ANNUAL REPORT & ACCOUNTS
INDIVIDUAL ACCOUNTS

2018

SEGURADORAS UNIDAS, S.A.

SEGURADORAS UNIDAS, S.A.

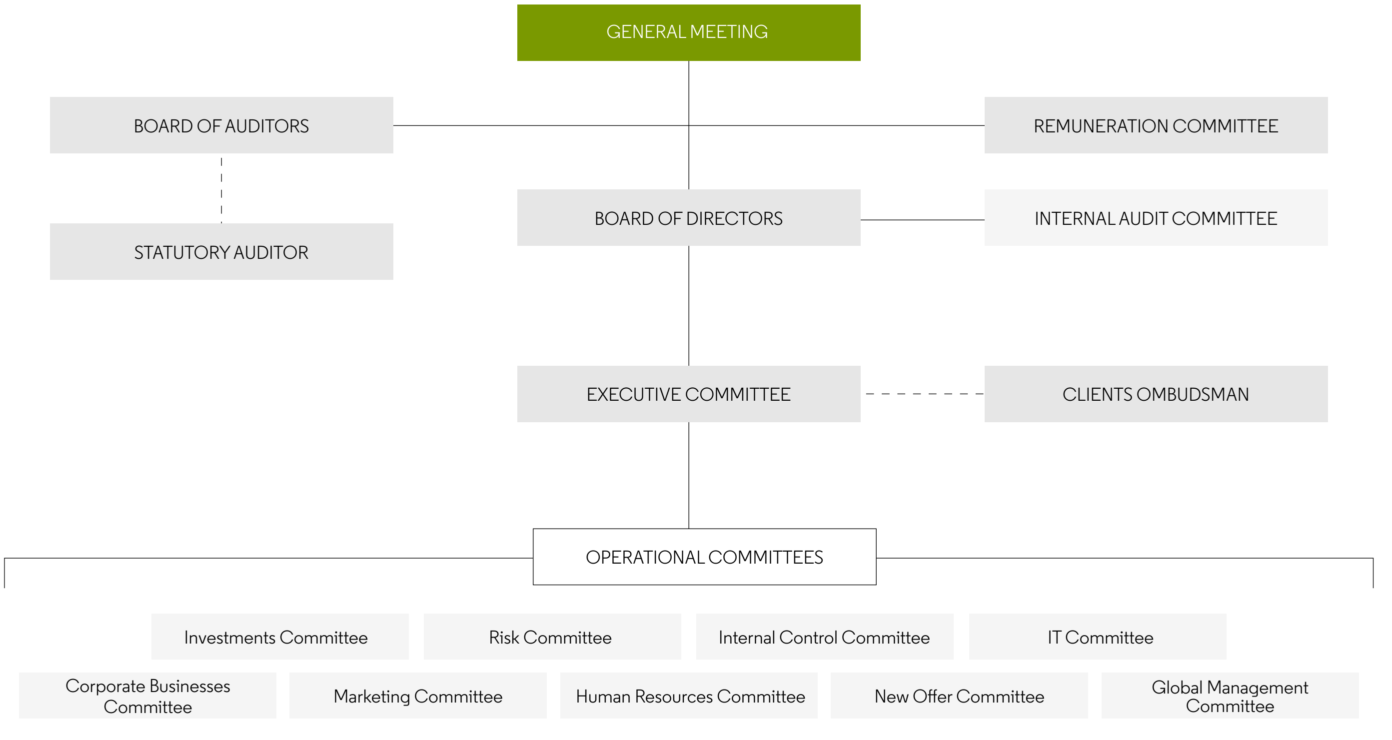
Av. da Liberdade, No. 242
1250 – 149 Lisbon / Portugal
Registered at the Lisbon Registry of Companies
VAT No. 500 940 231 • ASF Authorization No. 1197 • LEI: 549300CGCHTYQ1Z4V333

01 CORPORATE GOVERNANCE MODEL

CORPORATE GOVERNANCE MODEL

In accordance with the Corporate Governance model adopted, Seguradoras Unidas S.A. has a Board of Directors, a Board of Auditors, a Statutory Auditor, and an Executive Committee upon which, pursuant to Article 20 of the Articles of Association, the Board of Directors has delegated the current management of the Company.

In order to strengthen a governance model based on a sound and prudent management of the business, while strengthening communication, transparency and interaction between the various Management and Supervisory Bodies, Key Officers and Top Officers, several Committees have been created, in which, in addition to the presence of one or more members of the Management or Supervisory Bodies, as the case may be, the various Chief Officers and Key-Function holders also have a seat.



02 GOVERNING BODIES

GOVERNING BODIES

GENERAL MEETING

Sofia Leite Borges (Chair)
Denise Alfaro Guimarães Luz (Secretary)

BOARD OF DIRECTORS

Alexander Wallace Humphreys
Bogdan Ignashchenko
Gernot Wilhelm Friedrich Lohr
Gonçalo Fernando de Salvado Marques Oliveira
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães (Chair)
Jan Adriaan de Pooter
José António Correia Dias Nogueira da Silva
Pedro Luís Francisco Carvalho

EXECUTIVE COMMITTEE

Gonçalo Fernando de Salvado Marques Oliveira
Jan Adriaan de Pooter (Chair)
José António Correia Dias Nogueira da Silva
Pedro Luís Francisco Carvalho (Vice-Chair)

BOARD OF AUDITORS

Luís Maria Viana Palha da Silva (Chair)
Manuel Maria de Paula Reis Boto
Pedro Manuel Aleixo Dias
Sandra Maria Simões Filipe de Ávila Valério (Alternate Member)

STATUTORY AUDITOR

KPMG e Associados, SROC, S.A., represented by Ana Cristina Soares Valente Dourado (Permanent Member)
Fernando Gustavo Duarte Antunes (Alternate Member)

03 REPORT FROM THE BOARD OF DIRECTORS

REPORT FROM THE BOARD OF DIRECTORS

Dear Shareholders,

Pursuant to the Law and the Articles of Association, the Board of Directors feels honoured to submit the Management Report and Accounts of Seguradoras Unidas, S.A. (hereinafter referred to as "Seguradoras Unidas" or "Company") for the financial year of 2018.

3.1. MACROECONOMIC FRAMEWORK

Throughout 2018, the external context of the Portuguese economy remained quite favourable. The Portuguese economy grew steadily above 2%, benefiting from a set of growth factors that remained present, although they are being affected by some geopolitical uncertainty, by the policies of less accommodative central banks (the FED's monetary normalization), and by the increased financial volatility in the stock exchanges.

3.1.1. INTERNATIONAL ECONOMIC SITUATION

The world economy kept expanding at a robust pace, within a context of favourable conditions in the financial and labour markets, and with relatively high levels of confidence of economic operators in the leading advanced economies. However, during the course of the year, some negative risks listed before ended up materialising, such as an increase in trade protectionism and pockets of financial instability in some of the most vulnerable emerging economies, within a framework of normalization of the US monetary policy and of a lower risk appetite by international investors. Within this context, world GDP growth in 2018 showed less synchronization among the various countries.

World trade slowed down more sharply than the economic activity, although it should maintain a relatively strong growth rate in 2018. This evolution is consistent with that of the economic cycle in advanced economies, which translates into moderation of economic activity and, in particular, of investment and exports. Rising tariffs on US imports, particularly against imports coming from China, and their retaliatory measures, are negatively affecting the trade flows between these two countries.

The oil price showed some volatility throughout the year of 2018. In the first nine months of the year the price of Brent showed an upward trend, reaching about USD 86 / barrel in early October. This development took place within a context of continued demand growth and some supply-side constraints, such as the collapse of production in Venezuela; the expectations to bring down exports from Iran, associated with the reintroduction of sanctions against this country; and after the collapse of the Brent barrel price in November, OPEC's decision to cut its production in the first half of 2019.

Financial markets experienced a quite intense year in 2018, with several episodes of stock-market corrections, a gradual increase in corporate debt risk premiums, the rising and falling of sovereign risk premiums on the periphery of the Euro Zone, the strengthening of the dollar against the main advanced currencies (especially in the case of emerging currencies), as well as strong price volatility of oil.

All of this occurred within a context of increased geopolitical and trade tensions, and withdrawal of monetary policy incentives, all of which made one forget the context of very low volatility that had occurred in recent years. The negative feelings of the market translated into annual declines in the main stock indexes, of which stand out the devaluations of the main European, Asian and US indices, as shown in the table below:

Equity Indexes	2018	2017	VAR18/17 (%)
DOW Jones	23,327	24,719	-5.6%
Nasdaq	6,635	6,903	-3.9%
S&P 500	2,507	2,674	-6.2%
EuroStoxx 50	3,001	3,504	-14.3%
PSI 20	4,731	5,388	-12.2%
FTSE MIB	6,728	7,688	-12.5%
DAX 30	10,559	12,918	-18.3%
CAC 40	4,731	5,313	-11.0%
IBEX 35	8,540	10,044	-15.0%
BOVESPA	87,887	76,402	15.0%
NIKKEI 225	20,015	22,765	-12.1%
Hang Seng 45	25,846	29,919	-13.6%

In the bonds market, there was an increase in government bond yields in the United States and in the United Kingdom, coupled with expectations of a rise in monetary policy interest rates in the near future. In the Euro area, public debt interest rates showed periods of volatility, essentially associated with the political uncertainty in Italy. Portugal benefited from improved rating and from a positive economic outlook, and recorded a decrease in short and long-term debt yields (-25 bps at 2 years, and -22 bps at 10 years).

The differential of public debt yields in Italy vis-à-vis German debt has increased significantly, and has also contributed to an enlargement in other Euro area countries, albeit to a limited extent:

(%)

Debt Market	2Y		
	2018	2017	VAR18/17 (bps)
Debt Germany	- 0.61	- 0.63	0.02
Debt France	- 0.46	- 0.47	0.01
Debt England	0.75	0.44	0.31
Debt Italy	0.47	- 0.25	0.73
Debt Spain	- 0.24	- 0.35	0.10
Debt Portugal	- 0.35	- 0.10	- 0.25

(%)

Debt Market	10Y		
	2018	2017	VAR18/17 (bps)
Debt Germany	0.24	0.43	- 0.19
Debt France	0.71	0.79	- 0.08
Debt England	1.28	1.19	0.09
Debt Italy	2.74	2.02	0.73
Debt Spain	1.42	1.57	- 0.15
Debt Portugal	1.72	1.94	- 0.22

The monetary and financial conditions in the Euro area remained accommodative, despite a slight tightening throughout the year. Globally, the financial markets recorded several volatility peaks, associated with the announcement and application of protectionist measures by the US, with the review of the prospects for global growth, and with the normalization cycle of monetary policy in the USA.

The ECB reiterated its intention to complete the net purchases of the extended asset purchase program at the end of 2018, and to reinvest the principal of the program's outstanding securities over an extended period. In addition, monetary policy-leading interest rates should remain at current levels at least until the summer of 2019, and, in any case, while it is still required to ensure that inflation developments remain in line with current expectations for a sustained adjustment to the objective of price stability.

The evolution of the Euro exchange rates in 2018 was mainly driven by an appreciation trend of the advanced economies currencies, especially of the US dollar, and of a depreciation of the currencies of emerging market economies, with the exception of the Chinese currency.

3.1.2. DOMESTIC ECONOMIC SITUATION

Despite the fact that the latest official data for the year have not yet been published, it appears that in the whole of 2018 the Portuguese economy will have grown steadily above 2%. This represents a slowdown compared to the 2.8% in 2017, and reflects a natural more moderate growth as the economy enters a more mature stage of the cycle (in addition to starting to feel the effect of the economic slowdown in the main neighbouring economies in a traditionally open economy as is the Portuguese). Thus, it is expected that this dynamic will continue in 2019, with a growth rate close to, but possibly slightly below 2%. However, the Portuguese economy is facing this stage of the cycle, reinforced by the competitiveness improvements achieved in recent years (workers skills, innovation capacity, and improvements in the labour market).

According to the latest national accounts data, the public sector budget balance stood at + 0.7% of the GDP in the third quarter of 2018. This positive record reflects the good dynamics that public accounts have been showing in recent years, sustained by the strength of the economic activity and the labour market. As a result, revenues grew significantly (5.4% year-on-year), while expenditure also continued to perform well and increased by only 0.8% (excluding base effects related to financial system aid). After adjusting this expenditure data with the payment of Christmas subsidies to civil servants and pensioners, these figures confirm the forecast that the budget balance will end the year at about -0.7% of the Portuguese GDP.

The labour market consolidated its recovery in 2018, with the unemployment rate coming close to its pre-crisis levels, with the automotive industry leading the export of goods and holding the greatest economic weight in terms of GDP. Housing prices increased throughout the year, benefiting from the enhanced tourist and international demand in the city centres, and from the strong dynamics in the granting of credit for real estate purposes.

3.1.3. INSURANCE MARKET

Overall, direct insurance production in 2018 increased by 11.8% yoy to €12,942 million (+€1,362 million), strongly driven by developments in the Life segment.

The Life segment maintained the production growth trend recorded in 2017, the beginning of a new cycle with growth of savings products, in contrast to the situation of recent years, which combined low long-term interest rates, with the reduction of individuals savings rate, and with the adoption of a new solvency regime that penalizes the risks inherent in financial guarantees.

Life insurance premiums totalled €8,115 million, + 14.5% more than in the previous year (+€1,026 million), of which stand out the growth in premiums on contributions to retirement savings plans (PPRs) (+ 55.5%, compared to 2017). This is the highest value ever in this class, showing that these products keep deserving savers' trust.

The Non-Life segment maintained a high growth rate (7.5%). Non-Life premiums amounted to €4,827 million (+€337 million), with a 13.5% increase in Workers' Compensation, which maintained a double-digit growth for the third consecutive year.

The Health class (+ 7.4%) maintained a significant growth, although lower than in previous years. Motor (+ 6.8%), Fire and Other Damages (+ 5.7%), and particularly Multi-risk (+ 5.4%), showed growth rates above those recorded in 2017.

3.2. RELEVANT FACTS IN 2018

According to the Portuguese Central Bank [Banco de Portugal] estimates for December 2018, the GDP grew by 2.1% in 2018 (2.8% in 2017), driven mainly by investment (+ 3.9%) and exports (+ 3.6%). Private consumption also made a positive contribution towards this result, with an estimated growth of 2.3%.

As mentioned above, 2018 was once again a year of quite strong growth for the insurance sector in Portugal. The total premium volume grew by 11.8%, with particular emphasis to the Life sector, which grew by 14.5%, while Non-Life grew by 7.5%.

The growth factors in Non-Life are still in line with those of the previous year, of which stand out the growth of the economy, with an impact on the activity of companies and of insured matters, and on the purchasing power of families, also leveraged by increased credit granted. The insurance industry kept its focus on technical balance, which allowed it to keep applying repricing policies in classes of insurance under greater pressure such as Workers' Compensation, Motor, and Health Group.

The insurance sector continued the growth trajectory that it had already recorded in previous years, and increased its weight in the GDP. In Non-Life, the performance of Workers' Compensation (+ 13.5%), Health (+ 7.4%) and Motor (+ 6.8%) were particularly noteworthy. It should also be noted that Health is already the 2nd largest line of business in Non-Life, only surpassed by Motor.

In Workers' Compensation and Health Group, the price adjustment movement aimed at increasing the profitability of these classes, was the main responsible factor for the evolution recorded; while in Individual Health and Motor there is a new increase in the number of people and vehicles insured, respectively.

The Life segment showed a positive evolution of 14.5%, due to the strong growth of retirement savings plans (PPRs), which rose by 55.5%, reaching €3.5 billion. This is the highest value ever in this family of products, and reflects the renewed interest of the population in complementary retirement solutions. By contrast, traditional products showed a slight evolution of only 2.3%.

Regarding overall sector profitability, the trend towards improvement is becoming consolidated, but still with challenging values in terms of future sustainability. According to provisional data published by APS for 2018, the Non-Life combined ratio is already less than 100%, but it still has several challenges in the most important classes of the market:

- In Workers' Compensation the combined ratio is 107.1% (improvement of 17.6 bps);
- In Motor the combined ratio is 104.8% (improvement of 1.3 bps).

In 2018, there were again some catastrophic risks, once again pressing the Fire and Other Damages classes, most notably Hurricane Leslie in October 2018, which cost the insurance industry as much as €60 million.

Seguradoras Unidas outperformed the Non-Life market, recording an increase in premium volume of 9.6% (versus 7.5% of the market), which enabled an increased market share to 15.5% (+ 0.3 pp. compared to 2017).

In 2018 the process of integrating the original portfolio of the Açoreana system into the Seguradoras Unidas systems was completed, in line with what had been planed. This was truly a milestone in the market, due to the short period in which it occurred (18 months), while keeping high levels of business retention, and network loyalty, which helped sustain growth.

The strategy of betting in a digital back- and front office was maintained, in order to support operations with a view to continuous improvement of operational performance and levels of service to Customers and Distribution Partners.

Like the market, the effect of repricing in the case of Workers' Compensation, and the increased number of insured objects and persons in the other cases explain this good performance.

The commercial bet was therefore directed to the Retail segment (Private and Corporate), and in the case of Medium and Large Companies the bet was on selective attraction and focused on retaining the portfolio.

The evolution of the premium portfolio was mainly driven by the Non-Life component (+ 9.6%), and in particular by the Workers' Compensation (+ 14.4%), Motor (+ 12.1%) and Health (+ 7.4%) insurance classes.

With the objective of always providing a service of excellence to Clients of the Private and Corporate segments, a series of changes and launches of products or initiatives were undertaken, with the aim of making the customer relationship management process simpler, faster, and more transparent.

Among these initiatives we highlight the following:

Private

- In Health, the launch of a new multi-option, simpler, faster simulator, with better usability, extending the capacity for more massive sales by the sales network. Two new options were also launched in the AdvanceCare Health product, enabling a better service to Clients in the intermediate segment of needs;
- In Multirisk Housing, increase of the capital base of the coverage of Electric Risks, with the possibility of contracting additional capital, and withdrawal of age limits of the equipment for the purposes of compensation in this coverage;
- In Life Risk, the launch of a new pioneering offer in the market with the product Life More Winning for cancer diseases;
- Launch of the 'More Digital' Competition, with the goal of massive updating of Client data, adherence to the sending of documentation through email (Green Client), and provision of information to data holders and request for consent from Marketing and Health Data for all portfolio Customers and New Customers, within the context of the new GDPR;
- Focus on Prevention, by launching more frequent communications to Clients, with the aim of alerting and promoting responsible behaviours and services in agreed providers at more affordable prices;
- Reinforcement of the advantages to dematerialized Clients, with higher banking discounts and exemption of documentation costs;
- In the LOGO brand:
  - Continuously exploring opportunities for establishing partnerships for strategic products through the telephone and the Internet with prominent players in the large distribution sector;
  - Extension of the capabilities for Auto subscription through an App and Smartphone on LOGO.

Corporate

- Launching of the new MR Corporate offer in March, covering in a single product Risks of Establishment and Industrial, with integrated risk questionnaires allowing the streamlining of the entire sale process;
- Creation of a new Corporate Health Offer, aimed at SME's, through a standard product of up to 50 employees;
- Launch of the coverage of the Right to Return waiver on Workers' Compensation and Domestic Assistance.

The digital and innovation strategy of the Client and Partners service platforms has remained a clear priority, as a differentiating pillar of the Company's positioning in the market:

- Achieving the milestone of 332 thousand "Green Clients" in Tranquilidade (an increase of 220 thousand over 2017), which is complemented by 120 thousand LOGO Customers, also dematerialized, which have a differentiated value proposition, both financially and in service level, thus allowing the Company to count on a high level of efficiency;
- Easier registration in the Tranquilidade App, which already has 66 thousand registered users, and has registered 8,000 accesses during the last month of the year;
- Keeping up with the ambitious process automation program that will help increase efficiency in production and claims operations.

The distribution strategy included focusing the commercial effort in the development of relationships with the main business partners.

In this sense, it was decided:

- To focus the internal teams in the 1,936 main Agents of the Commercial Departments;
- To implement the Free Market program, through which the management of 24 points of sale and respective Direct portfolios were placed on the market and assigned to Business Partners, thus maintaining capillarity and a strong physical presence with Clients. Support was also given to the smaller agents' portfolios under this program. The Company maintains eleven sales outlets in the Azores, where direct distribution under the brand Açoreana keeps having a quite significant weight;
- To re-launch the Insurance Managers Program, the Tranquilidade Academy, through which agents are given full training with the objective of strengthening the Exclusive Network;
- To improve the levels of profitability in the Brokers and Partnerships channels.

As a result, the performance of the various groups again showed the strong commitment between Partners and the Company:

- The Multi-brand and Exclusive Partners grew in Non-Life by 14.5% compared to 2017, mainly in the Non-Life classes of Workers' Compensation and Motor;
- Brokers showed a growth of 2.2%, also greatly leveraged by Automobile and Workers' Compensation;
- Partnerships grew by 7.1% globally, mainly based on Motor retail.

The satisfaction surveys carried out, indicated once again a high level of satisfaction.

Among Clients, the level of satisfaction with the quality of service in claims remained at the level of 8 points in Automobile (on a 0-10 scale), it remained stable in Housing with an evaluation of 7.7, and recorded a slight decrease of 0.1 to 7.8 in Workers' Compensation, which is considered as a quite good performance considering that it coincided with the migration period in production and claims. The intention to recommend remains quite high, between 85% and 90%, across all insurance classes.

Seguradoras Unidas is committed to being a highly relevant social player in the sector among all stakeholders, and to contribute to a better society. The Company wants to be more than just an insurance provider. It wants to have a leading role in building a safer society.

In this way the Company works to prevent and reduce the negative impacts of adverse situations, and does so in a responsible manner, while creating value.

As part of its social responsibility strategy, in 2018, Seguradoras Unidas promoted – in partnership with a Media group – the project "Preventing and Educating for a Green Forest", which aimed to raise awareness among populations and, in particular, among students, to the importance of forest preservation. Conducted in five different towns across the country, during five weeks, the project was widely broadcasted in newspapers and national radios.

Internally, we highlight the Make A Wish initiative entitled "Sale of Stars", in which the Company, Employees and Partners were able to raise €15,506, which allowed to fulfil the wish of 7 children suffering from serious diseases (3 in Lisbon, 3 in Porto, and 1 in the Azores).

During the year, the Company was once again acknowledged for its market strategy and for the service provided to clients and partners, having received the following awards:

- "Choice of the Insurance Sector Professionals" for the 5th consecutive year;
- “Best Buy Award”, which acknowledges Tranquilidade as the company with the best value for money for the second consecutive biennium, since 2015;
- SuperBrand 2018, chosen by consumers.

Finally, one of the most outstanding events in the life of the company in 2018 was Rebranding the brand, which maintained the designation Tranquilidade in Mainland Portugal and in Madeira, and Açoreana in the Autonomous Region of the Azores, and that helped rejuvenate the brand, while strengthening the brand values: Simplicity, Proximity and Responsibility, with a focus on prevention.

3.3. KEY VARIABLES AND BUSINESS INDICATORS

(thousand euros)

	2018	2017	VAR 18/17 (%)
Balance Sheet			
Investments [a]	1,643,535	1,657,480	-0.8
Net assets	2,167,777	2,232,308	-2.9
Own funds	167,167	131,902	26.7
Provision for unearned premiums (DI+RA)	165,616	155,094	6.8
Mathematical reserve and investment contract liabilities	661,456	734,677	-10.0
Provision for claims (DI+RA)	990,036	989,836	0.0
Provision for claims, net of reinsurance	904,601	911,993	-0.8
Technical provisions (DI+RA)	1,724,047	1,781,524	-3.2
Gains & Losses			
Gross direct insurance premiums written	799,249	735,659	8.6
Life	53,287	54,797	-2.8
Non-Life	745,962	680,862	9.6
Earned premiums, net of reinsurance:	701,818	641,748	9.4
Life	48,607	49,661	-2.1
Non-Life	653,211	592,087	10.3
Cost of direct insurance claims	615,077	638,737	-3.7
Life	103,906	106,054	-2.0
Non-Life	511,171	532,683	-4.0
Costs of claims, net of reinsurance	541,967	578,893	-6.4
Life	103,026	104,027	-1.0
Non-Life	438,941	474,866	-7.6
Operating costs	123,634	170,010	-27.3
Revenues	34,716	23,711	46.4
Net Income	50,646	-41,690	221.5
Indicators			
Direct insurance claims rate	69.7%	79.2%	-9.5 p.p.
Claims rate net of reinsurance	77.2%	90.2%	-13.0 p.p.
Net income/gross premiums written	6.3%	-5.6%	11.9 p.p.
Combined ratio net of reinsurance	95.4%	110.5%	-15.1 p.p.

a) Includes: Investments in affiliates, associates and joint ventures, financial assets held for trading, financial assets classified in initial recognition at fair value through profit and loss, available-for-sale assets, loans and accounts receivable, investments held to maturity , land and buildings, non-current assets held for sale, cash and cash equivalents and demand deposits and any withholdings related to investments. Excludes assets from Unit Link and Cash portfolios and demand deposits managed by the treasury and which are not considered investments.

3.4. THE ACTIVITY OF SEGURADORAS UNIDAS IN 2018

3.4.1. DIRECT INSURANCE PREMIUMS

The production of direct insurance reached €799,249k in 2018, which means a variation of + 8.6% compared to the previous year. The insurance market showed a positive growth of 11.8% compared to 2017.

The Company presented a significant increase in the volume of direct insurance premiums of €63,590k, to which contributed the growth in Accidents and Illness (+ 10.3%, or €22,241k), and Motor (+ 12.1%, or €35,904k).

In Accidents and Illness, the positive variation was due to the positive performance of the Workers' Compensation class, which increased by +€20,503k, corresponding to +14.4%, slightly above the market (+13.5 %). The Health class grew by 7.4% over the previous year, in line with the market (+ 7.4%).

(thousand euros)

Direct Insurance Premiums	2018	%	2017	%	VAR 18/17 (%)
Life	**53,287**	**6.7**	**54,797**	**7.4**	**-2.8**
Traditional	42,199	5.3	40,605	5.5	3.9
Financial	11,088	1.4	14,192	1.9	-21.9
Non-Life	**745,962**	**93.3**	**680,862**	**92.6**	**9.6**
Accidents & health	239,027	29.9	216,786	29.5	10.3
Fire & other damage	111,526	14.0	105,039	14.3	6.2
Motor	331,606	41.5	295,702	40.2	12.1
Transport	6,064	0.8	6,298	0.8	-3.7
Third-party liability	17,313	2.2	17,139	2.3	1.0
Sundry	40,426	5.1	39,898	5.4	1.3
Total	**799,249**	**100.0**	**735,659**	**100.0**	**8.6**

3.4.2. COSTS WITH DIRECT INSURANCE CLAIMS

The total costs of Non-Life direct insurance claims in 2018 amounted to €511,171k, representing a variation of -4.0% compared to 2017.

In 2018, the Fire and Other Damages insurance class showed a significant decrease in costs with claims of 12.5% over the previous year (-€12,509k), especially with a decrease in Multi-risk.

This decrease was mainly due to the great forest fires that devastated Portugal in the second half of 2017, whose impact on costs of direct insurance claims amounted to approximately €51,600k.

(thousand euros)

Direct Insurance Claims Costs	2018	2017	VAR 18/17 (%)
Life	**103,906**	**106,054**	**-2.0**
Traditional	26,607	26,620	0.0
Financial	77,299	79,434	-2.7
Non-Life	**511,171**	**532,683**	**-4.0**
Accidents & health	167,057	186,206	-10.3
Fire & other damage	87,485	99,994	-12.5
Motor	231,873	233,051	-0.5
Transport	12,365	2,195	463.3
Third-party liability	7,579	9,866	-23.2
Sundry	4,812	1,371	251.0
Total	**615,077**	**638,737**	**-3.7**

The Non-Life claims ratio in 2018 (costs of gross claims / gross premiums earned) stood at 69.7%, which represents a reduction of 9.5 bps compared to the previous year.

(%)

Claims Costs / Gross Premiums Earned *	2018	2017
Accidents & health	70.1	86.4
Fire & other damage	77.8	94.7
Motor	72.5	81.0
Transport	197.9	33.1
Third-party liability	44.9	57.4
Sundry	12.0	3.4
Total	**69.7**	**79.2**

* costs of claims with costs imputed as % of premiums earned

3.4.3. TECHNICAL PROVISIONS

The technical provisions for direct insurance and inwards reinsurance in 2018 amounted to €1,724,047k, resulting in a variation of -3.2% (-€57,477k) compared to 2017.

(thousand euros)

Direct Insurance Technical Provisions	2018	2017	VAR 18/17 (%)
Provisions for unearned premiums	165,616	155,094	6.8
Life mathematical reserve	528,554	591,765	-10.7
Provisions for claims	990,036	989,836	0.0
Life	61,224	65,377	-6.4
Workers' compensation	564,684	552,058	2.3
Other branches	364,128	372,401	-2.2
Other technical provisions	39,841	44,829	-11.1
Total	**1,724,047**	**1,781,524**	**-3.2**

3.4.4. OUTWARDS REINSURANCE

The balance of outwards reinsurance in 2018 was negative in the amount of €2,279k.

As part of the reinsurance balance, it is noteworthy to highlight the impact on claims and changes in technical provisions resulting from the aforementioned forest fires that occurred in Portugal in 2017, which resulted in the recognition of reinsurance recoverables amounting to €41,127k.

(thousand euros)

Outwards Reinsurance	2018	2017	VAR 18/17 (%)
Life	**565**	**1,032**	**-45.3**
Premiums	5,128	4,771	7.5
Commissions	-2,818	-1,571	79.4
Claims and variation of technical provisions	-1,745	-2,168	-19.5
Non-Life	**1,714**	**13,531**	**-87.3**
Premiums	86,009	83,962	2.4
Commissions	-9,688	-12,303	-21.3
Claims and variation of technical provisions	-74,607	-58,128	28.3
Result	**2,279**	**14,563**	**-84.4**

3.4.5. REINSURANCE NET TECHNICAL BALANCE

The reinsurance net technical balance in 2018 was €141,368k and represents an increase of 85.5% over the previous year (+€65,158k), mainly due to the reduction of the unfavourable balance of outwards reinsurance (+€11,817k).

By insurance class, a substantial improvement was recorded in Accidents and Illness, whose technical balance showed a growth of €30,138k (increase of premiums and reduction of claim costs), with particular emphasis on the Workers' Compensation class, which recorded an increase of €30,691k, also as a result of the increase in premiums and of the reduction of claim costs.

The Fire and Other Damages classes showed a favourable evolution, with the technical balance growing by €19,731k. This development is mainly due to Multirisk, which was heavily influenced by the forest fires disaster in 2017, whose net technical reinsurance balance increased by €13,929k compared to 2017 (reduction of claim costs).

(thousand euros)

Technical Balance, Net of Reinsurance	2018	2017	VAR 18/17 (%)
Accidents & health	45,493	15,355	196.3
Fire & other damage	24,947	5,216	378.3
Motor	59,834	40,107	49.2
Transport	373	2,319	-83.9
Third-party liability	5,504	5,261	4.6
Sundry	5,217	7,952	-34.4
Total	**141,368**	**76,210**	**85.5**

3.4.6. OPERATING COSTS

Operating costs amounted to €123,634k in 2018, -27.3% compared to the previous year. In terms of recurrent costs, there was a decrease of €6,357k, -5.4% compared to 2017.

Staff costs, in the amount of €59,156k decreased by 39.4% compared to 2017. This decrease is directly related to non-recurring costs related to the Company's post-merger restructuring (+€35,610k) recorded in 2017. Without this effect, the Staff Costs would be 4.7% below those of 2017.

The Cost of Supplies and External Services decreased by 8.6% yoy, to €4,553k.

(thousand euros)

Operating Costs	2018	2017	VAR 18/17 (%)
Staff costs	59,156	97,664	-39.4
Third-party supplies & services	48,447	53,000	-8.6
Taxes and charges	5,556	5,797	-4.2
Depreciation	9,098	11,085	-17.9
Other *	1,377	2,464	-44.1
Total	**123,634**	**170,010**	**-27.3**

* Includes provisions for contingencies & liabilities, interest expense, commissions and other costs with Investments

3.4.7. PERMANENT STAFF

During the fiscal year of 2018, 52 new employees were admitted into the permanent staff and there were 251 exits: 221 related to Mutual Termination Agreement (MTAs), and 30 on their own initiative or by the Company's initiative. The number of employees leaving in 2018 remained high due to the 'Restructuring Company Status' awarded by the Portuguese Ministry of Labour, Solidarity and Social Security to Seguradoras Unidas until the end of 2018.

(thousand euros)

	2018	2017	VAR 18/17 (%)
Total Staff as of 1/1	**1,123**	**1,292**	**-13.1**
Admissions	52	50	4.0
Departures	251	219	14.6
Pre-retirement or retirement	0	2	-100.0
Own initiative/company	30	40	-25.0
Terminations by mutual agreement (Company declared in restructuring)	221	177	24.9
Total Staff as of 31/12	**924**	**1,123**	**-17.7**

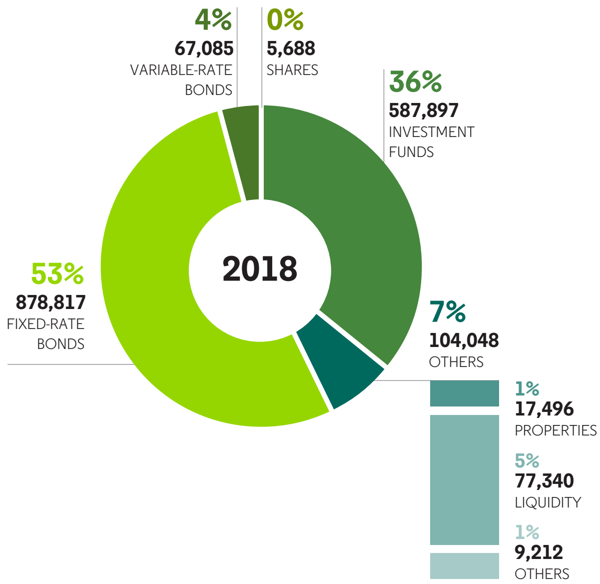
3.4.8. INVESTMENTS

The financial activity of Seguradoras Unidas recorded an overall average return of 2.3%, to which contributed the maintenance of the investment strategy in fixed rate bonds and in diversified investment funds, and the process of bringing down the exposure to the real estate sector.

The evolution of the financial markets in 2018 has kept the same profile as in recent years, characterized by high volatility and interest rates at historically low levels. In this context, and due to the uncertainty that has characterised the evolution of financial markets, the Company kept its conservative investment strategy, focusing mainly on fixed income assets, either through direct investments or through investment funds.

Investment Portfolio 2018

(Amounts in thousand euros, from a management standpoint – does not include UL*)



* Includes investments in associated companies and joint ventures, financial assets held for trading, financial assets classified at initial recognition at fair value through profit and loss, available-for-sale assets, loans and accounts receivable, investments held to maturity, land and buildings, non-current assets held for sale, cash and cash equivalents and current deposits, and any withholdings related to investments. Excludes assets from Unit Link and Cash portfolios and current deposits managed by the treasury, and which are not considered as investments.

The main vectors of the investment strategy adopted included management of the duration of assets and liabilities, and minimization of the interest rate risk of the investment portfolio, following the regulations for insurance activities designated as Solvency II.

In this way, the investment strategy implemented in 2018 aimed, firstly, at closing the durations Gap between assets and liabilities, mainly in Non-Life and, secondly, at investing in assets with higher yields (mainly through investments in non-listed loans) thus optimising the RoSCR.

In order to promote an increase in the duration of investment portfolios, the Company has promoted investment in long-term Euro Core (or quasi-government) bonds, with some exposure to short maturities in High Yield, Investment Grade and Financial, in order to capture a significant correlation with the EIOPA's benchmark portfolio in terms of Volatility Adjustment.

With the objective of dispersing risk to other issuers outside the Euro zone, and to other classes of assets with higher profitability, although always hedging the exchange rate risk to achieve greater flexibility and speed in the execution of transactions, the direct investment in financial assets was replaced by investment in Exchange Traded Funds, and especially in ICAV's.

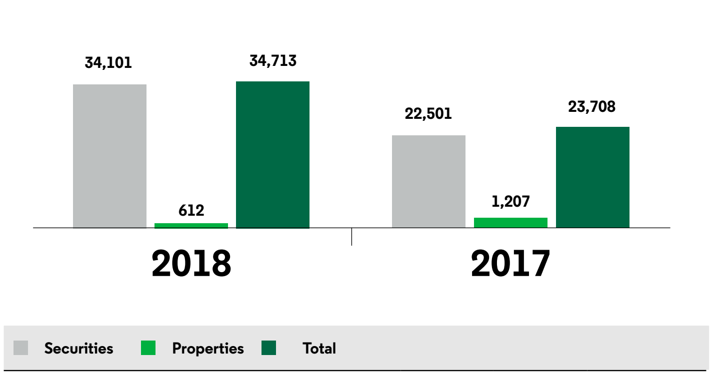
As a result, in 2018 there was a significant investment in investment funds in which the Company has control over and total participation (ICAV's), reaching €460 million by the end of 2018.

The investment in stocks and real estate was sharply reduced throughout the year, and it is the Company's intention to get rid of the remainder of these asset classes during 2019.

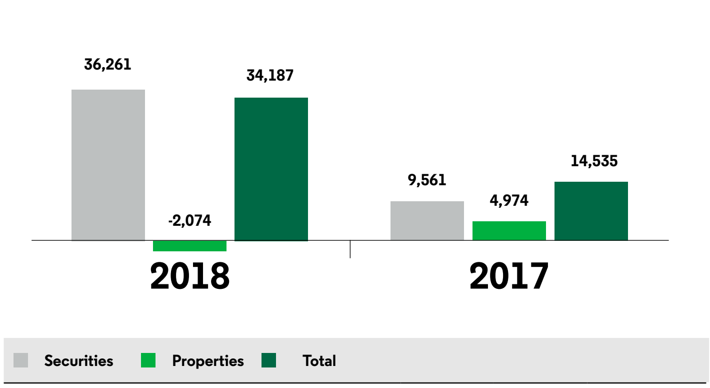
At the end of the year, the investment portfolio of Seguradoras Unidas stood at €1,644k. Investment in fixed rate bonds represented the largest share of the total investment, with 53% of the total investment portfolio. It is also worth mentioning the exposure to investment funds in the amount of €587,897k, mainly related to funds of fixed income securities (€541,121k) and real estate funds (€43,468k).

The bonds portfolio (direct investment) showed an average investment grade rating (A) and a sovereign debt exposure of €714,520k, with strong exposure to Euro Core countries.

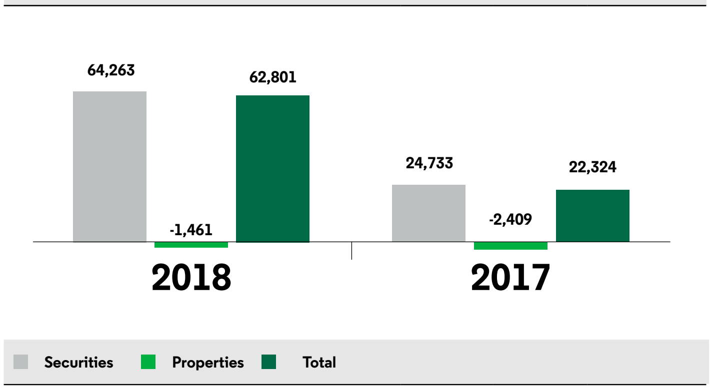
Interest and Dividends
(Amounts in thousand euros, from a management standpoint – does not include UL)



Gains Recorded in Profit and Loss
(Amounts in thousand euros, from a management standpoint – does not include UL and impairments)



Results of Financial Activity
(Amounts in thousand euros, from a management standpoint– does not include UL)



In the year of 2018, the result of the financial activity of Seguradoras Unidas was positive by €62,801k, which represents an increase of €40,477k compared to the previous year. The sale of stakes in Europ Assistance and in GNB Seguros, and despite the impairments recognized in the operation in Angola, have leveraged the results by €26,710k. The increase in investments via funds (ICAVs), and the corresponding recording of income through results, were the main facts responsible for this increase.

The average profitability of the Company's financial assets was 2.3% (+ 1.3% in 2017). By incorporating the effect of unrealized gains recorded in the fair value reserve, the profitability rate was 3.8% (+ 2.4% in 2017).

3.4.9. EQUITY AND SOLVENCY MARGIN

The Company's net income in 2018 was positive at €50,6 million, compared with a negative result of -€41,7 million in 2017.

Equity increased by €35,3 million, mainly as a result of the net income for the year (positive by €50,6 million), partially offset by the negative performance of the revaluation reserve (negative by €17,9 million), as a consequence of the evolution of the financial markets in 2018.

(thousand euros)

Own Funds	2018	2017	VAR 18/17 (%)
Share capital	84,000	84,000	0.0
Other capital instruments	27,097	27,097	0.0
Revaluation reserves	-3,605	14,335	-125.1
Other reserves	49,247	46,688	5.5
Retained earnings	-40,218	1,472	n.a.
Net income	50,646	-41,690	-221.5
Total	**167,167**	**131,902**	**26.7**

The improvement in net income in 2018 reflects an improvement in the Company's technical and financial results, combined with a significant decrease in operating costs.

In addition to the reality described above, there is a set of impacts arising from non-recurring events, which affected the 2018 and 2017 results, which complement the explanation for the significant variation that occurred in such results.

In this way, we highlight that the net result for 2017 was negatively affected by a series of non-recurring events, of which the following stand out:

- Recognition in 2017 of the total cost to be incurred with the Company's restructuring process, estimated at €35,6 million;
- Recognition of the potential loss to be incurred with the sale in 2018 of a group of properties, estimated at €18,8 million;
- Impairment costs in the amount of €4,9 million in associate companies in Angola and Mozambique.

On the other hand, regarding the result for 2018, the non-recurring events had an overall positive impact, of which the following should be highlighted:

- Recognition of capital gains arising from the sale of the affiliated companies Europ Assistance and GNB Seguros in the amounts of €19,8 million and €12,2 million, respectively;
- Recognition of impairment costs of investments in African subsidiaries, totalling €5,2 million;
- Derecognition of deferred taxes (originating in Tranquilidade) in the amount of €24,4 million.

The Company monitors solvency in accordance with the new Solvency II Regime, in force as of January 1st, 2016. According to the legislation, the definitive solvency margin data will be publicly disclosed during the next month of April through the Report on solvency and on the financial situation.

3.4.10. RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND COMPLIANCE

Risk Management and Internal Control System

Applying the qualitative requirements, regulated in the Solvency II Directive, and the entry into force of the Legal Regime for Accessing and Exercising the Insurance and Reinsurance Activity (RJASR), has introduced significant changes to the insurance activity, with particular focus on the principles associated with the development of best practices in risk management.

The creation and subsequent development of qualitative requirements has fostered the efficiency of governance and risk management systems, as well as internal control procedures. In this context, it is important to point out the growing interconnection between the insurance company's management structures and the risk self-assessment, now seen as an integral and fundamental part of the business strategy.

In terms of the governance system, current norms emphasize the performance of the management body of the insurance company, assigning it the responsibility for the implementation of effective internal control and risk management systems.

In this context, in recent years, several actions and projects have been developed and improved, of which we highlight the following:

- Preparation and submission to the ASF of quantitative and qualitative reports at individual and Group level;
- Active participation in APS working groups on matters related to the evolution of the Solvency II project;
- Review and respective formalization of various policies within the scope of monitoring the Solvency II Program in force;

- Development of studies to apply capital loads to Non-Life pricing, and review of processes, information and documentation for the purposes of reporting;
- Public disclosure of the Report on solvency and on the financial situation, at individual and Group level;
- Development of verification and/or monitoring initiatives on Solvency II policies within the areas of the risk management system: investment policy, subscription policy, reinsurance policy, among others;
- Monitoring of risk tolerance limits (SCR by risk), according to the risk profile defined within the scope of the risk management policy in force;
- Development of initiatives to promote a culture of risk, in particular within the context of risk self-assessment by the various departments of the company, and the possible need for implementing additional control measures;
- Launching the bases of a risk scoring system;
- Report of the individual and Group ORSA;
- Update of the cash flow projection tool;
- Review of the Governance System;
- Improvement of monitoring tools and in the reporting of fraud-related operational risk tools;
- Specific monitoring of the implementation of the Investment Policy and of the Subscription and Reinsurance Policy;
- Regarding the risk of Business Continuity:
  - The Company has tried to constantly keep updating and developing the perception of its integrated business continuity plan, namely with regard to the adequacy of its personnel, technical requirements, facilities, and recovery strategies for different scenarios in terms of incidents;
  - Creation of a new crisis communication management document, followed by the respective development of a workshop with its main stakeholders.
- During the last year, more specifically, and bearing in mind the continuous objective of optimizing the Solvency Capital Requirement, the information reporting processes used in Solvency II calculations were reassessed, which resulted in activities with an impact on several risks;
- Also, last year, the Risk Committee, while maintaining the same goals, developed a more objective and more practical analysis in order to promote a more dynamic dialogue with the main operational areas.

Regarding the non-financial information provided for in Article 66-B of the Portuguese Companies Code, in compliance with Article 451(6) of the Portuguese Companies Code, we have informed that the Entity will prepare a separate management report, which includes non-financial information, as provided for in Article 66-B of the Portuguese Commercial Companies Code, which shall be published on its website within the legal term.

3.5. PROPOSED APPLICATION OF RESULTS

The Board of Directors of Seguradoras Unidas, S.A. proposes, under the terms and for the purposes set forth in Article 376 (b) of the Commercial Companies Code, that the net result for 2018, in the positive amount of €50,645,844.27 be applied as follows:

a) 10% of the result of the year in the amount of €5,064,584.43 for Legal Reserve;
b) The remain amount for Retained Earnings.

3.6. GOALS FOR 2019

From the macroeconomic point of view, it is expected that there will be a slowdown of economic growth in 2019 compared to 2018. Nevertheless, the economy will remain favourable, with growth in private consumption and a reduction in unemployment, both in Portugal and in the Euro Zone. The uncertainties surrounding the impact of Brexit still remain.

The year of 2018 was already a year of correction, in which the economy nevertheless presented one of the highest growth rates in the last decades. The year of 2019 should continue the correction process, mainly motivated by the performance of the foreign market. The growth of private consumption should slow down, but, in the opposite direction, an increase is expected in the Gross Fixed Capital Formation. The labour market should continue to perform well over the last three years, reflecting the continued decline in the unemployment rate to levels lower than the EU average. The inflation rate may be slightly corrected, in particular as a result of the process of reviewing the reference interest rates in the main non-EU trade markets, and of the rationalization of private consumption over the last year.

Specifically, the insurance sector is expected to consolidate the premium recovery trajectory, following the increased purchasing power of households and an increased appetite for non-traditional products. Innovation will remain as a market focus, both in terms of product and in terms of the service functionalities made available to customers and partners. All the more so, from the point of view of the competitive environment, we can expect a continued focus on the technical balance in the various insurance classes.

For Seguradoras Unidas, 2019 has three main objectives:

1. To accelerate the process of transformation, namely through innovation in supply, services, and simplification of processes;

2. To focus on profitability, both by continuing to gain efficiencies in internal processes and structure, and in the profitability of the business itself;

3. To strengthen the market position, continuing to grow above the market, and especially in non-compulsory insurance classes.

Achieving these objectives is based on the so-called Transformation Agenda, based on 4 strategic pillars:

1. Technical Excellence, through the application of advanced techniques and product innovation;

2. Customer focus, keeping the customer at the centre of the decision-making process;

3. Effective distribution, omnichannel and in collaboration with partners;

4. Simplicity and efficiency of processes, making them faster and smarter.

Boosting structural capacities, in terms of digital and Data Analytics, in order to execute a set of strategic initiatives, namely:

1. Product Innovation
- Strengthening the value proposition of the most profitable insurance classes, namely Health, Life Risk, and in Small and Medium Enterprises;
- New Offer of Personal Accidents, Multirisk Housing, and Local Accommodation.

2. Technical Innovation
- Sophistication of pricing models and detection of the propensity for fraud.

3. Communication
- Crystal Clear Project, aiming at renewing all the internal and external communications of Seguradoras Unidas, making it more effective and appealing;
- Training of employees and cultural transformation towards an increasingly unique and collaborative culture, open to change and focused on execution capacity.

4. Digitalization
- Simplification of operations, namely through digitization of processes, namely Claims and Production;
- Digital client, consolidating the "Green Client" initiative, extending the App functionalities, and launching Tranquilidade Net Corporate;
- New partner services, such as web services for greater system integration and the new Agents Portal.

5. Commercial efficiency and innovative distribution
- Development of a more efficient Distribution Network, namely through the systematic monitoring of commercial agents and development of analytical models to prevent erosion and to identify new opportunities.

It is on the basis of these strategic objectives and challenges that the Company expects to fulfil the growth and profitability plan and objectives up to 2020.

3.7. CLOSING REMARKS

In this extremely challenging year, the Board of Directors wishes to acknowledge its Clients, Brokers, Employees, and all other Partners, for their contribution towards the Company's development.

Seguradoras Unidas also acknowledges the collaboration that the Portuguese Association of Insurers has been providing to the Company in several of its areas of competence, also ensuring the protection of the interests of the sector.

A final thank you to the support provided by the Portuguese Insurance and Pension Funds Supervision Authority, which has also contributed decisively to the fact that Seguradoras Unidas could successfully overcome another important milestone in its history.

Lisbon, March 12, 2019

THE BOARD OF DIRECTORS

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
(Chairman of the Board of Directors)

Alexander Wallace Humphreys
(Board Member)

Bogdan Ignashchenko
(Board Member)

Gernot Wilhelm Friedrich Lohr
(Board Member)

Gonçalo Fernando de Salvado Marques Oliveira
(Board Member)

Jan Adriaan de Pooter
(Board Member)

José António Correia Dias Nogueira da Silva
(Board Member)

Pedro Luís Francisco de Carvalho
(Board Member)

04 FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

BALANCE SHEET (ASSETS) AS OF DECEMBER 31, 2018 AND 2017

(thousand euros)

Assets	Notes to the Annex	December 31, 2018 Gross Amount	December 31, 2018 Impairment, Depreciation/ Amortisation or Adjustments	December 31, 2018 Net Value	December 31, 2017
Cash and cash equivalents and sight deposits	8	56,728		56,728	52,821
Investments in associates and joint ventures	7	3,271	1,506	1,765	17,064
Financial assets held for trading					
Financial assets classified on initial recognition at fair value through profit or loss	6	12,855		12,855	14,980
Hedge derivatives					
Available-for-sale assets	6	1,533,453	7,580	1,525,873	1,522,965
Loans & Receivables		**51,769**	**15,000**	**36,769**	**16,875**
Deposits with ceding enterprises	6	2		2	2
Other deposits					
Loans granted	6	24,210	15,000	9,210	5,982
Accounts receivable					
Other	6	27,557		27,557	10,891
Held-to-maturity investments					
Land & Buildings		**46**		**46**	**266**
Land & buildings held for own use					
Land & buildings held for income	9	46		46	266
Other tangible assets	10	53,778	48,067	5,711	4,218
Inventories	4 & 10	95		95	78
Goodwill	12	65,981		65,981	65,981
Other intangible assets	12	146,436	133,241	13,195	15,119
Technical Provisions For Reinsurance Ceded		**109,399**		**109,399**	**100,359**
Provisions for unearned premiums	4	21,967		21,967	21,365
Mathematical reserve of life business	4	1,997		1,997	1,151
Provisions for claims	4	85,435		85,435	77,843
Provision for profit-sharing					
Provision for rate commitments					
Provision for portfolio stabilisation					
Other technical provisions					
Assets for post-employment benefits and other long-term benefits	23	2,145		2,145	209
Other Debtors For Insurance & Other Operations		**143,117**	**24,978**	**118,139**	**135,130**
Receivables for direct insurance operations	13	59,800	7,308	52,492	61,668
Receivables from other reinsurance operations		51 080	4 827	46 253	58 449
Receivables from other operations	13	32,237	12,843	19,394	15,013
Tax Assets		**79,093**		**79,093**	**108,187**
Current tax assets	24	6,028		6,028	5,702
Deferred tax assets	24	73,065		73,065	102,485
Accruals and deferrals	13	2,844		2,844	2,925
Other items of assets	13	117,567		117,567	124,404
Non-current assets held for sale and discontinued operations	11	19,572		19,572	50,727
Total Assets		**2,398,149**	**230,372**	**2,167,777**	**2,232,308**

THE ACCOUNTANT	THE ACCOUNTS MANAGER	THE FINANCIAL MANAGER	THE BOARD OF DIRECTORS
Paulo Jorge Pinheiro Santos	Pedro Manuel Borges Medalhas da Silva	Alexandre Miguel Varela Simões Lopes	Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães Alexander Wallace Humphreys Bogdan Ignashchenko Gernot Wilhelm Friedrich Lohr Gonçalo Fernando de Salvado Marques Oliveira Jan Adriaan de Pooter José António Correia Dias Nogueira da Silva Pedro Luís Francisco de Carvalho

BALANCE SHEET (LIABILITIES AND EQUITY) AS OF DECEMBER 31, 2018 AND 2017

(thousand euros)

Liabilities & Equity	Notes to the Annex	December 31, 2018	December 31, 2017
Liabilities			
Technical Provisions		**1,724,047**	**1,781,524**
Provisions for unearned premiums	4	165,616	155,094
Mathematical reserve of life business	4	528,554	591,765
Provisions for Claims		**990,036**	**989,836**
For life business	4	61,224	65,377
For workers' compensation	4	564,684	552,058
For other businesses	4	364,128	372,401
Provision for profit-sharing	4	13,553	16,491
Provision for rate commitments	4	3,981	
Provision for portfolio stabilisation	4	427	427
Provision for claims-rate deviations	4	16,808	15,858
Provision for unexpired risks	4	5,072	12,053
Other technical provisions			
Financial liabilities of the deposit component of insurance contracts and operations considered for accounting purposes as investment contracts	5	132,902	142,913
Other Financial Liabilities		**400**	**400**
Hedge derivatives			
Subordinated liabilities			
Deposits received from reinsurers	5	400	400
Other			
Liabilities for post-employment benefits and other long-term benefits	23	235	415
Other Creditors for Insurance Operations and Other Operations		**81,639**	**96,842**
Payables for direct insurance operations	13	37,314	34,672
Payables for other reinsurance operations	13	32,860	54,244
Payables for other operations	13	11,465	7,926
Tax Liabilities		**17,325**	**16,036**
Current tax liabilities	24	17,325	16,036
Deferred tax liabilities			
Accruals and deferrals	13	42,495	58,268
Other provisions	13	1,567	4,008
Other Liabilities			
Liabilities of a disposal group classified as held for sale			
Total Liabilities		**2,000,610**	**2,100,406**
Equity			
Share Capital	25	84,000	84,000
(Treasury shares)			
Other capital instruments	25	27,097	27,097
Revaluation Reserves		**-3,477**	**20,066**
For adjustment of the fair value of financial assets	26	-3,477	20,066
For revaluation of land & owner-occupied buildings			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments			
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred and current tax reserve	26	-128	-5,731
Other reserves	26	49,247	46,688
Retained earnings	25	-40,218	1,472
Net income for the period		50,646	-41,690
Total Equity		**167,167**	**131,902**
Total Liabilities and Equity		**2,167,777**	**2,232,308**

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
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Pedro Luís Francisco de Carvalho

PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(thousand euros)

Profit & Loss Account	Notes to the Annex	December 31, 2018 Technical Life	Technical Non-Life	Non-Technical	Total	December 31, 2017
Earned Premiums Net of Reinsurance		**48,607**	**653,211**		**701,818**	**641,748**
Gross premiums written	14	53,452	750,909		804,361	740,549
Reinsurance ceded premiums	14	-5,128	-86,009		-91,137	-88,733
Provisions for unearned premiums (change)	4 & 14	284	-12,292		-12,008	-8,528
Provisions for unearned premiums, reinsurers' share (change)	4 & 14	-1	603		602	-1,540
Commissions of insurance contracts and operations considered for accounting purposes as investment contracts or as service contracts	15	309			309	573
Cost of Claims, Net of Reinsurance		**103,026**	**438,941**		**541,967**	**578,893**
Amounts paid		99,412	442,268		541,680	494,909
Gross amounts	4	100,907	508,085		608,992	533,708
Reinsurers' share	4	-1,495	-65,817		-67,312	-38,799
Provisions for claims (change)		3,614	-3,327		287	83,984
Gross amount	4	3,019	4,860		7,879	106,876
Reinsurers' share	4	595	-8,187		-7,592	-22,892
Other technical provisions, net of reinsurance	4	3,981	-6,031		-2,050	-13,066
Mathematical Reserve of Life Business, Net of Reinsurance		**-66,021**			**-66,021**	**-65,916**
Gross amount	4	-65,175			-65,175	-65,770
Reinsurers' share	4	-846			-846	-146
Share of profits/(losses), net of reinsurance	4	941			941	-4,416
Net Operating Costs & Expenses	**21**	**15,629**	**183,706**		**199,335**	**213,403**
Acquisition costs		10,301	146,737		157,038	166,488
Deferred acquisition costs (change)	4	327	-1,813		-1,486	-3,472
Administrative costs		7,819	48,470		56,289	64,261
Reinsurance commissions & profit-sharing		-2,818	-9,688		-12,506	-13,874
Revenues	**16**	**8,810**	**25,694**	**212**	**34,716**	**23,711**
On interest on financial assets not carried at fair value through profit & loss		6,504	5,037	186	11,727	13,051
On interest on financial liabilities not carried at fair value through profit or loss						
Other		2,306	20,657	26	22,989	10,660
Financial Costs	**16**	**2,631**	**2,823**	**27**	**5,481**	**5,002**
On interest on financial assets not carried at fair value through profit or loss						
On interest on financial liabilities not carried at fair value through profit or loss						
Other		2,631	2,823	27	5,481	5,002
Net Gains on Financial Assets & Liabilities Not Carried at Fair Value Through Profit or Loss		**-3,060**	**36,762**	**-100**	**33,602**	**5,426**
On available-for-sale assets	17 & 18	272	4,856	-100	5,028	9,555
On loans & accounts receivable						
On held-to-maturity investments						
On financial liabilities carried at amortised cost	5 & 17	-3,332			-3,332	-4,080
Others'	17 & 18		31,906		31,906	-49
Net Gains on Financial Assets & Liabilities Carried at Fair Value Through Profit or Loss		**2,933**	**-43**	**-107**	**2,783**	**4,009**
Net gains of financial assets & liabilities held for trading						
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss	5, 17 & 18	2,933	-43	-107	2,783	4,009
Currency translation differences	19			390	390	-1,217
Net gains on non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	17 & 18		-732		-732	-6,261
Impairment Losses (Net of Reversal)		**-619**	**-5,480**	**3,023**	**-3,076**	**-16,677**
On available-for-sale assets	6	-619	-284		-903	-5,823
On loans and receivables carried at amortised cost						
On held-to-maturity investments						
On others	7, 12, 13 & 18		-5,196	3,023	-2,173	-10,854
Other technical income/costs, net of reinsurance	20	-7	-5,686		-5,693	-4,111
Other provisions (change)	13			2,453	2,453	-2,393
Other income/expenses	20			1,515	1,515	3,262
Negative goodwill recognised immediately in profit or loss						
Gains & losses on associates and joint ventures carried using the equity method						
Gains & losses on non-current assets (or disposal groups) classified as held for sale	17			-1,342	-1,342	11,234
Net Income Before Tax		**-3,214**	**84,287**	**6,017**	**87,090**	**-54,596**
Corporation tax for the period – Current tax	24			-1,421	-1,421	-1,487
Corporation tax for the period – Deferred tax	24			-35,023	-35,023	14,393
Net Income For The Period		**-3,214**	**84,287**	**-30,427**	**50,646**	**-41,690**
Earnings Per Share (in euros)	**27**				**0.28**	**-0.23**

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Alexander Wallace Humphreys
Bogdan Ignashchenko
Gernot Wilhelm Friedrich Lohr
Gonçalo Fernando de Salvado Marques Oliveira
Jan Adriaan de Pooter
José António Correia Dias Nogueira da Silva
Pedro Luís Francisco de Carvalho

05 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(thousand euros)

	2018	2017
Net Income for the Period	50,646	- 41,690
Items that May be Reclassified to the Income Statement	**- 17,940**	**10,418**
Change of fair value of available-for-sale assets	- 23,543	14,012
Change in current & deferred taxes	5,603	- 3,594
Items that Will Not be Reclassified to the Income Statement	**2,559**	**4,276**
Change of actuarial deviations recognised in reserves	2,559	4,276
Change in current & deferred taxes	-	-
Total Other Comprehensive Income, Net of Taxes	**- 15,381**	**14,694**
Total Comprehensive Income For the Period	**35,265**	**- 26,996**

06 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(thousand euros)

	Equity Capital	Other Capital Instruments	Revaluation Reserves	Deferred and Current Tax Reserve	Other Reserves		Retained Earnings	Net Income for The Period	Total
		Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-For-Sale Financial Assets		Legal Reserve	Other Reserves			
Balance as at January 1, 2017	**84,000**	**27,097**	**6,054**	**- 2,137**	**39,188**	**239**	**- 25,394**	**29,851**	**158,898**
Net gains for adjustment to fair value of available-for sale financial assets			14,012						14,012
Adjustments for recognition of deferred and current taxes				- 3,594					- 3,594
Actuarial differences recognised in reserves						4,276			4,276
Increases of reserves for appropriation of profits					2,985		- 2,985		-
Appropriation of the previous year's results							29,851	- 29,851	-
Total Changes in Equity	**-**	**-**	**14,012**	**- 3,594**	**2,985**	**4,276**	**26,866**	**- 29,851**	**14,694**
Net income for the period								- 41,690	- 41,690
Balance as at December 31, 2017	**84,000**	**27,097**	**20,066**	**- 5,731**	**42,173**	**4,515**	**1,472**	**- 41,690**	**131,902**
Net gains for adjustment to fair value of available-for sale financial assets			- 23,543						- 23,543
Adjustments for recognition of deferred and current taxes				5,603					5,603
Actuarial differences recognised in reserves						2,559			2,559
Appropriation of the previous year's results							- 41,690	41,690	-
Total Changes in Equity	**-**	**-**	**- 23,543**	**5,603**	**-**	**2,559**	**- 41,690**	**41,690**	**- 15,381**
Net income for the period								50,646	50,646
Balance as at December 31, 2018	**84,000**	**27,097**	**- 3,477**	**- 128**	**42,173**	**7,074**	**- 40,218**	**50,646**	**167,167**

07 CASH FLOW STATEMENT

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEARS ENDED ON DECEMBER 31, 2018 AND 2017

(thousand euros)

	2018	2017
Cash Flow from Operating Activities	**8,882**	**- 29,242**
Net income for the period	50,646	- 41,690
Depreciation & amortisation charges for the period	9,098	11,086
Impairment of assets net of reversals and recoveries	3,076	16,677
Change in technical provisions for direct insurance	- 57,478	23,792
Change in technical provisions for reinsurance ceded	- 9,040	- 21,159
Variation of liabilities for investment contracts	- 10,011	- 8,698
Change in other provisions	- 2,441	2,393
Change in debtors for direct insurance, reinsurance & other operations	16,993	- 43,540
Change in other tax assets & liabilities	35,987	- 20,056
Change in other assets & liabilities	- 12,746	16,023
Change in debtors for direct insurance, reinsurance & other operations	- 15,202	35,930
Cash Flow from Investing Activities	**- 4,975**	**44,434**
Variation of investments	- 110,241	- 43,769
Disposals of subsidiaries and associates	39,886	621
Dividends received	21,801	8,676
Interest	13,534	16,037
Acquisitions of tangible & intangible assets	- 6,832	- 8,582
Disposals of tangible & intangible assets	-	-
Acquisition of real estate	- 732	-
Disposal of land & buildings	37,609	71,451
Cash Flow from Financing Activities	**-**	**-**
Dividend distribution	-	-
Equity capital subscription	-	-
Net Change in Cash & Cash Equivalents & Sight Deposits	**3,907**	**15,192**
Cash & cash equivalents at the start of the period	52,821	37,629
Cash & cash equivalents at the end of the period	56,728	52,821

08 NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS OF DECEMBER 31, 2018 AND 2017

NOTE 1 – GENERAL INFORMATION

Seguradoras Unidas, S.A. (hereinafter referred to as the Company) is an insurance company resulting from the merger by incorporation into the Company of Seguros Tranquilidade, S.A., of the insurance companies held by the latter at 100%, namely T-Vida, Companhia de Seguros, S.A. (incorporated in July 2006), Seguros LOGO, S.A. (incorporated in December 2007), and Açoreana Seguros, S.A. (acquired on August 5, 2016).

This merger was duly registered and took effect on December 30, 2016, after approval by the management and supervisory bodies of the four entities involved, and with the prior approval of the Insurance and Pension Funds Supervision Authority (ASF). The merged entities were extinguished by the merger that took effect on that date. On that same date, Companhia de Seguros Tranquilidade, S.A. changed its name to Seguradoras Unidas, S.A. Nevertheless, from a commercial point of view, the Company's management decided to keep the brands Tranquilidade, Açoreana, and LOGO active.

On January 15, 2015, the entire share capital of the Company was acquired by Calm Eagle Holdings, S.a.r.l., a company controlled by the affiliated investment funds of Apollo Global Management, LLC. This acquisition deserved the prior approval of the Insurance and Pension Funds Supervision Authority (ASF).

The Company has its headquarters and main business site located at Av. da Liberdade, No. 242, in Lisbon, and is duly registered with the Commercial Registry of Lisbon under Legal Person number 500 940 231. It conducts insurance and reinsurance activities in Portugal in all Life and Non-Life technical insurance classes (with the exception of credit insurance), under the supervision of ASF, and through Licence No. 1197 and LEI: 549300CGCHTYQ1Z4V333.

The Company operates through its offices in Lisbon, Porto, and Ponta Delgada. The distribution network in Portugal is divided into 23 commercial areas (21 on Mainland Portugal, plus the Azores and Madeira), which are supported by local offices, and by a total of 585 physical points of sale, distributed geographically throughout Mainland Portugal and in the autonomous regions. By typology, the physical network consists of 13 own points of sale (in Lisbon, Porto, plus 11 in the Azores), and 572 partner points of sale with the Tranquilidade or Açoreana image (in the Azores), of which 236 are exclusive.

Through LOGO, a direct insurance brand, launched in January 2008, and the first to provide services and products through the Internet and over the telephone, it markets insurances for vehicles (including motorcycles), home, health and life risk. It already counts on a total of 140 thousand customers.

NOTE 2 – INFORMATION BY SEGMENTS

The Company operates all Life and Non-Life insurance classes for which it has been authorized by ASF and its policies and subscription rules are well defined, with the goal of obtaining – by product – the best cost / benefit balance for the Company, Customer and Business Partner, using for this purpose all sources of information available for assessing the quality of physical, financial and moral risks.

The operating segments reported correspond to a typology of business lines.

The analysis of the main items of the profits and loss account, and segmented by the most relevant Life business lines is as follows:

(thousand euros)

2018	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & Loss Headings				
Gross premiums written	53,452	41,106	3,945	8,401
Commissions on investment contracts	309	-	10	299
Gross premiums earned	53,736	41,390	3,945	8,401
Returns on investments	5,426	4,127	396	903
Gross cost of claims	103,926	25,553	76,310	2,063
Change in mathematical reserve	- 65,175	- 764	- 62,728	- 1,683
Provision for rate commitments changes	3,981	2,700	1,281	-
Change of the portfolio stabilisation provision	-	-	-	-
Profit-sharing	941	837	102	2
Gross operating costs	18,447	14,835	1,403	2,209
Balance of reinsurance	- 565	- 565	-	-
Technical result	- 3,214	1,790	- 12,017	7,013

(thousand euros)

2017	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & Loss Headings				
Gross premiums written	54,918	40,727	9,620	4,571
Commissions on investment contracts	573	-	-	573
Gross premiums earned	54,427	40,236	9,620	4,571
Returns on investments	9,378	6,882	1,625	871
Gross cost of claims	106,045	26,612	76,295	3,138
Change in mathematical reserve	- 65,770	- 8,263	- 57,507	-
Provision for rate commitments changes	- 9,236	- 4,765	- 4,471	-
Change of the portfolio stabilisation provision	300	300	-	-
Profit-sharing	- 4,416	1,291	- 5,707	-
Gross operating costs	24,021	12,491	2,131	9,399
Balance of reinsurance	- 1,032	- 1,032	-	-
Technical result	12,402	18,420	504	- 6,522

The analysis of the main items of the profits and loss account, and segmented by the most relevant Non-Life business lines is as follows:

(thousand euros)

2018	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & Loss Headings					
Gross premiums written	750,909	162,777	112,197	331,921	144,014
Reinsurance ceded premiums	- 86,009	- 2,408	- 43,463	- 1,419	- 38,719
Gross premiums earned	738,617	162,138	113,225	320,284	142,970
Returns on investments	53,378	11,383	8,653	26,412	6,930
Gross cost of claims	512,945	112,975	87,448	231,877	80,645
Gross operating costs	193,394	35,161	34,121	84,795	39,317
Technical result	84,287	30,899	14,268	29,039	10,081

(thousand euros)

2017	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & Loss Headings					
Gross premiums written	685 631	142 269	106 003	295 959	141 400
Reinsurance ceded premiums	- 83 962	- 2 794	- 41 330	- 1 079	- 38 759
Gross premiums earned	677 594	141 172	106 838	288 060	141 524
Returns on investments	- 3 769	319	- 925	- 2 448	- 715
Gross cost of claims	534 539	131 924	100 190	233 100	69 325
Gross operating costs	203 256	36 070	42 114	83 414	41 658
Technical result	- 77 482	- 21 700	- 23 923	- 33 323	1 464

NOTE 3 – BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Company's financial statements now presented relate to the year ended on December 31, 2018, and were prepared in accordance with the principles established in the Chart of Accounts for Insurance Companies issued by ASF.

The rules set forth in the Chart of Accounts for Insurance Companies correspond to the International Financial Reporting Standards (IAS / IFRS), as adopted by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of July 19, transposed into national law by Decree-Law No. 35/2005, of February 17, except for the application of IFRS 4 – "Insurance contracts", for which only the principles of classification of the type of insurance contract were adopted. The IFRS includes the accounting standards issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective predecessor bodies.

In 2018, the Company adopted the IFRS and the mandatory interpretations for the fiscal years beginning on January 1, 2018. These standards are set out in Note 33. In accordance with the transitional provisions of those standards and interpretations, comparative figures are presented for the new disclosures required.

The accounting standards and interpretations recently issued but not yet effective, and which the Company has not yet applied in the preparation of its financial statements, may also be analysed in Note 33. Specifically, the permission given by the amendment of IFRS 4 – Insurance Contracts, on the possibility of adopting IFRS 9 – Financial Instruments for the moment of simultaneous application of IFRS 17 – Insurance Contracts.

The accounting policies described below were applied consistently for the periods presented in the financial statements.

The financial statements are expressed in thousands of Euros, rounded to the nearest thousand, and the rounded amounts presented may not add to the unit in all cases.

The financial statements are prepared in accordance with the historical cost principle, with the exception of assets and liabilities recorded at fair value, namely financial assets available-for-sale, financial assets at fair value through profits and loss, and investment properties. Other financial assets and liabilities, as well as non-financial assets and liabilities, are recorded at amortized cost or historical cost, less any impairment losses.

The preparation of financial statements in accordance with the Chart of Accounts for Insurance Companies requires that the Company makes judgments and estimates, and the use of assumptions that affect the accounting policies applied and the amounts of income, costs, assets and liabilities.

These estimates and assumptions are based on the most recent available information, supporting the judgments on the amounts of assets and liabilities whose valuation is not supported by other sources. Actual results may differ from estimates.

Pursuant to the applicable accounting standards and the legislation in force, the Company prepares consolidated financial statements and, in turn, consolidates in AP VIII Calm Eagle Holdings SCA, headquartered in Luxembourg, in Avenue J. F. Kennedy L-1855, 44.

The Company's financial statements as of December 31, 2018 were approved by the Board of Directors on March 12, 2019. These financial statements are pending approval by the respective Annual General Meeting.

MAIN ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED

Investments in Subsidiaries and Associated Companies

Subsidiaries

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by the Company. The Company controls an entity when it is exposed, or has rights, to the variability in the returns from its involvement with that entity and can seize them through the power it holds over its relevant activities (de facto control).

Investments in subsidiaries are valued at acquisition cost less any impairment losses.

Associated companies

All companies over which the Company has a significant influence, but it cannot exercise control over its financial and operating policy are classified as associated companies.

It is assumed that the Company exercises significant influence when it holds the power to exercise more than 20% of the associate's voting rights. If the Company holds, directly or indirectly, less than 20% of the voting rights, it is assumed that the Company has no significant influence, except when such influence can be clearly demonstrated.

Investments in associated companies are valued at acquisition cost, less any impairment losses.

Impairmen

The recoverable value of investments in subsidiaries and associated companies is evaluated annually, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable value of investments in subsidiaries or associated companies and their book value. The identified impairment losses are recorded against profits or loss, and are subsequently reversed by results if there is a reduction in the estimated loss amount in a subsequent period.

The recoverable amount is determined based on the higher value, between the value in use of the assets and the fair value less cost to sell, and is calculated using valuation methodologies, supported by discounted cash flow techniques, considering the market conditions, time value, and business risks.

Whenever the value of a subsidiary's liabilities exceeds its assets, in addition to impairments that need to be created to cancel the investment, the Company also constitutes a provision when there are responsibilities over the liabilities of that subsidiary.

Financial Assets

Classification

The Company classifies its financial assets at the beginning of each transaction considering the intention underlying them, according to the following categories:

- Financial assets at fair value through profits or loss, which includes:
  - Financial assets held for trading, which correspond essentially to securities acquired for the purpose of realizing gains as a result of short-term fluctuations in market prices. Also included in this category are derivative financial instruments, excluding those that meet hedge accounting requirements;
  - Financial assets designated at the time of their initial recognition at fair value with variations are recognized under profits or loss, in particular when:
    - Such financial assets are managed, evaluated and analysed internally based on their fair value;
    - Such designation eliminates an inconsistency of recognition and measurement (accounting mismatch);
    - Such financial assets contain embedded derivatives.

- Financial assets available-for-sale, which includes:
  - Non-derivative financial assets in which there is an intention to keep them for an indefinite period;
  - Financial assets that are designated as available for sale at the time of their initial recognition;
  - Financial assets that do not fall into the remaining categories.

- Loans granted and receivables, in which are classified financial assets with fixed or determinable payments that are not listed in an active market, which include amounts receivable related to direct insurance operations, outwards reinsurances, and transactions related to insurance contracts, and other transactions.

- Financial assets held to maturity, which include non-derivative financial assets, with fixed or determinable payments and fixed maturity, for which the Company has the intention and ability to hold to maturity, and that have not been assigned to any other category of assets financial. Any reclassification or sale of financial assets recognized in this category that is not carried out near maturity will oblige the Company to fully reclassify this portfolio to financial assets available-for-sale, and the Company will be unable to classify any financial asset in this category for two years.

Recognition, initial measurement and derecognition

Acquisitions and disposals of financial assets at fair value through profits or loss and financial assets available-for-sale are recognized on their trade date, that is, on the date on which the Company undertakes to acquire or dispose of the asset.

Financial assets are initially recognized at fair value added by transaction costs, except in the case of financial assets at fair value through profits or loss, in which case such transaction costs are directly recognized under results.

These assets are derecognised when i) the contractual rights of the Company expire upon receipt of their cash flows, or ii) the Company has substantially transferred all the risks and benefits associated with holding them.

Subsequent measurement

After their initial recognition, financial assets at fair value through profits or loss are valued at fair value, and their variations are recognized under results.

Investments classified as financial assets available-for-sale are recorded at fair value, and the respective variations are recognized under reserves until the investments are derecognised or an impairment loss is identified, at which time the accumulated amount of potential gains and losses recorded in reserves is transferred to results.

Exchange rate variations associated with such investments are also recognized under reserves, in the case of shares, and under results, in the case of debt instruments. Interests, calculated at the effective interest rate, and dividends are also recognized in the profit and loss statement.

The fair value of listed financial assets is their current bid price. In the absence of a market price, the Company estimates the fair value using i) valuation methodologies such as the use of similar recent transaction prices, carried out under market conditions, discounted cash flow techniques and valuation models of customized options in order to reflect the particularities and circumstances of the instrument, and ii) valuation assumptions based on market information.

Loans granted and accounts receivable are subsequently valued at amortized cost, based on the effective interest rate method.

Financial instruments for which it is not possible to reliably measure fair value are recorded at acquisition cost, net of impairment losses.

Transfers between categories

In October 2008, the IASB issued a review of IAS 39 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures).

This amendment has enabled an entity to transfer financial assets at fair value through profit or loss to the portfolios of financial assets available for sale, loans and accounts receivable or to financial assets held to maturity, provided that such financial assets conform to the characteristics of each category.

In addition, transfers of financial assets recognized under the category of financial assets available-for-sale to the categories of Credit to customers – Loans and Financial assets held to maturity are allowed, under certain specific circumstances.

Impairment

The Company regularly assesses whether there is objective evidence that a financial asset, or group of financial assets, shows signs of impairment. For financial assets that show signs of impairment, the respective recoverable amount is determined, while impairment losses are recorded against profit and loss.

A financial asset or group of financial assets is impaired whenever there is objective evidence of impairment resulting from one or more events that have occurred after its initial recognition, such as: i) for equity securities, a continuing or significant devaluation of their market price, and ii) for debt securities, when such event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can reasonably be estimated.

Under the Company's policies, a 30% devaluation in the fair value of a capital instrument is considered a significant devaluation, and the 1-year period is assumed to be a continuous devaluation of the fair value below the acquisition cost.

When there is evidence of impairment in financial assets available-for-sale, the potential accumulated loss on reserves, corresponding to the difference between the acquisition cost and the current fair value, less any impairment loss on the asset previously recognized in profit or loss, is transferred to results.

If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed against the results of the year until the replacement of the acquisition cost, if the increase in the fair value is objectively related to an event occurring after recognition of the impairment loss, except for shares or other equity instruments, in which case the increase in the fair value of securities is recognized against reserves.

Derivative Financial Instruments

Derivative financial instruments are recognized on their trade date, at their fair value. Subsequently, the fair value of derivative financial instruments is revalued on a regular basis, and the resulting gains or losses are recorded directly in the income statement for the period.

The fair value of derivative financial instruments corresponds to their market value, when available, or is determined on the basis of valuation techniques, including discounted cash-flow models and option valuation models, as appropriate.

Embedded Derivatives

Derivatives that are embedded into other financial instruments are treated separately when their economic characteristics and their risks are not related to the main instrument, and the main instrument is not accounted for at fair value through profit or loss. These embedded derivatives are recorded at fair value with their variations recognized under profits and loss.

Financial Liabilities

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be made through the delivery of cash or another financial asset, regardless of its legal form.

Non-derivative financial liabilities include loans, creditors for direct insurance and reinsurance operations, and other liabilities. These financial liabilities are recorded i) initially at their fair value less transaction costs incurred, and ii) subsequently at amortized cost, based on the effective rate method, with the exception of liabilities for investment contracts in which the investment risk is borne by the policyholder, which are recorded at fair value.

The Company derecognises financial liabilities when they are settled, cancelled or terminated.

Transactions in Foreign Currency

Transactions in foreign currency are translated at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated to Euros at the exchange rate prevailing on the balance sheet date. Exchange rate differences resulting from this conversion are recognized in the income statement, except when classified as cash flow hedges or hedges of a net investment, where the resulting exchange rate variations are recognized under reserves.

Non-monetary assets and liabilities recorded at historical cost, expressed in foreign currency, are converted at the exchange rate ON the transaction date. Non-monetary assets and liabilities expressed in foreign currency recorded at fair value are converted at the exchange rate prevailing on the date the fair value was determined.

Tangible Assets

The Company's tangible assets are stated at acquisition cost less accumulated depreciations and impairment losses.

Subsequent costs with tangible assets are capitalized only if it is likely that future economic benefits for the Company will follow from such costs. All maintenance and repair expenses are recognized as cost, in accordance with the accrual principle.

Land are not depreciated. Depreciations of tangible assets are calculated using the straight-line method at the following depreciation rates, which reflect the expected service lives of assets:

Asset Type	Number of Years
Owner-occupied properties	-
Hardware	3 a 6
Furniture & materials	4 a 8
Indoor fixtures & fittings	5 a 20
Machines & tools	4 a 8
Transport material	4
Other equipment	7 a 10

The expected service life of assets is reviewed at each balance sheet date and adjusted, if appropriate, in accordance with the expected pattern of consumption of the future economic benefits expected to be derived from the continued use of the asset.

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated, and an impairment loss should be recognized whenever the net asset value exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The recoverable amount is determined as the higher of the fair value less cost to sell and its use value, which is calculated based on the present value of the estimated cash flows expected to be obtained from the continued use of the asset and its disposal at the end of its service life.

Investment Properties

The Company classifies as investment property those properties held for lease or for capital appreciation or both.

Investment properties are initially recognized at acquisition cost, including directly related transaction costs, and subsequently at fair value. Changes in fair value determined at each balance sheet date are recognized in the income statement. Investment properties are not depreciated.

Subsequent related expenditures are capitalized when it is likely that the Company will obtain future economic benefits in excess of the initially estimated level of performance.

Non-Current Assets Held for Sale

Non-current assets are classified as held for sale when there is an intention to dispose of such assets, and they are available for immediate sale and their sale is very likely.

Immediately before being classified as non-current assets held for sale, the measurement of all non-current assets is carried out in accordance with the applicable IFRS. After their reclassification, these assets are measured at the lower value between their cost and their fair value less costs to sell.

Fair value is based on market value, which is determined based on the expected sales price obtained through periodic appraisals made by the Company.

Subsequent measurement of these assets is carried out at the lower of their book value and the corresponding fair value, net of costs to sell, and they are not subject to depreciation. In the event of unrealized losses, they are recorded as impairment losses against income for the year.

Intangible Assets

The Value in force (VIF) is recognized as an intangible asset and is depreciated over the period of recognition of the income associated with the policies acquired. The VIF corresponds to the estimated current value of the future cash flows of the contracts in force at the acquisition date.

The costs incurred with the acquisition of software are capitalized, as well as any additional expenses incurred by the Company required for its implementation. These costs are depreciated on a straight-line basis over the expected service life of these assets, which is usually 3 years.

Costs directly related to the development of computer applications by the Company, which are expected to generate future economic benefits beyond one year, are recognized and recorded as intangible assets. These costs are depreciated on a straight-line basis over the expected service live of these assets, which for the most part does not exceed 5 years.

All other charges related to IT services are recognized as costs when actually incurred. When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated, and an impairment loss should be recognized whenever the net asset value exceeds its recoverable amount.

The recoverable amount is determined based on the highest value between the assets value in use and the market value less cost to sell. It is calculated using valuation methodologies, supported by discounted cash flow techniques, considering the market conditions, time value, and business risks.

Impairment losses are recognized in profit or loss.

Goodwill

The goodwill resulting from the acquisition of a business is defined as the difference between the acquisition cost and the total or proportional fair value of the assets, liabilities and contingent liabilities of that business, depending on the option taken.

If goodwill is negative, it is recorded directly under results of the period in which the concentration of activities occurs.

The recoverable amount of goodwill is evaluated on an annual basis, regardless of the existence of impairment indicators. Any impairment losses determined are recognized under profits or loss for the year. The recoverable amount is determined based on the highest value between the assets value in use and the market value less cost to sell. It is calculated using valuation methodologies, supported by discounted cash flow techniques, considering the market conditions, time value, and business risks.

Leases

The Company classifies leasing operations as financial leases or operating leases, depending on their substance and not on their legal form, thus fulfilling the criteria defined under IAS 17 – Leases.

Financial leases are those operations in which the risks and benefits inherent to the ownership of an asset are transferred to the lessee. All other lease operations are classified as operating leases.

In operating leases, the payments made by the Company under operating lease contracts are recorded as costs in the periods to which they relate.

Financial lease agreements are recorded at the date of their commencement, under assets and liabilities, at the acquisition cost of the leased property, which is equivalent to the present value of the lease payments due. These payments include i) the financial cost that is charged to income, and ii) the financial amortization of capital that is deducted from liabilities.

Financial costs are recognized as costs over the lease period, in order to produce a constant periodic interest rate on the remaining liabilities balance in each period.

Cash and Cash Equivalents

For the purpose of preparing the Cash-flow Statement, the Company considers the total of the "Cash, cash equivalents, and current deposits" account to be "Cash and cash equivalents". Cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months from the date of the balance sheet, which include cash and cash equivalents kept with credit institutions.

Reinsurance

Reinsurance contracts are reviewed in order to determine whether the respective contractual arrangements suppose the transfer of a significant insurance risk. Reinsurance contracts that do not involve the transfer of a significant insurance risk are accounted for using the deposit method, and recorded under loans as financial assets or liabilities related to reinsurance activity. Amounts received or paid under these contracts are accounted for as deposits, using the effective interest rate method.

In the course of its activity, the Company accepts and assigns business. Amounts receivable or payable relating to reinsurance activities include receivables or payables from insurance and reinsurance companies, in accordance with the contractual arrangements previously defined in the respective reinsurance treaties.

Accounting principles applicable to liabilities related to inwards reinsurance, within the context of insurance contracts that involve a significant insurance risk, are treated in the same way as direct insurance contracts.

Employee Benefits

Employee benefit responsibilities are recognized in accordance with the principles established by IAS 19 – Employee Benefits. .

Postretirement benefits plan

The Company takes the responsibility of granting to its employees supplementary benefits to the old age and invalidity pensions awarded by the general social security system, under the terms established in the Collective Labour Legislation Instruments (IRCT) applicable to them.

The Company's liabilities related to said benefits with supplementary retirement pensions (the defined benefits plan) are calculated annually at the balance sheet date, individually for each plan.

The collective labour agreement that originally applied to the labour relations in force in the Company was the Collective Labour Agreement, published in BTE No. 32, of August 29, 2008, which provided that employees covered by this agreement, admitted to the sector until June 22, 1995, could have access to a supplementary social security benefit granted by Social Security.

The Company, in line with other insurance companies in similar circumstances, has declared an end to the validity and application of this agreement with effect as of December 31, 2016, namely with respect to said complementary defined benefit pension plans. On December 23, 2011, a new Collective Labour Agreement for the Insurance sector was approved, which was published in BTE No. 2, dated January 15, 2012, and which changed a set of previously defined benefits. This collective labour agreement was succeeded and replaced by the Collective Labour Agreement published in BTE No. 4 of January 29, 2016.

The Collective Labour Agreement was the subject of an extension Ministerial Order, published in BTE No. 25, dated July 8, 2016, which determined the application of the provisions of this agreement to all Company employees not affiliated with the granting unions, with the exception of employees affiliated with Sinapsa – National Union of Insurance and Related Professionals.

Of the changes resulting from the Collective Labour Agreement of 2012, which were maintained in the new Collective Labour Agreement, the following are worth being highlighted:

i) in the case of post-employment benefits, employees will be covered by a defined contributions plan;
ii) a long-service bonus equal to 50% of the employee's actual salary, which will be due – once the respective granting conditions are confirmed – whenever the employee completes one or more multiples of 5 years in the Company.

With regard to the amendment of the supplementary pension scheme – the nature of which has changed from defined benefit to defined contribution – and taking into account that the full funded amount of past service liabilities related to old-age pensions due to active employees covered by the new agreement was converted into individual accounts of these employees, integrating their individual retirement plan, the Company, in accordance with IAS 19, has settled its responsibilities.

Defined benefits plan

The Company's net liability for the defined benefits pension plan – in the limited cases in which it still exists – is calculated separately for each plan by estimating the amount of future benefits that each employee must receive in return for its service during the current period and in past periods. The benefit is discounted in order to determine its present value, by applying the discount rate corresponding to high quality bonds rate of high rating companies, with maturity similar to the average maturity of the plan's bonds. Net liability is determined after deducting the fair value of the assets of the Pensions Fund.

The benefits/costs of interests with the pensions plan is calculated by the Company by multiplying the net assets/liabilities with retirement pensions (liabilities deducted from the fair value of the assets of the fund) by the discount rate used for determining retirement pension liabilities, and referred to above. On that basis, net interest benefits/costs include the cost of interests associated with retirement pensions liabilities, and the estimated return on the assets of the fund, both measured on the basis of the discount rate used in calculating liabilities.

Re-measurement gains and losses, namely i) actuarial gains and losses, resulting from the differences between the actuarial assumptions used and the amounts actually confirmed (experience gains and losses) and from the changes in actuarial assumptions, and ii) gains and losses arising from the difference between the estimated income of the assets of the fund and the amounts obtained, are recognized against equity in the caption of other comprehensive income (Other reserves).

The Company recognizes in its income statement a total net amount that includes i) the current service costs, ii) the net interest income/cost of the pensions plan, iii) the effect of early retirement, iv) past service costs, and v) the effects of any settlement or cuts occurring during the period. Net profits/costs with the pensions plan are recognized under staff costs. Early retirement costs correspond to the increase in retirement liabilities occurring before the worker reaches his retirement age.

The plan is funded annually with contributions from the Company to cover projected pension liabilities, including supplementary benefits when appropriate. The minimum funding of liabilities is 100% for pensions under payment, and 95% for past services of active staff.

On each reporting date, the Company assesses, individually for each Plan, the recoverability of any excess of the fund, based on the prospects of future contributions that may be required.

Defined-contribution plan

For defined contributions plans, which cover all general employees, the liabilities related to the benefits attributable to the Company's employees are recognized as costs for the year when due.

At December 31, 2018, except for the employees covered by the defined benefits plan, the Company has two defined contributions plans, depending on the initial origin of the employer (Tranquilidade or Açoreana, prior to the merger) for active employees admitted before June 22, 1995, as well as for all employees under the conditions defined in the new Collective Labour Agreement, making annual contributions, taking into account each worker's individual remuneration. In addition, the Company assigned a defined contributions plan to its Managing Directors.

Length-of-service bonus

The length-of-service bonus is equivalent to 50% of the employee's salary when the employee, in addition to the other conditions set forth in Clause 42 of said Collective Labour Agreement, completes one or more multiples of 5 years in the Company. The length-of-service bonus is determined using the same methodology and assumptions of post-employment benefits.

The actuarial deviations determined are recorded against profits or loss when incurred.

These benefits apply to all employees covered by the Collective Labour Agreement of 2016.

Health benefits

In addition, the Company granted a health care benefit to active employees and pre-retired employees up to their retirement age. The calculation and recording of the Company's obligations with health benefits attributable to pre-retired persons up to retirement age are made just as those for pensions liabilities.

Short-term benefits

Other short-term benefits, including variable remunerations, whenever they are paid to employees, are recorded as costs for the year to which they relate.

Corporation Tax

The Company is subject to taxation under the Corporate Income Tax (IRC) and the Municipal Surtax, whose aggregate rate for the years of 2018 and 2017 corresponds to 22.5%, plus the respective State Surtax, determined under the terms of Law No. 66-B / 2012, of December 31, which corresponds to applying an additional rate of 3% on the part of the taxable income above €1,500,000 and below €7,500,000, of 5% on the part of the taxable income above €7,500,000 and below €35,000,000, and 7% on the portion of the taxable income that exceeds the latter amount.

Income taxes include current taxes and deferred taxes. Income taxes are recognized under profits or loss, except when they are related to items that are recognized directly under shareholders' equity, in which case they are also recorded against equity.

Taxes recognized under equity arising from re-appraisal of investments available-for-sale are subsequently recognized under profits or loss when the gains and losses that gave rise to them are recognized under profits or loss.

The current tax is calculated based on the taxable income for the year, which differs from the accounting result due to adjustments to the tax base arising from costs or income that are not relevant for tax purposes, or which will only be considered in other accounting periods, as well as value adjustments for the purpose of calculating the taxable income.

Deferred taxes correspond to the impact on the recoverable/payable tax in future periods resulting from deductible or taxable temporary differences between the book value of assets and liabilities and their tax base, as used in determining the taxable income.

Deferred tax liabilities are usually recorded for all taxable temporary differences, whereas deferred tax assets are only recognized up to the amount at which it is likely that future taxable income will be available to allow the use of the corresponding deductible tax differences or carryforwards of tax losses. Additionally, no deferred tax assets are recorded in cases where their recoverability may be questionable due to other situations, including issues of interpretation on the tax legislation in force.

Deferred taxes are calculated based on the tax rates anticipated to be in effect on the date of reversal of the temporary differences, which correspond to the rates approved or substantially approved at the balance sheet date.

Provisions and Contingent Liabilities

Provisions are made when there is a present obligation (legal or constructive) resulting from past events for which there is a likely disbursement of resources in the future, and which expenditure can be determined reliably. The amount of the provision corresponds to the best estimate of the amount to be disbursed to settle the liability at the balance sheet date.

If the future disbursement of resources is unlikely, it is considered as a contingent liability. Contingent liabilities are subject to disclosure, unless the likelihood of their realization is remote.

Other provisions are intended to cover tax and other contingencies resulting from the Company's activity.

Recognition of Interest

The results of interests on financial assets available-for-sale and at fair value through profits or loss are recognized under the specific profits and loss headings.

The amortized cost is calculated using the effective rate method, and its impact is recorded as investment income.

The effective interest rate is the rate that discounts the estimated future payments or receipts over the expected life of the financial instrument.

For the calculation of the effective interest rate, the future cash flows are estimated considering all contractual terms of the financial instrument (for example, advance payment options), not considering, however, any future credit losses. The calculation includes commissions that are an integral part of the effective interest rate, transaction costs, and all premiums and discounts directly related to the transaction.

Dividends Received

Income from equity instruments (dividends) is recognized when received.

Earnings Per Share

Basic earnings per share are calculated by dividing the net income of the Company by the weighted average number of common shares issued.

Offsetting Financial Instruments

Financial assets and liabilities are shown in the balance sheet at their net value when there is a legal possibility of offsetting the amounts already recognized, and there is an intention of settling them at their net value, or to realize the asset and settle the liability simultaneously.

Adjustments to Receivables and Doubtful Debts

With regard to each financial statement submission date, the Company assesses the existence of signs of impairment in assets originated by insurance and reinsurance contracts, namely accounts receivable from insured persons, mediators, reinsurers and reinsured persons, and the technical provisions for outwards reinsurance, as well as other accounts receivable.

If impairment losses are identified, the balance sheet value of the respective assets is deducted against the income statement for the year, and the cost is reflected under the heading "Impairment losses (net of reversal)". The amounts of these adjustments are calculated on the basis of the value of the premiums receivable and of the doubtful debts, according to the criteria established by the ASF.

Report by Operating Segments

The Company determines and presents operating segments based on management information produced internally.

An operating business segment is an identifiable component of the Company that is intended to provide an individual product or service, or a group of related products or services, within a specific economic environment, and which is subject to risks and benefits that are distinguishable from others, operating in different economic environments.

The Company controls its activity through the main operating segments mentioned in Note 2. The Company has not adopted IFRS 8, since it is not a listed entity. The information presented complies with the disclosure requirements defined by the ASF.

Main Estimates and Judgments used in the Preparation of the Financial Statements

The IFRS establishes a series of accounting procedures and requires the Board of Directors to use certain judgments and to make the necessary estimates in order to decide which accounting procedure is the most appropriate.

The main accounting estimates and judgments used by the Company in the application of the accounting principles are analysed as follows, in order to improve the understanding of how their application affects the reported results of the Company and their disclosure.

Considering that in many situations there are alternatives to the accounting procedures adopted by the Board of Directors, the results reported by the Company could be different if a different procedure was chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements fairly depict the financial position of the Company and the results of its operations in all materially relevant aspects.

The alternatives discussed below are presented only to assist the reader in understanding the financial statements, and have no intention of suggesting that other alternatives or estimates are more appropriate.

Impairment for Investments in Subsidiaries and Associated Companies

The Company annually evaluates the recoverable amount of investments in subsidiaries and associated companies, regardless of the existence of impairment indicators. Impairment losses are calculated based on the difference between the recoverable amount of investments in subsidiaries or associated companies and their book value. The identified impairment losses are recorded against profits or loss, and are subsequently reversed by results if there is a reduction in the estimated loss amount in a subsequent period.

The recoverable amount is determined based on the highest value between the value in use of the assets and the market value less cost to sell. It is calculated using valuation methodologies, supported by discounted cash flow techniques, considering the market conditions, time value, and business risks, which require the use of certain assumptions or judgments in establishing fair value estimates.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of recognized impairment losses, with the consequent impact on the Company's results.

Fair Value of Financial Instruments and Other Assets at Fair Value

Fair value is based on market prices, when available. In the absence of such prices, it is determined based on the use of recent similar transaction prices, carried out under market conditions or based on valuation methodologies, based on discounted future cash flow techniques, considering the market conditions, the time value, the yield curve, and volatility factors.

These methodologies may require the use of assumptions or judgments in estimating fair value.

Consequently, the use of different methodologies or of different assumptions or judgments when applying a given model could lead to different financial results from those reported.

Impairment of Financial Assets Available-for-sale

The Company determines the existence of impairment in its assets available-for-sale when there is a continued or significant devaluation of their fair value. Calculating a continued or significant devaluation requires judgment.

According to the Company's policies, a 30% devaluation in the fair value of a capital instrument is considered a significant devaluation, and a 1-year period is assumed to be a continuous devaluation of the fair value below the acquisition cost for equity instruments and events that alter the estimated future cash flows for debt securities.

In addition, appraisals are obtained through market prices or through appraisal models, which require the use of certain assumptions or judgment in establishing fair value estimates.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of recognized impairment losses, with the consequent impact on the Company's results.

Corporation Tax

Calculating the amount of taxes on profits requires certain interpretations and estimates. Different interpretations and estimates could result in a different level of taxes on profits recognized in the period, either current or deferred.

According to the tax legislation in force, Tax Authorities can review the calculation of the tax base made by the Company during a period of four years, or a longer period if the deduction of tax losses is at stake, in which case a period equal to the time limit for their deduction is applied.

In this way, there might be corrections to the tax base, mainly resulting from differences in the interpretation of tax legislation. However, it is the belief of the Company's Board of Directors that there will be no significant corrections to the taxes on profits that have been recorded in the financial statements.

Impairment of Goodwill

The recoverable value of goodwill recorded in the Company's assets is reviewed annually with reference to the end of the period or whenever there are signs of impairment.

For this purpose, the balance sheet value that is recognized under assets regarding the respective goodwill is compared to its recoverable value. An impairment loss associated to goodwill is recognized when the recoverable amount of the entity being tested is lower than its balance sheet value.

In the absence of an available market value, it is calculated based on discounted value techniques by using a discount rate that considers the risk associated with the unit being tested. The calculation of the future cash flows to be discounted and of the discount rate to be used involves judgment.

Impairment of Long-Term Assets

Long-term intangible assets (VIF) are reviewed for impairment when there are facts or circumstances indicating that their net value is not recoverable.

Considering the uncertainties regarding the determination of the net recoverable amount of intangible assets, based on the best information available at that date, any changes in the assumptions may result in different impacts when calculating the level of impairment, and, consequently, on the Company's results.

Technical Provisions and Liabilities Relating to Investment Contracts

The Company's liability for insurance contracts is determined based on the methodologies and assumptions described in Note 4. These liabilities reflect a quantified estimate of the impact of future events on the Company's accounts, based on actuarial assumptions, claims history, and other accepted methods in the sector.

The technical provisions for traditional life products and monthly payments were determined on the basis of various assumptions including mortality, longevity and interest rate, applicable to each hedge, including a margin of risk and uncertainty.

Technical provisions for Work Accident products were determined on the basis of various assumptions, including mortality, longevity and interest rate, applicable to each coverage, including a margin of risk and uncertainty.

The assumptions used were based on the Company's past experience and on the market. These assumptions may be reviewed if it is determined that future experience will confirm their inadequacy.

The technical provisions deriving from insurance and investment contracts with discretionary participation in results include i) provision for attributed and attributable profit sharing, ii) provision for unearned premiums, iii) provision for current risks, iv) liability suitability tests, v) provision for reported and unreported claims, including the respective regularization expenses, vi) mathematical provision for life contracts, vii) provision for portfolio stabilization and viii) provision for rate commitments.

The mathematical provision includes the assessment resulting from the liability suitability test. The provision for profit sharing includes the liability calculated through Shadow Accounting. The provision for claims includes the estimated liability for claims incurred at the balance sheet date.

When there are compensable claims under insurance contracts, any amount paid or estimated to be paid by the Company is recognized as a loss under results.

The Company establishes provisions for the payment of claims arising from insurance and investment contracts with profit sharing. In its calculation, it periodically evaluates its liabilities using actuarial methodologies, and taking into account the respective reinsurance coverage. Provisions are reviewed periodically by qualified actuaries.

The Company records provisions for Non-Life claims to cover payments to be made considering the estimate of the ultimate cost of claims reported and not reported at the end of each balance sheet date.

The provisions for claims do not represent an accurate calculation of the liability value, but rather an estimate resulting from the application of actuarial valuation techniques. These estimated provisions correspond to the Company's expectation on the ultimate claim settlement cost, based on an assessment of known facts and circumstances on that date, on a review of historical settlement standards, on an estimate of the trends in terms of frequency and claim costs, and other factors.

The variables used in determining the estimated provisions can be affected by internal and/or external events, such as changes in claims management processes, inflation, and legal changes. Many of these events are not directly quantifiable, particularly on a prospective basis.

Additionally, there may be a significant time gap between the moment in time when the insurance event (claim) actually occurred and the moment in time when the event is reported to the Company. Provisions are reviewed on a regular basis, through a continuous process, as additional information is received and liabilities are settled.

In view of the foregoing, and taking into account the nature of the insurance business, the calculation of provisions for claims and other liabilities for insurance contracts has a high level of subjectivity, and thus the actual amounts to be disbursed in the future may be significantly different from the estimated amounts.

However, the Company considers that the liabilities for insurance contracts reflected in its financial statements adequately reflect the best estimate at the balance sheet date of the amounts to be disbursed by the Company.

NOTE 4 – NATURE AND EXTENSION OF ITEMS AND OF RISKS RESULTING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

PROVISION OF INFORMATION TO IDENTIFY AND EXPLAIN THE AMOUNTS INDICATED IN THE FINANCIAL STATEMENTS RESULTING FROM INSURANCE AND INVESTMENT CONTRACTS

Accounting Policies Adopted for Insurance and Investment Contracts

The Company issues contracts that include insurance risk, financial risk, or a combination of insurance and financial risks.

A contract in which the Company accepts a significant insurance risk from another party, by agreeing to compensate the insured in case a specific uncertain future event adversely affects the insured, is classified as an insurance contract.

A contract issued by the Company in which the transferred insurance risk is not significant, but whose transferred financial risk is significant, in particular due to the existence of profit sharing with a discretionary component on the Company, is considered as an investment contract but recognized and measured in accordance with the accounting policies applicable to insurance contracts.

A contract issued by the Company that transfers only financial risk, without profit sharing with a discretionary component on the Company, is recorded as a financial instrument.

Life contracts in which the investment risk is borne by the policyholder (Unit Linked) issued by the Company, without profit sharing with a discretionary component on the Company, were classified as investment contracts and accounted for as financial instruments. The liabilities correspond to the value of the associated participation unit, less management fees, redemption fees, and any penalties.

The Unit Linked contracts held by the Company are classified as financial liabilities at fair value through profits or loss, which depends on the fair value of the financial assets, derivatives and/or investment properties that are part of the collective investment fund Unit Linked. Appraisal techniques are used to determine the fair value at the issuance date and at each balance sheet date.

The fair value of the financial liability is determined through the participation units, which reflect the fair value of the assets of each investment fund, multiplied by the number of participation units attributable to each policyholder at the balance sheet date.

Liabilities for Unit Linked contracts represent the capitalized value of the premiums received at the balance sheet date, including the fair value of any guarantees or embedded derivatives.

Insurance contracts and investment contracts with profit sharing are recognized and measured as follows:

Recognition of costs and income

Costs and income are recorded in the year to which they relate, regardless of when they are paid or received, in accordance with the accrual basis accounting principle.

Premiums

Gross premiums issued from direct Non-Life insurance classes and from inwards reinsurance, and outwards reinsurance premiums are recorded respectively as income and expenses under the caption "Retained premiums net of reinsurance" in the profit and loss statement for the year to which they refer, regardless of when they are actually received or paid.

Premiums on life insurance policies and investment contracts with discretionary profit sharing and which are considered as long-term contracts are recognized as income when due by policyholders.

Benefits and other costs are recognized simultaneously with the recognition of the income over the contracts lifetime. This specialization is carried out through the constitution of provisions / liabilities of insurance contracts and investment contracts with discretionary profit sharing.

The quantitative analysis of premiums from direct insurance, inwards reinsurance and outwards reinsurance is discussed in Note 14.

Provision for unearned premiums

The provision for unearned premiums corresponds to the value of the premiums issued from insurance contracts attributable to subsequent years, that is, the part corresponding to the period from the balance sheet date until the end of the period to which the premium refers.

The Company has calculated this provision on the basis of each receipt received, by applying the pro-rata temporis method to the respective gross premiums written in respect of contracts in force.

Acquisition costs

Acquisition costs that are directly or indirectly related to the sale of contracts, including mediation fees and other expenses charged to the acquisition function, are capitalized and deferred over the lifetime of the corresponding contracts and are recognized as a deduction from the amount of technical provisions of insurance contracts, and reflected in the provisions for unearned premiums. Deferred acquisition costs are subject to impairment tests at the time the contracts are issued, and are subject to impairment tests at the balance sheet date.

Deferred acquisition costs of the Non-Life insurance class are amortized over the period in which the premiums associated to these contracts are being acquired.

Life mathematical reserve

Life mathematical reserves are intended to record the present value of the Company's future liabilities in respect of insurance and investment contracts with discretionary profit sharing issued, and are calculated using actuarial tables and formulas fully framed by ASF regulations, as follows:

Tranquilidade Products Portfolio	Mortality Table	Technical Rate	Açoreana Products Portfolio	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)			**Retirement Savings Plans and Capitalisation Products (*)**		
Up to December 1997	GKM 80	4%	Up to December 1998	GKM 80	4%
January 1998 to June 1999	GKM 80	3.25%	January 1999 to June 2003	GKM 80	3%
After July 1st, 1999	GKM 80	3% & 2.5%	August 2003 to September 2011	GKM 80	3% and variable
After March 2003	GKM 80	2.75%	After October 3, 2011 (**)	GKM 80	0.25% to 3%
After January 1, 2004 (**)	GKM 80	0% & 0.814%			
Insurance in case of Life (*)			**Insurance in case of Life (*)**		
Annuities – Up to June 2002	TV 73/77	4%	Annuities – Up to December 1997	PF 6064	6%
After July 1st, 2002	TV 73/77	3%	After December 1st, 1997	GKF 80	3% & 4%
After January 1st, 2004	GKF 95	3%	After January 1st, 2007	GKF 95 & GKF 80	2% & 3%
After October 1st, 2006	GKF 95 & GKF 80	3%. 2.25% & 1.15%	After October 1st, 2016	GRF 95	1.5%
Other insurance in case of Life	TV 73/77	4%			
Insurance in case of Death (*)			**Insurance in case of Death (*)**		
Up to December 2004	GKM 80	4%	Up to April 2013	GKM 80	3% & 4%
After January 1st, 2005	GKM 80	4%	After April 1st, 2013	GKM 95	3% & 4%
After January 1st, 2008	GKM 80 & GKM 95	4%			
After October 1st, 2013	PASEM 2010	0%			
Mixed Insurance (*)			**Mixed Insurance (*)**		
Up to September 1998	GKM 80	4%	Up to February 2001	PM 6064	4%
After October 1st, 2008	GKM 80	3,25%	After March 29, 2001	GKM 80	3% & 4%

* Technical bases of the products in accordance with the year they were marketed.
** Rates defined annually, the figures refer to the definition in respect of 2018.

Regarding the portfolio acquired from Açoreana Seguros, S.A. on August 5, 2016, for the purpose of determining its fair value, the liabilities were discounted taking into consideration the EIOPA (risk-free interest rate) curve with volatility adjustment.

Provision for rate commitments

The Company assesses the adequacy of liabilities based on future cash flows discounted at the interest rates that correspond to the profitability of the assets assigned to such liabilities, while considering the expected mortality. This valuation is carried out by an autonomous fund. With reference to December 31, 2018, the mortality table considered in the evaluation was 135% of PERMP / PERFP 2000 (2017: 109% of GKF95).

Non-Life mathematical reserve

Non-Life mathematical reserves are intended to record the present value of the Company's future liabilities in relation to the insurance contracts issued, and are calculated based on actuarial methods recognized under applicable legislation.

For non-reimbursable pensions (including future payments for the Workers Compensation Fund (FAT)), 95% of the TD 88/90 mortality table for men were applied (2017: 95% of TD 88/90), and 95% of the TV 88/90 mortality table for women were applied (2017: 95% of TV 88/90), with an interest rate of 2.75% (2017: 2.75%) and management fees of 1.5% (2017: 1.5%). And for the reimbursable pensions the TD 88/90 mortality table was applied (2017: TD 88/90) with an interest rate of 5.25% (2017: 5,25%) and management fees of 0% (2017: 0%).

Regarding the portfolio acquired from Açoreana Seguros, S.A. on August 5, 2016, for the purpose of determining its fair value, the liabilities were discounted taking into consideration the EIOPA (risk-free interest rate) curve with volatility adjustment.

Provision for claims

The provision for claims corresponds to the undiscounted estimated amount of indemnities payable for claims already incurred, including the estimated liability for claims incurred and not yet reported (IBNR), and the direct and indirect costs to be incurred with the future settlement of claims that are currently in the process of management and of IBNR claims. The provision for reported and unreported claims is estimated by the Company based on past experience, on available information, and on the application of actuarial methods.

For the determination of this provision, an analysis is conducted to the claims in progress at the end of each year and the consequent estimated liability at that date. In the case of Work Accidents in the non-pension section, and in the Automotive insurance class, the average cost method is applied. The provision for claims management costs is also calculated by using the average cost method.

In order to calculate the liabilities related to unreported claims incurred (IBNR), for the most significant insurance classes, actuarial estimates were made based on triangulations of amounts paid, taking into account the specific characteristics of each class. As regards the insurance classes that do not have a sufficient dimension, a generic rate is applied to the amount of claim costs for the year of reported claims.

There is also a Mathematical Provision for Workers' Compensation for claims incurred up to December 31, 2018 that involve payments of pensions already approved by the Labour Court, or with a conciliation agreement already made, and also the estimate of pension liabilities for claims recorded until December 31, 2018 that are pending final agreement or a court judgment.

The Mathematical Provisions related to claims incurred, involving the payment of life-long pensions related to Workers' Compensation, are calculated using actuarial assumptions by reference to recognized actuarial methods and current labour legislation. In addition, a Mathematical Provision is also considered to cover pension liabilities that have already occurred regarding potential permanent disability of people injured undergoing treatment (lifelong assistance) on December 31, 2018 or of claims that have already occurred and have not yet been reported.

The provision for claims is not deducted, except for those of Work Accidents, which are calculated using life or similar techniques. Thus, the Company will assess the adequacy of liabilities based on the projection of future cash flows discounted at the interest rate corresponding to the expected return of assets assigned to these liabilities. Any deficiency, if existent, is recorded under the Company's profits and loss, when calculated.

Provision for attributable profit sharing

The attributable profit sharing provision corresponds to amounts allocated to policyholders or beneficiaries of insurance and investment contracts, in the form of profit sharing, which have not yet been distributed or incorporated.

This provision is calculated according to the products technical bases, while taking into consideration, when applicable, the income from the portfolios of related assets, including realized and unrealized gains and losses recognized in the income statement for the year and the impairment losses recorded in the period, deducted from the negative balances of previous years, in cases where this deduction is contractually foreseen.

Provision for profit sharing in life shadow accounting

The provision for profit sharing to be attributed to the Life insurance class reflects the net value of the potential capital gains and losses (fair value adjustments) of the financial assets assigned to insurance and investment contracts with profit sharing, in the estimated portion of policyholders or contract beneficiaries, provided that the balances per portfolio are not negative, based on the expectation that they will participate in such unrealized gains and losses when they are realized, in accordance with applicable contractual and regulatory conditions.

This provision is recorded directly against the revaluation reserves by adjustments to the fair value of financial assets available-for-sale assigned to profit sharing life products.

Provision for unexpired risks

The provision for unexpired risks corresponds to the amount estimated to cover likely indemnities and other costs to be incurred after the end of the year, and which exceed the amount of premiums attributable to subsequent years in respect of contracts in force on the financial statements date.

As stipulated by the ASF, the amount of the provision for unexpired risks to be set up should be equal to the sum of the gross premiums written attributable to the following year(s) (unearned premiums) and premiums expected to be written but not yet processed in respect of contracts in force, by a ratio based on the sum of the claims, expenses and cession ratios at which the investment ratio is deducted.

Provision for claims-rate deviations

The provision for claims-rate deviations is intended to cover a possible exceptionally high claims rate in insurance classes where, by their nature, it is expected that they shall have greater fluctuations over time, and is recorded for Guarantees, Atomic Risk, and Risk of Seismic Phenomena insurances.

For Guarantee and Atomic Risk insurances, this provision is recorded when the technical result of these insurance classes is positive. This provision is calculated based on specific rates established by the ASF applied to the technical result. For the Risk of Seismic Phenomena, it is calculated by applying a risk factor, defined by the ASF for each seismic area, to the capital retained by the Company.

Provisions for outwards reinsurance

The provisions for outwards reinsurance are determined by applying the criteria described above for direct insurance, taking into account the transfer rates as well as the remaining provisions of the treaties in force. Regarding the Claims Provision, depending on whether the reinsurance comes from direct insurance or inwards reinsurance, it is calculated in accordance with the provisions of the current regulations.

Variations in Technical Provisions for Direct Insurance and Reinsurance

The provision for unearned premiums (PPNA) from direct insurance and inwards reinsurance reflected in liabilities, net of deferred acquisition costs (DAC), is analysed as follows:

(thousand euros)

Balance Sheet	**2018**			**2017**		
Businesses / Groups of Businesses	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Life	3,071	-	3,071	3,355	327	3,028
Accidents & health	25,060	5,198	19,862	24,137	4,816	19,321
Fire & other damage	37,918	8,031	29,887	38,946	7,770	31,176
Motor	117,661	22,091	95,570	106,024	21,203	84,821
Marine, air and transport	1,490	292	1,198	1,635	325	1,310
General third-party liability	4,911	960	3,951	4,497	883	3,614
Credit and fidelity insurance	44	8	36	53	10	43
Legal protection	4	1	3	85	12	73
Assistance	14,386	2,831	11,555	13,656	2,552	11,104
Sundry	604	121	483	753	149	604
Total	**205,149**	**39,533**	**165,616**	**193,141**	**38,047**	**155,094**

The change in the provision for unearned premiums (PPNA) from direct insurance and inwards reinsurance is reflected in the profits and loss account at its gross value within the group of premiums acquired, and the value of deferred acquisition costs (CAD) in the costs and operating expenses group, and can be analysed as follows:

(thousand euros)

Gain & Losses	**2018**			**2017**		
Businesses / Groups of Businesses	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Life	- 284	- 327	43	491	323	168
Accidents & health	923	382	541	1,413	590	823
Fire & other damage	- 1,028	261	- 1,289	- 835	- 72	- 763
Motor	11,637	888	10,749	7,900	2,678	5,222
Marine, air and transport	- 145	- 33	- 112	- 345	- 31	- 314
General third-party liability	414	77	337	- 68	- 12	- 56
Credit and fidelity insurance	- 9	- 2	- 7	- 23	2	- 25
Legal protection	- 81	- 11	- 70	- 8	- 1	- 7
Assistance	730	279	451	205	35	170
Sundry	- 149	- 28	- 121	- 202	- 40	- 162
Total	**12,008**	**1,486**	**10,522**	**8,528**	**3,472**	**5,056**

The provision for unearned premiums (PPNA) from outwards reinsurance reflected in assets, net of deferred acquisition costs (CAD), and the change in the provision for unearned outwards reinsurance premiums reflected in assets and reflected in the profits and loss account are analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
	UPR net	UPR net		
Life	11	12	- 1	5
Accidents & health	227	178	49	- 7
Fire & other damage	7,563	8,230	- 667	- 2,361
Motor	-	-	-	-
Marine, air and transport	510	697	- 187	- 266
General third-party liability	760	493	267	39
Credit and fidelity insurance	13	14	- 1	- 11
Legal protection	2	22	- 20	- 3
Assistance	12,322	11,059	1,263	1,164
Sundry	559	660	- 101	- 100
Total	**21,967**	**21,365**	**602**	**- 1,540**

The evolution of the mathematical Life provision reflected under liabilities is analysed as follows:

(thousand euros)

	2018	2017
Balance as at January 1	**591,765**	**654,581**
Change for the year	- 65,175	- 65,770
Incorporation of profit-sharing in results	1,983	2,609
Other movements	- 19	345
Balance as at December 31	**528,554**	**591,765**

Regarding the portfolio acquired from Açoreana Seguros, S.A. on August 5, 2016, for the purpose of determining its fair value, the liabilities were discounted taking into consideration the EIOPA (risk-free interest rate) curve with volatility adjustment. The effect on the financial statements of the referred acquisition amounts to €22,2 million on December 31, 2018 (€2017: 26,7 million).

The mathematical provision for outwards reinsurance reflected under assets is analysed as follows:

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Traditional	1,997	1,151	846	146
Total	**1,997**	**1,151**	**846**	**146**

The provision for claims from direct insurance and inwards reinsurance reflected under liabilities, and the respective annual variation in the profits and loss account is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Life	61,224	65,377	3,019	18,920
Workers' compensation	564,684	552,059	13,214	26,421
Personal accidents & health	14,182	15,526	- 1,218	1,036
Fire & other damage	66,959	80,949	- 13,999	38,992
Motor	237,806	236,169	1,523	18,968
Marine, air and transport	4,395	3,206	1,189	- 484
General third-party liability	32,351	32,197	66	2,109
Credit and fidelity insurance	151	184	- 34	- 27
Legal protection	12	13	- 1	-
Assistance	-	1	3	1
Sundry	8,272	4,155	4,117	940
Total	**990,036**	**989,836**	**7,879**	**106,876**

The balance of the provision for Workers' Compensation claims includes the amount of €431,881k (2017: €417,351k) related to the mathematical provision for Workers' Compensation. This balance of the mathematical provision includes the result obtained by the liability adequacy test, which was null in 2018 and 2017, and a provision for contributions to the Workers' Compensation Fund (FAT) in the amount of €22,913k (2017: €23,633k).

With regard to the portfolio purchased from Açoreana Seguros, S.A., on August 5, 2016, for the purposes of determining their fair value, the liabilities were discounted taking into account of the EIOPA (risk-free interest rate) curve with volatility adjustment. The effect on the financial statements of the referred acquisition amounts to €36,3 million on December 31, 2018 (2017: €39.7 million).

The balance of the provision for claims includes an estimated provision in the amount of €55,282k (2017: €56,529k) related to claims incurred up to December 31, 2018 and not yet reported (IBNR). It also includes an estimate in the amount of €22,210k (2017: €25,417k) for management charges related to the settlement of outstanding claims reported.

The development of the provision for claims incurred in previous years and its readjustments is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Provision for Claims* as at 31.12.2017 (1)	Claims* Paid in 2018 (2)	Provision for Claims* as at 31.12.2018 (3)	Readjustments (3)+(2) - (1)
Accidents & health	567,584	75,177	485,230	- 7,177
Fire & other damage	80,949	65,268	17,009	1,328
Motor				
Third-party liability,	190,199	77,139	107,232	- 5,828
Other covers	45,971	24,089	14,794	- 7,088
Marine, air and transport	3,206	1,188	1,281	- 737
General third-party liability	32,197	5,534	25,829	- 834
Credit and fidelity insurance	184	- 333	149	- 368
Legal protection	13	4	10	1
Assistance	1	1	-	-
Sundry	4,155	873	1,667	- 1,615
Total	**924,459**	**248,940**	**653,201**	**- 22,318**

* Claims incurred in 2017 and earlier.

Of the total amount of readjustments, most of the impact is due to reimbursed claims. These are included in the amounts of claims paid but are not reflected in the provision for claims, thus creating a significant effect.

It should also be noted that in Accidents & Health, the adjustments in the Workers' compensation are also due to the fact that the map does not consider the financial income related to the Mathematical Provisions, and the reversal of the fair value of liabilities that were discounted in the acquisition of the portfolio of Açoreana Seguros, S.A., as previously mentioned.

In addition to these facts, the readjustments in Motor are mainly due to a greater efficiency in the claim settlement, allowing a sustained reduction of claim costs. The other readjustments result from the day-to-day management of the claims management function, and are not significant considering the overall amount of the claims provision.

The provision for claims from outwards reinsurance reflected under assets, and the respective annual variation in the profits and loss account is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Life	2,705	3,300	- 595	337
Workers' compensation	7,425	5,236	2,189	- 403
Personal accidents & health	97	175	- 78	- 163
Fire & other damage	43,872	44,198	- 326	24,159
Motor	15,731	11,951	3,780	- 1,317
Marine, air and transport	1,133	1,262	- 129	205
General third-party liability	8,046	8,469	- 423	206
Credit and fidelity insurance	78	349	- 271	- 44
Legal protection	-	-	-	-
Assistance	2	2	-	1
Sundry	6,346	2,901	3,445	- 89
Total	**85,435**	**77,843**	**7,592**	**22,892**

The balance of the provision for claims from outwards reinsurance includes an estimated provision in the amount of €3,136k (2017: €2,183k) related to claims incurred until December 31, 2018 and not yet reported (IBNR).

The breakdown of claims costs for 2018 is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Amounts Paid – Instalments (1)	Amounts Paid- Claims – Management Costs Imputed (2)	Change of Provision For Claims (3)	Cost of Claims (4) = (1) + (2) + (3)
Life				
Traditional	20,488	-	2,703	23,191
PPRs and with-profits capitalisation	78,373	2,044	299	80,716
Non-Life				
Accidents & health	151,333	3,742	11,982	167,057
Fire & other damage	99,166	2,203	- 13,884	87,485
Motor				
Third-party liability,	144,067	8,442	5,816	158,325
Other covers	74,357	3,482	- 4,291	73,548
Marine, air and transport	11,085	82	1,198	12,365
General third-party liability	7,045	474	60	7,579
Credit and fidelity insurance	- 333	-	- 34	- 367
Legal protection	5	-	-	5
Assistance	1	-	3	4
Sundry	1,042	11	4,117	5,170
Total	**586,629**	**20,480**	**7,969**	**615,078**
Reinsurance accepted	1,883	-	- 90	1,793
Grand Total	**588,512**	**20,480**	**7,879**	**616,871**

The breakdown of claims costs for 2017 is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Amounts Paid – Instalments (1)	Amounts Paid- Claims – Management Costs Imputed (2)	Change of Provision For Claims (3)	Cost of Claims (4) = (1) + (2) + (3)
Life				
Traditional	22,267	-	4,354	26,621
PPRs and with-profits capitalisation	61,719	3,139	14,575	79,433
Non-Life				
Accidents & health	149,210	9,596	27,400	186,206
Fire & other damage	58,584	2,489	38,921	99,994
Motor				
Third-party liability,	129,259	13,217	7,105	149,581
Other covers	66,558	5,089	11,823	83,470
Marine, air and transport	2,448	316	- 569	2,195
General third-party liability	6,374	1,382	2,110	9,866
Credit and fidelity insurance	5	4	- 27	- 18
Legal protection	10	6	-	16
Assistance	4	-	1	5
Sundry	411	17	940	1,368
Total	**496,849**	**35,255**	**106,633**	**638,737**
Reinsurance accepted	1,604	-	243	1,847
Grand Total	**498,453**	**35,255**	**106,876**	**640,584**

The provision for profit sharing reflected under liabilities was as follows:

(thousand euros)

	2018	2017
Balance as at January 1	**16,491**	**20,812**
Appropriation for the year	2,740	3,169
Payments	- 1,443	- 1,135
Incorporation into mathematical reserve	- 1,983	- 2,609
Change of share to be assigned (shadow accounting)	- 2,252	- 3,746
Balance as at December 31	**13,553**	**16,491**

The provision for profit sharing from outwards reinsurance reflected under assets, and the respective annual variation in the profits and loss account are analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Life	-	-	-	- 4
Total	**-**	**-**	**-**	**- 4**

The provision for rate-commitment provision reflected under liabilities is analysed as follows:

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Traditional	2,700	-	2,700	- 8,870
With-profits capitalisation	1,281	-	1,281	- 366
Total	**3,981**	**-**	**3,981**	**- 9,236**

The provision for portfolio-stabilization reflected under liabilities is analysed as follows:

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Traditional	427	427	-	300
Total	**427**	**427**	**-**	**300**

The claims-deviation provision reflected under liabilities and the respective annual variation in the profits and loss account are analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Accidents & health	-	-	-	-
Fire & other damage	15,008	13,565	1,443	1,277
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	1,305	1,305	-	-
Credit and fidelity insurance	387	887	- 500	45
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	108	101	7	7
Total	**16,808**	**15,858**	**950**	**1,329**

The provision for for unexpired risks reflected under liabilities and the respective annual variation in the profits and loss account are analysed as follows:

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2018	2017	2018	2017
Accidents & health	836	5,393	- 4,557	- 8,479
Fire & other damage	593	4,505	- 3,912	4,434
Motor	3,302	2,139	1,163	- 725
Marine, air and transport	341	17	324	- 46
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	- 3	3	- 3
Assistance	-	- 33	33	- 563
Sundry	-	35	- 35	- 78
Total	**5,072**	**12,053**	**- 6,981**	**- 5,460**

In accordance with Regulatory Standard 10/2016-R of September 15, extraordinary costs, including staff costs related to pre-retirement and indemnifications or compensations granted to insurance company employees by way of termination of employment work contracts by mutual agreement, arising unequivocally and duly proven from restructuring processes not included in the scope of merger operations, may not be taken into account in the calculation of the provision for risks in progress.

Under this Standard, in 2017, the calculation of the provision for risks in progress was subject to extraordinary procedures, requested by the Company, and duly approved by the ASF, which took into consideration the special and particular nature of company mergers.

It should be noted that, since its acquisition by Apollo Global Management, the Companhia de Seguros Tranquilidade, S.A. was involved in several merger processes, having acquired 100% of the share capital of Açoreana Seguros, S.A. in 2016. The resulting increase in costs would cause an increase in the amount of the provision for risks in progress not related to tariff deficiencies.

Accordingly, in 2017, the Company considered that the amount of €35,610k, related to total costs incurred with extraordinary staff related to indemnifications or compensations granted to employees arising from terminations by mutual agreement that do not represent the recurring levels associated with normal operations, and therefore, the Company opted not to consider for the purpose of calculating this provision the amount assigned to Non-Life, i. e., €32,097k.

The amounts of other technical reserves net of reinsurance expressed in the Non-Life gains and loss account correspond to the sum of the variation expressed above in the provisions tables for deviations of direct insurance claims and for risks in progress from direct insurance.

NATURE AND EXTENT OF SPECIFIC INSURANCE RISKS

Under the Solvency II regime, the Company has already implemented the necessary tools in its structure and procedures to meet the Risk Management requirements.

The Committee is an integral part of the Company's governance structure, and its main responsibilities are to analyse and confirm that the decisions taken by the Company comply with the strategy and policies established for risk management, internal control system, and compliance.

The Global Risk Committee is supported horizontally by the various departments, with a greater focus by the Global Risk Department, whose main responsibilities are:

- Direct the introduction of integrated risk management models, as well as economic capital models approved by the Board of Directors;
- Validate, from a technical perspective, the modelling of technical risks and financial risks, to be prepared by the Global Risk Department and approved by the Board of Directors;
- Develop tolerance indicators based on models and monitor the variations on selected indicators;
- Develop risk control mechanisms, considering the risk appetite and the respective tolerances defined by the Board of Directors;
- Define integrated risk mitigation strategies, in a logic of adequacy of assets and liabilities for analysis in the Global Risk Management Committee.

In this context, the various risks to which the Company is subject are also monitored, and action plans are proposed to the Board of Directors for their mitigation, when justified.

Within the scope of the Governance System, the Company has in its structure a set of Policies associated to the various activities of the 1st and 2nd Lines of Defence. The remaining Policies are reviewed on an annual basis.

With regard to the specific insurance risk, it corresponds to the risk inherent to the marketing of insurance contracts, to product design and pricing, to the process of subscription and provisioning of liabilities, and to the management of claims and reinsurance.

In Life insurances, risk can be subdivided into biometric risks (Longevity, Mortality, Disability), Expenses Risk, Revision Risk, Lapses Risk, and Catastrophic Risk.

In Non-Life insurances, risk can be subdivided into Premiums Risk, Reserve Risk, Lapses Risk, and Catastrophic Risk.

In Non-Life insurances classified as "Health" under Solvency II – Personal Accidents, Health and Work Accidents – risk is dealt with as follows:

- Work Accident and Life-long Pensions are considered to be health risks, which are assessed using techniques similar to those of life insurances, and, as such, their risk is subdivided in a manner analogous to life insurance products;
- General Work Accidents claims, Personal Accidents and Health claims, are treated as Non-Life, and thus, their risks are subdivided in a similar way.

The subscription, provisioning, and reinsurance processes are duly documented with respect to the main activities, risks and controls, and will be reviewed during the next fiscal year, together with other core processes of the Company.

Briefly, some of the most relevant control mechanisms are the following:

- Delegation of competencies formally defined for the different processes;
- Segregation of functions between the areas that carry out the risk analysis, those that prepare tariffs, that issue technical opinions, and that issue policies;
- Limited access to the various applications according to the respective user profile;
- Digitalisation of documentation during issuance processes and during claim management;
- Procedures for case conferences, exception reports, and audits;
- Recruitment and training policy appropriate to the responsibilities and technical complexity of the various functions.

The level of provisions is monitored on a monthly basis, with a main focus on provisions for claims for which regular analyses are carried out on their sufficiency. Appraisal models have also been implemented using stochastic models.

Any adjustments resulting from changes to the estimated provisions are reflected under current operating income. However, due to the fact that the creation of provisions for claims is a necessarily uncertain process, there are no guarantees that actual losses will not be greater than those estimated, and that this risk will be covered by additional solvency capital.

The evolution of the comparison between i) the amounts paid from the Non-Life class, net of reimbursements, without management costs, gross of reinsurance and excluding the mathematical provisions of Work Accidents, and ii) the final cost estimate is as follows:

(thousand euros)

Amounts Paid Net of Repayments (Cumulative Amounts)										
	Year of Occurrence									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Years Elapsed										
0	203,512	237,626	236,495	226,612	239,778	226,253	214,233	215,648	227,095	241,433
1	317,476	358,391	341,803	328,120	338,924	324,031	306,579	313,123	379,032	
2	347,970	383,391	363,125	351,666	361,143	347,438	323,209	333,546		
3	362,827	395,329	374,118	364,994	374,176	355,978	334,842			
4	369,912	403,580	379,458	370,561	382,210	360,362				
5	375,089	410,214	383,758	375,987	387,875					
6	377,835	414,548	387,361	379,185						
7	381,203	416,781	390,171							
8	384,481	420,832								
9	385,935									

(thousand euros)

Final Estimate of Cost of Claims Net of Reimbursements										
	Year of Occurrence									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Years Elapsed										
0	398,229	434,023	397,409	393,492	395,285	378,890	354,953	358,620	458,759	469,439
1	397,715	431,281	402,056	386,724	390,466	387,346	355,408	350,735	438,145	
2	404,384	438,271	403,487	388,590	398,662	395,066	353,846	348,390		
3	396,449	428,598	401,755	390,139	403,239	396,646	356,955			
4	391,028	426,586	400,511	390,167	403,831	394,262				
5	389,925	425,883	401,815	390,759	404,552					
6	389,074	428,858	403,166	389,642						
7	389,968	429,227	402,902							
8	390,927	430,041								
9	389,664									

The Company conducts a reinsurance policy whose primary objective is to protect the impact of large claims or of catastrophic events, mitigating risk, reducing the need for capital, and protecting the interests of its policyholders, insured persons, other insurance beneficiaries, shareholders, and workers.

For such purpose, the Company contracts the most appropriate types of reinsurance to mitigate the risks accepted, based on proportional and non-proportional treaties, according to the following tables:

Non-Life Insurance	Type of Reinsurance
Assistance	Proportional
Performance bonds	Proportional
(Fidelity) insurance	Proportional
Engineering	Proportional
Fire (simple risks)	Proportional
Fire (condominium)	Proportional
Fire and loss of profits (establishment and industrial risks)	Proportional
Fire and other damage (disaster-retention protection)	Not Proportional
Fire and other damage (disaster-retention sub-layer protection)	Not Proportional
Fire and other damage (disaster-retention sub-layer protection)	Not Proportional
Fire and other damage (aggregate-retention protection)	Not Proportional
Health (serious illnesses)	Proportional
Health (medical expenses)	Not Proportional
Health (2nd opinion)	Proportional
Cyber risks civil liability	Proportional
General third-party liability	Not Proportional
Environmental third-party liability	Proportional
Health professionals third-party liability	Proportional
Directors' third-party liability (article 396)	Proportional
D&o third-party liability	Proportional
Credit intermediates third-party liability	Proportional
Marine (cargo)	Proportional
Marines (hulls)	Proportional
Marines (hull- fleets)	Proportional
Maritime (retention protection)	Not Proportional
Motor (third-party liability)	Not Proportional
Motor (own damage)	Not Proportional
Personal accidents	Not Proportional
Personal Accident (Loan Protection)	Proportional
Workers' compensation	Not Proportional
Agro	Proportional

Life Insurance	Type of Reinsurance
Life Mortgage Loan	Proportional
Life Group	Proportional
Individual Life	Proportional
Life Vtcc2.0	Proportional
Health Professionals Life	Proportional
Life + Cool	Proportional
Catastrophe Life	Not Proportional
Cumulative Protection Life	Not Proportional
Assistance	Proportional
Health	Proportional
Life Premium Protection	Proportional
Life Contributive Group & Non-Contributive Group	Proportional
Banif Life Treasury Management	Proportional
Capitalisation / Ppr	Proportional
Life + Win	Proportional

The sensitivity analysis of insurance risk, taking into account its main constraints, is as follows:

(thousand euros)

Analysis Area	Scenarios	Impact On Fair-Value Reserves Before Tax	
		2018	2017
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	- 32,514	- 33,643
Expenses	10% increase of operating costs, net of reinsurance	- 25,353	- 24,494
Longevity	Decrease of 10% in mortality of current Works Accid. pensioners	- 7,471	- 7,016
Mortality	10% decrease of the mortality of the insured of life business	- 1,211	770

The risk of variations in the level of claim costs and overhead costs derives from the influence that is exerted on these items, either for reasons of greater occurrence of facts that generate costs, inflation or lower internal efficiency.

The longevity risk covers the uncertainty of the actual losses resulting from the insured persons living longer than expected and may be more relevant, for example, in the mathematical pensions of the Work Accidents class.

Longevity risk is managed through pricing, subscription policy, and a regular review of the mortality tables used to set prices and constitute provisions accordingly. When it is concluded that longevity is higher than assumed in the mortality tables, additional provisions are created and tables are updated.

It should be noted that for the purpose of the sensitivity analysis of the risk of life Mortality, the future premiums are not taken into account.

NATURE AND EXTENT OF OTHER RISKS

Market Risk

Market risk is normally associated to the risk of loss or to the occurrence of adverse changes to the financial position of the Company, and results from the level or volatility of market prices of financial instruments, and is also strongly related to the risk of mismatching between assets and liabilities, for which the Company has implemented an ALM policy.

This also includes risks associated with the use of derivative financial instruments, as well as exchange rate risk, stock risk, real estate risk, interest rate risk, spread risk, and concentration risk.

Market risk management is integrated within the scope of the Investment Policy, in the asset allocation rules by class and type of issuer, through the structure of the Investment Committee. The investment policies adopted by the Company, duly formalized in a separate document, are based on prudent levels of risk acceptance and portfolio diversification, taking into account the evolution of the financial markets.

It should also be noted that the Investment Policy in force in the Company is proposed by the Investment Committee, in articulation with the limits defined in the Global Risk Management Committee and approved by the Board of Directors, and thus there is an effective segregation of competencies in this matter.

Exchange-rate risk

Exchange-rate risk is caused by the volatility of exchange rates against the Euro, and the sensitivity analysis is described as follows:

(thousand euros)

Analysis Area	Scenarios	Impact on Pre-Tax Profit	
		2018	2017
Currency	10% appreciation of the value of all foreign currencies against the euro	- 379	- 902

Equities risk

Equities risk is the result of the volatility of stock market prices and aims to measure only systematic risk, since the unsystematic risk is considered in the concentration risk.

Exposure to this risk includes the stock market securities held by the Company – as well as the investment funds wholly or partly composed of these securities – and the Company's stakes in other companies. The sensitivity analysis is described as follows:

(thousand euros)

Analysis Area	Scenarios	Impact on Net Income and Fair-Value Reserves Before Tax	
		2018	2017
Equities	10% decrease of stock-market values	- 55,116	- 49,422

Real-estate risk

Real-estate risk is caused by the volatility of real-estate market prices. The sensitivity analysis is described as follows:

(thousand euros)

Analysis Area	Scenarios	Impact on Net Income and Fair-Value Reserves Before Tax	
		2018	2017
Properties	10% decrease in the value of real estate and real estate funds	- 6,096	- 10,952

Interest-rate risk

The interest-rate risk is present in all assets and liabilities whose value is sensitive to changes in the temporal structure or on the volatility of interest rates. In terms of exposure to risk, with regard to assets, it lies mainly in bonds.

Liabilities are exposed through non-compulsory pensions for Workers' Compensation, and mathematical provisions of the Life branch.

The scenario of rate hikes is the scenario that implies loss of value for the Company:

(thousand euros)

Analysis Area	Scenarios	Impact on Fair-Value Reserves Before Tax	
		2018	2017
Interest rate	100 b.p. decrease of the interest-rate curve – Effect on Assets	103,744	86,940
	100 b.p. increase of the interest-rate curve – Effect on Assets	- 84,321	- 64,384

(thousand euros)

Analysis Area	Scenarios	Impact on Pre-Tax Profit	
		2018	2017
Interest rate	100 b.p. decrease of the interest-rate curve – Effect on Assets	- 59,683	- 46,045
	100 b.p. increase of the interest-rate curve – Effect on Assets	33,002	29,559

Spread risk

Spread risk reflects the volatility of credit spreads along the risk-free interest rate curve. The securities exposed to this risk are mainly corporate bonds.

(thousand euros)

Rating	2018		2017	
	%	Amount	%	Amount
AAA	26%	251,579	20%	200,516
AA	33%	315,279	33%	335,266
A	14%	133,294	8%	81,142
BBB	20%	187,799	30%	302,440
BB	3%	32,511	6%	63,812
B	0%	3,827	1%	5,817
CCC	0%	110	0%	1,267
Unrated	3%	28,369	1%	12,731
Total	**100%**	**952,768**	**100%**	**1,002,991**

These amounts do not include deposits, as they are considered to be outside the scope of analysis of the risk at stake.

Concentration risk

Concentration risk refers to the additional volatility in very concentrated portfolios, and to partial or total losses due to the issuer's default. Its breakdown by sector of activity is analysed as follows:

(thousand euros)

Sector of Activity	2018			2017		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	0%	4,688	-	0%	5,056	-
Communications	1%	17,401	- 1,086	2%	28,731	- 747
Consumables (cyclic)	1%	14,734	-	1%	17,422	- 24
Consumables (non-cyclic)	2%	26,437	- 181	2%	32,332	- 238
Energy	2%	23,053	-	2%	30,902	-
Financial	6%	87,545	- 6,794	8%	120,030	- 1,554
Funds	36%	547,117	- 2,541	31%	472,441	- 2,441
Public debt	47%	706,278	-	47%	710,412	-
Industrial	1%	20,001	-	2%	23,957	-
Medicine	0%	1,000	-	0%	2,750	-
Technology	0%	914	-	0%	2,093	-
Public/collective services	3%	47,930	-	4%	55,978	-
Other	1%	17,436	-	0%	111	-
Total	**100%**	**1,514,534**	**- 10,602**	**100%**	**1,502,215**	**- 5,004**

The amounts include Investments in subsidiaries, associated companies and joint ventures, Financial assets held for trading, Financial assets classified in the initial recognition at fair value through profits and loss, Assets available-for-sale, and shareholder loans and supplementary capital loans under the heading Loans granted. Real estate investment funds are excluded from assets available for sale for reasons of consistency with the non-inclusion also in this analysis of investments in land and buildings.

These amounts do not include deposits, as they are considered to be outside the scope of analysis of the risk at stake.

Liquidity Risk

Liquidity risk arises from the Company's ability to hold assets with sufficient liquidity to meet the cash flow requirements necessary to meet obligations towards policyholders and other creditors as they mature. It should be noted that in order to mitigate this type of risk, the Company prepares a monthly cash plan adjusted to its capital needs/surplus on a weekly basis.

The estimated maturity and flows analysis of the assets and liabilities under this type of risk are as follows:

(thousand euros)

2018	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without Maturity	Total
Financial assets	58,110	96,204	77,096	360,892	654,588	621,041	1,867,931
Financial liabilities, mathematical reserve and liabilities with investment contracts	7,205	87,172	70,962	306,176	271,980	-	743,495
Net	**50,905**	**9,032**	**6,134**	**54,716**	**382,608**	**621,041**	**1,124,436**

(thousand euros)

2017	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without Maturity	Total
Financial assets	54,575	121,572	47,988	281,778	811,654	549,607	1,867,174
Financial liabilities, mathematical reserve and liabilities with investment contracts	8,365	97,733	80,305	310,557	334,960	-	831,920
Net	**46,210**	**23,839**	**- 32,317**	**- 28,779**	**476,694**	**549,607**	**1,035,254**

Credit Risk

Credit risk corresponds to possible losses due to default or deterioration in credit levels of counterparties that are mitigating the existing risk, such as reinsurance or derivatives contracts, amounts receivable from intermediaries, as well as other exposures to credit that have not been considered in the spread risk.

As a control procedure, the evolution of the amounts and age of outstanding premiums is systematically monitored. In the selection of depository banks and reinsurers, the respective ratings are taken into account, and their evolution is monitored periodically throughout the year.

The distribution of deposit balances is analysed as follows:

(thousand euros)

Rating	2018		2017	
	%	Amount	%	Amount
AAA	0%	-	0%	-
AA	39%	22,357	0%	-
A	2%	949	57%	30,282
BBB	20%	11,289	14%	7,407
BB	1%	407	1%	330
B	0%	10	0%	20
CCC	38%	21,333	27%	14,349
Unrated	1%	302	1%	316
Total	**100%**	**56,647**	**100%**	**52,704**

The distribution of reinsurers' debtors' balances, without impairment deduction, is analysed as follows:

(thousand euros)

Rating	2018		2017	
	%	Amount	%	Amount
AAA	0%	-	0%	-
AA	49%	20,215	44%	23,460
A	50%	20,869	55%	29,327
BBB	0%	-	0%	-
BB	0%	-	0%	-
B	0%	-	0%	-
CCC	0%	-	0%	-
Unrated	1%	438	1%	238
Total	**100%**	**41,521**	**100%**	**53,025**

Operational Risk

Operational risk corresponds to the risk of material losses resulting from the inadequacy or failures in processes, people or systems, or external events, within the scope of the Company's daily activity, and may be subdivided into the following categories:

- Intentional professional misconduct (internal fraud);
- Illegal activities carried out by third parties (external fraud);
- Practices relating to human resources and safety at work;
- Customers, products and business practices;
- External events that cause damage to physical assets;
- Interruption of the activity and system failures;
- Risks related to business processes;
- Legal risk.

Strategic Risk

Strategic Risk is the risk that results from strategic decisions. We define Strategic Risk as the risk of making inappropriate business decisions, implementing decisions in an unadjusted way or not being able to adapt to changes in the operating environment. Strategic Risk, as a rule, is a risk that arises in conjunction with other risks, but can also emerge as an individual risk.

Reputational Risk

Reputational Risk is the risk arising from possible damages to the reputation of companies as a consequence of negative public perception (for example, among clients, business partners, shareholders or authorities). Like strategic risk, reputational risk is a risk that arises in conjunction with other risks, but can also emerge as an individual risk.

Intragroup Risk

The risk that the entity will be dependent on significant intra-group transactions that may significantly influence the solvency or liquidity position of the group or of one of the entities involved in such transactions. These transactions may be related to:

- Investments;
- Intercompany balances, including loans, recoverables, and agreements to centralize asset or money management;
- Guarantees and commitments, such as letters of credit;
- Derivative transactions;
- Dividends, coupons, and other interest payments;
- Reinsurance operations;
- Provision of cost-sharing services or agreements;
- Goods purchase, sale or lease.

Systemic Risk

The risk of destabilization of the financial system or of the market with consequences in terms of assets, interest rates, exchange rates, affecting the economy as a whole.

Emerging Risks

Existing or potential risks, difficult to quantify and with potentially high losses. Characterized by a high degree of uncertainty, where even basic information, which would support an adequate assessment of the frequency and severity of a given risk, is reduced.

Mitigation measures

As the main mitigation measures in the Company regarding the risks identified above, we highlight the following:

- Existence and strong implementation of the Code of Conduct;
- Constant updating of internal regulations and procedures manuals;
- Implementation of policies and procedures to prevent internal and external fraud;
- Implementation of security measures related to access to facilities;
- Implementation and renewal of security measures related to access to databases and information systems;
- Definition and implementation of a human resources management policy;
- Existence of education and training programs covering the recycling of knowledge;
- Education and training of employees who interact directly with clients;
- Implementation and documentation of a disaster recovery plan and periodic testing and simulations of the plan;
- Implementation and documentation of a business continuity plan, as well as procedures that allow the recovery of activities and critical business functions.

SOLVENCY

In 2015 the Solvency II Directive (Directive 2009/138 / EC of the European Parliament and of the Council of November 25, 2009) on the taking up and pursuit of the business of insurance and reinsurance was transposed into the National Legal Regime, as well as the amendments thereto, through Law 147/2015 of September 9, 2015, which defined the date of entry into force of the new Solvency Regime II as of January 1st, 2016.

The Company monitors solvency in accordance with the current regime. According to the provisions set forth in the legislation, the final solvency margin data and more detailed information on Risk Management will be publicly disclosed during the month of April 2019 through the Report on solvency and on the financial situation.

ADEQUACY OF PREMIUMS AND PROVISIONS

Regarding the adequacy of premiums, the technical bases and the actuarial principles and rules used for the construction of tariffs with respect to said insurances are analysed annually, confirming, in particular, within reasonable limits, the adequacy of the premiums practiced to a prudent actuarial base in order to guarantee the commitments assumed by the Company arising from the claims associated with the insurances at stake.

In general terms, the Company's provisioning policy is of a prudential nature, using actuarially recognized methods, in compliance with regulatory and legal regulations.

BUSINESS RATIOS

The main Non-Life business ratios, gross of reinsurance, are as follows:

(%)

	2018	2017
Claims ratio[a]	69.4%	78.9%
Acquisition ratio[b]	19.3%	21.6%
Administrative ratio[c]	6.5%	8.0%
Combined Ratio	**95.2%**	**108.5%**

(a) (Costs with claims + imputed costs + variation in technical provisions + Other costs - technical revenues) / premiums acquired
(b) (Acquisition mediation remunerations + imputed costs + variation in deferred acquisition costs) / gross premiums issued
(c) (Administrative mediation fees + imputed costs) / gross premiums issued

The main Life business ratios, gross of reinsurance, are as follows:

(%)

	2018	2017
Claims/Premiums (IFRS 4)	194.4%	193.1%
Benefits paid/Deposits received (IAS 39)	2 134.8%	2 176.8%
Acquisition costs/premiums + deposits received)	19.7%	26.3%
Administrative costs/(premiums + deposits received)	14.5%	16.6%

RECOVERABLE AMOUNTS FROM CLAIMS

Recoverable amounts, regarding benefits arising from the occurrence of claims, arising from the acquisition of rights or acquisition of property, and the risk of non-collection thereof, are included in the items mentioned below, and amount to the following amounts:

(thousand euros)

	2018	2017
Receivables	3,569	4,416
Adjustment of doubtful loans	- 1,075	- 2,410
Net Total	**2,494**	**2,006**

Regarding the legal ownership of the insured assets (salvaged), the amounts are included in the following item and are as follows:

(thousand euros)

	2018	2017
Inventories	95	78

NOTE 5 – LIABILITIES FOR INVESTMENT CONTRACTS AND OTHER FINANCIAL LIABILITIES

The breakdown of the heading Financial Liabilities for Investment Contracts can be analysed as follows:

(thousand euros)

	Financial Without Profit-Sharing	Unit Linked	PPR Unit Linked	Capitalisation Operations Unit Link	Total
Balances as at January 1, 2017	**116,360**	**7,078**	**27,872**	**300**	**151,610**
Additional liabilities of the period, net of commissions	585	-	-	-	585
Amounts paid	- 13,911	-	8	-	- 13,903
Technical interest	5,128	-	9	-	5,137
Other movements	20	-	- 505	- 31	- 516
Balances as at December 31, 2017	**108,182**	**7,078**	**27,384**	**269**	**142,913**
Additional liabilities of the period, net of commissions	246	165	182	-	593
Amounts paid	- 8,634	- 350	- 2,817	- 81	- 11,882
Technical interest	3,629	- 228	- 1,225	-	2,176
Other movements	2,223	- 353	- 2,768	-	- 898
Balances as at December 31, 2018	**105,646**	**6,312**	**20,756**	**188**	**132,902**

The amount of the financial liabilities of Unit Linked contracts, totalling €27,256k (2017: €34,731k) corresponds to level 2 of the valuation method, in accordance with the levels prescribed in IFRS 13, since they are financial instruments valued in accordance with (non-adjusted) prices available on official markets and with prices quoted by entities that provide transaction prices of liquid markets.

Gains and losses on financial liabilities for investment contracts can be analysed as follows:

(thousand euros)

	2018			2017		
	Gain	Loss	**Balance**	Gain	Loss	**Balance**
Carried at Fair Value through Profit or Loss	**4,430**	**- 810**	**3,620**	**5,906**	**- 2,131**	**3,775**
Capitalisation	3,983	- 488	3,495	3,881	- 727	3,154
PPR	447	- 322	125	2,025	- 1,404	621
Carried at Amortised Cost	**-**	**- 3,332**	**- 3,332**	**-**	**- 4,080**	**- 4,080**
Capitalisation	-	- 3,126	- 3,126	-	- 3,454	- 3,454
PPR	-	- 206	- 206	-	- 626	- 626
Total	**4,430**	**- 4,142**	**288**	**5,906**	**- 6,211**	**- 305**

The amounts presented in the financial statements also include the amounts in Notes 17 and 18, and, therefore, the analysis should be made in conjunction with those notes.

The breakdown of Other Financial Liabilities can be analysed as follows:

(thousand euros)

	2018	2017
Other financial liabilities		
Deposits received from reinsurers	400	400
Derivatives	-	-
Carrying Amount	**400**	**400**

Deposits received from reinsurers represent the amount of collateral provided by reinsurers, as a result of the acceptance of risks and the receipt of premiums on operations originated by the outwards reinsurance business.

NOTE 6 – FINANCIAL INSTRUMENTS

The detailed inventory of holdings and financial instruments is presented at the end of the appendix to the financial statements through Annex 1, the summary of which is as follows:

(thousand euros)

	2018	2017
Available-for-sale financial assets	1,525,873	1,522,965
Investments in affiliates & associates	1,765	17,064
Term deposits	-	-
Financial assets at fair value through profit or loss	12,855	14,980
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Total Holdings and Financial Instruments	**1,540,493**	**1,555,009**
Other Financial Assets	36,769	16,875
Total Financial Assets	**1,577,262**	**1,571,884**

Investments in subsidiaries and associated companies are analysed in Note 7, and the remaining financial instruments are analysed throughout this Note 6.

FINANCIAL ASSETS CLASSIFIED IN INITIAL RECOGNITION AT FAIR VALUE THROUGH GAINS AND LOSSES

The securities classified by the Company, as provided for in IAS 39, and in accordance with the option taken and the documented risk management strategy, are classified under this heading, and i) are managed and their performance is evaluated on the basis of fair value and/or ii) contain embedded derivative instruments.

The balance of this type of asset is broken down as follows:

(thousand euros)

	2018	2017
Bonds & other fixed-income securities		
Public issuers'	1,301	1,575
Other issuers'	8,637	10,153
Equities	-	-
Other floating-rate securities	2,917	3,252
Carrying Amount	**12,855**	**14,980**
Acquisition Cost	12,880	14,284

As at December 31, 2018, this heading includes fixed income securities with embedded derivatives in the sum of €3,514k (2017: €8,508k).

In addition, this caption also includes hybrid fixed income securities linked to tier 1/2 capital financing amounting to €6,212k (2017: €2,922k). These securities are valued at their fair value determined on the basis on the prices indicated by the sources used by the Company for the whole instrument, in accordance with the market conditions prevailing at the reference date of the financial statements.

FINANCIAL ASSETS AVAILABLE FOR SALE

The balance of this type of asset is broken down as follows:

(thousand euros)

	2018	2017
Bonds & other fixed-income securities		
Public issuers'	713,219	716,888
Other issuers'	222,987	272,923
Equities	1,799	4,846
Other floating-rate securities	587,868	528,308
Carrying Amount	**1,525,873**	**1,522,965**

The breakdown of the final balance sheet values is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Accrued Interest	Fair-Value Reserve	Impairment	Carrying Amount
Bonds & other fixed-income securities					
Public issuers'	710,024	9,314	- 2,450	-	716,888
Other issuers'	257,396	5,306	10,221	-	272,923
Equities	5,205	-	698	- 1,057	4,846
Other floating-rate securities	519,587	-	17,007	- 8,286	528,308
Balance as at December 31, 2017	**1,492,212**	**14,620**	**25,476**	**- 9,343**	**1,522,965**
Bonds & other fixed-income securities					
Public issuers'	702,007	9,138	2,074	-	713,219
Other issuers'	218,270	4,278	773	- 334	222,987
Equities	2,684	-	233	- 1,118	1,799
Other floating-rate securities	595,596	-	- 1,600	- 6,128	587,868
Balance as at December 31, 2018	**1,518,557**	**13,416**	**1,480**	**- 7,580**	**1,525,873**

As of December 31, 2018, Other Variable Income Securities include €43,468k related to investments held by the Company in real estate investment funds (2017: €58,526k).

The movements in impairment losses can be detailed as follows:

(thousand euros)

	2018	2017
Balance as at January 1	**9,343**	**4,653**
Appropriations for the period	903	5,823
Cancellations for the period for sale of assets	- 408	- 1,133
Written back during the period	- 2,258	-
Balance as at December 31	**7,580**	**9,343**

Impairments recognized as gains and losses through fair value adjustments in investments, segregated by the respective categories, are as follows:

(thousand euros)

	2018	2017
Bonds & other fixed-income securities	- 334	-
Equities & other floating-rate securities	- 569	- 5,823
Total	**- 903**	**- 5,823**

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

As of December 31, 2018 and 2017 there were no assets or liabilities classified in this category.

HELD-TO-MATURITY INVESTMENTS

As of December 31, 2018 and 2017, there are no assets classified in this category.

OTHER FINANCIAL ASSETS

In addition to the financial instruments described above, the Company also holds other assets, as follows:

(thousand euros)

	2018	2017
Loans	9,210	5,982
Deposits at cedent companies	2	2
Other	27,557	10,891
Total of Other Financial Assets	**36,769**	**16,875**

In 2018 and 2017, the figures for Other are in respect of financial transactions pending settlement, taking their value dates into account. In 2018 it also includes €23,429k related to amounts receivable arising from the sale of real estate properties.

The breakdown of Other Financial Assets is as follows:

(thousand euros)

	Acquisition Cost	Impairment	Carrying Amount
Other financial assets			
Ancillary capital contributions	2,310	-	2,310
Loans	18,672	- 15,000	3,672
Other	10,893	-	10,893
Balance as at December 31, 2017	**31,875**	**- 15,000**	**16,875**
Other financial assets			
Ancillary capital contributions	900	-	900
Loans	23,310	- 15,000	8,310
Other	27,559	-	27,559
Balance as at December 31, 2018	**51,769**	**- 15,000**	**36,769**

The impairment losses under Loans correspond to the total amount of the short-term loan granted to Espírito Santo Financial Portugal, SGPS, S.A. As of December 31, 2018 and 2017 there were no movements in impairment losses.

The breakdown of the loans granted is as follows:

(thousand euros)

	2018	2017
Ancillary capital contributions – Europ Assistance	-	1,410
Ancillary capital contributions – Advancecare Health International	900	900
Loans – Advancecare	-	1,750
Loans – Calm Eagle	6,867	-
Loans to employees	1,443	1,922
Total Loans Granted	**9,210**	**5,982**

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECORDED AT AMORTIZED COST

The fair value of financial assets and liabilities recorded at amortized cost is analysed as follows:

(thousand euros)

	2018		2017	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Cash & cash equivalents and sight deposits	56,728	56,728	52,821	52,821
Loans & receivables	36,769	36,769	16,875	16,875
Held-to-maturity investments	-	-	-	-
Other debtors for insurance & other operations	118,139	118,139	135,130	135,130
Financial Assets at Amortised Cost	**211,636**	**211,636**	**204,826**	**204,826**
Financial liabilities on investment contracts	138,560	132,902	151,328	142,913
Other financial liabilities	400	400	400	400
Other creditors for insurance & other operations	81,639	81,639	96,842	96,842
Financial Liabilities at Amortised Cost	**220,599**	**214,941**	**248,570**	**240,155**

The fair value of the financial liabilities of investment contracts is estimated on a contract by contract basis using the best estimated assumptions for projecting the expected future cash flows and the risk-free interest rate at the issuance date.

Taking into account that these are short-term assets and liabilities, their balance at the balance sheet date is considered as a reasonable estimate for their fair value.

With respect to the valuation method used, in accordance with the levels prescribed in IFRS 13, all financial instruments recorded at amortized cost are Level 3, except for Cash and cash equivalents and current deposits that are Level 1.

VALUATION METHODS

Financial instruments are stratified according to the levels prescribed in IFRS 13, which represent the following description:

- **Level 1** – Financial instruments valued according to available (unadjusted) prices in official markets and with market prices disclosed by entities that supply transaction prices in liquid markets.

- **Level 2** – Financial instruments valued according to internal valuation methodologies considering mainly parameters and variables that can be observed in the market.

- **Level 3** – Financial instruments valued according to internal valuation methodologies considering parameters or variables that can not be observed in the market, and with a significant impact on the valuation of the instrument and prices provided by third parties whose parameters can not be observed in the market.

The value of the financial instruments stratified by the valuation method, used and in accordance with the levels described above, is analysed as follows:

(thousand euros)

	2018			Total	2017			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Available-For-Sale Financial Assets	**938,289**	**528,641**	**58,943**	**1,525,873**	**1,020,866**	**432,157**	**69,942**	**1,522,965**
Securities & equity paper	63,631	477,462	46,775	587,868	80,263	388,296	59,749	528,308
Equities & other floating-rate securities	201	-	1,598	1,799	2,021	175	2,650	4,846
Bonds & other fixed-income securities								
Public issuers'	676,382	36,837	-	713,219	680,294	29,051	7,543	716,888
Other issuers'	198,075	14,342	10,570	222,987	258,288	14,635	-	272,923
Derivatives	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	**12,619**	**207**	**29**	**12,855**	**14,129**	**634**	**217**	**14,980**
Securities & equity paper	2,888	-	29	2,917	3,035	-	217	3,252
Equities & other floating-rate securities	-	-	-	-	-	-	-	-
Bonds & other fixed-income securities								
Public issuers'	1,301	-	-	1,301	1,575	-	-	1,575
Other issuers'	8,430	207	-	8,637	9,519	634	-	10,153
Derivatives	-	-	-	-	-	-	-	-
Total Financial Assets	**950,908**	**528,848**	**58,972**	**1,538,728**	**1,034,995**	**432,791**	**70,159**	**1,537,945**
Derivatives	-	-	-	-	-	-	-	-
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The value in 2018, classified as Level 2, under the heading "Securities and Shares", includes approximately €460 million (2017: €368 million) related to an investment in 5 sub-funds belonging to a collective investment company, designated by Irish collective asset-management vehicle (ICAV), which is 100% owned by the company.

The calculation of the fair value of these assets was based on their equity value, which in turn is determined based on market values or available market information for valuation of assets (risk curves, spreads, etc.) as defined by IFRS 13. In addition, this fund is subject to a look-through analysis by the Company, as defined by Solvency II requirements.

The reconciliation of Level 3 assets is as follows:

(thousand euros)

2018	31 Dec. 2017	Potential Gains	Purchases	Sales	Impairments	Gains Realised	Reclassif.	31 Dec. 2018
Available-for-Sale Financial Assets	**69,942**	**- 3,590**	**11,251**	**- 19,521**	**- 224**	**4,860**	**- 3,775**	**58,943**
Securities & equity paper	59,749	- 3,425	571	- 18,754	- 101	4,967	3,768	46,775
Equities & other floating-rate securities	2,650	- 109	-	- 672	- 123	- 148	-	1,598
Bonds & other fixed-income securities								
Public issuers'	7,543	-	-	-	-	-	- 7,543	-
Other issuers'	-	- 56	10,680	- 95	-	41	-	10,570
Financial Assets at fair Value Through Profit or Loss	**217**	**-**	**29**	**-**	**-**	**-**	**- 217**	**29**
Securities & equity paper	217	-	29	-	-	-	- 217	29
Equities & other floating-rate securities	-	-	-	-	-	-	-	-
Bonds & other fixed-income securities					-			
Public issuers'	-	-	-	-	-	-	-	-
Other issuers'	-	-	-	-	-	-	-	-

Securities and shares included in this level include €43,468k related to shares of closed-end real estate funds (2017: €55,415k) and €3,338k related to private equity funds (2017: €4,551k), whose fair value resulted from the disclosure of the Funds Global Net Value (VLGF) determined by the management companies.

The assets of these funds result from a diversified set of assets and liabilities, valued in the respective accounts at fair value, by internal methodologies used by the management companies. Since it is not practicable to present a sensitivity analysis to the different components of the respective assumptions used by the entities, the impact of a change of +/- 10% in the funds VLGF is analysed as follows:

(thousand euros)

2018		Impact On Profit Or Loss For The Period		Impact On The Fair-Value Reserve	
Analysis Area	Asset Type	10% Rise	10% Fall	10% Rise	10% Fall
Investment fund	Closed-end real-estate investment funds	-	- 1,340	4,347	- 3,007
	Private equity funds	3	- 146	331	- 188

(thousand euros)

2017		Impact On Profit Or Loss For The Period		Impact On The Fair-Value Reserve	
Analysis Area	Asset Type	10% Rise	10% Fall	10% Rise	10% Fall
Investment fund	Closed-end real-estate investment funds	-	- 3,216	5,541	- 2,326
	Private equity funds	22	- 271	433	- 184

NOTE 7 – INVESTMENTS IN AFFILIATES AND ASSOCIATED COMPANIESS

The financial data of the Company's subsidiaries and associated companies can be summarized as follows:

(thousand euros)

Company name/Registered Office	Classification	Valuation Method	Holding (%)			Financial Data							
			Direct	Voting Right	Effective	Assets		Liabilities		Equity		Net Income	
						2018	2017	2018	2017	2018	2017	2018	2017
Advancecare Health International, S.A. Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	Acq cost, net impairment	100.00	100.00	100.00	5,473	7,440	147	609	5,326	6,831	1,845	2,453
	Subsidiary												
Tranquilidade – Corporação Angolana de Seguros, S.A. Edifício ESCOM, Rua Marechal Brós Tito, n.º 35 15.ºD LUANDA	Subsidiary	Acq cost, net impairment	49.00	49.00	49.00	33,217	42,656	26,296	33,725	6,921	8,931	1,379	4,181
	Subsidiary												
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acq cost, net impairment	99.996	100.00	100.00	5,009	3,528	4,217	2,898	792	630	157	0,4
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acq cost, net impairment	99.997	100.00	100.00	3,147	2,285	2,066	1,441	1,081	844	231	78
Tranquilidade Diversified Income ICAV 2nd Floor, Block E Iveagh Court Harcourt Road Dublin D02 YT22 Ireland	Subsidiary	Acq cost, net impairment	100.00	100.00	100.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

The values for 2018 represent the last unaudited financial information received by each subsidiary or associated company, and thus the final official values may differ.

In 2018, the Company sold 47% of the share capital of Europ Assistance, S.A., which it held for the amount of €4,222k, and thus recorded a capital gain of €19,764k resulting from this sale under Net Gains on financial assets and liabilities not valued at fair value through gains and losses (Note 17).

In 2018, the Company sold 25% of the capital stock of GNB – Companhia de Seguros, S.A., which it held for the amount of €3,759k, and recorded under a gain of €12,141k resulting from this sale under the heading Net Gains from financial assets and liabilities not valued at fair value through gains and losses (Note 17).

At the end of 2017, the Company sold 70% of its stake in CRIA – Centro de Reabilitação Integrada de Acidentes, and 60% of its stake in GIGA – Grupo Integrado de Gestão de Acidentes, and recorded the results from these sales as a gain of €19k and a loss of €68k, respectively, under Net Gains from financial assets and liabilities not valued at fair value through gains and losses. (Note 17).

The heading Investments in subsidiaries, associated companies and joint ventures can be detailed as follows:

(thousand euros)

2018	Acquisition Cost	Impairment	Carrying Amount
Advancecare Health International	100	-	100
Tranquilidade – Moçambique Seguros	1,361	- 645	716
Tranquilidade – Moçambique Seguros Vida	1,810	- 861	949
Total	**3,271**	**- 1,506**	**1,765**

(thousand euros)

2017	Acquisition Cost	Impairment	Carrying Amount
Advancecare Health International	100	-	100
Europ Assistance	4,222	-	4,222
GNB Seguros	3,759	-	3,759
Tranquilidade – Corp. Angolana Seguros	7,318	-	7,318
Tranquilidade – Moçambique Seguros	1,361	- 645	716
Tranquilidade – Moçambique Seguros Vida	1,810	- 861	949
Total	**18,570**	**- 1,506**	**17,064**

The change in the balance of this caption can be detailed as follows:

(thousand euros)

2018	Opening Book Value	Acquisitions, Share Capital Increases and Disposals	Impairment	Transfers To Non-Current Assets Held For Sale	Closing Carrying Amount
Advancecare Health International	100	-	-	-	100
Europ Assistance	4,222	- 4,222	-	-	-
GNB Seguros	3,759	- 3,759	-	-	-
Tranquilidade – Corp. Angolana Seguros	7,318	–	- 5,196	- 2,122	-
Tranquilidade – Moçambique Seguros	716	-	-	-	716
Tranquilidade – Moçambique Seguros Vida	949	-	-	-	949
Total	**17,064**	**- 7,981**	**- 5,196**	**- 2,122**	**1,765**

(thousand euros)

2017	Opening Book Value	Acquisitions, Share Capital Increases and Disposals	Impairment	Transfers to Non-Current Assets Held for Sale	Closing Carrying Amount
Advancecare Health International	100	-	-	-	100
CRIA – Centro Reab Integrada Acidentes	403	- 403	-	-	-
Europ Assistance	4,222	-	-	-	4,222
GIGA – Grupo Integrado de Gestão de Acidentes	588	- 588	-	-	-
GNB Seguros	3,759	-	-	-	3,759
Tranquilidade – Corp. Angolana Seguros	7,318	-	-	-	7,318
Tranquilidade – Moçambique Seguros	1,361	-	- 645	-	716
Tranquilidade – Moçambique Seguros Vida	1,810	-	- 861	-	949
Total	**19,561**	**- 991**	**- 1,506**	**-**	**17,064**

In accordance with IAS 36 and the accounting policy, the Company carried out the impairment analysis of subsidiaries and associated companies based on value in use determined based on the business plans approved by the Board of Directors of each entity or on the fair value less cost to sell, where applicable.

In December 2018, the Company reached an agreement to sell its stake in Tranquilidade – Corporação Angolana de Seguros, S.A. to another shareholder, namely Banco Económico, S.A., as well as to a local investor. This agreement is still subject to the approvals by the Angolan Insurance Regulation and Supervision Agency, and by the National Bank of Angola, and it is expected that such approvals will be published during the year of 2019. Due to the terms of this agreement, the Company recognized an impairment loss of €5.2 million in 2018, and transferred the shares to non-current assets held for sale and discontinued operational units (Note 11).

In addition, the Company holds the following special purpose entities, classified under Financial assets held for sale (Note 6), in which it exercises control and which are included within the consolidation perimeter:

	Registered Office	Business	% Economic Interest	
			2018	2017
CORPUS CHRISTI	Portugal	Closed-end Real-estate Investment Fund	100.00%	100.00%
IMOPRIME	Portugal	Closed-end Real-estate Investment Fund	84.89%	84.89%
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	Ireland	Open-end Securities Investment Fund	100.00%	100.00%
AAME TRQ GLOBAL INV GRADE CORP CREDIT	Ireland	Open-end Securities Investment Fund	100.00%	100.00%
AAME MULTI-CREDIT STRATEGY FUND	Ireland	Open-end Securities Investment Fund	100.00%	100.00%
AAME FINANCIAL BOND FUND	Ireland	Open-end Securities Investment Fund	100.00%	100.00%
AAME TRQ LOAN ORIGINATION FUND	Ireland	Open-end Securities Investment Fund	100.00%	100.00%

In 2017 the company made, through the collective investment body designated Tranquilidade Diversified Income ICAV (Irish Collective Asset-Management Vehicle), an additional investment of €270 million in the open-source investment sub-funds referred to in the table, and in 2018 it increased its investments by an additional €92 million, representing at December 31, 2018 a cumulative total investment of €452 million spread over the 5 sub-funds of open-ended investment funds.

NOTE 8 – CASH AND CASH EQUIVALENTS AND CURRENT DEPOSITS

The balance of this caption is analysed as follows:

(thousand euros)

	2018	2017
Cash in hand	81	117
Deposits at credit institutions	56,647	52,704
Total	**56,728**	**52,821**

NOTE 9 – LAND AND BUILDINGS

As mentioned in Note 3 above, the land and buildings held by the Company are valued by the cost model in the case of real estate properties for the Company's own use, in accordance with the option set forth in IAS 16, and by the fair value model in the case of income-generating properties, in accordance with the procedure provided for in IAS 40. Independently of the valuation model, regular appraisals are carried out on all properties.

Land and building appraisals are carried out in order to obtain the presumed transaction value, usually the market value (fair value), i. e. the price at which the land or building could be sold, at the appraisal date, by a private contract between an interested and independent seller and buyer, with the understanding that the goods are the object of a public offer on the market, that the conditions of the offer allow a regular and orderly sale, and that there is a normal negotiation time period taking into account the nature of the asset.

Such appraisals are carried out through the combined weighting of the "Comparative Market" and "Income" valuation methods, and the respective values lead to fair value changes in investment property (income-generating properties), and are used for impairment testing purposes in tangible assets (properties for the Company's own use).

The "Market Comparison" method is always used, and is supported by market evidence. It includes a market prospection of real estate properties that are comparable to the property being appraised, based on the analysis of transactions on similar properties. The "Income" method consists on calculating the value of the land or building by the quotient between the actual annual income and an appropriate capitalization rate.

In the case of income-generating properties that are transferred to Non-current assets held for sale and discontinued operational units under IFRS 5, they are valued in accordance with the amounts described in the sale agreements, less any possible disposal costs.

As provided by IFRS 13 – Fair value, land and buildings appraisals maximize the use of observable market data. However, since most appraisals also consider non-observable data, the fair value of the Company's land and buildings is classified in level 3 of the fair value hierarchy defined by IFRS 13.

The Company considers that the land and buildings it holds are subject to their highest and best possible use. Therefore, the appraisals made to determine their fair value are prepared taking into account their current use, as provided by IFRS 13 – Fair Value.

Land and buildings are classified as property for own use when used for the Company's operating activity, and as income-generating in the remaining cases. In cases where, due to their use being shared, they deserve the classification of mixed, each portion will be analysed and appraised separately. The appraisers responsible for the appraisal of the Company's assets are duly certified for such purpose, and are registered with the Portuguese Securities Market Commission (CMVM).

Fair value model

The balances and movements occurring in the Income-Generating Buildings in both years can be analysed as follows:

(thousand euros)

Tangible assets – Owner-occupied Buildings	2018	2017
Net Balance as at January 1	**266**	**43,891**
Additions through acquisition	732	-
Transfers to assets to be discontinued	- 220	- 34,939
Transfers to own service	-	7,697
Written off/sales	-	- 9,959
Fair value changes	- 732	- 6,424
Net Balance as at December 31	**46**	**266**

All income-generating properties held directly by the Company have the objective of generating income, even if for some reason there is no rent being charged, and therefore there are no properties with the sole purpose of valuation.

The amounts referred to in 2017 and 2018 for Transfers correspond to real estate assets over which the Company has an actual sale intention, and whose processes are expected to be concluded in subsequent years, with the actual realization of the sale. As a result, they were transferred to the heading "Non-current assets held for sale and discontinued operations" (Note 11).

The analysis of income-generating properties according to their ability to generate income is analysed as follows:

(thousand euros)

	2018	2017
Properties that generate rental income	-	220
Properties that do not generate rental income	46	46
Total	**46**	**266**

The amounts recognized in profits or loss regarding income and expenses with investment properties are as follows:

(thousand euros)

	2018	2017
Rental income	**612**	**1,207**
Operating costs	**27**	**465**
on properties that generate rental income	31	75
on properties that do not generate rental income	- 4	390

Cost model

The balance of the Buildings for Own Use items is nil in 2017 and 2018, and the movement in both years can be analysed as follows:

(thousand euros)

Tangible Assets – Owner-Occupied Buildings	2018	2017
Net Balance as at January 1	**-**	**33,257**
Transfers to assets to be discontinued	-	- 15,789
Transfers to investment properties	-	- 7,697
Written off/sales	-	- 667
Impairments-[(allocation)/use]	-	- 8,590
Depreciation charges for the period	-	- 514
Net Balance as at December 31	**-**	**-**

The amount referred to in 2017 for Transfers corresponds to real estate assets over which the Company has an actual sale intention and whose processes are expected to be concluded in subsequent years, with the actual realization of the sale. As a result, they were transferred to the heading "Non-current assets held for sale and discontinued operations" (Note 11).

NOTE 10 – OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

In addition to the properties for the Company's own use mentioned in Note 9, the Company has other tangible assets valued according to the cost model, which are analysed as follows:

(thousand euros)

	2018	2017
Equipment	**53,778**	**48,427**
Office equipment	5,388	5,126
Machines & tools	2,048	2,032
Hardware	35,222	34,589
Fixtures & fittings	2,678	2,678
Leased buildings expenditure	7,554	3,257
Transport material	195	52
Other tangible assets	693	693
Fixed Assets in Progress	**-**	**2,051**
Accumulated Depreciation	**- 48,067**	**- 46,260**
Impairments	**-**	**-**
	5,711	**4,218**

The movements under this heading, over the net balance, are analysed as follows:

(thousand euros)

	Equipment	Fixed Assets In Progress	Total
Balance as at January 1, 2017	**3,445**	**-**	**3,445**
Additions	243	2,051	2,294
Transfers	-	-	-
Depreciation charges for the period	- 1,521	-	- 1,521
Written off/Sales	-	-	-
Balance as at December 31, 2017	**2,167**	**2,051**	**4,218**
Additions	3,410	253	3,663
Transfers	2,304	- 2,304	-
Depreciation charges for the period	- 2,170		- 2,170
Written off/Sales	-		-
Balance as at December 31, 2018	**5,711**	**-**	**5,711**

Also worth mentioning is the existence of other assets, mainly related to salvage situations, which in 2018 represent €95k (2017: €78k).

NOTE 11 – NON-CURRENT ASSETS & LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONAL UNITS

Non-current assets are classified as held for sale when there is an intention to dispose of such assets, and they are available for immediate sale and their sale is very likely.

The balance of non-current assets held for sale and discontinued operational units is broken down as follows:

(thousand euros)

	Buildings – Income	Buildings – Owner Occupied	Investments In Subsidiaries, Associates And Joint Ventures	Total
Balance as at January 1, 2017	**37,254**	**23,571**	**-**	**60,825**
Transfers	34,939	15,788	-	50,727
Fair value changes	-	-	-	-
Written off/sales	- 37,254	- 23,571	-	- 60,825
Balance as at December 31, 2017	**34,939**	**15,788**	**-**	**50,727**
Transfers	220	-	2,122	2,342
Fair value changes	4,391	- 279	-	4,112
Written off/sales	- 24,152	- 13,457	-	- 37,609
Balance as at December 31, 2018	**15,398**	**2,052**	**2,122**	**19,572**

The amounts referred to in 2017 and 2018 of Buildings Transfers correspond to real estate assets over which the Company has an actual sale intention and whose processes are expected to be completed in subsequent years, with the effective realization of the sale (Note 9). The properties included in the balance as of December 31, 2018 will be disposed of until July 31, 2019, after the completion of the on-going licensing processes.

The properties transferred to this item in 2017 and 2018, under IFRS 5, were valued in accordance with the values described in the proposals or in the promissory sales agreements or deducted from possible disposal costs.

In December 2018, the Company reached an agreement to sell its stake in Tranquilidade – Corporação Angolana de Seguros, S.A. to another shareholder, namely Banco Económico, S.A., as well as to a local investor. This agreement is still subject to the approvals by the Angolan Insurance Regulation and Supervision Agency, and by the National Bank of Angola, and it is expected that such approvals will be published during the year of 2019. Based on the terms of this agreement, the Company recognized in 2018 an impairment loss of €5.2 million and transferred the shares in investments in subsidiaries, associated companies and joint ventures (Note 7).

NOTE 12 – INTANGIBLE ASSETS

All intangible assets are valued at the cost method. With the exception of Goodwill, all estimated service lives are finite, and are 5 years for software development expenses (linear depreciation), 3 years for software (linear depreciation) and with a duration until the maturity of the respective acquired portfolio, and non-linear depreciation in the case of Value in force (VIF).

As of December 31, 2018 and 2017, the Goodwill recorded corresponds only to the positive difference between the acquisition cost and the fair value of the respective net assets acquired, in the amount of €65,981k, related to the acquisition on August 5, 2016 of Açoreana Seguros, S.A.

The goodwill calculated was mainly due to the fair value accounting of mathematical provisions for work accidents and financial life, by discounting the estimated cash-flows of these liabilities to the risk-free curve determined by the European Insurance and Occupational Pensions Authority ("EIOPA") with volatility adjustment, in line with that defined by Solvency II requirements.

A goodwill impairment test was performed in 2018 based on its recoverable amount, based on which no impairment indicator was obtained. The estimated recoverable value was based on the Company's business plan and on the respective cash-flow projections discounted at a rate of approximately 9%.

On December 31, 2018, the VIF corresponds to the cost of acquisition of the contractual positions resulting from the contracts raised, including all rights, obligations and guarantees emerging from them, in the net value of amortizations and impairments of:

- €4,908k in respect of the acquisition in 2006 of the policy portfolio relating to the traditional broker channel from GNB – Companhia de Seguros de Vida, S.A.;
- €1,974k, related to the acquisition in 2016 of the life policy portfolio of Açoreana Seguros, S.A.

These assets are depreciated over the period of recognition of the income associated with the contracts acquired.

As mentioned and provided for in the accounting policies, the Company reviewed the recoverable value of the VIF of the portfolio acquired in 2006 from GNB – Companhia de Seguros de Vida, and concluded that there was an impairment loss in the amount of €16,476k.

The balance of Goodwill and Other intangible assets is analysed as follows:

(thousand euros)

	2018	2017
Goodwill	**65,981**	**65,981**
Other Intangibles	**146,436**	**143,454**
Software development costs	74,626	73,755
Software	13,295	12,509
Intangibles in progress	1,680	355
Value in force	56,836	56,836
Accumulated Amortisation	**- 116,765**	**- 109,837**
Other intangibles	- 116,765	- 109,837
Impairments	**- 16,476**	**- 18,498**
	79,176	**81,100**

The movement occurred in both years can be analysed as follows:

(thousand euros)

	Goodwill	Other Intangibles	Software Development Costs	Software	Intangibles in Progress	Value in Force	Total
Balance as at January 1, 2017	**65,981**	**21,037**	**8,442**	**370**	**2,763**	**9,462**	**87,018**
Additions	-	6,288	42	329	5,917	-	6,288
Depreciation for the year	-	- 9,051	- 5,448	- 295	-	- 3,308	- 9,051
Impairments	-	2,129	-	-	-	2,129	2,129
Transfers	-	- 5,284	3,041	-	- 8,325	-	- 5,284
Balance as at December 31, 2017	**65,981**	**15,119**	**6,077**	**404**	**355**	**8,283**	**81,100**
Additions	-	3,169	346	785	2,038	-	3,169
Depreciation for the year	-	- 6,928	- 2,948	- 556	-	- 3,424	- 6,928
Impairments	-	2,022	-	-	-	2,022	2,022
Transfers	-	- 188	525	-	- 713	-	- 188
Balance as at December 31, 2018	**65,981**	**13,195**	**4,000**	**633**	**1,680**	**6,882**	**79,176**

The remaining balance of the Value in Force will be depreciated as follows:

(thousand euros)

	2019	2020	2021	2022	Subsequent	Total
Estimated amortisation	1,239	1,453	444	370	3,376	6,882

The depreciations of intangible assets are distributed by the items of the profits and loss account, as follows:

(thousand euros)

	2018	2017
Financial Costs Other	**6,928**	**9,051**
Costs of claims, net of reinsurance		
Amounts paid – gross amounts	1,178	1,602
Net operating costs & expenses		
Acquisition costs	2,563	3,096
Administrative costs	2,910	4,030
Financial costs		
Other	277	323

NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

Assets and adjustments

The balance of Accounts receivable from direct insurance operations is broken down as follows:

(thousand euros)

	2018	2017
Gross Assets	**59,800**	**70,458**
Policyholders		
receipts pending collection	42,563	53,412
reimbursement of claims	6,762	7,317
Insurance brokers	7,155	1,904
Co-insurers	3,320	7,825
Adjustments	**- 7,308**	**- 8,790**
Receipts pending collection	- 4,269	- 3,849
Doubtful debt	- 3,039	- 4,941
Net Assets	**52,492**	**61,668**

The gross impairment reimbursements, required in respect of services rendered as a result of claims incurred during the period of suspension of guarantees and not yet received come to a total amount of €3,569k (2017: €4,416k).

The balance of Accounts receivable from reinsurance operations is broken down as follows:

(thousand euros)

	2018	2017
Gross Assets	**51,080**	**62,429**
Reinsurers	41,521	53,025
Reinsured	9,559	9,404
Adjustments	**- 4,827**	**- 3,980**
Doubtful debt	- 4,827	- 3,980
Net Assets	**46,253**	**58,449**

On December 31, 2018, the caption "Reinsurance" includes amounts receivable from Tranquilidade – Corporação Angolana de Seguros, S.A., in the amount of approximately €8,3 million (2017: €8,6 million) over which adjustments were recorded for doubtful credits amounting to approximately €4,1 million (2017: €2,4 million) associated with amounts pending collection.

On December 31, 2018, the "Reinsurance" caption also includes amounts receivable from the two subsidiaries in Mozambique, for a total amount of approximately €1,2 million (2017: €0,8 million) for which adjustments were recorded for doubtful credits in the amount of approximately €0,4 million (2017: €0,3 million) associated with the amounts pending collection.

The balance of Accounts receivable from other operations is broken down as follows:

(thousand euros)

	2018	2017
Gross Assets	**32,237**	**28,223**
Related entities	7,816	8,027
Real-estate operations	-	553
Advances to suppliers of goods & services	110	95
IFAP	5,058	2,397
FAT	1,565	1,222
Management on account of IDS and principals	7,384	5,153
Guarantees	1,906	1,446
Payment plans	4,982	5,360
Rents & other amounts pending collection	906	943
Staff	407	390
Clients	63	164
Other receivables	2,040	2,473
Adjustments	**- 12,843**	**- 13,210**
Doubtful debt	- 12,843	- 13,210
Net Assets	**19,394**	**15,013**

At December 31, 2018, the caption "Related entities" includes amounts receivable from Tranquilidade – Corporação Angolana de Seguros, S.A., in the amount of approximately €6,0 million (2017: €6,0 million) over which adjustments were recorded for doubtful credits in the amount of approximately €5,2 million is recorded (2017: €5,4 million) in connection with the amounts pending collection.

As of December 31, 2018, the caption "Related entities" also includes amounts receivable from the two subsidiaries in Mozambique, amounting to approximately €1,3 million (2017: €1,2 million) over which adjustments were recorded for doubtful credits in the amount of approximately €0,5 million (2017: €0,4 million) associated with amounts pending receipt.

The changes in Accounts Receivable and reflected in Impairment Losses – Others, from the profits and loss account, can be analysed as follows:

(thousand euros)

	2018	2017
Adjustment of Receipts Pending Collection		
Balance as at January 1	**3,849**	**3,439**
Appropriations for the period	420	410
Written back during the period	-	-
Balance as at December 31	**4,269**	**3,849**
Adjustment of Doubtful Debt		
Balance as at January 1	**22,131**	**19,653**
Appropriations for the period	-	2,478
Written back during the period	- 1,422	-
Balance as at December 31	**20,709**	**22,131**

The balance of accrued and deferred assets is broken down as follows:

(thousand euros)

	2018	2017
Accrued Income	**631**	**1,499**
Profit reinsurance commission	280	305
Services rendered	351	1,194
Deferred Costs	**2,213**	**1,426**
Insurance	112	47
Rentals	333	284
Acquisition costs	1,768	1,095
Total	**2,844**	**2,925**

The balance of Other items of Assets in 2018 in the amount of €117,567k (2017: €124,404k) relates to investment contracts sold by the Group but whose assets are operationally managed by GNB – Seguros Vida.

Liabilities and provisions

The Liabilities balance of Accounts payable for direct insurance operations is broken down as follows:

(thousand euros)

	2018	2017
Policyholders (return premiums payable)	4,460	4,157
Insurance brokers		
Commissions payable	3,144	3,446
Current accounts	9,391	3,913
Co-insurers	1,521	8,748
Premiums received in advance	18,798	14,408
Total	**37,314**	**34,672**

The Liabilities balance of Accounts payable for reinsurance operations is broken down as follows:

(thousand euros)

	2018	2017
Reinsurers	32,848	54,232
Reinsured	12	12
Total	**32,860**	**54,244**

The Liabilities balance of Accounts payable for other operations is broken down as follows:

(thousand euros)

	2018	2017
Related entities	-	2
Other suppliers of goods & services	3,051	2,113
IFAP	1,642	1,013
Workers' compensation	1,353	1,571
Other payables	5,419	3,227
Total	**11,465**	**7,926**

The Liabilities balance of accruals and deferrals is broken down as follows:

(thousand euros)

	2018	2017
Deferred Income	**18**	**54**
Rentals	18	54
Accrued Costs	**42,477**	**58,214**
Staff costs (subsidies, charges & bonuses)	14,532	34,052
Acquisition costs (incentives & commissions)	16,858	10,519
Third-party supplies & services	10,965	13,411
Taxes	122	232
Total	**42,495**	**58,268**

The amounts of Accrued expenses related to personnel include estimated restructuring costs in the amount of €2,120k (2017: €21,919k).

The Liabilities balance of Other provisions and the respective changes are broken down as follows:

(thousand euros)

	2018	2017
Tax and social security contingencies	11	2,257
Legal contingencies	742	1,001
Other provisions	814	750
Total	**1,567**	**4,008**

(thousand euros)

	2018	2017
Balance as at January 1	**4,008**	**1,615**
Appropriations for the period	311	2,925
Use for the year	- 2,752	- 532
Balance as at December 31	**1,567**	**4,008**

In 2017, the Company recorded provisions for i) a possible contingency with Social Security in the amount of €2,257k related to interpretation differences on the impact of social security contributions on certain variable remunerations regarding former years, and ii) contractual contingencies related to the sale of property in the amount of €750k. In 2018, the Company settled the amounts related to the Social Security contingency mentioned above, and also challenged the matter and the corresponding amounts in court.

NOTE 14 – PREMIUMS OF INSURANCE CONTRACTS

The gross premiums issued, the variation in provisions for unearned premiums (PPNA), and the earned premiums from direct insurance and inwards reinsurance, are analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Gross Premiums Written		UPR Change		Premiums Earned	
	2018	2017	2018	2017	2018	2017
Life						
Traditional	41,106	40,727	- 284	491	41,390	40,236
PPRs and With-profits capitalisation	12,346	14,191	-	-	12,346	14,191
Non-life						
Accidents & health	242,759	220,135	923	1,414	241,836	218,721
Fire & other damage	112,197	106,003	- 1,028	- 834	113,225	106,837
Motor	331,921	295,959	11,637	7,899	320,284	288,060
Marine, air and transport	6,190	6,341	- 145	- 345	6,335	6,686
General third-party liability	17,416	17,253	414	- 68	17,002	17,321
Credit and fidelity insurance	78	79	- 9	- 23	87	102
Legal protection	74	199	- 81	- 8	155	207
Assistance	37,422	36,782	730	204	36,692	36,578
Sundry	2,852	2,880	- 149	- 202	3,001	3,082
Total	**804,361**	**740,549**	**12,008**	**8,528**	**792,353**	**732,021**

The premiums issued, the variation in provisions for unearned premiums (PPNA), and the outwards reinsurance premiums earned, are analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Gross Premiums Written		UPR Change		Premiums Earned	
	2018	2017	2018	2017	2018	2017
Life						
Traditional	5,128	4,771	- 1	5	5,129	4,766
PPRs and With-profits capitalisation	-	-	-	-	-	-
Non-life						
Accidents & health	4,864	7,441	49	- 7	4,815	7,448
Fire & other damage	43,463	41,330	- 667	- 2,361	44,130	43,691
Motor	1,419	1,079	-	-	1,419	1,079
Marine, air and transport	2,803	2,920	- 187	- 266	2,990	3,186
General third-party liability	2,443	1,849	267	38	2,176	1,811
Credit and fidelity insurance	29	22	- 1	- 11	30	33
Legal protection	3	28	- 20	- 3	23	31
Assistance	28,359	26,435	1,263	1,164	27,096	25,271
Sundry	2,626	2,858	- 101	- 99	2,727	2,957
Total	**91,137**	**88,733**	**602**	**- 1,540**	**90,535**	**90,273**

The breakdown of certain amounts related to Non-Life insurance for 2018, according to the format required by the ASF, is analysed as follows:

(thousand euros)

Businesses / Groups of Businesses	Gross Premiums Written	Gross Premiums Earned	Gross Cost of Claims	Gross Operating Costs	Balance of Reinsurance
Accidents & health	239,027	238,300	167,057	56,772	287
Fire & other damage	111,526	112,470	87,485	33,967	12,424
Motor					
Third-party liability,	203,137	197,559	158,325	51,319	5,724
Other covers	128,469	122,402	73,548	33,469	- 640
Marine, air and transport	6,064	6,248	12,365	1,600	7,603
General third-party liability	17,313	16,895	7,579	5,083	- 1,761
Credit and fidelity insurance	78	87	- 367	22	- 299
Legal protection	74	155	5	39	- 23
Assistance	37,422	36,692	4	9,379	- 27,096
Sundry	2,852	2,990	5,170	640	2,382
Total	**745,962**	**733,798**	**511,171**	**192,290**	**- 1,399**
Reinsurance Accepted	4,947	4,819	1,774	1,104	- 315
Grand Total	**750,909**	**738,617**	**512,945**	**193,394**	**- 1,714**

The indication of some values in the Life insurance class is the following:

(thousand euros)

	2018	2017
Gross Direct Insurance Written and Reinsurance Accepted Premiums	**53,452**	**54,918**
In respect of personal contracts	41,511	35,751
In respect of group contracts	11,941	19,167
	53,452	**54,918**
Periodic	39,391	44,009
Non-periodic	14,061	10,909
	53,452	**54,918**
On without-profits contracts	34,197	31,333
On with-profits contracts	19,255	23,585
	53,452	**54,918**
Balance of Reinsurance	**- 564**	**- 1,032**

NOTE 15 – COMMISSIONS RECEIVED FROM INSURANCE CONTRACTS

Insurance contracts issued by the Company for which there is only the transfer of a financial risk without discretionary profit sharing, namely fixed income rate capitalization products and products in which the investment risk is borne by the policyholder are classified as investment contracts and accounted for as a liability, with their subscription, management and redemption fees being recorded as income and calculated on a fund by fund basis, in accordance with the general conditions for each product.

NOTE 16 – INVESTMENT INCOME/REVENUE AND EXPENSES

The accounting policies adopted for the recognition of income and expenses related to investments are discussed in Note 3.

The balance of the heading Income segregated by its various types of revenue is as follows:

(thousand euros)

	2018	2017
Interest	**12,303**	**13,827**
Available-for-sale financial assets	11,694	13,086
Financial assets at fair value through profit or loss	576	776
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Deposits, loans & other assets	33	- 35
Rents	**612**	**1,207**
Land & buildings	612	1,207
Dividends	**21,801**	**8,677**
Investments in affiliates, associates and joint ventures	2,842	4,615
Available-for-sale financial assets	18,959	4,059
Financial assets at fair value through profit or loss	-	3
Total	**34,716**	**23,711**

The balance of the heading Income, analysed by type of asset is as follows:

(thousand euros)

	2018	2017
Bonds & other fixed-income securities		
Public issuers'	5,933	5,525
Other issuers'	6,337	8,337
Equities	2,963	5,455
Other floating-rate securities	18,838	3,222
Properties	612	1,207
Deposits	- 208	- 218
Loans & other assets	241	183
Total	**34,716**	**23,711**

The balance of the heading Financial Expenses is broken down as follows:

(thousand euros)

	2018	2017
Costs imputed to the investments function	5,454	4,537
Direct operating costs	27	465
Total	**5,481**	**5,002**

NOTE 17 – GAINS & LOSSES REALIZED ON INVESTMENTS

The amounts recorded in net gains from financial assets and liabilities, segregated by the respective categories, are as follows:

(thousand euros)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial – Not at Fair Value through Profit or Loss	**41,050**	**- 4,116**	**36,934**	**11,526**	**- 2,020**	**9,506**
Available-for-sale financial assets	9,144	- 4,116	5,028	11,507	- 1,952	9,555
Investments in affiliates, associates and joint ventures	31,906	-	31,906	19	- 68	- 49
Financial – At Fair Value through Profit or Loss	**88**	**- 203**	**- 115**	**270**	**- 215**	**55**
Financial assets at fair value through profit or loss	88	- 203	- 115	270	- 215	55
Financial assets held for trading	-	-	-	-	-	-
Non-Financial	**-**	**-**	**-**	**493**	**- 330**	**163**
Land & buildings – Owner occupied	-	-	-	4	- 143	- 139
Land & buildings – Held for income	-	-	-	489	- 187	302
Non-current Assets Classifies As Held for Sale	**8,798**	**- 10,140**	**- 1,342**	**11,746**	**- 512**	**11,234**
Land & buildings – Owner occupied	-	-	-	11,746	-	11,746
Land & buildings – Income	8,798	- 10,140	- 1,342	-	- 512	- 512
Total	**49,936**	**- 14,459**	**35,477**	**24,035**	**- 3,077**	**20,958**

The amounts in 2017 of Investments in subsidiaries, associated companies and joint ventures in 2017 correspond to the gains made on the sales of CRIA – Centro de Reabilitação Integrada de Acidentes and GIGA – Grupo Integrado de Gestão de Acidentes, respectively, a gain of €19k and a loss of €68k.

The amounts in 2018 of Investments in subsidiaries, affiliated companies and joint ventures correspond to the realized gains on the sales of Europ Assistance, S.A. and GNB – Companhia de Seguros, S.A., respectively, a gain of €19,765k, and a gain of €12,141k.

The amounts of financial assets managed by third parties relate to the return generated by assets that are operationally managed by GNB – Seguros Vida, S.A. regarding non-Unit Linked investment contracts sold by the Company.

In addition to the amounts of gains and losses realised on investments, the amounts carried in the financial statements include gains and losses of financial liabilities carried at amortised cost amounting to -€3,332k (2017: -€4,080k), as shown in Note 5.

NOTE 18 – GAINS AND LOSSES ON FAIR VALUE ADJUSTMENTS IN INVESTMENTS

The gains and losses arising from fair value adjustments to investments can be analysed as follows:

(thousand euros)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial – at Fair Value	**7**	**- 729**	**- 722**	**306**	**- 127**	**179**
Financial assets at fair value through profit or loss						
Debt securities	7	- 510	- 503	192	- 127	65
Equities, Units & other floating-rate securities	-	- 219	- 219	114	-	114
Non-Financial	**-**	**- 732**	**- 732**	**7,017**	**- 22,030**	**- 15,013**
Land & buildings – Income	-	- 732	- 732	7,017	- 13,441	- 6,424
Land & buildings – Owner occupied	-	-	-	-	- 8,589	- 8,589
Total	**7**	**- 1,461**	**- 1,454**	**7,323**	**- 22,157**	**- 14,834**

The amounts of Financial assets managed by third parties relate to the return generated by assets that are operationally managed by GNB– Seguros Vida, S.A. in respect of Unit Linked investment contracts sold by the Company.

In addition to the amounts of fair-value adjustment gains and losses on investments, the amounts carried in the financial statements include gains and losses of financial liabilities carried at fair value through profit or loss amounting to €3.620k (2017: €3.775k), as shown in Note 5.

NOTE 19 – GAINS AND LOSSES ON EXCHANGE RATE DIFFERENCES

This item includes the results arising from the foreign exchange revaluation of monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in Note 3, except for those resulting from financial instruments valued at fair value through profit or loss.

The balance is broken down as follows:

(thousand euros)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	-	-	-	1,040	- 1,040	-
Financial assets held for trading	-	-	-	-	-	-
Other	1,283	- 893	390	759	- 1,976	- 1,217
Total	**1,283**	**- 893**	**390**	**1,799**	**- 3,016**	**- 1,217**

NOTE 20 – OTHER INCOME, EXPENSES AND VARIATION IN OTHER PROVISIONS

The balance of the caption Other technical income/expenses, net of reinsurance is broken down as follows:

(thousand euros)

	2018	2017
Other Technical Income	**12,926**	**8,956**
Co-insurance management commissions	111	192
Claims management charges	-	-
Management on account of claims	12,815	8,764
Other Technical Expense	**18,619**	**13,067**
Co-insurance management commissions	1,118	515
Management on account of claims	17,501	12,552
Total	**- 5,693**	**- 4,111**

The balance of the caption Other income/expenses is broken down as follows:

(thousand euros)

	2018	2017
Other Non-Technical Income	**4 438**	**7 729**
Reimbursement of taxes	171	4 898
Other gains	2 866	2 356
Interest & other financial gains	708	44
Services rendered	693	403
Gains on disposal of tangible assets	-	28
Other Non-Technical Expense	**2 923**	**4 467**
Donations	147	198
Sponsorship	67	67
Gifts for customers	110	38
Fines	42	24
Subscriptions	26	20
Bad debt	55	1 895
Other expenses	2 154	2 040
Banking services & default interest	322	185
Total	**1 515**	**3 262**

In 2017, the Company received a favourable indication on the partial acceptance of an application for the exemption of taxes paid regarding the 2016 merger process and the respective integration of property assets and other tangible assets, this being the justification of the value for the caption Tax Refund as the reimbursement will be around €4,9 million. Although the acceptance was not in full, the Company filed a legal action on the other €0,6 million that made up the rest of the €5,5 million of the application.

NOTE 21 – DIVERSE EXPENSES BY FUNCTION AND NATURE

The costs stated in the captions of costs by nature to be imputed, are not shown directly in the profits and loss account, given that they are distributed over the Company's 4 main functions, this being reflected and distributed over the following captions:

- Claims Function: Claims costs – Gross amounts paid;
- Acquisition Function: Operating costs – Acquisition costs;
- Administrative Function: Operating costs – Administrative costs;
- Investments Function: Financial expenses – Other.

The process of imputation of costs by nature follows the following criteria, according to the case:

- % of time dedicated to each function by cost centre;
- % of use of computer resources;
- % of people allocated to each function.

These expenses and their distribution using the classification based on their function is analysed as follows:

(thousand euros) (%)

2018	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	11,579	20%	20,936	35%	24,557	41%	2,084	4%	59,156	100%
Third-party supplies & services	7,018	14%	18,627	38%	21,572	45%	1,230	3%	48,447	100%
Taxes	3	0%	3,670	66%	1,875	34%	8	0%	5,556	100%
Depreciation	1,880	21%	2,911	32%	3,525	38%	782	9%	9,098	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	1,350	100%	1,350	100%
Total	**20,480**	**17%**	**46,144**	**37%**	**51,529**	**42%**	**5,454**	**4%**	**123,607**	**100%**

(thousand euros) (%)

2017	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	23,472	24%	43,532	45%	29,280	30%	1,379	1%	97,663	100%
Third-party supplies & services	9,122	17%	23,126	44%	20,055	38%	697	1%	53,000	100%
Taxes	691	12%	9	0%	4,866	84%	231	4%	5,797	100%
Depreciation	1,963	18%	3,792	34%	4,937	44%	394	4%	11,086	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	7	0%	11	1%	145	7%	1,836	92%	1,999	100%
Total	**35,255**	**21%**	**70,470**	**42%**	**59,283**	**34%**	**4,537**	**3%**	**169,545**	**100%**

After the merger process at the end of 2016, and as a result of the organizational restructuring and integration of computer systems in 2017 and 2018, at the end of 2018 the Company reviewed the criteria for the imputation of costs by nature, taking into consideration a new cost centre structure and respective allocations by function, and also a new distribution between costs allocated to Life and Non-Life, and, consequently, in the inherent more detailed distribution by branches.

The amount of Staff costs is analysed in Note 22.

The amount of External supplies and services is broken down as follows:

(thousand euros)

	2018	2017
Electricity and water	565	677
Fuel	621	627
Office material, stationery, etc.	130	182
Gift articles	8	628
Office equipment & property maintenance	462	379
Hardware maintenance	6,001	5,974
Income	4,088	3,797
Operational rental of vehicles & other rentals	2,223	2,280
Travel & entertainment costs	791	1,085
Telephone communications and networks	239	427
Post	3,088	3,095
Insurance	374	256
Retainers & fees	214	369
Advertising & marketing	4,790	4,875
Cleaning, hygiene and comfort	464	530
Surveillance and security	131	177
Outsourcing, consultancy & specialised work	13,611	16,792
Software services & development	7,364	7,745
Subscriptions to APS	485	876
Premium collection	1,388	1,379
Broker training	65	64
Temporary work	439	98
Other sundry supplies & services	906	688
Total	**48,447**	**53,000**

The amount of Tax and rates is broken down as follows:

(thousand euros)

	2018	2017
Insurance authorities levy	1,837	1,674
FAT levy	1,835	1,866
Municipal property tax	17	4
Fee for the general secretariat of the MAI (home affairs)	1,744	1,815
Portuguese green card office charge	107	103
Other taxes, fees and licenses	16	335
Total	**5,556**	**5,797**

The amount of Depreciations is broken down as follows:

(thousand euros)

	2018	2017
Software development costs	2,838	4,094
Software	557	294
Other intangible assets	3,533	4,663
IT Hardware	521	716
Owner-occupied properties	-	514
Office equipment & machines	236	205
Indoor facilities	111	123
Other equipment	1,302	477
Total	**9,098**	**11,086**

The amount of Other costs is broken down as follows:

(thousand euros)

	2018	2017
Interest on reinsurers' deposits	-	60
Interest on subordinated liabilities	-	104
Securities' custody & management and other commissions	1,350	1,835
Total	**1,350**	**1,999**

The amount of Net operating costs is broken down as follows:

(thousand euros)

	2018	2017
Acquisition costs		
Brokerage remuneration	88,230	78,590
Costs imputed	46,144	70,470
Other acquisition costs	22,664	17,428
Deferred acquisition costs (change)	- 1,486	- 3,472
Administrative costs		
Brokerage remuneration	4,760	4,978
Costs imputed	51,529	59,283
Reinsurance commissions & profit-sharing	- 12,506	- 13,874
Total	**199,335**	**213,403**

NOTE 22 – STAFF COSTS

The average number of workers at the Company's service segregated by professional category is analysed as follows:

	2018	2017
Managers/Top Management	24	27
Managers/Middle Management	35	41
Co-ordinators/Operational Management	122	149
Technicians	396	463
Specialists/Operationals	344	438
Ancillary staff	3	5
Total	**924**	**1,123**

After the end of the period granted by the Ministry of Labour, Solidarity and Social Security in which the ‘Restructuring Company Status’ was in force, there were 924 workers in the Company at the end of 2018.

The amount of staff costs is detailed as follows:

(thousand euros)

	2018	2017
Remuneration – Corporate officers	2,710	2,482
Remuneration – Personnel	39,934	43,570
Charges on remuneration – Corporate officers	878	413
Charges on remuneration – Personnel	11,162	11,447
Defined-contribution plans	1,169	1,071
Post-employment benefits – Defined-benefit pension plans	200	397
Employment termination benefits	- 282	35,610
Mandatory insurance	1,029	855
Social welfare costs	1,177	1,110
Training	250	392
Other staff costs	929	316
Total	**59,156**	**97,663**

The value of Termination benefits in 2017 included both the amounts already incurred and also those estimated at the time relating to the restructuring process approved by the Board of Directors, following the merger process that took place at the end of 2016, and which was also submitted to and approved by the Ministry of Labour, Solidarity and Social Security.

In 2018 Staff costs include a cost in respect of individual retirement plans amounting to €1,169k (2017: €1,071k), of which €390k (2017: €425k) relate to the governing bodies.

On December 31, 2018 and 2017 there were no loans granted by the Company to the members of the corporate offices.

The remuneration policies of the members of the Corporate and Supervision offices, of the Board of the Shareholders' Meeting, and of "key staff" are presented in the Remuneration Policy Disclosure at the end of this Report and Accounts.

The fees invoiced and to be invoiced by KPMG e Associados, SROC, S.A., the Company's Certified Public Accountant, relating to 2018, excluding expenses and value added tax, amount to €330k, of which €265k relate to the statutory audit, €49k relate to other assurance services, specifically related to Solvency II and to specific procedures for combating money laundering and antifraud policy, and €16k relating to other services not included in the previous concepts.

NOTE 23 – OBLIGATIONS WITH EMPLOYEE BENEFITS

Retirement pensions and health benefits

As mentioned in Note 3, the Company assumes the liability of granting its employees benefits to complement the Social Security's retirement, old age and disability pensions, pursuant to the applicable Collective Bargaining Instrument (IRCT).

In conformity with the Collective Bargaining Agreement, originally applicable, published in BTE No. 32 of August 9, 2008, the employees covered by this convention, admitted in the sector by June 22, 1995, could receive a payment in addition to the retirement pension attributed by Social Security.

As mentioned in Note 3, the Company declared the end of the validity and application of this convention with effect from December 31, 2016, namely with regard to these complementary defined benefit pension plans.

There are also plans that cover a number of health benefits for active employees and those in early retirement until normal retirement age.

As also mentioned in Note 3, on December 23, 2011, a new Collective Bargaining Agreement for the Insurance Sector was approved, published in BTE No. 2, of January 15, 2012, which altered a number of previously defined benefits.

This Collective Bargaining Agreement was, meanwhile, replaced by the Collective Bargaining Agreement published in BTE No. 4 of January 29, 2016, which was the object of an extension ordinance published in BTE No. 25, of July 8, 2016, and which extended the application of the regimes of this convention to all Company employees who were not members of the relevant trade unions, with the exception of employees who were members of Sinapsa – the national union for the insurance sector.

The main alterations arising from the Collective Bargaining Agreement of 2012, which remained in the new Collective Bargaining Agreement, are the following:

i) with regard to post-employment benefits, employees will be covered by an individual defined contribution retirement plan;
ii) long-service bonus equivalent to 50% of the effective wage, which will be due, once the respective conditions of eligibility are met, whenever the worker completes one or more multiples of 5 years in the Company.

In relation to the alteration of the pension plan applicable to employees who changed from defined benefit to defined contribution, and taking into consideration that the fully financed amount of liabilities for past services relating to retirement pensions owed to the active employees covered by the new agreement was converted into individual accounts of these employees, including the respective individual retirement plan, in accordance with IAS 19, the Company settled its liability.

While actuarial deviations are recognised in reserves, there was no further impact on the results and on reserves arising from the effective settlement of the plan for the Company. Furthermore, the Company curtailed the Directors' defined benefit pension plan that it had until December 31, 2015. In the course of 2016, the Associate (Tranquilidade) and the participants and beneficiaries with acquired rights agreed to close the plan in force.

These participants agreed on the transfer of the amount of liabilities financed in the pensions fund, on the date of the closure, to membership of an open-end defined contribution pension fund. For these pensioners with pensions being paid the liability is covered through the purchase of annuities, ensuring the future payments.

The benefits for retirement pensions and health benefits in the Company are evaluated actuarially each year, the last valuation being carried out with reference to December 31, 2018.

The main assumptions considered in the actuarial studies used to determine the updated value of the liabilities with pensions and health benefits for employees belonging to the Pensions Fund of the Tranquilidade Group, are the following:

	2018	2017
Financial Assumptions		
Wage growth rates	0.50%	0.50%
Pension growth rate	0.50%	0.50%
Early-retirement pension growth rate	0.50%	0.50%
Discount rate	1.00%	1.00%
Probability of transition to pre-retirement	5.00%	15.00%
Demographic Assumptions and Valuation Methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	*Project Unit Credit Method*	*Project Unit Credit Method*

The impact of the alteration in 2018 of the assumption relating to the probability of moving to pre-retirement represented an increase of about €3,9 million in the actuarial deviations.

The main assumptions considered in the actuarial studies used to determine the updated value of liabilities with pensions and health benefits for employees and former directors of Global Seguros, of the Açoreana Seguros Pension Fund, are the following:

	2018	2017
Financial Assumptions		
Wage growth rates	0.50%	0.50%
Pension growth rate	0.50%	0.50%
Discount rate	1.55%	1.55%
Demographic Assumptions and Valuation Methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	*Project Unit Credit Method*	*Project Unit Credit Method*

In accordance with the accounting policy described in Note 3, the discount rate used to estimate the liabilities with retirement pensions and with health benefits, corresponds to the market rates on the Balance Sheet date, associated to high-quality corporate bonds for maturities similar to those of the liabilities.

The number of participants covered by the defined benefits plan was the following:

	2018	2017
On service	33	59
Pensioners	291	299
Total	**324**	**358**

The liabilities for past services of the Company, in accordance with the actuarial studies carried out, and also the funds and provisions available to cover them, amounted to:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Liabilities as at December 31	- 24,558	- 304	- 24,862	- 47,585	- 357	- 47,942
Balance of the fund as at December 31	27,458	-	27,458	48,179	-	48,179
Net Assets/(Liabilities) in the Balance Sheet as at December 31	**2,900**	**- 304**	**2,596**	**594**	**- 357**	**237**

In 2018, the heading of Assets for post-employment benefits and other long-term benefits, besides the amount of €2,596k (2017: €237k), also includes a deduction of the liabilities with defined-contribution benefits of €451k (2017: €28k), thereby totalling €2,145k (2017: €209k).

Also in 2018, the heading Liabilities for post-employment benefits and other long-term benefits includes length-of-service bonus liabilities in the amount of €235k (2017: €415k).

It should also be mentioned that, in the past, part of the liabilities with retirement pensions were transferred by the Fund to the Company through the acquisition of life insurance policies (annuities) from T-Vida, Companhia de Seguros, S.A. (entity whose merger by incorporation in Seguradoras Unidas took place on December 30, 2016).

The number of pensioners (annuity recipients) covered by these policies amounts to 272 (2017: 288), and the total amount of the liability amounts to €5,293k (2017: €5,877k).

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

a) the full financing of the current value of the liability with current pension payments, including the payment of pre-retirement and early retirement until normal retirement age and after this age; and
b) the financing of a minimum level of 95% of the current value of the liability for past services of active staff, excluding staff in pre-retirement or early retirement.

On December 31, 2018 and 2017, the Company's liabilities with current pension payments were fully financed. The pension plan in question is not contributory and independent of the Social Security, being financed by the Company's pensions fund.

Given the current level of financing of the fund, contributions are not predicted to be necessary next year. The Company's pensions fund has an average duration of around 6 years (Pensions Fund of the Tranquilidade Group) and 9 years (Pensions Fund of Açoreana Seguros).

The evolution of the liabilities with retirement pensions and health benefits may be analysed as follows:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Liabilities as at January 1	**47,585**	**357**	**47,942**	**54,003**	**770**	**54,773**
Benefits settlement	- 13,434	-	- 13,434	-	-	-
Cost of current service	54	-	54	216	-	216
Interest cost	539	2	541	455	14	469
Actuarial (gains) and losses on liabilities	- 6,640	- 55	- 6,695	- 2,820	- 345	- 3,165
Pensions paid by the fund	- 3,513	-	- 3,513	- 4,150	-	- 4,150
Benefits paid by the Company	-	-	-	-	- 82	- 82
Curtailment	- 33	-	- 33	- 119	-	- 119
Liabilities as at December 31	**24,558**	**304**	**24,862**	**47,585**	**357**	**47,942**

The reduction in liabilities compared with the previous year is essentially due to i) liquidation of the Pensions Fund allocated to the Directors' defined benefits pension plan until 2015, amounting to €13,434k and ii) actuarial gains relating to the reduction in the number of staff entering pre-retirement, due to the restructuring process that the Group underwent in recent years.

The evolution of the value of the pensions fund may be analysed as follows:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Balance of the Fund as at January 1	**48,179**	**-**	**48,179**	**51,048**	**-**	**51,048**
Benefits settlement	- 13,434	-	- 13,434	-	-	-
Fund income						
Interest income	416	-	416	411	-	411
Actuarial gains & losses	- 745	-	- 745	1,112	-	1,112
Pensions paid by the fund	- 3,513	-	- 3,513	- 4,150	-	- 4,150
Asset ceilling	- 3,391	-	- 3,391	-	-	-
Transfers to other pension funds	- 54	-	- 54	- 242	-	- 242
Balance of the Fund as at December 31	**27,458**	**-**	**27,458**	**48,179**	**-**	**48,179**

The reduction in the value of assets has to do with the liquidation of the Pensions Fund allocated to the Directors' defined benefits pension plan until 2015.

The evolution of the actuarial deviations recognised under reserves may be analysed as follows:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Deviations recognised in reserves as at January 1	**- 4,778**	**263**	**- 4,515**	**- 846**	**608**	**- 238**
Actuarial (gains) & losses						
On liabilities	- 6,640	- 55	- 6,695	- 2,820	- 345	- 3,165
On the plan's assets	745	-	745	- 1,112	-	- 1,112
Asset ceilling	3,391	-	3,391	-	-	-
Deviations Recognised In Reserves as at December 31	**- 7,282**	**208**	**- 7,074**	**- 4,778**	**263**	**- 4,515**

The evolution of assets receivable/liabilities payable may be analysed as follows:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
(Assets) / Liabilities Receivable or Payable as at January 1	**- 594**	**357**	**- 237**	**2,955**	**770**	**3,725**
Actuarial gains & losses on liabilities	- 6,640	- 55	- 6,695	- 2,820	- 345	- 3,165
Actuarial gains & losses of the funds	745	-	745	- 1,112	-	- 1,112
Charges for the year:						
Cost of current service	54	-	54	216	-	216
Net interest costs in the balance of the cover of liabilities	123	2	125	44	14	58
Contributions made in the period and pensions paid by the Company	-	-	-	-	- 82	- 82
Asset ceilling	3,391	-	3,391	-	-	-
Curtailment	21	-	21	123	-	123
(Assets) / Liabilities Receivable or Payable as at December 31	**- 2,900**	**304**	**- 2,596**	**- 594**	**357**	**- 237**

The costs of the year with retirement pensions and with health benefits may be analysed as follows:

(thousand euros)

	2018			2017		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Cost of current service	54	-	54	216	-	216
Net interest costs in the balance of the cover of liabilities	123	2	125	44	14	58
Curtailment	21	-	21	123	-	123
Costs for the Year	**198**	**2**	**200**	**383**	**14**	**397**

The sensitivity analysis and the impacts on the accumulated obligation concerning post-employment benefits, taking into consideration the main constraints, is as follows:

(thousand euros)

	2018		2017	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	- 421	437	- 581	604
Change in the evolution of pensions	532	- 516	668	- 651
Change in the evolution of wages	183	- 178	295	- 259

Taking into consideration that there are two existing funds at the same time, the assets of the total pensions fund are reported separately, as in the two tables below.

The values of assets disclosed below, and which do not include any asset in the Group, represent all of the assets of the Pensions Fund of the Tranquilidade Group, which until 2017 was merged with the Pensions Fund of the GNB Seguros Vida Group, of which the Company held around 53.7% in 2017, may be analysed as follows:

(thousand euros)

	2018	2017
Equities & other floating-rate securities	1,780	4,495
Fixed-income securities	17,213	47,016
Real estate	526	783
Liquidity	728	1,769
Other assets	95	100
Total	**20,342**	**54,163**

With reference to December 29, 2016 Açoreana Seguros terminated the collective membership No. 2 to the Open Pensions Fund Banif Previdência Empresas, FP, and set up the Açoreana Seguros Pensions Fund, a closed fund constituted on December 29, 2016, with retroactive effect to January 1st. 2012.

This Fund comprises autonomous assets, exclusively allocated to the realization of the three Pension Plans contemplated in its articles of incorporation (two Defined Benefits Plans and one Defined Contributions Plan), and the value of its assets, which do not include any asset in the Group, may be analysed as follows:

(thousand euros)

	2018	2017
Equities & other floating-rate securities	4,277	4,240
Fixed-income securities	11,862	12,314
Real estate	2,679	2,786
Liquidity	1,053	1,058
Other assets	-	1,763
Total	**19,871**	**22,161**

Of the total value of the assets of the 2 funds (Pensions Fund of the Tranquilidade Group and Açoreana Seguros Pensions Fund), about 24% relate to assets that cover the defined contributions plans. The total value of the assets of both funds stratified by the valuation method used, and in accordance with the levels described in Note 6, is analysed as follows:

(thousand euros)

	2018	2017
Level 1	36,176	72,197
Level 2	1,240	1,368
Level 3	2,798	2,759
Total	**40,213**	**76,324**

The reconciliation of Tier 3 assets is as follows:

(thousand euros)

	2018	2017
January 1	**2,759**	**2,550**
Purchases	601	321
Disposals	- 248	- 52
Change in fair value	- 314	- 60
December 31	**2,798**	**2,759**

Level 3 essentially comprises the closed real-estate funds and the change of their fair value of about 10% would correspond to an estimated loss or gain of €280k (2017: €276k).

NOTE 24 – CORPORATION TAX

As mentioned in Note 3, the Company is subject to the taxation regime established by the Corporation Tax Code – Corporate Tax.

As there was a tax loss in 2017, the calculation of the current tax for the year 2018 was determined based on the nominal tax rate and on the diverse levels of Surtaxes, of about 22.5%, which corresponds to the nominal rate approved on the Balance Sheet date.

The Company has been inspected annually by the Tax Authority, whose last report refers to 2016, and generally there have been no significant adjustments to the declarations made and inspected. However, after having inspected the years 2015 and 2016, the Tax Authority decided, in 2018, to make an inspection of 2014, a year that had already been analysed at the time of the application for the maintenance of tax losses requested by the Company in 2015, which was agreed to by the Tax Authority in the same year.

This 2014 inspection led to differences, mostly relating to the acceptance of capital losses on the sale of securities, with a negative impact on results amounting to €24,9 million (tax estimate short by €0,5 million and a reversal of deferred tax on tax losses of €24,4 million). These differences will be contested judicially by the Company.

In general and relating to tax issues concerning Corporate Income Tax, VAT, Municipal Tax on Real State Transfers (IMT) and Stamp Duty, the Company has already submitted or is preparing the submission of legal proceedings for a total amount of about €43,3 million relating to taxes and interests paid or to the non-acceptance of tax losses, pertaining fundamentally to Corporate Income Tax of the years 2006 and 2014, amounting to €15,6 and €24,9 million, respectively. If the legal decisions are favourable, the respective values will be considered as revenue in the years in which these decisions become known and irrevocable.

Years still not inspected are subject to inspection and possible adjustment by the Tax Authorities during a period of four years, or a longer duration when the deduction of tax losses is involved, in which case an identical period to the time limit for the deduction thereof is applied. Given the nature of the possible corrections that may be made, it is not possible to quantify them at the moment. However, in the opinion of the Company's Board of Directors, it is not to be expected that any correction relating to the above-mentioned years will be significant for the attached financial statements.

The entities merged in the Company presented negative tax results in the years described as follows:

(thousand euros)

Period	Brought Forward	Used	Unrecognised	Carried Forward	Last Year for Use
2014	116,149	-	116,149	-	2026
2015	2,308	-	-	2,308	2027
2016	93,374	-	-	93,374	2028
2017	38,378	-	-	38,378	2022
2018	14,057	-	-	14,057	2023
Total	**264,266**	**0**	**116,149**	**148,117**	**-**

For the purpose of the calculation of deferred taxes, and determination of the base value of temporary differences, the Company performed a recoverability test for the total of the tax losses of the 4 merged entities in view of the business plan approved by the management bodies and the ensuing expected taxable profits.

The possible deduction of reportable tax losses still recoverable to be made in each of the periods of taxation cannot exceed the amount corresponding to 70% of the respective taxable income, without, however, prejudicing the deduction of the part of these losses that have not been deducted, in the same conditions and until the end of the respective period of deduction.

Owing to the merger, the tax losses of the merged entities, with the exception of those relating to the acquiring entity, are subject to an annual deduction limitation corresponding to the ratio between the respective equity of each entity, and the last period closed prior to the merger, and all of the equity of all the entities involved in the merger in this same period.

On the tax losses of 2015 of the merged entity Açoreana Seguros, S.A., taking into consideration the change in ownership of more than 50% of the share capital in the course of 2016, and the limitation on the deduction of the tax losses established in No. 8 of the Corporation Tax Code, the Company decided, as it was a contingent asset on the date of closure of the years 2017 and 2018, not to recognise the deferred tax asset amounting to €6,2 million arising from these reportable losses, which could be used in the 12 following years.

The merged entity Açoreana Seguros, S.A. delivered in 2016, within the legal periods, the respective requests applying for authorization to maintain these tax losses, and, on the date of closure of the years 2017 and 2018, is still awaiting for its acceptance from the Tax Authority.

The current tax assets and liabilities reported are explained as follows:

(thousand euros)

	2018		2017	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	112	374	109	227
Tax withheld at source	12	2,408	28	1,712
Value added tax	82	227	60	949
Other taxes & levies	793	12,891	411	11,528
Social security contributions	11	1,425	195	1,620
Local authority taxes	5,018	-	4,899	-
Total	**6,028**	**17,325**	**5,702**	**16,036**

In 2017, the Company received a favourable indication on the partial acceptance of an application for the exemption of tax paid regarding the 2016 merger process and the respective integration of property assets and other tangible assets, this being the justification for the value of Local Taxes as the estimated reimbursement was of about €4,9 million.

In 2018 the Company received the effective partial acceptance by the Tax Authority, which allowed the said value to be revised to €5,0 million, and, given that the acceptance was not total, the Company filed a legal action in January of 2019 on the other €0,4 million, which makes up the rest of the €5,4 million of the full application.

The deferred tax assets and liabilities recognised in the balance sheet at their net value may be analysed as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Investments	25,065	25,658	- 1,231	- 5,572	23,835	20,087
Post-employment benefits	582	5,548	-	-	582	5,548
Provision not accepted	604	955	-	-	604	955
Tax losses	31,104	49,460			31,104	49,460
Properties	17	4,493	- 1,523	-	- 1,505	4,493
Value in force	4,071	4,595	- 488	- 651	3,584	3,944
Technical provisions	14,459	16,506	-	-	14,459	16,506
Other temporary differences	402	1,492	-	-	402	1,492
Total	**76,306**	**108,707**	**- 3,241**	**- 6,222**	**73,065**	**102,485**

In 2018, and originated by the merger of Açoreana Seguros, S.A., a deferred tax asset amounting to €17,107k (2017: €17,107k) was recognised arising from impairment (assets available for sale) or potential losses (financial assets classified in the initial recognition at fair value through gains and losses) associated to the participation held in BANIF, S.A.

The recognition of this asset arises from the fact that it may be expected that these losses may be used for the purpose of determining taxable income when they are effectively realised, specifically by means of the liquidation of BANIF, S.A. in the terms of article 81(1) of the Corporation Tax Code.

As of December 31, 2018, Other temporary differences include about €295k (2017: €695k) relating to the extraordinary amortisation of intangible assets, which will only be accepted for tax purposes in future years.

On December 31, 2018, and in accordance with i) the rates in force after January 1st, 2019 and ii) the expectation of conversion to costs and revenue accepted fiscally, and the prospect of a tax loss or gain in each of the future years, the Company altered the rate (base rate and state taxes) used in the calculation of deferred tax, from 24.84% to 24.71% (reduction of around €227k).

The current and deferred taxation in the years were recognised as follows:

(thousand euros)

2018	Fair-Value Reserve	Gains & Losses	Total
Current Tax	**-**	**- 1,421**	**- 1,421**
Corporation tax estimate	-	-	-
Autonomous tax	-	- 1,421	- 1,421
Deferred Tax	**5,603**	**- 35,023**	**- 29,420**
Investments	4,341	- 593	3,748
Post-employment benefits	-	- 4,966	- 4,966
Provision not accepted	-	- 351	- 351
Tax losses	1,262	- 19,617	- 18,355
Properties	-	- 5,998	- 5,998
Value in force	-	- 361	- 361
Technical provisions	-	- 2,047	- 2,047
Other temporary differences	-	- 1,090	- 1,090
Total	**5,603**	**- 36,444**	**- 30,841**

(thousand euros)

2017	Fair-Value Reserve	Gains & Losses	Total
Current Tax	**210**	**- 1,487**	**- 1,277**
Corporation tax estimate	210	- 210	-
Autonomous tax	-	- 1,277	- 1,277
Deferred Tax	**- 3,804**	**14,393**	**10,589**
Investments	- 2,178	- 313	- 2,491
Post-employment benefits	-	5,233	5,233
Provision not accepted	-	- 1,325	- 1,325
Tax losses	- 1,626	8,150	6,524
Properties	-	5,462	5,462
Value in force	-	- 406	- 406
Technical provisions	-	- 1,166	- 1,166
Other temporary differences	-	- 1,241	- 1,241
Total	**- 3,594**	**12,906**	**9,312**

The reconciliation of the effective tax rate may be analysed as follows:

(thousand euros)

	2018	2017
Net income before tax	87,090	- 54,596
Nominal tax rate	21.0%	21.0%
Tax Determined on the Basis of the Official Rate	**- 18,289**	**11,465**
Impairments and provisions not accepted for tax purposes	- 1,439	- 922
Tax losses generated not carried forward	- 24,391	-
Other income & costs excluded from taxation/DTA differences.	1,250	142
Autonomous tax	- 1,421	- 1,277
Properties	267	4,014
Dividends excluded from taxation	601	1,045
Tax benefits	111	187
Differences in capital gains accepted for tax purposes	6,868	- 1,747
Tax Recognised in Profit or Loss	**- 36,444**	**12,906**
Effective Tax Rate	**41.8%**	**23.6%**

NOTE 25 – CAPITAL

In 2016, the shareholder made various reinforcement and supplementary payment return operations, and the net amount of these movements reflected a reimbursement of €32,9 million, and, on December 31, 2018, the value of supplementary payments amounted to €27,1 million, which does not earn interest, and to which the conditions of reimbursement determined by the applicable legislation apply.

On December 31, 2018, the share capital amounts to €182 million, represented by 182 million shares with a nominal value of €1 each, of which €84 million is paid up, by the sole shareholder, the company Calm Eagle Holdings S.a.r.l.. The unpaid capital shall be paid up by the end of the period of 5 years from December 30, 2016, and may be paid up beforehand upon a substantiated request of the Board of Directors in this regard.

The results of the years 2017 and of 2016 were applied in 2018 and 2017, respectively, as indicated:

(thousand euros)

	2018	2017
Retained earnings	- 41,690	26,866
Dividend payment	-	-
Legal reserve	-	2,985
Total	**- 41,690**	**29,851**

NOTE 26 – RESERVES

Within equity there are various types of reserves whose nature and purpose are as follows:

Legal Reserve

The legal reserve can only be used to cover accumulated losses or to increase capital. In accordance with Portuguese legislation, the legal reserve shall be credited annually with at least 10% of the net annual profit, up to the limit of the share capital.

Fair Value Reserves

Fair value reserves represent the potential capital gains and losses relating to the portfolio of investments available for sale, net of the impairment recognised in the income statement in the year and/or in previous years.

Deferred and Current Tax Reserves

The deferred tax and current recognised in equity arising from the reassessment of investments available for sale are subsequently recognised in the income statement when the gains and losses that gave rise to them are recognised in the income statement.

Deferred tax is calculated in accordance with the liability method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved on the balance sheet date in each jurisdiction and that are expected to be applied when the temporary differences are reversed.

Free Reserves

The free reserves result from the decision on the application of positive results obtained in the year or carried forward, taken in a general meeting.

Actuarial Deviations Reserve

Under IAS 19 – Employee benefits, the Company recognises actuarial deviations in reserves.

On December 31, 2018 and 2017, the reserves may be analysed as follows:

(thousand euros)

	2018	2017
Fair value of financial assets reserve	- 3,477	20,066
Deferred tax reserve	- 128	- 5,731
Other reserves	49,247	46,688
Legal reserve	42,173	42,173
Actuarial deviations reserve	7,074	4,515
Free reserves	-	-
Reserves	**45,642**	**61,023**

The description of the movements of each reserve within equity is stated in the statement of changes in equity, which is presented at the start of the report and accounts, together with the other financial statements.

The gross fair value reserve, according to the typology of assets, may be analysed as follows:

(thousand euros)

	2018	2017
Fixed-income securities	2,847	7,771
Floating-rate securities	- 1,367	17,705
Shadow accounting	- 4,957	- 5,410
Fair-value Reserves	**- 3,477**	**20,066**

The net fair value reserve is explained as follows:

(thousand euros)

	2018	2017
Amortised cost of available-for-sale investments (without accrued interest)	1,518,557	1,492,212
Impairment	- 7,580	- 9,343
Amortised/acquisition cost net of impairment	1,510,977	1,482,869
Fair value of available-for-sale investments (without accrued interest)	1,512,457	1,508,345
Gross revaluation reserve (Fair value – cost)	1,480	25,476
Deferred & current taxes	- 128	- 5,731
Shadow accounting	- 4,957	- 5,410
Revaluation Reserve Net of Taxes	**- 3,605**	**14,335**

The movement of the net fair value reserve is as follows:

(thousand euros)

	2018	2017
Balance as at January 1	**14,335**	**3,917**
Changes in fair value, including variations on disposal	- 23,093	25,181
Impairment recognised during the year	- 903	- 7,329
Change in Shadow accounting	453	- 3,840
Changes of deferred and current taxes recognised during the year	5,603	- 3,594
Balance as at December 31	**- 3,605**	**14,335**

NOTE 27 – EARNINGS PER SHARE

The earnings per share in the years 2018 and 2017 was the following:

(thousand euros)

	2018	2017
Net income for the period (in thousands of euros)	50,646	- 41,690
Number of shares (year-end)	182,000,000	182,000,000
Earnings per share (in euros)	**0,28**	**- 0,23**

NOTE 28 – DIVIDENDS PER SHARE

On December 31, 2018, the Company's sole shareholder was the company Calm Eagle Holdings, S.a.r.l., which belongs to the Apollo Group, to which no dividends were paid in 2018 and 2017.

NOTE 29 – TRANSACTIONS BETWEEN RELATED PARTIES

As defined in IAS 24, entities under control or significant influence, pensions funds, and the members of the Board of Directors and of the Executive Committee are considered related parties to the Company.

Besides the members of the corporate offices mentioned above, the people who are close to them (family relations), and entities controlled by them or on whose management they exercise significant influence are also considered related parties.

On January 15, 2015, the Apollo Group, through the company Calm Eagle Holdings S.a.r.l. acquired all the stocks of the Company, an acquisition that received the prior approval of the ASF. In this way, on December 31, 2017 and 2018, all affiliated companies and other entities that comprise the Apollo Group are considered related entities of the Company.

The relationships between the related entities cover different areas of business, the most important operations and services, stratified by type of entity, being:

a) Subsidiaries (reinsurance, claims management and consultancy);
b) Associated companies (reinsurance and consultancy);
c) Other related entities (management of insurances of the health branch, Life and Non-Life insurance, consultancy, asset management and medical services).

The global amount of assets and liabilities of the Company that refer to operations performed with associated and related companies, is summarized as follows:

(thousand euros)

	2018				2017			
	Assets	Liabilities	Costs	Profits	Assets	Liabilities	Costs	Profits
ADVANCECARE	193	969	7,249	275	2,555	1,132	6,431	188
CLOSE TO CUSTOMERS, A.C.E.	427	-	4,116	138	376	-	3,182	208
ADV HEALTH INTERNATIONAL	900	-	-	-	900	-	-	-
APOLLO MANAGEMENT HOLDINGS LLP	-	-	-	320	-	-	521	-
APOLLO MANAGEMENT INTERNATIONAL	-	-	1,122	-	-	-	1,423	-
APOLLO MANAGEMENT VIII, LP	-	-	-	-	-	-	500	-
CALM EAGLE HOLDINGS SARL	7,055	-	-	189	6,870	-	-	-
CORPUS CHRISTI	-	-	-	1	-	-	-	-
ESUMÉDICA	18	-	105	14	6	-	147	-
EUROP ASSISTANCE*	-	-	-	-	1,410	1,946	-	2,214
GNB SEGUROS*	-	-	-	-	3	-	-	2,176
TRQ ANGOLA	5,045	-	2,879	4,068	9,561	-	2,692	3,617
TRQ MOÇAMBIQUE NÃO VIDA	1,272	-	240	687	1,525	-	403	667
TRQ MOÇAMBIQUE VIDA	376	-	2	129	479	-	-	33
AAME TRQ GLOBAL INV GRADE CORP CREDIT	-	-	-	1,388	-	-	-	729
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	-	-	-	3,663	-	-	-	-
AAME MULTI-CREDIT STRATEGY FUND	-	-	-	6,250	-	-	-	-
AAME FINANCIAL BOND FUND	-	-	-	2,263	-	-	-	-
AAME TRQ LOAN ORIGINATION FUND	-	-	-	1,671	-	-	-	-
	15,286	**969**	**15,713**	**21,056**	**23,685**	**3,078**	**15,299**	**9,832**

* Entity sold in 2018

In 2018, increases were also recorded in impairment of debits on the subsidiary Tranquilidade – Corporação Angolana de Seguros, S.A. of €1,5 million (2017: increase of €2,7 million), and on the 2 subsidiaries in Mozambique of €0,2 million (2017: increase of €0,7 million).

In 2018 impairment was recorded on the shareholding held in the subsidiary Tranquilidade – Corporação Angolana de Seguros, S.A. for a total amount of €5,2 million. In 2017 impairment was also recorded on the financial holdings in the 2 subsidiaries in Mozambique for a total amount of €1,5 million.

In 2018 a cost was recorded of a third-party liability insurance for the duties of the Board of Directors in the amount of €204k (2017: €204k).

In 2018 a cost was recorded of individual retirement plans of members of the Board of Directors in the amount of €390k (2017: €425k).

In 2018 no cost with termination benefits was recorded relating to members of the Board of Directors (2017: €761k).

In 2017 and 2018 no transfers were made to the defined benefits pensions funds.

In relation to other employee benefits, also see the information disclosed in Note 22, and in the Remuneration Policies.

NOTE 30 – CASH FLOW STATEMENT

The Cash flow statement, prepared using the indirect method of origin and application of funds is presented at the start of the report and accounts, together with the other financial statements.

NOTE 31 – COMMITMENTS AND CONTINGENCIES

In 2016 two promissory sales agreements were concluded for the majority of the buildings held by the Company and by the Company's pensions fund and also by real estate funds participated by the Company, specifically Imoprime and Imocrescente.

Under this contract the Company took up the commitment and guarantee of payment of a maximum indemnity of 15% of the price of the portfolio of the buildings sold, in the event of disagreement regarding the declarations and guarantees provided by the Company of which the main ones are: i) absence of structural or construction defects, ii) licensing of the buildings, iii) absence of disputes, debts or commitments with third parties, and iv) ownership of the buildings sold. On December 31, 2017 and 2018 this possible contingency could have a maximum value of €18,743k, lapsing at the end of 24 months after the signing of the public deeds, meaning that it ended on February 24, 2019.

The Company has rental contracts of various occupied spaces which include rent guarantees, whose maturity of the respective instalments is analysed as follows:

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1 to 5 Years
Contracted rents	540	1,590	8,397

The Company has operating lease contracts relating to transport material, whose maturity of the respective instalments is analysed as follows:

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1 to 5 Years
Operating lease contracts	285	730	1,637

The Company also has a purchase option of 2% of the capital of Tranquilidade – Corporação Angolana de Seguros, S.A., which, on being used, will change the holding to 51% of the capital and voting rights of this entity, the whole process being conditioned to the prior authorization by the competent Angolan authorities. This option is only in force taking into consideration that, as mentioned in Note 7, the process of approval of the agreement to sell this participation had been accepted and published by the official Angolan authorities competent for the purpose.

In 2017 the Portuguese Competition Authority (AdC) established an administrative proceeding against various operators in the insurance market for practices that restrict competition. Seguradoras Unidas collaborated in this investigation and provided all the information requested. In this context, Seguradoras Unidas and the AdC started a transaction procedure. In February 2019, Seguradoras Unidas was notified of the AdC's resolution to approve the transaction, with no pecuniary penalty being applied on the Company, thus concluding the process.

NOTE 32 – EVENTS AFTER THE BALANCE SHEET DATE NOT DESCRIBED IN PREVIOUS POINTS

On January 15, 2019 the Company concluded a joint venture agreement, which was published in BTE, No. 5 of February 8, 2016, and will replace the previous collective bargaining instruments applied in the company, including the Collective Bargaining Agreement published in BTE, No. 4 of January 29, 2016.

The main points in relation to the new collective bargaining agreement are the following:

i) with regard to post-employment benefits, the workers remain covered by the defined contribution plan;
ii) the mentioned long-service bonus is replaced by an annual career bonus, equivalent to 10% of the effective monthly pay, for each complete year of service (as from 3 years), and this new bonus will only start from January 1st, 2020.

In 2019, a transitory regime will come into force, which, in short, will mean the following:

i) The long-service bonus from the Collective Bargaining Agreement published in BTE, No. 4 of January 29, 2016, which falls due in 2019, equivalent to 50% of the effective monthly pay of the worker, will be paid at the time when the respective cycle of 5 years is completed;
ii) The other workers, who on January 1st, 2018 have completed 3 or more years of service in the Company, with the exception of those who already benefitted from days of paid annual leave and wish to keep this benefit in 2019, will benefit from an extraordinary pecuniary compensation equivalent to 10% of their effective monthly pay, which will be paid by May 31, 2019.

Furthermore, regarding Company workers in active service or whose contracts ceased after June 30, 2016, members of Sinapsa – National Union of Insurance Professionals and included in the defined benefits pension plan, under the Collective Bargaining Agreement of 2008, the respective migration to the defined contributions pension plan was protocolised.

Pursuant to this migration, which presupposes the express agreement of participating workers, the value of the respective liabilities with retirement benefit for past services, in the terms contemplated in the Collective Bargaining Agreement of 2008, calculated on December 31, 2016, plus the earnings from this date to the date on which the necessary alteration to the respective contract to set up the pension fund was concluded, after the authorization of the Supervisory Authority for Insurance and Pension Funds, will be converted into an individual account.

Liabilities with past services amount to about €463k plus earnings of about €22k. Given the current value of the assets of the fund, it can be expected that these liabilities will be totally financed by the fund on the transfer date.

Concerning the tax losses of 2015 of the merged entity Açoreana Seguros, S.A., (Note 24) the Company was notified in February 2019 by the Tax Authority of the acceptance of the requests applying for authorization to maintain them. The positive impact on the results of recognising the respective deferred tax asset amounting to €6,2 million will therefore occur in 2019.

NOTE 33 – OTHER INFORMATION

RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

The recently issued accounting standards and interpretations that came into force and which the Company applied in the preparation of its financial statements, are the following:

IFRS 15 – Revenue from contracts with customers

On May 28, 2014 the IASB issued standard IFRS 15 – Revenue from contracts with customers. IFRS 15 was adopted by Regulation of the European Commission No. 1905/2016, of September 22, 2016. With compulsory application in periods that start on, or after January 1, 2018.

This standard revokes the standards IAS 11 – Construction contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Buildings, IFRIC 18 – Transfers of Assets Deriving from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a model based on 5 steps of analysis in order to determine when the revenue is recognised and the amount. The model specifies that revenue shall be recognised when an entity transfers goods or services to the customer, measured at the amount that the entity expects to be entitled to receive. Depending on the fulfilment of some criteria, revenue is recognised:

- At the exact time when the control of the goods or services is transferred to the customer; or
- Throughout the period, in as much as this reflects the entity's performance.

There was no impact on the Company from the adoption of this standard, considering that the majority of its activity corresponds to contracts that come under IFRS 4.

IFRIC 22 – Transactions in foreign currency and consideration of advances

The interpretation of IFRIC 22 was issued on December 8, 2016, which application is mandatory for periods that start on, or after, January 1, 2018.

The new IFRIC 22 establishes that, when there have been advances in foreign currency for the purpose of acquisition of assets, support of expenses or generation of income, and applying paragraphs 21 to 22 of IAS 21, the transaction date considered for the purpose of the determination of the exchange rate to be used in the recognition of the asset, expense or income (or part thereof) inherent thereto, is the date on which the entity initially recognised the non-monetary asset or liability resulting from the payment or receipt of the advance in foreign currency (or in the case of multiple advances, the rates in force for each advance).

There were no impacts on the Company from the adoption of this interpretation.

Other alterations

The IASB also issued the following:

- On June 20, 2016 and applicable to periods that start on, or after, January 1st, 2018, alterations to IFRS 2 – Classification and Measurement of Transactions with Share-based Payments;
- On December 8, 2016 and applicable to periods that start on, or after January 1st, 2018, alterations to IAS 40 – Transfer of investment properties, clarifying the moment in which the entity shall transfer properties under construction or development from, or to, investment properties when there is a change in the use of these properties that is supported by evidence (besides those listed in paragraph 57 of IAS 40);
- The annual improvements of the 2014-2016 cycle, issued by the IASB on December 8, 2016 introduce alterations, with a date of application for periods that start on, or after, July 1st, 2018 to the standards IFRS 1 (deletion of short-term exemptions for first-time adopters) and IAS 28 (measurement of an associated company or joint venture at fair value) and with an effective date on, or after, January 1st, 2017 to standard IFRS 12 (clarification of the scope of application of the standard).

There were no impacts on the Company from the adoption of these alterations.

The Company decided against the early application of the following standards and/or interpretations adopted by the European Union

IFRS 9 – Financial instruments (issued on 2009 and altered in 2010, 2013 and 2014)

IFRS 9 was adopted by European Commission Regulation No. 2067/2016, of November 22, 2016 (defining the entry in force at the latest by the start date of the first financial year that starts on or after January 1st, 2018).

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related with financial liabilities. IFRS 9 (2013) introduced the methodology of the cover. IFRS 9 (2014) made alterations limited to the classification and measurement contained in IFRS 9, and new requirements for dealing with the impairment of financial assets.

The requirements of IFRS 9 represent a significant change to the current requirements contemplated in IAS 39, with regard to financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value through other comprehensive income (OCI), and fair value through profits or loss. A financial asset will be measured at amortised cost if it is held under a business model whose objective is to keep the asset in order to receive the contractual cash flows and the terms of its cash flows produce revenue, on specified dates, related only with the nominal amount and interest in force.

If the debt instrument is held under a business model that receives revenue from the contractual cash flows of the instrument and from sales, the measurement will be at fair value through other comprehensive income (OCI), with revenue from interest affecting the results.

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable choice, on initial recognition, on an individual basis for each share, to present the alterations in fair value in OCI. None of these amounts recognised in OCI will be reclassified to results at any date in the future. However, dividends generated by these investments are recognised in the income statement instead of in OCI, unless they clearly represent a partial recovery of the cost of the investment.

In the other situations, both the cases in which financial assets are held under a trading business model, or other instruments that do not only have the purpose of receiving interest and amortisation and capital, are measured at fair value against the income statement. This situation also includes investments in equity instruments, where the entity does not opt to present the alterations in fair value in OCI, being therefore measured at fair value with the alterations recognised in the income statement.

The standard requires that embedded derivatives in contracts whose base contract is a financial asset, covered by the scope of application of the standard, are not separated; instead, the hybrid financial instrument is assessed in full and, if there are embedded derivatives, these will have to be measured at fair value through results. The standard eliminates the categories currently existing in IAS 39 of "held until maturity", "available for sale" and "accounts receivable and payable".

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, by option, and imposes the separation of the component of alteration of fair value that is attributable to the credit risk of the entity, and its presentation in OCI, instead of under results. With the exception of this alteration, IFRS 9 (2010) in general, transposes the guidelines of classification and measurement, contemplated in IAS 39 for financial liabilities, without substantial alterations.

IFRS 9 (2013) introduced new requirements for hedge accounting which aligns this more closely with risk management. The requirements also establish a greater use of principles to hedge accounting resolving some weak points contained in the coverage model in IAS 39. IFRS 9 (2014) establishes a new model of impairment based on "expected losses" which will replace the current model based on "losses incurred" contemplated in IAS 39.

Therefore, the loss event no longer needs to be verified before constituting an impairment. This new model aims to speed up the recognition of losses by way of impairments applicable to debt instruments held, whose measurement is at amortised cost or at fair value through OCI.

In cases where the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will generate an accumulated impairment equal to the expectation of loss that is estimated to be able to occur in the next 12 months.

If the credit risk increases significantly, the financial asset will generate an accumulated impairment equal to the expectation of loss that is estimated to be able to occur until the respective maturity, thereby increasing the amount of impairment recognised. Once a loss event is verified (which is currently called "objective evidence of impairment"), the accumulated impairment is allocated directly to the instrument in question, its accounting treatment being similar to that contemplated in IAS 39, including the treatment of the respective interest.

IFRS 9 was applicable on or after January 1st, 2018.

Alterations to IFRS 4: Application of IFRS 9 Financial instruments with IFRS 4: Insurance contracts (issued on September 12, 2016) allows an insurer, which meets determined specified criteria, to adopt a temporary exception to IFRS 9 and to maintain the application of IAS 39 until January 1st, 2021.

Considering that the criteria contemplated for the temporary exception are met, the Company chose not to adopt the standard with reference to January 1st, 2018. This option was based on the alteration also introduced in the Plan of Accounts for Insurance Companies, through Regulatory Standard No. 3/2008-R issued by the ASF.

However, given the nature of the Company's activities, it can be expected that this standard may have relevant impacts on the Financial Statements of the Company.

IFRS 16 – Leasing

On January 13, 2016, the IASB issued standard IFRS 16 – Leasing, of compulsory application in periods that start on, or after, January 1st, 2019. The standard was endorsed in the European Union by European Commission Regulation No. 1986/2017, of October 31. Its early adoption is permitted provided that IFRS 15 is also adopted. This standard revokes standard IAS 17 – Leasing. IFRS 16 removes the classification of leasing as operational or financial, treating all leasing as financial.

Short-term leases (under 12 months) and low-value asset leases (like personal computers) are exempted from the application of the standard's requirements.

The Company will recognise the new assets and liabilities for its operational leasing specifically of agencies and installations (central services). The nature of the expenses related with this operational leasing will be altered, seeing that IFRS 16 replaces linear operational leasing expenses by depreciation for assets under right of use and charges with interest relating to leasing liabilities.

Previously, the Company used to recognise operational leasing expenses linearly while the leasing contract was valid, and used to recognise assets and liabilities only in as much as it observed a difference in the period of time between the leasing payments and the recognition of the expense.

The Company plans to apply the practical procedure relating to the definition of leasing contract on the transition date, or rather, it will apply IFRS 16 to all contracts concluded before January 1st, 2019 and identified as leasing in accordance with IAS 17 and IFRIC 4.

In this way, for leasing previously classified as operational leasing under IAS 17, the asset under right of use is measured by an amount equal to the leasing liability, adjusted by the amount of any prior or additional leasing payments related with this leasing, recognised in the statement of financial position immediately before the date of initial application. So, on January 1st, 2019 the impact on retained earnings will be null.

The Company has already made an initial assessment of the potential impacts on its financial statements although it still has not consolidated its assessment in order to gauge the amount of the impacts to be incorporated in the financial statements.

The real impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, on the development of the Company's portfolio of leasing contracts, on the Company's assessment, specifically, if it will exercise some of the renewal options, on the amplitude that the Company chooses in terms of the use of the practical measures available and recognition of exceptions.

IFRIC 23 – Uncertainty on the processing of income tax

On June 7, 2017 an interpretation was issued on, for accounting purposes, how to deal with uncertainties on the processing of income tax, especially when tax legislation requires a payment to be made to the Tax Authorities under a tax dispute, and the entity tries to appeal against the understanding in question that led to the making of this payment.

The interpretation defined that the payment may be considered a tax asset, if it relates to income tax, in the terms of IAS 12, applying the criterion of the likelihood defined by the standard regarding the favourable outcome for the entity on the respective matter of dispute in question. In this context, the entity may use the method of the most likely amount or, if the resolution dictates intervals of values in question, it may use the expected value method. IFIRC 23 is applied for years that start on, or after, January 1st, 2019, and may be adopted beforehand.

The Company does not expect any significant changes on the adoption of this interpretation.

Standards, alterations and interpretations issued but not yet effective for the Company

The improvements of the 2015-2017 cycle, issued by the IASB on December 12, 2017 introduce alterations, with an effective date for periods that start on, or after January 1st, 2019, to the standards IFRS 3 (remeasurement of a participation previously held as a joint operation when it obtains control over the business), IFRS 11 (non-remeasurement of the participation previously held in the joint operation when it obtains joint control over the business), IAS 12 (accounting of all the fiscal consequences of the consistent payment of dividends), IAS 23 (treatment as general loans of any loan originally made to develop an asset when this becomes ready for use or sale).

Other alterations made by the IASB expected to come into force on or after January 1st, 2019 are the following:

- Long-term interests in Associated Companies and Joint ventures (Alteration to IAS 28 issued on October 12, 2017) clarifying the interaction with the application of the model of impairment contemplated in IFRS 9;
- Alterations, cuts or liquidations of the plan (alterations to IAS 19, issued on February 7, 2018) where it clarifies that in the accounting of alterations, cuts or liquidations of a defined benefit plan the company shall use updated actuarial assumptions to determine the costs of past services and the net interest of the period. The effect of the asset ceiling is not taken in consideration for the calculation of the gain or loss in the liquidation of the plan and is treated separately in other comprehensive income (OCI);
- Alterations to the definition of Business (alteration to IFRS 3, issued on October 22, 2018);
- Alterations to the definition of Materiality (Alterations to IAS 1 and to IAS 8, issued on October 31, 2018).

The Company does not expect any relevant impacts with the application of these alterations on its financial statements.

IFRS 17 – Insurance contracts

On May 18, 2017 the IASB issued a standard that replaced IFRS 4 and completely reformed the processing of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented with diverse impacts also in terms of the financial position. The standard contemplates its application for years that start on or after January 1st, 2021.

The Company is assessing the impacts that this standard will have on its financial statements.

ANNEX 1 – INVENTORY OF PARTICIPATIONS AND FINANCIAL INSTRUMENTS

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1.2 - Holdings in associates							
ADV HEALTH INTERNATIONAL	100,000			1,00	100,000.00	1,00	100,000.00
subtotal	**100,000**	**0,00**			**100,000.00**		**100,000.00**
1.2 - Foreign Securities							
1.2.2 - Holdings in associates							
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2			1,00	2.00	1,00	2,00
TRQ ANGOLA	2,450			2,986,90	7,317,897.10	866,20	2,122,190.16
TRQ MOÇAMBIQUE CS	49,998			27,23	1,361,259.95	14,33	716,392.05
TRQ MOÇAMBIQUE VIDA	66,998			27,02	1,810,331.96	14,17	949,635.97
subtotal	**119,448**	**0,00**			**10,489,491.01**		**3,788,220.18**
Total	**219,448**	**0,00**			**10,589,491.01**		**3,888,220.18**
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
B.P.G. SA	10,472			2.09	21,905.33	1.54	16,124.38
BANIF SGPS	6,954,651,167			0.00	0,00	0.00	0.00
COMP. PREVIDENTE	6			532.54	3,195,23	0.00	0.00
COMP. PREVIDENTE SCPF	198			109.86	21,752.48	247.87	49,077.37
COMPTA	306,960			1.64	503,699.84	0.11	34,686.48
ESTELA GOLF	40			5,540.45	221,618.00	1,015.06	40,602.45
FETAL	2,760			20.84	57,528.12	0.00	0.00
HOTEL TURISMO ABRANTES	125			0.00	0,00	0.00	0.00
IMOVALORSGII	90,000			0.00	0,00	0.00	0.00
MADIBEL	7,955			0.01	80,88	0.00	0.00
NORMA ACORES	4,000			35.77	143,082.80	36.66	146,644.46
NOS ACORES	13,936			24.65	343,497.32	21.57	300,550.74
NOS MADEIRA	17,314			62.39	1,080,220.46	51.12	885,176.52
Portugal Capital VenturesS.C.R. S.A.	2,525			6.06	15,300.49	5.85	14,780.35
S.N.I.SOC NAC IMOBILIARIA SA	7,500			0.00	0.00	0.00	0.00
SONAGI	55,600			0.44	24,293.86	3.00	166,800.00
SONAGI AN	100			0.06	5.51	0.01	1.00
SPECTACOLOR PORTUGAL	7,500			14.66	109,986.38	13.32	99,921.15
FINPRO SCR SA	1,425,332			0,00	0.00	0.00	0.00
AUDATEX PORTUGAL	150			301.47	45,220.35	301.47	45,220.35
subtotal	**6,956,603,640**	**0.00**			**2,591,387.05**		**1,799,585.25**
2.1.1.3 - Investment fund units							
BANIF IMOGEST	257,879			21,91	5,650,696.22	17,95	4,629,495.38
DUBLIN REAL ESTATE FUND CLASS ID	2,000,000			1,44	2,872,220.00	1,33	2,666,640.00
ESP SANTO INFRASTRUCTURE FUND I	3,500			11,05	38,684.10	70,39	246,376.58
ESPÍRITO SANTO VENTURES III	200,000,916			0,01	1,870,761.98	0,01	1,430,006.55
EXPLORER II	92			8,847,87	814,369.41	10,091,40	928,825.57
FUNDO DE INVEST. IMOB. CORPUS CHRISTI	1,200			997,36	1,196,831.38	1,089,54	1,307,447.28
IMOCRESCENTE FD DE INV IMOB FECHADO	3,274			997,11	3,264,765.93	1,513,31	4,954,931.55
IMOPRIME FUNDO DE INV IMOB FECHADO	30,559			976,27	29,833,605.42	978,73	29,908,726.24
SC1 CLASSE A FUNDO CAPITAL RISCO	1,000,000			0,58	581,175.42	0,70	702,607.41
FUNDO DE COMPENSAÇÃOSEGURADORAS UNIDAS	27,920			1,06	29,469.38	1,05	29,319.03
subtotal	**203,325,340**	**0.00**			**46,152,579.24**		**46,804,375.59**
subtotal	**7,159,928,980**	**0.00**			**48,743,966.29**		**48,603,960.84**
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PT OT 4.95% 10/25/23		3,200,000.00	121.32%	113.8%	3,641,289.38	122.2%	3,911,284.16
PT OT 5.65% 02/15/24		1,100,000.00	125.25%	117.4%	1,291,921.66	130.2%	1,432,100.40
PT OT 4.8% 06/15/20		40,000.00	107.48%	113.0%	45,216.00	110.1%	44,040.39
subtotal	**0**	**4,340,000.00**			**4,978,427.04**		**5,387,424.95**
ENTIGERE		23,200.00	0.00%	0.0%	0.00	0.0%	0.00
BANIF 09/19 TV 30/06/2019		5,000,000.00	0.00%	0.0%	0.00	0.0%	0.00
BRISA 1.875% 04/25		1,600,000.00	101.59%	102.4%	1,638,917.44	102.8%	1,645,512.98
BRISA 3.875% 04/21		400,000.00	108.07%	112.3%	449,113.50	111.0%	443,903.62

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest) Unit	Carrying Amount (Includes Accrued Interest) Total
E.D.P. 5.375%/16-09-2075		500,000.00	104.71%	101.9%	509,651.95	109.0%	544,917.74
EDP FINANCE 2.625% 01/22		1,900,000.00	106.08%	107.0%	2,033,843.07	108.6%	2,062,897.41
EDP FINANCE 4.125% 01/21		500,000.00	107.72%	111.0%	555,171.80	111.6%	558,109.86
EDP FINANCE 4.875% 09/20		2,500,000.00	108.12%	112.2%	2,805,293.13	109.6%	2,739,161.65
GALP ENERGIA 3% 01/14/21		1,200,000.00	103.05%	103.4%	1,240,487.69	105.9%	1,271,255.18
GALP ENERGIA 4.125% 01/19		200,000.00	100.35%	104.4%	208,741.81	104.2%	208,388.94
MOTA ENGIL 5.5% 04/19		300,000.00	99.53%	93.7%	281,171.26	100.6%	301,798.33
REN FINANCE 4.75%		2,200,000.00	107.55%	113.3%	2,492,687.37	108.5%	2,387,792.90
REN FINANCE BV 2.5% 02/25		750,000.00	105.21%	106.2%	796,349.65	107.4%	805,578.60
RENTIGLOBO SGPS 0% 17-200626		401,000.00	0.00%	0.0%	0.00	0.0%	0.00
RENTIGLOBO SGPS 0% 200626		2,006,000.00	0.00%	0.0%	0.00	0.0%	0.00
RENTIGLOBO SGPS 1,5% 17-200626		882,400.00	0.00%	0.0%	0.00	0.0%	367,67
SEMAPA TV /30-11-2020		100,000.00	101.40%	101.1%	101,115.74	101.6%	101,638.59
A. GAUDENCIO TF 25/05/1995		49,900.00	0.00%	0.0%	0.00	0.0%	0.00
C.G.D. TV CMS Cap-Floor/05-08-2021		1,000,000.00	80.00%	80.0%	800,000.00	82.0%	820,273.98
FNAC INVEST 22/05/1995		24,950.00	0.00%	0.0%	0.00	0.0%	0.00
subtotal	**0**	**21,537,450.00**			**13,912,544.41**		**13,891,597.45**
subtotal	**0**	**25,877,450.00**			**18,890,971.45**		**19,279,022.40**
Total	**7,159,928,980**	**25,877,450.00**			**67,634,937.74**		**67,882,983.24**
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
NCG BANCO NC	185,838			0.50	92,919.00	0.00	0.00
subtotal	**185,838**	**0,00**			**92,919,00**		**0.00**
2.2.1.3 - Investment fund units							
AAME FINANCIAL BOND FUND	701,017			99.85	70,000,000,00	95.89	67,222,866.89
AAME MULTI-CREDIT STRATEGY FUND	1,740,806			101.10	176,000,000,00	101.21	176,189,984.97
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	742,217			101.05	75,000,000,00	97.97	72,716,284.10
AAME TRQ GLOBAL INV GRADE CORP CREDIT	650,000			100.00	65,000,000,00	98.87	64,267,320.00
AAME TRQ LOAN ORIGINATION FUND	79,249			1,009.48	80,000,000,00	1,006.21	79,740,962.05
ACE CREDIT ALLOCATION FUND I	17,405			1,004.21	17,477,856,61	995.38	17,324,110.83
ISHARES CORE EURO CORP BOND	21,458			131.68	2,825,555,94	127.60	2,738,040.80
ISHARES EURO CORP EX-FINCL	74,303			118.07	8,773,301,47	114.73	8,524,411.70
ISHARES EURO GOVT 15-30 YR	55,081			254.62	14,024,759,53	229.47	12,639,437.07
ISHARES EURO HY CORP	81,956			105.13	8,616,414,69	99.84	8,182,487.04
ISHARES EURO ULTRASHORT BOND	316,448			100.35	31,755,514,54	99.69	31,546,701.12
ABERDEEN SM BETA LVGE GROWTH FUND E	9,000			17.56	158,044.69	16.25	146,250.00
FIDELITY TARGET 2020 ACÇÕES	75,000			11.97	898,051.12	14.62	1,096,500.00
FIDELITY TARGET 2025 ACÇÕES	53,000			9.88	523,715.85	14.34	760,020.00
FIDELITY TARGET 2030 ACÇÕES	22,000			10.47	230,308.98	14.88	327,360.00
FIDELITY TARGET 2035 ACÇÕES	7,471			21.23	158,585.30	31.60	236,094.03
FIDELITY TARGET 2040 ACÇÕES	10,018			20.31	203,449.04	31.62	316,767.58
FIDELITY TARGET 2045 ACÇÕES	100			13.89	1,389.13	13.25	1,325.00
FIDELITY TARGET 2050 ACÇÕES	250			13.77	3,441.79	13.24	3,310.00
subtotal	**4,656,779**	**0,00**			**551,650,388.68**		**543,980,233.18**
subtotal	**4,842,617**	**0,00**			**551,743,307.68**		**543,980,233.18**
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
B.T.P.S. ITALIA 04/24 TF 5,125% 31-07-2024		3,500,000.00	115.03%	128.7%	4,506,036.05	117.2%	4,101,065.07
B.T.P.S. ITALIA 08/19 TF 4,5% 01/03/2019		2,410,000.00	100.70%	106.8%	2,573,542.94	102.2%	2,462,791.05
B.T.P.S. ITALIA 09/20 TF 4,25% 01/03/2020		2,000,000.00	104.55%	110.4%	2,208,297.93	106.0%	2,119,137.23
B.T.P.S. ITALIA 2.00% /01-12-2025		1,650,000.00	98.46%	106.9%	1,764,094.68	98.6%	1,627,314.34
B.T.P.S. ITALIA 4.50% /01-02-2020		380,000.00	104.47%	110.7%	420,616.41	106.3%	404,074.90
B.T.P.S. ITALIA 4.75% /01-09-2021		100,000.00	109.76%	117.6%	117,627.76	111.3%	111,330.14
B.T.P.S. ITALIA 5,50%/01-09-2022		240,000.00	114.63%	124.5%	298,880.96	116.4%	279,465.73
BELGIUM KINGDOM 1% 06/22/26		12,684,100.00	103.73%	103.8%	13,161,842.19	104.3%	13,223,558.25
BELGIUM KINGDOM 1% 06/22/31		7,701,400.00	99.09%	100.3%	7,724,387.63	99.6%	7,671,982.76
BELGIUM KINGDOM 1.6% 06/22/47		34,000,000.00	96.24%	96.8%	32,919,800.00	97.1%	33,006,398.90
BELGIUM KINGDOM 3% 28/09/2019		34,600,000.00	102.67%	104.8%	36,248,965.00	103.4%	35,790,794.55
BELGIUM KINGDOM 4.00%/28-03-2022		2,700,000.00	114.19%	121.0%	3,266,171.21	117.2%	3,165,279.54
BELGIUM KINGDOM 4.25% 09/28/21		420,000.00	112.81%	118.7%	498,698.48	113.9%	478,394.78
BELGIUM KINGDOM 5% 03/28/35		6,030,000.00	153.58%	164.0%	9,890,933.93	157.4%	9,490,509.61

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
BONOS SPANISH 4,85% 31/10/2020		10,122,000.00	109.33%	115.2%	11,659,546.50	110.1%	11,148,122.61
BONOS SPANISH 5.15% /31-10-2028		4,230,000.00	134.10%	141.9%	6,004,344.97	135.0%	5,709,006.17
BONOS SPANISH 5.50% /30-04-2021		4,190,000.00	113.22%	119.7%	5,016,209.16	116.9%	4,898,603.61
BONOS Y OBLIG DEL ESTADO 5.85% 01/22		8,000,000.00	118.12%	124.6%	9,965,036.82	123.5%	9,878,092.06
BTPS 3.75% 09/24		3,775,000.00	109.05%	119.0%	4,490,966.72	110.3%	4,163,356.28
BTPS 4.5% 03/01/26		282,000,00	114.22%	127.3%	359,008.21	115.7%	326,312,86
BTPS 4.5% 03/24		1,800,000.00	112.48%	123.1%	2,215,103.31	114.0%	2,051,487.00
BTPS 4.5% 05/23		2,400,000.00	112.00%	121.4%	2,912,681.18	112.7%	2,705,604.00
BTPS 5% 03/01/25		9,207,000.00	116.29%	129.3%	11,907,027.48	117.9%	10,859,061.20
BTPS 5.5% 11/22		2,880,000.00	114.75%	125.0%	3,600,653.71	115.6%	3,330,694.36
BUND DEUTSCHLAND 4.75% /04-07-2028		2,900,000.00	142.96%	153.9%	4,464,124.11	145.3%	4,213,829.50
BUND DEUTSCHLAND 4.75% /04-07-2034		15,300,000.00	162.93%	164.2%	25,126,293.67	165.3%	25,286,687.27
BUNDES 0% 08/10/21		2,630,000.00	101.59%	101.8%	2,676,224.84	101.6%	2,671,685.50
BUNDES 0% 15/08/26		23,630,800.00	99.94%	97.8%	23,101,200.01	99.9%	23,617,094.14
BUNDES 4% 01/04/37		20,985,000.00	157.51%	159.2%	33,409,490.45	161.5%	33,884,094.29
BUNDES 5.5% 01/04/31		21,337,400.00	160.70%	168.3%	35,919,111.64	166.1%	35,450,324.65
BUNDES REP 3% 07/04/20		47,000,000.00	105.50%	105.7%	49,664,440.00	107.0%	50,281,282.44
COMMUNAUTE FRANCAISE BEL 2.1% 30/06/2067		20,000,000.00	100.44%	99.5%	19,901,800.00	101.5%	20,298,926.03
EFSF 1.8% 07/10/48		10,000,000.00	104.62%	103.8%	10,382,000.00	105.5%	10,547,408.22
EFSF 2 28/02/56		20,000,000.00	108.01%	107.3%	21,454,000.00	109.7%	21,936,742.47
FRANCE GOVT 0% 02/25/21		10,000,000.00	100.99%	101.3%	10,127,400.00	101.0%	10,098,500.00
FRANCE GOVT 0% 05/25/22		2,120,000.00	100.99%	100.3%	2,126,991.08	101.0%	2,141,051.10
FRANCE GOVT 0.25% 25/11/26		23,383,700.00	98.55%	95.8%	22,403,326.34	98.6%	23,049,233.02
FRANCE GOVT 1.25% 05/25/36		33,578,800.00	99.93%	98.8%	33,161,409.86	100.7%	33,808,957.38
FRANCE GOVT 1.5% 05/25/31		28,180,000.00	106.46%	106.2%	29,939,881.11	107.4%	30,254,642.48
FRANCE GOVT 2% 05/25/48		4,500,000.00	108.50%	106.3%	4,783,500.00	109.7%	4,936,836.58
IRISH GOVT 5% 10/18/20		1,250,000.00	109.92%	116.6%	1,458,051.05	110.9%	1,386,708.73
IRISH GOVT 5.92% 05/42		5,487,023.76	160.15%	157.6%	8,646,449.23	163.8%	8,987,817.08
IRISH TREASURY GOV. 4.40%/18-06-2019		950,000.00	102.29%	108.7%	1,032,842.03	104.7%	994,191,53
IRISH TREASURY GOV. 4.50% /18-04-2020		320,000.00	106.43%	112.8%	360,936.30	109.6%	350,702,38
NETHERLANDS GOV 3.25% 07/15/21		24,000,000.00	109.77%	111.5%	26,766,840.00	111.3%	26,706,190.68
NETHERLANDS GOV. 3.75%/15-01-2023		5,000,000.00	116.80%	123.2%	6,161,920.81	120.4%	6,019,544.51
NETHERLANDS GOVT 0% 01/15/22		607,500.00	101.47%	101.2%	615,078.46	101.5%	616,430,25
NETHERLANDS GOVT 0.5% 15/07/2026		8,440,500.00	102.62%	100.9%	8,520,400.36	102.8%	8,680,928.23
NETHERLANDS GOVT 2.5% 01/15/33		6,617,900.00	124.93%	127.9%	8,464,822.89	127.3%	8,426,126.04
NETHERLANDS GOVT 4% 01/15/37		5,450,000.00	154.98%	157.7%	8,595,828.78	158.8%	8,655,233.09
O.A.T. 3.75%/25-04-2021		4,500,000.00	109.76%	115.4%	5,191,311.22	112.3%	5,054,962.19
O.A.T. 4.00% /25-04-2055		6,000,000.00	161.06%	165.2%	9,914,032.28	163.8%	9,827,983.56
O.A.T. 5.75% /25-10-2032		2,000,000.00	161.65%	178.4%	3,567,517.38	162.7%	3,254,089.59
REPUBLIC AUSTRIA 3.90% /15-07-2020		4,240,000.00	106.81%	112.7%	4,780,215.56	108.6%	4,605,138.35
REPUBLIC AUSTRIA 6.25% /15-07-2027		1,350,000.00	149.53%	161.6%	2,182,208.55	152.4%	2,057,748.78
REPUBLIC OF AUSTRI 2.4% 05/23/34		3,430,000.00	120.57%	124.4%	4,265,739.83	122.0%	4,185,688.20
REPUBLIC OF AUSTRI 4.15% 03/15/37		2,700,000.00	151.83%	155.8%	4,207,735.49	155.1%	4,188,689.02
REPUBLIC OF AUSTRIA 0.75% 10/20/2026		8,058,000.00	103.33%	102.5%	8,257,886.71	103.5%	8,338,252.82
REPUBLIC OF AUSTRIA 3.5% 09/15/21		240,000.00	110.90%	115.5%	277,092.24	111.9%	268,622.46
REPUBLIC OF PERU 2.75% 01/30/26		500,000.00	108.41%	109.5%	547,337.11	110.9%	554,684.86
REPUBLIC OF POLAND 4% 03/23/21		2,000,000.00	108.98%	114.0%	2,279,066.09	112.1%	2,241,527.40
REPUBLIC POLAND 4.2% /15-04-2020		600,000.00	105.71%	111.0%	665,786.24	108.7%	652,210.68
REPUBLICA SLOVAKIA 4%/27-04-2020		200,000.00	105.80%	111.5%	223,019.96	108.5%	217,037.62
REPUBLICA SLOVENIA 4.125%/26-01-2020		1,800,000.00	104.72%	110.2%	1,984,409.53	108.6%	1,953,920.96
REPUBLIKA OF SLOVENIJA 1.50% 03/35		100,000.00	97.77%	88.3%	88,348.56	98.9%	98,920.80
REPUBLIKA SLOVENIJA 1.75% 11/03/40		5,000,000.00	99.49%	97.7%	4,884,780.78	99.8%	4,988,604.11
REPUBLIKA SLOVENIJA 4.625% 09/24		1,000,000.00	124.10%	127.4%	1,274,016.51	125.5%	1,255,348.49
SPANISH GOV 4% 04/30/20		2,280,000.00	105.85%	110.6%	2,521,662.25	108.5%	2,474,482.44
SPANISH GOVT 1.95% 07/30		6,860,000.00	103.07%	104.5%	7,166,216.63	103.9%	7,127,041.96
SPANISH GOVT 2.15% 10/25		2,980,000.00	108.41%	109.5%	3,263,635.97	108.8%	3,241,265.99
SPANISH GOVT 2.75% 10/24		1,490,000.00	112.00%	113.4%	1,689,084.13	112.5%	1,675,647.89
SPANISH GOVT 5.4% 01/31/23		1,550,000.00	121.14%	126.5%	1,960,580.62	126.1%	1,954,183.73
SPGB 0.05% 01/31/21		11,000,000.00	100.49%	100.3%	11,036,850.00	100.5%	11,058,932.88
SPGB 4.2% 01/31/37		1,276,000.00	131.44%	123.4%	1,574,545.01	135.3%	1,726,265.78
SPGB 4.4% 10/31/23		3,630,000.00	119.04%	123.3%	4,476,806.48	119.8%	4,347,881.23
SPGB 4.9% 07/30/40		4,400,000.00	144.22%	149.9%	6,593,497.60	146.3%	6,436,821.49

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest) Unit	Carrying Amount (Includes Accrued Interest) Total
SPGB 5.15% 10/31/44		100,000.00	150.99%	142.8%	142,763.41	151.8%	151,849.68
SPGB 5.9% 07/30/26		395,000.00	135.30%	133.4%	526,746.39	137.8%	544,275.69
SPGB 6% 01/31/29		2,313,000.00	142.69%	139.4%	3,223,301.42	148.2%	3,427,505.42
UNITED MEXICAN STATES 1.625% 03/06/24		440,000.00	99.62%	99.6%	438,423.68	101.0%	444,200.31
BTPS 0.65% 11/01/20		50,000.00	100.22%	101.5%	50,770.00	100.3%	50,162.42
REPUBLIC AUSTRIA TV CMS FLOOR/28-07-2025		1,000,000.00	105.44%	106.5%	1,064,600.00	105.9%	1,058,683.97
SPGB 0.75% 07/30/21		95,000.00	102.35%	102.5%	97,413.50	102.7%	97,534.07
subtotal	**0**	**582,547,123.76**			**673,412,237.38**		**671,863,769.43**
2.2.2.2 - Other public issuers'							
COMMUNITY OF MADRID 4.125% 05/24		3,000,000.00	117.69%	120.2%	3,605,855.38	120.2%	3,606,495.20
ONTARIO PROVINCE 4.75% /23-04-2019		900,000.00	101.52%	108.2%	973,522.12	104.8%	943,213.07
RESEAU FERRE FRANCE 6.00% /12-10-2020		400,000.00	111.22%	119.6%	478,284.53	112.5%	450,128.27
subtotal	**0**	**4,300,000.00**			**5,057,662.03**		**4,999,836.54**
2.2.2.3 - Other issuers'							
A2A SPA 4.375% 01/10/21		260,000.00	108.20%	114.2%	296,881.80	112.5%	292,385.96
ABERTIS INFRA. 4.375%/25-10-2019		1,100,000.00	103.75%	110.1%	1,210,736.53	104.6%	1,150,797.09
ADIDAS AG 1.25% 10/21		750,000.00	102.08%	99.5%	746,164.95	102.4%	767,765.03
AIR PRODUCTS & CHEMICALS 1% 02/12/25-14		750,000.00	101.45%	99.6%	746,935.92	102.3%	767,461.44
AMERICA MOVIL 6.375% 09/06/73		400,000.00	111.63%	115.7%	462,682.69	113.7%	454,632.11
ARCELORMITTAL 3.125% 01/22		1,000,000.00	104.85%	99.9%	998,510.69	107.9%	1,078,561.37
ASSIST PUBL HOPIT PARIS 1.75% 11/27/41		7,500,000.00	100.50%	101.7%	7,628,425.00	100.7%	7,550,026.02
AT&T INC 1.3% 09/05/23		600,000.00	100.88%	101.4%	608,351.81	101.3%	607,792.26
AURIZON NETWORK PTY 3.125% 06/01/26		5,100,000.00	106.17%	109.6%	5,590,314.68	108.0%	5,507,675.14
AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24		500,000.00	103.87%	99.3%	496,420.45	104.2%	521,195.89
BANIF FINANCE 3% 31/12/2019 CALL 2014		200,000.00	0.00%	0.0%	0.00	0.0%	0.00
BARCLAYS 6.5% 12/29/49		2,000,000.00	96.88%	94.8%	1,895,958.94	97.2%	1,943,056.67
BARCLAYS 6.625% 03/30/22		600,000.00	112.03%	118.2%	708,928.53	117.0%	702,261.53
BARCLAYS BANK 6% 01/14/21		1,750,000.00	107.61%	113.7%	1,988,944.21	113.4%	1,984,112.60
BERKSHIRE HATHAWAY 1.125% 03/16/27		880,000.00	98.42%	99.0%	871,203.33	99.3%	873,944.15
BG ENERGY CAPITAL 3.625% 07/19/19		1,000,000.00	101.93%	106.9%	1,068,988.78	103.6%	1,036,004.93
BHARTI AIRTEL INTERNAT 3,375% 05/2021		750,000.00	100.31%	99.6%	747,114.95	102.4%	767,951.09
BK TOKYOMITSUBISHI UFJ 0.875% 03/22		880,000.00	101.01%	99.7%	877,498.92	101.7%	895,111.29
BLACKROCK 1.25% 05/06/25		980,000.00	101.38%	99.6%	976,034.51	102.2%	1,001,525.62
BNP PARIBAS 05/49 TF 4,875% 17/10/2049 CALL 2011		2,000,000.00	102.06%	100.7%	2,013,691.10	103.1%	2,061,214.25
BOMBARDIER 6.125% 05/15/21		1,100,000.00	101.28%	100.1%	1,101,263.38	102.0%	1,122,479.88
C.D.C. IXIS 5.375% /29-11-2027		1,900,000.00	111.11%	113.4%	2,154,092.33	111.6%	2,119,986.42
C10 CAPITAL SPV LTD 07/49 TF/TV 6,277% 30/06/2049 CALL 2017		1,000,000.00	81.98%	80.9%	809,460.83	82.0%	819,872.74
CARREFOUR 1.25% 06/25		500,000.00	97.60%	99.6%	498,073.48	98.3%	491,608.02
CARREFOUR 1.75% 07/22		500,000.00	102.81%	99.6%	497,904.09	103.6%	518,116.37
CARREFOUR 3.875% 04/25/21		3,000,000.00	107.97%	114.2%	3,424,931.93	110.6%	3,318,603.29
CASINO GUICHARD CALL 4.87%/31-01-2048		1,100,000.00	64.77%	95.2%	1,046,945.88	69.2%	761,468.22
CASINO GUICHARD PERRACHO 2.33% 25-24		700,000.00	84.72%	100.0%	700,107.96	87.9%	615,470.01
CASINO GUICHARD PERRACHO 3.311% 01/23		300,000.00	93.02%	109.8%	329,326.02	97.3%	291,790.81
CIE DE SAINT-GOBAIN 3.625% 06/15/21		300,000.00	107.89%	113.0%	338,918.18	109.9%	329,593.11
CIE FINANCEMENT FONCIER 5.75% /04-10-2021		500,000.00	115.98%	124.5%	622,681.64	117.4%	586,806.51
CITIGROUP INC 05/30 TF/TV 4,25% 25/02/2030 CALL 2025		3,500,000.00	115.54%	113.7%	3,979,080.80	119.1%	4,169,688.08
COCA-COLA 1.125% 03/09/27		880,000.00	100.15%	99.2%	873,328.92	101.1%	889,402.02
COMMERZBANK AG 7.75%/16-03-2021		100,000.00	113.37%	117.0%	117,032.88	119.5%	119,526.53
CREDIT SUISSE 5.75% 09/18/25		3,500,000.00	106.90%	107.3%	3,756,086.02	108.5%	3,798,982.46
CREDIT SUISSE LONDON 09/19 TF 4,75% 05/08/2019		1,460,000.00	102.85%	108.8%	1,588,414.82	104.8%	1,529,788.39
DAIMLER AG 1.875% 07/24		1,000,000.00	104.03%	105.7%	1,057,057.64	104.9%	1,049,341.09
DELPHI AUTOMOTIVE 1.5% 03/25		600,000.00	96.39%	99.7%	598,028.04	97.6%	585,626.63
DEUTSCHE ANN FIN 2.125% 07/22		280,000.00	103.85%	99.7%	279,035.38	104.9%	293,632.74
EDENRED 1.375% 03/25		900,000.00	99.14%	99.2%	892,866.24	100.3%	902,277.62
ELECTRICITÉ DE FRANCE 09/21 TF 6.25% 25/01/2021		1,500,000.00	112.54%	121.2%	1,818,049.53	118.4%	1,775,428.77
ELECTRICITE FRANCE CALL 4.125% TV/22-01-2048		1,100,000.00	101.84%	95.0%	1,045,369.98	105.7%	1,162,891.07
ELECTRICITE FRANCE CALL 5.0% TV/22-01-2049		2,000,000.00	97.34%	94.4%	1,888,094.51	102.0%	2,040,672.60
ENAGAS FIN 1% 03/25/23		500,000.00	102.24%	99.8%	498,993.08	103.0%	515,029.32
ENAGAS FINANCIACIONES 1.25% 02/25		700,000.00	102.33%	99.3%	695,217.95	103.5%	724,166.01
ENBW 6.125% 07/39		560,000.00	159.84%	145.4%	814,328.82	162.8%	911,714.75
ENEL 5% 01/15/75		3,000,000.00	103.38%	107.3%	3,218,597.21	108.2%	3,245,205.61
ENEL FINANCE 4.875% 04/17/23		1,000,000.00	117.41%	125.8%	1,258,337.40	120.9%	1,208,528.90

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
ENEL SOCIETA 5.25%/20-05-2024		3,000,000.00	120.43%	133.0%	3,989,448.22	123.7%	3,709,929.04
ENERGIE AG OBEROSTERREICH 05/25 TF 4,5% 04/03/2025		1,695,000.00	121.99%	124.9%	2,117,359.78	125.7%	2,130,908.03
ENI SPA 4.125%/16-09-2019		700,000.00	102.86%	108.4%	758,914.06	104.1%	728,391.62
ERSTE GROUP BANK 7.125% 10/10/22		3,000,000.00	121.23%	114.7%	3,441,381.61	122.8%	3,684,890.55
ESM 1.85 01/12/55		15,000.000,00	105.90%	105.0%	15,747.000,00	106.0%	15,907.358,22
EVONIK INDUSTRIES 1% 01/23/23		500,000.00	101.72%	99.5%	497,730.90	102.7%	513,304.93
FCE BANK PLC 1.134% 02/10/22		500,000.00	96.40%	100.0%	500,065.76	97.4%	487,013.09
FERROVIAL SA 2.5% 07/24		1,000,000.00	106.51%	107.2%	1,071,822.13	107.7%	1,076,655.34
FIAT CHRYSLER 4.75% 07/15/22		225,000.00	108.67%	108.0%	242,971.15	110.9%	249,464.96
FIAT FINANCE 4.75% 03/21		1,000,000.00	106.61%	107.4%	1,073,717.91	110.3%	1,103,028.91
FIAT FINANCE 6.75% 10/19		305,000.00	104.71%	109.3%	333,309.89	106.1%	323,755.87
FINMEC FINANCE 4.5% 01/21		730,000.00	106.02%	110.5%	806,569.00	110.3%	805,115.20
FINMECCANICA FIN. 5.25% /21-01-2022		2,580,000.00	110.09%	116.0%	2,991,894.50	115.0%	2,967,927.39
FLOWSERVE CORPORATION 1.25% 03/17/22		1,880,000.00	99.25%	99.6%	1,872,064.45	100.2%	1,884,544.45
FRESENIUS SE & CO 4% 02/01/24		1,200,000.00	111.83%	117.0%	1,404,578.21	113.5%	1,361,790.66
GAS NATURAL CAPITAL 5.125%/02-11-2021		2,000,000.00	113.56%	120.6%	2,412,196.16	114.4%	2,287,828.49
GAS NATURAL FENOSA 2.875% 03/24		600,000.00	109.62%	99.9%	599,229.38	111.9%	671,643.78
GAS NATURAL FENOSA 4.125% 11/29/49		2,400,000.00	102.00%	101.8%	2,443,362.70	102.5%	2,459,687.01
GDF SUEZ 1% 03/13/26		2,300,000.00	99.89%	99.4%	2,286,574.73	100.7%	2,315,841.02
GENERAL ELECTRIC 05/35 TF 4,125% 19/09/2035		500,000.00	100.07%	147.7%	738,422.56	101.2%	506,175.21
GENERAL MOTORS FINANCIAL 1.875% 10/15/19		500,000.00	101.40%	100.0%	499,822.43	101.8%	508,962.74
GIE PSA TRESORERIE 03/33 TF 6% 19/09/2033		800,000.00	119.64%	121.5%	971,985.68	121.3%	970,625.20
GOLDMAN SACHS GROUP 06/21 TF 4,75% 12/10/2021		490,000.00	109.09%	113.9%	557,893.88	110.1%	539,632.57
GOLDMAN SACHS GROUP 1.375% 07/26/22		1,050,000.00	101.64%	99.5%	1,044,783.33	102.2%	1,073,501.15
GOLDMAN SACHS GROUP 3.25% 02/01/23		1,585,000.00	108.17%	112.7%	1,786,436.82	111.1%	1,761,459.13
GRAND CITY PROPERTIES 3.75% 12/29/49		1,900,000.00	98.65%	101.0%	1,918,338.66	101.9%	1,935,977.94
GROUPAMA 6% 01/23/27		2,600,000.00	110.82%	100.0%	2,598,859.71	116.4%	3,027,489.86
GROUPAMA SA 7.875% 10/27/39		700,000.00	104.99%	104.0%	728,010.96	106.4%	744,718.78
HALIFAX BK SCOTLAND 05/30 TF/TV 4,5% 18/03/2030 CALL 2025		3,005,000.00	104.06%	108.4%	3,258,621.34	107.6%	3,233,550.83
HEIDELBERG CEMENT 7.5%/03-04-2020		800,000.00	109.03%	117.0%	936,297.07	110.8%	886,708.00
HSBC 5.25% 12/29/49		1,000,000.00	98.74%	95.8%	957,736.36	100.3%	1,002,526.66
IBERDROLA 2.5% 10/22		600,000.00	107.73%	99.8%	598,895.90	108.2%	649,198.52
IBERDROLA FIN 4.125% 03/20		2,000,000.00	105.03%	110.6%	2,212,778.16	108.2%	2,164,485.75
IBM CORP 1.25% 05/26/23		880,000.00	103.06%	99.9%	878,790.21	103.8%	913,510.40
INTESA SANPAOLO 1.125% 01/20		270,000.00	100.43%	99.7%	269,304.84	101.5%	274,079.29
INTESA SANPAOLO 1.125% 03/22		500,000.00	98.20%	99.8%	498,890.39	99.1%	495,669.11
INTESA SANPAOLO 6.625% 09/13/23		1,085,000.00	113.36%	117.3%	1,272,444.56	115.3%	1,251,465.31
JP MORGAN CHASE 1.5% 01/27/25		1,000,000.00	101.72%	100.0%	999,567.11	103.1%	1,031,060.41
KELLOGG CO 1.25% 03/10/25		1,380,000.00	99.52%	100.0%	1,379,650.93	100.5%	1,387,337.44
KENNEDY WILSON EUR 3.25% 11/12/25		1,300,000.00	95.60%	103.8%	1,348,954.33	96.0%	1,248,471.92
KPN NV 5.625%/30-09-2024		1,125,000.00	123.83%	133.7%	1,504,451.27	125.3%	1,409,071.59
LA POSTE 03/23 TF 4,375% 26/06/2023		1,500,000.00	117.64%	123.9%	1,858,082.94	119.9%	1,798,446.37
LANDBK SACHSEN GIRO 6.195% /21-05-2031		400,000.00	140.13%	143.6%	574,201.14	143.9%	575,594.50
MACQUARIE BANK 1% 09/16/19		200,000.00	100.71%	100.0%	200,001.82	101.0%	202,006.82
METRO AG 1.5% 03/25		500,000.00	95.95%	99.9%	499,369.63	97.1%	485,647.26
MOODYS CORP 1.75% 03/27-26		500,000.00	102.38%	98.3%	491,699.36	103.8%	519,009.86
MORGAN STANLEY 1.75% 01/30/25		1,000,000.00	101.32%	99.9%	998,634.79	102.9%	1,029,301.64
NATIONAL GRID NA INC 0.75% 02/22		200,000.00	100.60%	99.6%	199,150.47	101.3%	202,521.40
NATIONWIDE BLDG SOCIETY 1.25% 03/25		880,000.00	98.82%	100.0%	879,587.78	99.9%	878,703.50
NRW 1 16/10/46		10,000,000.00	87.91%	85.5%	8,545,000.00	88.1%	8,811,521.92
OBRASCON HUARTE LAIN 4.75% 03/15/22		200,000.00	53.61%	74.3%	148,662.48	55.0%	109,992.83
ORANGE 5.25% 12/29/49		2,200,000.00	108.42%	110.8%	2,437,572.48	113.1%	2,488,605.35
P TELECOM 05/25 TF 4,5% 16/06/2025		1,700,000.00	1.00%	20.7%	351,050.00	1.0%	17,000.00
PETROBRAS 5.875% 03/22		1,500,000.00	109.84%	97.9%	1,468,595.69	114.7%	1,719,850.07
PETROBRAS GLOBAL FINANCE 4.25% 10/02/23		1,080,000.00	105.02%	89.4%	965,275.26	106.1%	1,145,544.61
PEUGEOT 6.5% 01/19		725,000.00	100.20%	108.3%	785,113.13	106.4%	771,214.77
POHJOLA BANK PLC 0.75% 03/22		500,000.00	101.30%	99.8%	498,903.48	101.9%	509,613.01
PPG INDUSTRIES 1.4% 03/13/27		880,000.00	99.11%	98.9%	870,428.65	100.2%	882,048.95
PROLOGIS LP 1.375% 10/07/20		1,000,000.00	101.76%	99.9%	999,237.73	102.1%	1,020,752.05
PURPLE PROTECTED ASSET		10,600,764.19	99.63%	100.3%	10,632,171.74	99.7%	10,569,491.93
RABOBANK 5.5% 01/22/49		500,000.00	102.23%	98.5%	492,552.71	102.3%	511,285.68
RABOBANK 6.875% 03/19/20		4,900,000.00	107.95%	112.5%	5,510,403.48	113.4%	5,554,435.28

(euros)

Designation	Quantity	Amount of Par Value	% Of Par Value	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest) Unit	Total
RCI BANQUE 0.625% 03/20		1,450,000.00	100.33%	99.9%	1,448,847.49	100.8%	1,462,254.29
REDEXIS GAS FINANCE 2.75% 04/21		2,000,000.00	103.86%	99.7%	1,993,964.41	105.9%	2,117,352.88
REPSOL 3.875% 12/29/49		1,032,000.00	102.47%	92.4%	953,502.00	105.5%	1,088,287.54
REPSOL INTL FINANCE 4.875% 02/19		1,200,000.00	100.64%	107.2%	1,286,461.42	104.9%	1,258,214.30
ROYAL BANK OF SCOTLAND 3.625% 03/25/24		2,300,000.00	100.25%	99.2%	2,281,473.89	103.0%	2,369,845.32
SES SA 4.625% 12/29/49		300,000.00	100.06%	103.3%	309,865.75	104.7%	313,978.97
SMURFIT KAPPA ACQUISITIO 3.25% 06/01/21		770,000.00	103.74%	106.5%	819,825.90	104.0%	800,775.40
SOCIETE GENERALE 4% 06/07/2023		2,000,000.00	109.66%	112.0%	2,239,823.56	111.9%	2,238,529.87
SODEXO 1.75% 01/24/2022		700,000.00	104.16%	100.0%	699,882.51	105.8%	740,557.52
STANDARD CHARTERED 3.625% 11/23/22		500,000.00	106.42%	105.1%	525,575.10	106.8%	533,976.99
STATE GRID EUROPE DEV 1.5% 01/22		1,000,000.00	102.33%	99.8%	998,476.15	103.7%	1,037,191.50
STORA ENSO OYJ 5.5% 03/19		300,000.00	100.55%	107.9%	323,610.34	105.1%	315,157.44
SVENSKA CELLULOSA 1.125% 03/25		1,000,000.00	99.37%	99.8%	998,368.67	100.3%	1,002,947.39
TELECOM ITALIA 3.25% 01/23		400,000.00	101.53%	107.5%	429,964.22	104.6%	418,534.14
TELECOM ITALIA 5.25% 02/22		2,250,000.00	107.98%	114.8%	2,583,240.64	112.6%	2,534,316.17
TELECOM ITALIA FIN SA 03/33 TF 7,75% 24/01/2033		100,000.00	123.95%	134.9%	134,917.80	131.2%	131,194.41
TELEFONICA 4.693%/11-11-2019		2,150,000.00	104.01%	110.2%	2,369,723.18	104.6%	2,249,972.36
TELEKOM FINANZ 4% 04/04/22		1,400,000.00	111.38%	117.2%	1,640,843.51	114.3%	1,600,898.08
TELENET FINANCE VI 4.875% 15/07/27		1,704,300.00	106.57%	105.4%	1,795,740.87	108.8%	1,854,284.79
TEOLLISUUDEN 2.125% 02/04/25		1,500,000.00	99.55%	99.5%	1,492,407.33	101.5%	1,522,023.48
TESCO CORP 1.375% 07/19		952,000.00	100.49%	99.9%	950,970.19	101.2%	963,265.81
TOTAL 2.625% 12/29/49		1,630,000.00	99.04%	95.1%	1,550,089.89	101.3%	1,650,522.82
TRASM. ELET. RETE NAZIONALE 04/24 TF 4,9% 28/10/2024		3,100,000.00	120.17%	134.8%	4,178,403.00	121.0%	3,751,904.52
TS ENERGY ITALY 4.2% 30/06/2032		12,946,500.00	100.00%	100.0%	12,946,500.00	100.0%	12,946,500.00
TYCO INT FINANCE 1.375% 02/25/25		500,000.00	95.83%	99.9%	499,356.96	97.0%	484,980.21
UBS AG TF\TV 4.75%/12-02-2026		1,200,000.00	105.78%	106.4%	1,276,835.50	110.0%	1,319,686.00
UNIBAIL-RODAMCO 1% 03/14/25		1,000,000.00	99.59%	99.7%	997,463.38	100.4%	1,003,860.00
UNICREDIT 5.75% 10/28/25		2,085,000.00	103.00%	104.1%	2,169,792.66	104.0%	2,168,654.78
UNICREDIT SPA 6.95% 10/31/22		980,000.00	111.89%	110.9%	1,086,525.25	113.1%	1,107,943.96
UNICREDITO ITALIANO 04/20 TF 4,375% 29/01/2020		1,890,000.00	104.27%	109.2%	2,063,295.09	108.3%	2,046,858.61
UNIV POLITEC VALENCIA 6.6%/15-12-2022		498,840.00	120.00%	113.5%	566,366.27	120.3%	600,051.22
VATTENFALL 3% 03/19/77		2,000,000.00	94.37%	87.8%	1,755,009.39	96.7%	1,934,478.08
VNESHECONOMBANK 4.032% 02/21/23		750,000.00	102.89%	98.0%	734,791.87	106.3%	797,621.84
VOESTALPINE AG 2.25% 10/21		220,000.00	103.66%	100.0%	219,934.64	104.1%	229,114.21
VOLKSWAGEN 5.125% 09/29/49		3,000,000.00	103.09%	105.4%	3,161,574.50	104.7%	3,142,405.48
VOLVO 4.85% 03/10/78		2,100,000.00	105.10%	103.2%	2,166,457.56	109.0%	2,289,738.16
WASHINGTON MUTUAL BANK 06/17 TF 4,5% 17/01/2017		5,000,000.00	0.00%	0.0%	0,00	0.0%	0,00
WENDEL 2.75% 10/24		100,000.00	102.82%	99.6%	99,611.08	103.5%	103,494.08
WESFARMERS 1.25% 10/21		840,000.00	102.87%	100.3%	842,930.01	103.2%	866,570.01
WHIRLPOOL CORP 0.625% 03/12/20		280,000.00	100.39%	99.8%	279,409.28	100.9%	282,498.78
WP CAREY 2% 01/20/23		1,500,000.00	101.80%	102.4%	1,536,282.51	103.7%	1,555,281.16
CLOVERIE PLC SWISS REINS 6.625% 09/01/42		2,992,000.00	118.79%	126.1%	3,771,416.00	121.0%	3,619,848.25
ITALCEMENTI FINANCE 6.625% 03/20		800,000.00	105.49%	119.3%	954,312.00	109.7%	877,690.96
MERRIL LYNCH TV CMS FLOOR/04-10-2019		200,000.00	102.53%	110.5%	221,000.00	103.7%	207,476.96
MUNICH RE 6.25% 05/26/42		400,000.00	116.00%	122.0%	488,000.00	119.8%	479,016.00
R.B.S. TV CMS FLOOR /10-06-2019		500,000.00	101.44%	102.5%	512,500.00	104.1%	520,309.24
SOCIETE GENERALE 9.375% 09/29/49		1,950,000.00	105.30%	123.3%	2,403,375.00	108.3%	2,112,451.03
LOAN CALM EAGLE 01/04/2017 NEW		540,800.00	100.00%	100.0%	540,800.00	100.0%	540,800.00
LOAN CALM EAGLE 15/05/2016 NEW		6,325,879.50	100.00%	100.0%	6,325,879.50	100.0%	6,325,879.50
subtotal	**0**	**249,468,083.69**			**256,417,630.80**		**256,867,711.09**
subtotal	**0**	**836,315,207.45**			**934,887,530.21**		**933,731,317.06**
Total	**4,842,617**	**836,315,207.45**			**1,486,630,837,89**		**1,477,711,550.24**
Total	**7,164,771,597**	**862,192,657.45**			**1,554,265,775,63**		**1,545,594,533.48**
3 – GRAND TOTAL	**7,164,991,045**	**862,192,657.45**			**1,564,855,266,64**		**1,549,482,753.66**

09 DISCLOSURE OF REMUNERATION POLICIES

DISCLOSURE OF REMUNERATION POLICIES

This disclosure includes the following 3 components:

- Remuneration Policy for the members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting, including senior staff with remuneration paid during 2018;
- Remuneration Policy for "Key Employees";
- Statement of compliance, in the terms contemplated in article 4 of ASF Standard 5/2010.R, of April 1.

REMUNERATION POLICY FOR MEMBERS OF THE CORPORATE OFFICES, SUPERVISORY BOARD, AND BOARD OF THE SHAREHOLDERS' MEETING OF SEGURADORAS UNIDAS, S.A.

1. Introduction | Object

1.1 The object of this Remuneration Policy for Members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting of Seguradoras Unidas S.A. (hereinafter also referred to as "Company" or "SU"), is to comply with the regime contemplated in Law 28/2009, of June 19, which states that entities of public interest, as is the case of insurance and reinsurance companies, shall, annually, submit a declaration on the remuneration policy for members of its administrative and supervisory boards for approval by the General Meeting.

1.2 With regard to the insurance business, this is still regulated by Delegated Regulation (EU) 2015/35 of the Commission of October 10, and also by the provisions set out in Regulatory Standard No. 5/2010-R and Circular No. 6/2010 of the Supervisory Authority for Insurance and Pension Funds (ASF), both of April 1st.

1.3 It is based on the mentioned legal and regulatory framework that this Remuneration Policy for Members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting of Seguradoras Unidas, S.A. for 2018 ("Remuneration Policy") is prepared and disclosed, and which is submitted for the approval of the General Meeting.

2. Principles Applicable to the Remuneration Policy

This Remuneration Policy follows the principles set out in Circular No. 6/2010, of April 1st, specifically the following:

a) The Remuneration Policy and its respective practices are established, implemented and maintained in conformity with the Company's activity, i) being consistent with the management strategy and effective risk controls, ii) avoiding excessive risk exposure, iii) avoiding potential conflicts of interests, and iv) being coherent with the Company's long-term objectives, values and interests;

b) The Remuneration Policy follows the principle of proportionality, being designed in order to take into account the internal organization of the Company, and also the dimension, nature and complexity of the risks inherent to its activity;

c) The Remuneration Policy respects the limits contemplated in the Company's Articles of Incorporation.

3. Approval, Disclosure and Revision of the Remuneration Policy

3.1 Approval

The Remuneration Policy for the corporate offices of the Company is, in the terms contemplated in article 13 of the Company's Articles of Incorporation, approved by way of General Meeting, under proposal of the Remuneration Committee.

3.1.1 Remuneration Committee

a) Composition

The Remuneration Committee is comprised by two non-executive directors, elected in a General Meeting for the period 2016 to 2018.

b) Tasks

The Remuneration Committee performs the tasks contemplated in Circular No. 6/2010, of April 1st, among which is the revision, at least once a year, of the Company's Remuneration Policy, and also its implementation.

3.1.2 External consultants

No services of External Consultants are used in the definition of the said remuneration policy.

3.2 Disclosure

The Remuneration Policy is transparent and will be published internally, specifically, through its publication on the Company's website. The Remuneration Policy shall also be included in the annual report and accounts, available on the Company's institutional site for a minimum period of 5 years.

3.3 Revision

The Remuneration Policy is reviewed at least once a year, in the terms contemplated in Article 64(5) of the legislation governing access to and exercise of insurance and reinsurance business (RJAS).

The Remuneration Policy undergoes an independent internal evaluation by the key functions of the Company in articulation with each other.

4. Members of the Board of Directors with Executive Functions

4.1 Remuneration of the Members of the Board of Directors with Executive Functions

The remuneration of the members of the Board of Directors with executive functions is set by the Remuneration Committee in conformity with this Remuneration Policy, and includes a fixed component of remuneration and, possibly, a variable component.

4.1.1 Fixed Component of the Remuneration

The members of the Board of Directors with executive functions receive a fixed monthly remuneration, paid 14 (fourteen) times in each full calendar year, the definition of which will be based on the competitive positioning within the universe of benchmark companies in the country.

Whenever the total annual remuneration of the members of the Board of Directors with executive functions includes a fixed component and a variable component, the fixed component of the remuneration will respect the limits set annually in a General Meeting, and should not, as a rule, be lower than 60% of the said total annual remuneration.

4.1.2 Variable Component of the Remuneration

The fixed component may be supplemented by a variable remuneration, calculated based on criteria of individual and/or collective performance and subject to limits, in terms to be defined in a General Meeting.

The annual variable remuneration, when applicable, should not, as a rule, be more than 40% of the total annual remuneration, although its precise value may vary, in each year, depending on the assessment of the individual and overall performance of the members of the Board of Directors with executive functions, and also on the Degree of Compliance of the Company's main annual objectives, namely the Net Result of the previous year, the Profitability of Equity and the Combined Ratio, with the evaluation process always taking into consideration the appropriateness, both of the equity of the Company to the risks assumed, and also of the representation of the technical reserves.

The payment of the variable component of the remuneration, when attributed, takes place, preferably, after the determination of the accounts of each economic year, and the annual variable remuneration of all the members of the Board of Directors with executive functions cannot exceed 5% of the profits of the year, when applicable, as determined in Article 13 of the Company's Articles of Incorporation.

4.1.2.1 Eligibility for the Variable Component | Performance Criteria | Attribution

a) Eligibility for receiving variable remuneration is based on a process of individual and/or collective performance assessment, defined by the Company based on measurable and pre-determined criteria, including non-financial criteria, specifically taking the following indicators into account:

   i) Net remuneration relating to the period of the assessment;
   ii) ROE;
   iii) Combined ratio; and
   iv) Adequacy of the capital to the level of risk and to the technical reserves established.

b) The performance of the members of the Board of Directors with executive functions is assessed by the Sole Shareholder of the Company, in a General Meeting, in accordance with the model defined internally in the Company, specifically following the principles set out in this Remuneration Policy.

c) If the results show a relevant deterioration in the Company's performance in the last year assessed or when this can be expected in the year in progress, necessary and adequate limitations may be introduced, including the possible non-payment of any variable component, in order to preserve its financial equilibrium and to meet the other solvency ratios enforced by law.

4.1.2.2 (Non) Deferral of the Variable Component

Considering the current remuneration structure, the maximum values considered and the defined risk tolerance levels, it was not considered necessary, to date, to defer part of the variable component of the remuneration.

4.1.2.3 Nature of the Variable component | Financial instruments

Variable remuneration may be attributed in the form of a performance bonus, performance award and/or distribution of profits, as may be expressly determined in a General Meeting.

Without prejudice to the above, the shareholder may, by way of a General Meeting, define that the variable component of the remuneration, or a part thereof, may be attributed through stock plans or options for the acquisition of stock of the Company or of any other company of the Group.

4.1.2.4 Conclusion of contracts

Members of the Management Body may not conclude contracts, whether with the Company or with third parties, the effect of which is to mitigate the risk inherent to the variability of the remuneration that is set for them by the Company.

4.2 Pension Fund and Other Benefits

The members of the Board of Directors with executive functions may also benefit from a contribution to a Pension Fund in the terms and conditions set out in the Resolution of the Sole Shareholder, dated July 10, 2016, of which Minutes number 53 of the Book of Minutes of the General Meeting were drawn up.

Besides what is stated in this Remuneration Policy other forms of remuneration of the members of the Board of Directors with executive functions are not considered, and neither any significant pecuniary or non-pecuniary benefits being attributed to them.

5. Members of the Board of Directors without Executive Functions

The members of the Board of Directors without executive functions may receive a fixed annual remuneration in terms to be defined by the Remuneration Committee which, in any case and if so, will not depend on any element of performance, there being no payment of any variable remuneration.

6. Limits on the Indemnity Payable for Dismissal Without Just Cause of the Management Body

A possible indemnity for dismissal without just cause of a member of the Management Body should not be paid if this results from an inappropriate performance of the outgoing member.

7. Supervisory Bodies

7.1 Audit Board

7.1.1 The Audit Board, in the terms contemplated in article 25 of the Company's Articles of Incorporation, consists of three members, of whom one performs the functions of Chairperson.

7.1.2 The respective members are remunerated through the payment of a fixed monthly amount, paid 12 times in each full calendar year, in the terms defined in a General Meeting.

8. Certified Public Accountant

The Certified Public Accountant will be remunerated in accordance with the conditions defined in the applicable legislation. The respective fees shall be proposed by the Certified Public Accountant and approved by the Board of Directors, after the opinion of the Audit Board.

9. Members of the Board of the Shareholders' Meeting

9.1 The Board of the Shareholders' Meeting, in the terms contemplated in article 15 of the Company's Articles of Incorporation, consists of a Chairperson and a Secretary.

9.2 The members of the Board of the Shareholders' Meeting may be remunerated through an amount established by a General Meeting, on the date it is held, this being defined by the Remuneration Committee, if it is to be paid.

Table of remuneration paid in 2018 to the members of the governing bodies of Seguradoras Unidas, S.A.

(thousand euros)

	Remuneration		Total
	Fixed	Variable	
Board of Directors			**2,341.3**
Alexandre Wallace Humphreys	-	-	-
Bogdan Ignashchenko	-	-	-
Gernot Wilhelm Friedrich Lohr	-	-	-
Gonçalo Fernando de Salvado Marques Oliveira	275.0	31.0	306.0
Gustavo Alexandre P. T. Mesquita Guimarães (Presidente)	150.0	-	150.0
Jan Adriaan de Pooter	400.0	342.0	742.0
José António Correia Dias Nogueira Silva[1]	229.2	61.0	290.2
Nuno Miguel Pombeiro Gomes Diniz Clemente [2]	69.1	185.0	254.1
Pedro Luís Francisco Carvalho	320.0	279.0	599.0
Board of Auditors			**110.0**
Luís Maria Viana Palha da Silva (Presidente)	50.0	-	50.0
Manuel Maria de Paula Reis Boto	30.0	-	30.0
Pedro Manuel Aleixo Dias	30.0	-	30.0
Sandra Maria Simões Filipe de Ávila Valério (Vogal Suplente)	-	-	-
Total Remuneration	**1,553.3**	**898.0**	**2 451.3**

1 Named March, 2018.
2 The member of corporate bodies listed above no longer hold the position in question.

During 2018, and regarding the four members of the Board of Directors with executive functions, contributions were also made to the Pensions Fund, in the terms contemplated in paragraph 4.2 of this of Remuneration Policy, totalling €417,250.

REMUNERATION POLICY FOR "KEY EMPLOYEES" OF SEGURADORAS UNIDAS, S.A.

1. Introduction | Object

1.1 The object of this Remuneration Policy for Employees who perform key functions for Seguradoras Unidas, S.A. (hereinafter also referred to as "Company" or "SU"), for 2018, is to comply with the regime contemplated in Delegated Regulation (EU) 2015/35 of the Commission of October 10, and also with the provisions set out in Regulatory Standard No. 5/2010-R and with Circular No. 6/2010 of the Supervisory Authority for Insurance and Pension Funds (ASF), both of April 1st.

1.2 Based on this framework, and in particular on ASF Standard No. 5/2010, of April 1st, this Remuneration Policy applies:

a) To Employees who carry out their professional activity with key functions, this being understood to be all those who perform an activity concerning risk management, internal control, compliance, and actuarial systems;
b) To all Employees with top management positions (Senior Directors) and Consultants of the Management Body, irrespective of the area in which they work, in as much as they perform a professional activity with a material impact on the risk profile of the Company, these being understood to be those who have regular access to privileged information and who take part in the decisions on the Company's management and business strategy.

1.3 For the purpose of this Remuneration Policy, the group of Employees identified above will, in this document, be generically called "Key Employees".

1.4 Unless otherwise decided by the Board of Directors, the terms of this Remuneration Policy also apply, with the necessary adaptations, to the other Employees of the Company who are not included in the positions/functions defined above in point 1.2.

2. Principles Applicable to the Remuneration Policy

This Remuneration Policy follows the principles set out in Circular No. 6/2010, of April 1st, specifically the following:

a) a) The Remuneration Policy and its respective practices are established, implemented and maintained in conformity with the Company's activity, i) being consistent with the management strategy and effective risk controls, ii) avoiding excessive risk exposure, iii) avoiding potential conflicts of interests and iv) being coherent with the long-term objectives, values and interests of the Company;

b) The Remuneration Policy follows the principle of proportionality, being designed in order to take into account the internal organization of the Company, and also the dimension, nature and complexity of the risks inherent to its activity;

c) The Remuneration Policy respects the limits contemplated in the Company's Articles of Incorporation.

3. Approval, Disclosure and Revision of the Remuneration Policy

3.1 Approval

The Remuneration Policy for "Key Employees" is assessed and approved by the Board of Directors, on a proposal presented by the Director responsible for Human resources.

Various members of staff from the main Departments of the Company, in particular from the Department of Human resources, participate in the elaboration of the Remuneration Policy proposal.

3.2 External consultants

No services of External Consultants are used in the definition of the said remuneration policy.

3.3 Disclosure

The Remuneration Policy is transparent and will be published internally, specifically, through its publication on the Company's website.

The Remuneration Policy shall also be included in the annual report and accounts, available on the Company's institutional site for a minimum period of 5 years.

3.4 Revision

The Remuneration Policy is reviewed at least once a year, in the terms contemplated in article 64(5) of the legislation governing access to and exercise of insurance and reinsurance business (RJAS).

The Remuneration Policy undergoes an independent internal evaluation by the key functions of the Company in articulation with each other.

4. Key Employees

4.1 Remuneration of Key Employees

4.1.1 The remuneration of Key Employees involves a fixed part and, possibly, a variable part i) depending on the fulfilment of the objectives associated to the respective functions, irrespective of the performance of the areas under their control, ensuring that the remuneration provides them with an appropriate reward given the relevance of the performance of their functions and ii) that is compatible with their role in the Company and not in relation to its performance.

4.1.2 In the determination of these two components, diverse factors are considered by the Board of Directors, the most significant being:

- The economic situation and the results obtained by the Company;
- The Company's medium and long-term interests;
- The specific features of the function performed;
- The wage practices in force in the insurance sector;
- The performance assessment, on a corporate, departmental and individual level.

4.1.3 Pursuant to Law and the Articles of incorporation, the Board of Directors is responsible for setting the remuneration of the "Key Employees" of the Company, regarding the management of its human resources policy, in order to fulfil the Company's strategic objectives.

4.2 Fixed Component of the Remuneration

Whenever the total annual remuneration of the Key Employees includes a fixed component and a variable component, the fixed component of the remuneration will respect the limits that are set by the Board of Directors, comprising the basic salary and other regular and periodic payments, attributable to all the Employees of the Company, representing on average in the Company approximately between 80% and 85% of the total annual remuneration.

4.3 Variable Component of the Remuneration

The fixed component may be supplemented by a variable remuneration, calculated based on criteria of individual and/or collective performance and subject to limits, in terms to be defined by the Board of Directors.

The annual variable remuneration, when applicable, shall not exceed, on average, 20% of the total annual remuneration for all of the Employees of the Company, and the maximum individual value, in general, shall not be more than 40% of the total value of the annual remuneration.

4.4 Eligibility for the Variable Component | Performance Criteria | Attribution

4.4.1 Eligibility for the attribution of variable remuneration is annual, and is based on a performance assessment process, defined by the Company based on measurable and pre-determined criteria, including non-financial criteria.

4.4.2 The variable remuneration, set each year, is not a right of the Employees, and its criteria of attribution may be altered and/or revoked at any time by the Board of Directors, being subject to annual approval by the Board of Directors depending on the performance and annual assessment of the Employees.

4.4.3 The eligibility and/or amount of the variable remuneration, when due, may be reduced or, at most, suppressed, in the event of a deterioration in performance or negative performance of the Company.

4.5 (Non) Deferral of the Variable Component

Considering the current remuneration structure, the maximum values considered and the defined risk tolerance levels, it was not considered necessary, to date, to defer part of the variable component of the remuneration.

4.6 Nature of the Variable Component | Financial Instruments

If variable remuneration is payable, its payment will be, as a rule, made in one go, in cash, unless otherwise decided by the Board of Directors.

Variable remuneration may be attributed in the form of performance bonuses, in accordance with the factors identified above or others that may be specifically contemplated by the Board of Directors, or even the distribution of profit-related bonuses based on a proposal to be formulated by the Board of Directors and decided in a General Meeting of the Company.

Without prejudice to the above, the Board of Directors, in line with the guidelines stipulated by the shareholder in this matter, may define that the variable component of the remuneration, or part thereof, may be attributed through stock plans or options for the acquisition of stock of the Company or of any other company of the Group, in the manner that it sees fit.

4.7 Other benefits

Besides the fixed and variable remuneration described in this remuneration policy, “Key Employees” may also receive, if applicable, the following benefits, as defined in the Collective Bargaining Instrument (IRCT) applicable in the Company or in the Company’s specific regulations for the Employees in general:

- Health insurance;
- Life assurance;
- Individual pension plans, in the event of retirement due to old age or disability.

STATEMENT OF COMPLIANCE (ARTICLE 4(1) OF ASF STANDARD 5/2010-R, OF APRIL 1ST)

Detailed indication of the recommendations adopted and not adopted contained in ASF Circular No. 6/2010, of April 1st.

Recommendation		Degree of Compliance	Observations
I.	**General Principles**		
I.1	Adoption of a remuneration policy (RP) consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection.	Complies	
I.2	Adequacy of the RP to the dimension, nature and complexity of the business, especially with regard to the risks assumed or to be assumed.	Complies	
I.3	Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	Complies	
II.	**Approval of the Remuneration Policy (RP)**		
II.1	Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution), by the General Meeting.	Complies	
II.2	Approval by the Board of Directors of the RP applicable to the employees.	Complies	
II.3	Involvement in the definition of the RP of persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made.	Complies	
II.4	The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and their respective justification and the previous versions shall be kept on file.	Complies	
II.5	Disclosure of the assessment process to the employees prior to the period of time covered by its application.		
III.	**Remuneration Committee (RC)**		
III.1	Should one exist, the RC shall review the RP and its implementation each year, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital.	Complies	
III.2	The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties.	Complies partially	The RC comprises two unremunerated non-executive members of the Board of Directors so as to ensure independence.
III.3	Should the RC make use of external services (consultants), it should not hire a natural or legal person who provides or has provided services during the previous three years to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or service provision contract.	Not applicable	
III.4	The RC shall inform the shareholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda.	Complies	
III.5	The RC shall meet at least once a year and shall write up minutes of every meeting held.	Complies	
IV.	**Management Body – Executive Members**		
IV.1	The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, real growth of the institution, wealth actually created, protection of the customers' interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business.	Complies	The evaluation criteria are based on management indicators, taking into account at all times the adequacy of the equity to its level of risk and the representation of the technical reserves.
IV.2	Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of total remuneration. The variable component shall be subject to a maximum limit.	Complies	
IV.3	Payment of a substantial part of the variable component in financial instruments issued by the institution, appreciation of which is dependent on medium and long-term performance.	Does Not Comply	This measure will be subject to revaluation during 2019.
IV.4	Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution's good performance.	Does not comply	Considering the current remuneratory structure, the maximum limits established and the defined risk tolerance limits, it was not considered necessary, to date, to defer part of the variable component of the remuneration. This measure will be subject to revaluation during 2019.
IV.5	The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component.	Not applicable	Not applicable in view of the response to point IV.4.
IV.6	Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration.	Complies	
IV.7	Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question.	Not applicable	Not applicable in view of the response to point IV.3.
IV.8	Where the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years.	Not applicable	Not applicable in view of the response to point IV.3.
IV.9	Following the exercise referred to in the preceding point (IV.8), the executive members of the management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.	Not applicable	Not applicable in view of the response to point IV.3.

Recommendation		Degree of Compliance	Observations
IV.	**Management Body – Non-Executive Members**		
IV.10	The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	Complies	
IV.	**Management Body – Indemnities in the Event of Dismissal**		
IV.11	Definition of adequate legal instruments to ensure that the compensation established for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	Complies	
V.	**Employee Remuneration – Relationship between Fixed and Variable Remuneration**		
V.1	If the employees' remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each employee. The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.	Complies	
V.2	Substantial payment of a variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the Institution's long-term interests.	Does not comply	This measure will be subject to revaluation during 2019.
V.	**Employee Remuneration – Variable Remuneration Allocation Criteria**		
V.3.	Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to customer relations.	Complies	
V.4	The criteria of attribution of variable remuneration depending on performance should be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.	Complies partially	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5	The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	Complies	
V.	**Employee Remuneration (Key functions) – Deferral of Variable Remuneration**		
V.6.	A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.	Does not comply	It was considered to date that the little weight of this component in Total Annual Remuneration does not justify its deferral. This measure will be subject to revaluation in 2019.
V.7.	The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not applicable	Not applicable face ao disposto no ponto anterior.
V.	**Employee Remuneration – Key Employees**		
V.8.	Employees involved in performing tasks associated to key functions shall be remunerated depending on the fulfilment of the objectives associated to the respective duties, irrespective of the performance of the areas under their control, and the remuneration shall provide a reward that corresponds to the relevance of the exercise of their duties.	Complies partially	The variable component of the remuneration of key employees is independent of the performance of the operating units but dependent on the results of the Company.
V.9	In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	Complies partially	Since the remuneration is appropriate to the function, it is not entirely foreign to its performance.
VI.	**Assessment of the Remuneration Policy**		
VI.1	The remuneration policy shall be submitted to independent internal review at least annually, performed by key departments of the institution in articulation with each other.	Complies	
VI.2	The assessment contemplated in the previous point shall include, in particular, an analysis of the institution's remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and capital of the institution.	Complies	
VI.3	The key employees shall present a report to the Management Body and to the AGM or, if any, to the Remuneration Committee, with the results of the analysis referred to in number VI.1., which, namely, identifies the measures necessary to correct any insufficiencies in the light of these recommendations.	Complies	
VII.	**Financial Groups**		
VII.1	The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.	Not applicable	
VII.2	The adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by those institutions that are a part of the same insurance group or financial conglomerate.	Not applicable	
VII.3	The key employees of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.	Not applicable	
VII.4.	The key employees should present to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Not applicable	

10 LEGAL CERTIFICATION OF THE ACCOUNTS

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AUDITOR'S REPORT

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Seguradoras Unidas, S.A.** (the Entity), which comprise the statement of financial position as at 31 December 2018 (showing a total of 2,167,777 thousand euros and equity of 167,167 thousand euros, including a net income of 50,646 thousand euros), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Seguradoras Unidas, S.A.** as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in Portugal for the insurance sector as established by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489
Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of financial instruments (including impairment recognition)

As at 31 December 2018, the available-for-sale financial assets and financial assets initially recognized at fair value through profit or loss amount to 1,525,873 thousand euros and 12,855 thousand euros, respectively, as disclosed in note 6 to the financial statements, accounting for around 70% and 1% of total assets, respectively.

The risk	Our response to the identified risk
These assets are measured at fair value in accordance with the respective accounting policy described in note 3 – Financial instruments of financial statements. Regarding the available-for-sale financial assets, the Entity determines that an impairment loss exists when a significant or prolonged decline in the fair value occur. The fair value of most of these financial instruments is determined with reference to active market or through price providers. As referred in note 3 – Critical accounting estimates and judgements in preparing the financial statements, the valuations are obtained through prices on markets or through valuation methodologies which require certain assumptions or judgements to be used when determining the fair value estimates.	During our audit, we have performed, among other, the following procedures: ▪ Evaluating design and implementation of the controls of the Entity concerning the valuation of investments portfolio; ▪ Testing the valuation of the investments portfolio in order to conclude on the reasonability of the fair value estimates recognised by the Entity, taking into account external price sources, analysis of the main assumptions considered in the valuation of units; and, ▪ Review of the information disclosed by the Entity in accordance with the applicable accounting framework.

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Life mathematical reserve and financial liabilities related to investment contracts

As at 31 December 2018, the life mathematical reserve (including the reserve to meet interest rate commitments) and the financial liabilities related to investment contracts, amount to 532,535 thousand euros and 132,902 thousand euros, respectively, and account for around 27% and 7% of total liabilities, respectively.

The risk	Our response to the identified risk
At each reporting date, the Entity performs a liability adequacy test on insurance contracts and investment contracts presented in the captions mathematical reserve and financial liabilities, based on actuarial techniques acknowledged by the legislation in force, as described in accounting policies in note 4 referring to insurance and investment contracts. This is an area that involves significant judgement by Management over future outcomes, namely (i) the ultimate total settlement value of long term policyholder liabilities (which relies on a wide set of economic, demographic and business assumptions used as inputs for estimating the long term policyholder liabilities) and (ii) the expected future returns on assets portfolio covering these liabilities as referred in note 3 – Critical accounting estimates and judgements in preparing the financial statements. Using alternative methodologies and assumptions could result in a different level of mathematical reserve and liabilities related to investment contracts.	During our audit, we have performed, among other, the following procedures: ▪ Evaluation of design and implementation of the key controls of the Entity at the claims reserving policy level; ▪ Evaluation of the adequacy of the assumptions used on the calculation of the liabilities related to life insurance contracts and investment contracts; ▪ Evaluation of the adequacy of mathematical reserve and liabilities related to investment contracts taking into account the contractual agreements of each life product, including guarantees; and, ▪ Review of the information disclosed by the Entity in accordance with the applicable accounting framework.

KPMG

Claims reserve

As at 31 December 2018, the claims reserve, amounting to 990,036 thousand euros, accounts for 49% of total liabilities, from which 431,881 thousand euros refer to the mathematical reserve of workmen's compensation, as described in note 4 to the financial statements.

(i) **Claims reserve (except the mathematical reserve of workmen's compensation - pensions) in the amount of 558,155 thousand euros**

The risk	Our response to the identified risk
The claims reserve are based on the incurred claims but not settled, to the estimated responsibility for the incurred claims and still not reported (IBNR), together with the related direct and indirect claims handling costs at year-end. The claims reserve, with exception to the mathematical reserve of workmen's compensation, are not discounted, as described in the accounting policies of note 4 related to insurance contracts and investment contracts. The claims liabilities are inherently uncertain, involving in their estimation a significant judgement by the management of the Entity. The Entity determines the best estimate of claims reserve based on the past experience of claims settlement, other explicit or implicit assumptions and statistical methodologies.	During our audit, we have performed, among other, the following procedures: ▪ Evaluation of design and implementation of the key controls of the Entity at the claims reserving policy level; ▪ Tests in order to verify the adequacy of the claims reserve estimate, which comprised, among other, the utilization of commonly accepted actuarial techniques (run-off analysis); ▪ Evaluation of the methodology and assumptions used by the Entity on the claims reserve estimate; ▪ Evaluation the work performed and the conclusions reached by the chief actuaries; and, ▪ Review of the disclosures produced by the Entity, in accordance with the applicable accounting framework.

(i) **Claims reserve – Mathematical reserve of workmen's compensation in the amount of 431,881 thousand euros.**

The risk	Our response to the identified risk
As described in the accounting policies in note 4 related to insurance contracts and investment contracts, this is an area which requires significant judgement by management on uncertain future outcomes, namely, (i) the ultimate total settlement value of long term policyholder liabilities (which, besides the legal and regulatory requirements to be observed, rely on a wide set of economic, demographic and business assumptions used as inputs for estimating the long term policyholder liabilities) and (ii) the expected future returns on assets portfolio covering these liabilities.	During our audit, we have performed, among other, the following procedures: ▪ Evaluation of design and implementation of the key controls of the Entity at the workmen's claims reserving policy level. ▪ Evaluation of the adequacy of the methodologies and economic and non-economic assumptions used by the Entity on projecting and discounting the liabilities resulting from workmen's compensation line of business; ▪ Evaluation of the work produced and the conclusions obtained by the responsible actuaries of the Entity; and, ▪ Review of the disclosures produced by the Entity, in accordance with the applicable accounting framework.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the financial position, the financial performance and the cash flows of the Entity, in accordance with the accounting principles generally accepted in Portugal for the insurance sector as established by ASF;
- the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and
- the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor´s Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, events or future conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate to those charged with governance, including the oversight body, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiency in the internal control identified during our audit;
- from the matters communicated with those charged with governance, including the oversight body, we determine those matters that were of most significance in the audit of th financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter; and

- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited financial statements and, taking into account the knowledge and appreciation of the Entity, we have not identified material inaccuracies.

On the non-financial information defined in the article 66-B of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, which shall be made publicly available on the Entity's internet site in the legal timing.

On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 9 December 2016 for a first mandate to complete the civil year. We were reappointed as auditors of the Entity in the shareholders general assembly held on 19 April 2018 for a third mandate for 2018.
- The Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.

- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Entity's oversight body on the 25 March, 2019.
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Entity during the performance of the audit.

25 March 2019

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

11 REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

To the Shareholders of

Seguradoras Unidas, SA

In accordance with the legislation in force and the mandate entrusted to us, we hereby submit for your consideration our Report and Opinion covering our activity and the financial statements of **Seguradoras Unidas, SA ("Unidas")** relating to the year ended December 31, 2018, which are the responsibility of the Board of Directors.

During 2018, this Statutory Audit Board monitored **Unidas'** activity, with the frequency and extent deemed appropriate, having had 11 meetings during the year, according to the minutes recorded in the respective book, as well as the regularity of its accounting records and compliance with current legal and statutory regulations.

Bearing in mind our legal and statutory obligations, we had regular meetings, both with the Board of Directors and with the various **Unidas'** services, namely in the areas of accounting and finance, Internal Audit, Legal, Global Risk Management, Compliance and Internal Control, from whom we obtained all the information and clarifications requested. Additionally, and pursuant to article 452 (1) of the Portuguese Commercial Companies Code, we had meetings with the KPMG & Associates, SROC, which, in the fulfilment of its functions, audited these 2018 financial statements, issuing the corresponding Auditor's Report on March 25, 2019, without qualifications or emphasis of a matter, with which we agree and is hereby reproduced in its entirety.

In the course of our duties, we have examined the statement of financial position as of December 31, 2018, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and the accompanying notes to the financial statements. In this analysis, we observed the adequacy of the accounting policies adopted and the valuation criteria in force. We also proceeded with an analysis of the Management Report prepared by the Board of Directors and the proposed distribution of results included therein.

Additionally, this Statutory Audit Board received from KPMG a document called “Report to Audit Committee” which included a very detailed analysis of the areas considered most relevant to the audit, as well as the conclusions reached on the audit performed. In particular, this Statutory Audit Board considers that it is important to note that on Solvency II (effective since January 2016) there is a monthly reporting of solvency ratios, which final data will only be disclosed in April 2019, duly certified, as provided for by law.

During the current year, which presents a net result of 50,646 thousand euros, and the analysis of these financial statements, the following deserves particular relevance:

- Operationally, in 2018, there continued to be a good annual growth in the insurance sector in Portugal, both in Life (14.5%) and Non-Life (7.5%); in this market, **Unidas'** share of Non-Life stood at 15.5%, with a premium increase of 9.6%, in particular as a result of the increase in Workers’ Compensation with 14.4%, in Auto with 12.1% and in Health with 7.4%; it should also be noted that in Life business, activity decreased slightly by 2.8%;
- Internally, the process of integrating Açoreana's portfolio into **Unidas'** systems was concluded as a result of the merger of December 30, 2016, of Tranquilidade, T-Vida, Açoreana and Logo;
- Due to its relevance in the activity, particularly in the area of Fire and other Damages, this year there was in Portugal a penalizing event in the sector-wide results of over 60 million euros, which was hurricane Leslie in October 2018;
- Operating costs include a significant reduction of 39.4% in 2018 compared to 2017, in particular due to the significant impact in the previous year on personnel restructuring costs (35.6 million euros) as well as the continuation of the policy of reduction of personnel, registering 251 exits and 52 new employees; However, due to the relevance of these costs, it should also be noted that the external supplies and services item decreased by 8.6% in 2018 compared to 2017;
- Financial activity recorded an overall average return of 2.3%, rising to 3.8% if the unrealized portion of the fair value reserve is considered; to this end, it contributed significantly the maintenance of the strategy adopted in previous years of investment in fixed rate bonds favoring the Euro Core countries (representing 53% of the investment portfolio at December 31, 2018), in diversified investment funds, namely in ICAV's and reducing exposure to real estate and the stock market; This policy of prudent interest rate management was also established in consideration with Solvency II;
- However, it is also worth mentioning the negative performance of financial markets during 2018, reflecting the fair value reserve (or revaluation) included in equity, in the amount of 17.9 million euros;
- Due to their relevance, namely in the presentation of the 2018 results, the following non-recurring events should be mentioned: (i) the recognition of gains recognized in the sale of GNB Seguros and Europ Assistance, in the amounts of 12.2 and 19.8 million euros, respectively; (ii) the

derecognition of deferred tax assets of 24.4 million euros, arising from Tranquilidade and whose decision **Unidas** will challenge in court; and (iii) impairment losses, in the amount of 5.2 million euros, in the subsidiaries of Angola and Mozambique.

In addition to these topics, the Statutory Audit Board gave particular attention:

- The measurement of financial instruments, including the recognition of impairments; the sufficiency of the mathematical provisions of Life and financial liabilities associated with investment contracts; provisions for claims, including mathematical provisions for Workers' Compensation and provision for claims settlement expenses;
- The analysis of the risks of recoverability of deferred tax assets, goodwill and accounts receivable, including the amounts of subsidiaries with headquarters in other foreign countries;
- Fulfilment with the Compliance program, supported by a duly approved Code of Conduct, which includes, among other activities, the fight against money laundering and terrorist financing, and the prevention of bribery and corruption; in this context, an Ethics Line was developed in accordance with international best practices; it should be noted that this analysis includes the annual report on compliance activities, dated February 20, 2019;
- Whenever deemed relevant, this Statutory Audit Board met with the Internal Audit Department, from which it received an Annual Activity Report dated February 8, 2019 detailing the annual activity;
- Likewise, this Statutory Audit Board met during the financial year with the Risk Department and monitored its duties, receiving on March 19, 2019 its reports on "corruption" and "money laundering and terrorist financing";
- Finally, it obtained information on the current state of the relevant proceedings in which **Unidas** is involved and which are currently monitored by the Legal Department; •
- On the subject of internal control, this Statutory Audit Board obtained from KPMG and the Internal Audit Department detailed information on the existing deficiencies and then met with the Board of Directors from whom it received assurances on the efforts already made and to be developed towards all detected situations are overcome.

In view of the foregoing, we are of the opinion that, taking into account the content of the Auditor's Report issued by KPMG, the above-mentioned financial statements and the Management Report, as well as the proposed distribution of results expressed therein, are in accordance with the accounting and statutory rules applicable, and may therefore be approved at the General Meeting of **Seguradoras Unidas, SA**.

We would also like to express our appreciation to the Board of Directors and all **Seguradoras Unidas'** services for their cooperation.

Lisbon, March 27, 2019

SIGNED ON THE ORIGINAL

Luís Palha da Silva
President

SIGNED ON THE ORIGINAL

Manuel Maria Reis Boto
Member

SIGNED ON THE ORIGINAL

Pedro Aleixo Dias
Member

ANNUAL REPORT & ACCOUNTS

INDIVIDUAL ACCOUNTS

2018

SEGURADORAS UNIDAS, S.A.