalents	
Other investments	
Assets held for index-linked and unit-linked contracts	
Loans and mortgages	
Loans on policies	
Loans and mortgages to individuals	
Other loans and mortgages	
Reinsurance recoverables from:	
Non-life and health similar to non-life	
Non-life excluding health	
Health similar to non-life	
Life and health similar to life, excluding health and index-linked and unit-linked	
Health similar to life	
Life excluding health and index-linked and unit-linked	
Life index-linked and unit-linked	
Deposits to cedants	
Insurance and intermediaries receivables	
Reinsurance receivables	
Receivables (trade, not insurance)	
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	
Any other assets, not elsewhere shown	
Total assets	
	R0010
	R0020
	R0030
	R0040
	R0050
	R0060
	R0070
	R0080
	R0090
	R0100
	R0110
	R0120
	R0130
	R0140
	R0150
	R0160
	R0170
	R0180
	R0190
	R0200
	R0210
	R0220
	R0230
	R0240
	R0250
	R0260
	R0270
	R0280
	R0290
	R0300
	R0310
	R0320
	R0330
	R0340
	R0350
	R0360
	R0370
	R0380
	R0390
	R0400
	R0410
	R0420
	R0500

S.02.01.02**Balance sheet**

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510 1,136,610
Technical provisions – non-life (excluding health)	R0520 914,610
Technical provisions calculated as a whole	R0530
Best Estimate	R0540 890,390
Risk margin	R0550 24,220
Technical provisions - health (similar to non-life)	R0560 222,000
Technical provisions calculated as a whole	R0570
Best Estimate	R0580 213,993
Risk margin	R0590 8,007
Technical provisions - life (excluding index-linked and unit-linked)	R0600 10,724,474
Technical provisions - health (similar to life)	R0610 830,695
Technical provisions calculated as a whole	R0620
Best Estimate	R0630 742,823
Risk margin	R0640 87,872
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650 9,893,779
Technical provisions calculated as a whole	R0660
Best Estimate	R0670 9,719,635
Risk margin	R0680 174,144
Technical provisions – index-linked and unit-linked	R0690 173,876
Technical provisions calculated as a whole	R0700 89,388
Best Estimate	R0710 84,223
Risk margin	R0720 265
Other technical provisions	R0730
Contingent liabilities	R0740 0
Provisions other than technical provisions	R0750 154,637
Pension benefit obligations	R0760 375
Deposits from reinsurers	R0770 59,379
Deferred tax liabilities	R0780 524,388
Derivatives	R0790 6,421
Debts owed to credit institutions	R0800 298,783
Financial liabilities other than debts owed to credit institutions	R0810 77
Insurance & intermediaries payables	R0820 108,456
Reinsurance payables	R0830 37,806
Payables (trade, not insurance)	R0840 128,666
Subordinated liabilities	R0850
Subordinated liabilities not in Basic Own Funds	R0860
Subordinated liabilities in Basic Own Funds	R0870
Any other liabilities, not elsewhere shown	R0880 107,265
Total liabilities	R0900 13,461,213
Excess of assets over liabilities	R1000 2,916,884

S.22.01.22

Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	10,898,350	867,042	0	0	0
Basic own funds	R0020	2,668,592	-495,116	0	0	0
Eligible own funds to meet Solvency Capital Requirement	R0050	2,668,592	-495,116	0	0	0
Solvency Capital Requirement	R0090	1,819,976	0	0	0	0

Anexo I
5.32.01.22
Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
PT	LEI/529900FNLE82OPUOT704	LEI	Fidelidade - Companhia de Seguros, S.A	4	SA		ASF	84.99%	100.00%	84.99%		1	100.00%	1		1
PT	LEI/9598005TTT45GTVTB854	LEI	Companhia Portuguesa Resseguros, S.A	3	SA		ASF	100.00%	100.00%	100.00%		1	100.00%	1		1
PT	LEI/959800J9FJW7L435TD92	LEI	Fidelidade Assistencia - Companhia de Seguros, S.A	2	SA		ASF	80.00%	100.00%	80.00%		1	100.00%	1		1
PT	LEI/959800XGKSDYTU6HVV17	LEI	Via Directa - Companhia de Seguros, S.A	2	SA		ASF	100.00%	100.00%	100.00%		1	100.00%	1		1
PT	LEI/95980038L194K38XP93	LEI	Multicare - Seguros Saude, S.A	2	SA		ASF	80.00%	100.00%	80.00%		1	100.00%	1		1
PT	SC/1002	SC	Fidelidade Property Europe, S.A	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1003	SC	GEP - Gestao Perit Autom, S.A	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1004	SC	EAPS - Emp Anal Prev Seg, S.A	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1006	SC	Fundo Saudeinveste	99				99.09%	100.00%	99.09%		1	99.09%	1		1
PT	SC/1040	SC	Cetra - Cent Tec Rep Autom, S.A	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1053	SC	Fundo Bonanca I	99				100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1060	SC	Fidelidade - Servicos de Assistencia, Sª	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1061	SC	Cares Multiassistance, S.A	10	SA			51.00%	100.00%	51.00%		1	100.00%	1		1
AO	SC/1072	SC	Fidelidade Angola Companhia de Seguros, S.A	4	SA		ARSEG	68.70%	100.00%	68.70%		1	100.00%	1		1
AT	SC/1073	SC	FCM Betelligungs GmbH	99				100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1075	SC	Luz Saude	99				98.79%	98.79%	98.79%		1	98.79%	1		1
PT	SC/1096	SC	Fidelidade - Property International, S.A	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		1
HK	SC/1098	SC	FID I (HK) LIMITED	99				100.00%	100.00%	100.00%		1	100.00%	1		1
HK	SC/1100	SC	FID III (HK) LIMITED	99				100.00%	100.00%	100.00%		1	100.00%	1		1
GB	SC/1101	SC	FPI (UK) 1	10	LLC			100.00%	100.00%	100.00%		1	100.00%	1		1
AU	SC/1103	SC	FPI (AU) 1 PTY	10	LLC			100.00%	100.00%	100.00%		1	100.00%	1		1
IT	SC/1113	SC	FPE (IT) Societa per Azioni	10	SA			95.76%	100.00%	95.76%		1	100.00%	1		1
PT	SC/1114	SC	Fidelidade Consultoria e Gestao de Risc	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		3
PT	SC/1115	SC	Fidelidade Assistencia e Servicos	10	SA			100.00%	100.00%	100.00%		1	100.00%	1		3
MO	SC/1116	SC	Fidelidade Macau - Companhia de Seguros. S.A	2	SA		AMM	100.00%	100.00%	100.00%		1	100.00%	1		3
LU	SC/1124	SC	FPI (LUX) HOLDING SARL	10	LLC			100.00%	100.00%	100.00%		1	100.00%	1		1
LU	SC/1125	SC	Thomas More Square (Lux) Holdings Sarl	10	LLC			99.30%	100.00%	99.30%		1	100.00%	1		1
LU	SC/1126	SC	Thomas More Square (Lux) Sarl	10	LLC			100.00%	100.00%	100.00%		1	100.00%	1		1
JP	SC/1128	SC	Godok Kaisha Praia	10				100.00%	100.00%	100.00%		1	100.00%	1		1
JP	SC/1129	SC	Godok Kaisha Moana	10				97.00%	100.00%	97.00%		1	100.00%	1		1
IT	SC/1130	SC	Fundo Broggi	99				100.00%	100.00%	100.00%		1	100.00%	1		1
IE	SC/1134	SC	FID Loans 1 Irl	99				100.00%	100.00%	100.00%		1	100.00%	1		1
IE	SC/1136	SC	FID Loans 2 Ireland Ltd	99				100.00%	100.00%	100.00%		1	100.00%	1		1
IT	SC/1137	SC	Broggi Retail S.R.L	10				100.00%	100.00%	100.00%		1	100.00%	1		1
AO	SC/1142	SC	Universal Assistencia e Servicos, Lda	10				100.00%	100.00%	100.00%		1	100.00%	1		1
PT	SC/1800	SC	LongRun	5				100.00%	100.00%	100.00%		1	100.00%	1		1
CV	SC/201	SC	Garantia Seguros, S.A.	4	SA		BCV	55.89%	100.00%	55.89%		1	100.00%	1		1

Longrun Portugal, SGPS, S.A.

Responsible actuary's report

LONGRUN PORTUGAL, SGPS, S.A.

REPORT OF

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

CONDITION AT 31 DECEMBER 2017

Lisbon, June 18, 2018

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2. Scope	5
3. Responsibilities	7
4. Opinion	8

1. Introduction

This report was done by the Appointed Actuary certified by the Insurance and Pension Funds Supervisory Authority, aiming to provide an independent opinion on the solvency and financial condition of LongRun Portugal, SGPS, S.A. at December 31, 2017.

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

Technical Provisions

Life

Best Estimate (after Transitional Deduction to the Technical Provisions)	9,719,634,542
Risk Margin	174,144,226
	9,893,778,808

Non-Life

Best Estimate	890,390,394
Risk Margin	24,220,091
	914,610,485

Health SLT

Best Estimate (after Transitional Deduction to the Technical Provisions)	742,822,698
Risk Margin	87,872,308
	830,695,006

Health NSLT

Best Estimate	213,993,074
Risk Margin	8,007,291
	222,000,365

Index-linked and Unit-linked

Technical Provisions calculated as a whole	89,388,130
Best Estimate	84,223,399
Risk Margin	264,810
	173,876,339

Total Technical Provisions	12,034,961,003
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U: Euros

Amounts Recoverable

Life	17,123,320
Non-Life	219,232,235
Health SLT	0
Health NSLT	21,384,120
Total Amounts Recoverable	257,739,675

U: Euros

Future Discretionary Benefits

Future Discretionary Benefits	15,006,896
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U: Euros

Underwriting Risks

	Net Capital Requirement	Gross Capital Requirement
Life Underwriting Risks	315,638,167	314,979,913
Non-life Underwriting Risks	250,783,486	250,783,486
Health Underwriting Risks	184,830,485	184,830,485

Technical Provisions Loss Adjustment	658,254
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U: Euros

Total own funds

Solvency Capital Requirement (SCR)	1,819,976,388
Minimum Capital Requirement (MCR)	485,517,401

Ratio of eligible own funds to SCR	147%
Ratio of eligible own funds to MCR	550%

Total available own funds to meet the SCR	2,668,592,339
Total available own funds to meet the MCR	2,668,592,339

Total eligible own funds to meet the SCR	2,668,592,339
Total eligible own funds to meet the MCR	2,668,592,339

U: Euros

2. Scope

This report is the certification of the solvency and financial condition report and the information to be disclosed to the ASF for supervisory purposes, set out in Regulatory Standard No.2/2017-R, of 24th March, a key element in strengthening the quality and transparency of the report and disclosure of information, one of the pillars of the Solvency II regime.

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

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

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

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

- a) The technical provisions, including the application of the volatility adjustment, the matching adjustment and the transitional measures set out in Articles 24 and 25 of Law No. 147/2015, of 9th September;
- b) The amounts recoverable from insurance contracts and special purpose vehicles for securitisation of insurance risks;
- c) The categories of life insurance underwriting risk, non-life insurance underwriting risk, health underwriting risk, and adjustment for the loss-absorbing capacity of the

technical provisions of the solvency capital requirement, disclosed in the solvency and financial condition report.

In this report, we have aimed to provide sufficient information for another Actuary to be able to recognise the methodology and the assumptions used and to understand the reasons upon which the opinion of the Appointed Actuary is based on, in what concerns the adequacy of the calculation of the elements subject to certification and the level of underlying uncertainty.

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

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

3. Responsibilities

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

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

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

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

4. Opinion

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

Lisbon, June 18, 2018

Longrun Portugal, SGPS, S.A.

Statutory auditor's report

(Translation of a report originally issued in Portuguese)

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

To
The Board of Directors of
Longrun Portugal, SGPS, S.A.

INTRODUCTION

Under the terms of subparagraph a) of No. 1 of article 3º of Regulatory Standard No. 2/2017-R, of 24 March ("Regulatory Standard"), issued by Supervisory Authority for Insurance and Pension Funds ("ASF"), we examined the Solvency and Financial Condition Annual Report ("Report"), established in subparagraph a) of article 27º from Regulatory Standard No. 8/2016-R, of 16 August (republished by Regulatory Standard No. 1/2018, of 11 January) including the quantitative information to be disclosed with that Report ("Quantitative Information"), according to articles 4º and 5º of the Commission's Implementing Regulation (EU) No. 2015/2452, of 2 December 2015 of Longrun Portugal, SGPS, S.A. ("The Entity"), with reference to 31 December 2017.

Our report comprises the reporting of the following matters:

- A. Report on the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification, availability and eligibility of own funds;
 - B. Report on the calculation of the solvency capital requirement and minimum capital requirement;
 - C. Report on the implementation and effective application of the governance system ; and
 - D. Report on the remaining information disclosed in the solvency and financial condition report and the jointly submitted quantitative information.
- A. REPORT ON THE ADJUSTMENTS BETWEEN THE STATUTORY STATEMENT OF FINANCIAL POSITION AND THE BALANCE SHEET FOR SOLVENCY PURPOSES AND THE CLASSIFICATION, AVAILABILITY AND ELIGIBILITY OF OWN FUNDS

Responsibilities of the Management Board

It is the responsibility of the Entity's Board of Directors the calculation of the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and the classification and the availability evaluation and eligibility of own funds.

Auditor's responsibilities

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

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

Scope of Work

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

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

- (i) the reconciliation of the base information used for the calculation of the adjustments with the Entity's information systems and the respective statutory financial position statement as of 31 December 2017, object of the Statutory Audit whose Report was issued on 25 May 2018 without qualifications or emphases;
- (ii) the review of subsequent events that occurred between the date of the Statutory Audit Report and the date of this report;
- (iii) an understanding of the adopted criteria; and
- (iv) the recalculation of the adjustments made by the Entity, except for those referred to in the next paragraph that are excluded from the scope of this certification.

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

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

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

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

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

Conclusion

Based on the procedures carried out and which are included in the previous section "Scope of Work", which were planned and performed in order to obtain a reasonable level of assurance, we concluded that the adjustments between the statutory statement of financial position and the balance sheet for solvency purposes and that the classification, availability and eligibility of own funds, with reference to the report

of the solvency and financial condition date (31 December 2017), are free from material misstatements, complete and reliable and, in all materially respects, are in accordance with the applicable legal and regulatory requirements.

B. REPORT ON THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Responsibilities of the Management Board

It is the responsibility of the Entity's Board of Directors the calculation of the solvency capital requirement and minimum capital requirement submitted to ASF, under the terms of Commission Implementing Regulation (EU) No. 2015/35, of 10 October 2014, that completes the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, relating to the Taking-up and Pursuit of the Business of Insurance and Reinsurance ("Regulation").

Auditor's responsibilities

Our responsibility, as defined in subparagraph a) of No. 1 of article 4° of Regulatory Standard, and considering the transitional regime set out in subparagraph b) of No.1 of article 15° of Regulatory Standard, consists in expressing, based on the procedures carried out, a limited assurance conclusion as to whether the calculation of the solvency capital requirement and minimum capital requirement are presented in accordance with the applicable legal and regulatory requirements.

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

Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards OROC and consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, as to whether the calculation of the solvency capital requirement and minimum capital requirement, is not free of material misstatements, in accordance with applicable legal and regulatory requirements.

Our work consisted, mainly, in inquiries and analytical procedures and others applicable to the base information used for the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2017, including the following procedures:

- (i) the reconciliation of the base information used for the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2017, with the financial position statement for solvency purpose, with book records and other information maintained in the Entity's systems with reference to the same date;
- (ii) the review, on a sample basis, of the correct classification and characterization of assets in accordance with regulation requirements;
- (iii) the review of the calculation of the solvency capital requirement and minimum capital requirement as of 31 December 2017, performed by the Entity; and
- (iv) reading the documentation prepared by the Entity under the regulation requirements.

The procedures carried out did not include the review (i) of the elements included within the certification by the Entity's responsible actuary, as established in the article 7° of same Regulatory Standard, and (ii)

of the elements of solvency capital requirement included within the certification by the Entity's responsible actuary, as established in the article 10º of same Regulatory Standard.

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

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

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

Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that, with reference to the report of the solvency and financial condition date (31 December 2017), the calculation of the solvency capital requirement and minimum capital requirement, is not fairly present, in all materially respects, with the applicable legal and regulatory requirements.

C. REPORT ON THE IMPLEMENTATION AND EFFECTIVE APPLICATION OF THE GOVERNANCE SYSTEM

Responsibilities of the Management Board

It is the responsibility of the Entity's Board of Directors to:

- Prepare the annual report of the solvency and financial condition and the information to report to ASF for regulatory purposes, under the terms of Regulatory Standard No. 8/2016-R, of 16 August, issued by ASF (republished in the Regulatory Standard No. 1/2018-R, of 11 January); and
- Define, approve, periodically review and document the main policies, strategies and processes that define and regulate the Entity governance, management and control, including the risk management and internal control systems ("Governance System"), which should be described on chapter B of the report, under the terms of article 294º of Commission Implementing Regulation (EU) No. 2015/35 of 10 October 2014 (Regulation).

Auditor's responsibilities

Our responsibility, as defined in subparagraph a) of No. 1 of article 4º of Regulatory Standard, consists in expressing, based on the work performed, a limited assurance conclusion about the implementation and effective application of the governance system.

Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, as to whether the content of the "Governance System" chapter of the report about solvency and financial position reflects, in all

materially respects, the description of the implementation and effective application of the Governance System of the Entity at 31 December 2017.

The procedures were carried out included, among others procedures, the following:

- (i) the assessment of the information included on Entity's Report relating to the Governance System with respect to the following main aspects: general information; qualification and integrity requirements; risk management system with the inclusion of risk and solvency self-evaluation; internal control system; internal audit function; actuarial function; subcontracting and eventual additional information;
- (ii) reading and assessing of the documents which sustain the main policies, strategies and processes described in the Report, which regulate how Entity is governed, managed and controlled and obtaining supporting evidence of its implementation;
- (iii) discussing the conclusions with the Entity's management.

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

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

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

Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that at the date to which solvency and financial condition report refers to (31 December 2017), the content of the chapter "Governance System", is not fairly present, in all materially respects, the description of the implementation and effective application of the Entity's Governance System.

D. REPORT ON THE REMAINING INFORMATION DISCLOSED IN THE SOLVENCY AND FINANCIAL CONDITION REPORT AND THE JOINTLY DISCLOSED QUANTITATIVE INFORMATION

Responsibilities of the Management Board

It is the responsibility of the Board of Directors to prepare the Solvency and Financial condition annual Report and the information to report to ASF for supervisory purposes, under the terms of Regulatory Standard No. 8/2016-R, of 16 August, issued by ASF (republished by Regulatory Standard No. 1/2018, of 11 January), including the quantitative information to be jointly disclosed with that report, as established in the articles 4º e 5º of the Commission's Implementing Regulation (UE) No. 2015/2452, of 2 December 2015.

Auditor's responsibilities

Our responsibility, as defined in subparagraph c) of No. 1 of article 4º of Regulatory Standard, consists in expressing, based on the procedures carried out, a limited assurance conclusion as to whether the

remaining disclosed information in the report and in the jointly disclosed quantitative information, is in agreement with the information subject to the work carried out and with the knowledge we obtained during its execution.

Scope of Work

Our procedures were carried out in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and other applicable technical guidance and ethical standards of the Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas - "OROC") and consists in obtaining sufficient and appropriate audit evidence to conclude, with moderate assurance, that the remaining disclosed information in Solvency and Financial condition report is in agreement with the information that was subject to auditor review and with the knowledge obtained during the certification.

The procedures carried out included, among others procedures, the complete reading of the referred report and the evaluation of the agreement as referred above.

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

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

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

Conclusion

Based on the procedures carried out and described in the previous section "Scope of Work", which were planned and performed in order to obtain a moderate degree of assurance, nothing has come to our attention which causes us to believe that, with reference to the report of the solvency and financial condition date (31 December 2017), the information disclosed in solvency and financial condition report is not in agreement with the information which was subject to the work carried out by us with the knowledge obtained during its execution.

E. OTHERS MATTERS

Considering the normal dynamics of any internal control system, the conclusions presented related to the governance system of the Entity should not be used for any projection of future periods, since there could be changes of the processes and controls analyzed and their degree of efficiency. On the other hand, given the limitations of the internal control system, there could be undetected irregularities, frauds or mistakes.

Lisbon, 15 June, 2018

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas (No. 178)



Represented by:

(Signed)

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