Annual Report and Accounts 2016

Fidelidade Assistência – Companhia de Seguros, S.A.

Registered Office: Av. José Malhoa, 13, 7º - 1070 157 Lisboa
Share Capital: 7 500 000 Euros
Legal Person No.: 503 411 515
Registered with the Lisbon Office of Commercial Records
under the same number

Translation of a document originally issued in Portuguese. In the event of discrepancies the Portuguese language version prevails.

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Corporate Bodies

Board of Directors

Chairman	Guangchang Guo
Vice-Chairman	Jorge Manuel Baptista Magalhães Correia
Members	Qunbin Wang
	Michael Lee
	José Manuel Alvarez Quintero
	Francisco Xavier da Conceição Cordeiro
	Luis Filipe Mateus Alves
	Wai Lam William Mak
	Lan Kang
	Xiaoyong Wu
	Lingjiang Xu

Executive Committee

Chairman	Jorge Manuel Baptista Magalhães Correia
Vice-Chairman	Francisco Xavier da Conceição Cordeiro
Members	José Manuel Alvarez Quintero
	Luis Filipe Mateus Alves

Supervisory Board

Chairman	Vasco Jorge Valdez Ferreira Matias
Members	João Filipe Gonçalves Pinto
	Luis Máximo dos Santos
Alternate	João Manuel Gonçalves Correia das Neves Martins

Statutory Auditors

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

Presiding Board of the General Meeting

President	Maria Isabel Toucedo Lage
Secretary	Salomão Jorge Barbosa Ribeiro

Company Secretary

Permanent	Maria Isabel Toucedo Lage
Alternate	Carla Cristina Curto Coelho

01
Report of the Board of Directors

The Board of Directors of Fidelidade Assistência – Companhia de Seguros, S.A., hereinafter Fidelidade Assistance, presents its Annual Report and Accounts for 2016.

The major aim of the Report of the Board of Directors, prior to presenting the financial statements, is to provide a broad outline of the most relevant aspects that characterise the company, an analysis of the development of the business, and the main principles that guide the way the business is conducted.

1. Business Environment

1.1. Macroeconomic Environment

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

Forecasts for the Portuguese economy have suggested a deceleration in GDP, from 1.6% in 2015 to 1.2% in 2016, which is lower than the ECB's estimate for the eurozone (1.7%). Based on these forecasts and following two years of similarly evolving GDP, there will be a real difference between the Portuguese economy in 2016 and the eurozone average.

The slowdown in economic recovery leads to a lower level of internal demand (down from 2.5% in 2015 to 1.2% in 2016), reflecting the evolution of investment and private consumption, which is partly compensated by the greater contribution from net external demand due to the increase in exports.

The downshift in investment, a trend which began in the second half of 2015, largely reversed the growth seen in the last two years, mostly reflecting the behaviour of public investment.

Private consumption also fell from 2.6% in 2015 to 2.1% in 2016, despite maintaining growth above GDP. The forecasts for private consumption and disposable income resulted in the decline in the saving rate throughout 2016, prolonging the negative trend seen in the last two years.

The slowing down of exports in 2016 is linked to components with a high percentage of imported content (namely energy goods). The result is that despite falling growth rates compared to 2015, the contribution of net external demand registered positive development.

Accordingly, in 2016 the Portuguese economy continued to demonstrate a positive financing capacity, measured by the combined balance of current and capital accounts of 1.1% of GDP, despite the decrease compared to the previous year (1.7% of GDP).

In terms of employment creation, there has been a gradual increase in the percentage of the population employed and a reduction in the unemployment rate is forecast (from 12.4% in 2015 to 11.2% in 2016).

Additionally, a moderate increase in prices is envisaged, with an inflation forecast of 0.8% for 2016, following an increase of 0.5% in 2015. The difference in inflation between Portugal and the eurozone should remain at 0.6 p.p., based on the ECB's December forecasts. This essentially reflects the lower drop in energy goods prices in Portugal.

For 2017, available forecasts suggest that the trends described above will continue, in particular a gradual growth in GDP (1.4%), a fall in the unemployment rate (to 10.1%) and an acceleration in the rate of inflation (to 1.4%). Within a progressively more favourable external environment, the boost in exports will continue to provide the basis for the economic recovery forecast for Portugal. On the other hand, regarding internal demand, it is further forecast that investment increases, as well as moderation in private consumption, with growth slightly lower than that of GDP.

1.2. Insurance Sector Environment

Overall, in 2016 direct insurance premiums totalled around EUR 10,839 million, which represented a year-on-year decrease of 14.4%, reflecting, as in 2015, the reduction of life insurance premiums amount.

Life insurance premiums totalled EUR 6,648 million, a reduction of 23.3% compared to the previous year, reflecting the evolution of financial products. Within this segment, the relative weight of retirement savings products (PPRs) increased 3.9 pp (from 21.9% in 2015 to 25.8% in 2016), despite a decrease around 9.6% of their overall amount.

In fact, in line with 2015, the Life segment was once again affected by the environment of low interest rates, a reduction in the rate of savings by private individuals and the launch of new public debt products for individuals.

In contrast with the evolution of the Life business, the Non-Life segment showed marked progress in 2016, with growth of 4.9% to EUR 4,190 million, thus confirming the upward trend seen at the end of 2015 (3.8%).

The main drivers of growth in Non-Life premiums were the Workers' Compensation (+ 12.2%) and Health (+ 9.6%) lines of business. In the first case, 2016 once again reflected the recovery in this line of business that began in 2014, leading to positive evolution of economic activity and an increase in the necessary tariff adjustments. The Health line of business has also seen positive evolution in recent years, benefiting from employers' increasing inclusion of health insurance in employees' benefits plans, and the greater awareness of the population regarding the importance of complementing the National Health Service with assistance offered by Health insurance.

On the other hand, in the Personal Accidents line of business premiums stagnated in 2016, following growth in the previous year (+5.4%) due to an extension of the offer, although this still has significant potential.

The Motor line of business had a positive evolution for the second year running, progressing at a pace similar to that of the previous year, with growth of 3.5%. Meanwhile, the Fire and Other Damage line of business had moderate growth (+ 1.6%), and Home Insurance registered growth close to 3.0%.

On the other hand, as in the previous years, the Transport line of business recorded a downward trend, which was particular evident in Air Transport (-7.5%) and Transported Goods (-5.3%).

Regarding the structure of the Portuguese insurance market, the trend towards concentration seen in previous years continued. Some of the larger insurance players strengthened their position due to mergers and acquisitions, thereby increasing market concentration.

For 2017, the scenario of moderate growth in the economy, falling interest rates and the new regulatory framework (which gives rise to adaptation and transformation costs) is expected to continue to constrain the evolution of the Portuguese insurance sector. Simultaneously, it is expected that the insurance sector will benefit from new opportunities arising from the demand for solutions for current issues, particularly in the areas of technological and social innovation.

2. Company Activity

2.1. Executive Summary

Fidelidade Assistance recorded a net operating profit for 2016 of EUR 1.9 million, which represents a decrease of 75.5% in relation to the previous year. This decrease in the operating profit is directly linked, in decreasing order of importance, to the increase in the frequency of claims particularly in motor insurance roadside assistance, to the financial results and to the lower dividends paid by the company's subsidiary.

The Company recorded a volume of earned premiums of EUR 44.9 million, which represents growth of 5.3% compared to the previous year. The Assistance line of business grew 5.7% to EUR 40.0 million and the Legal Protection line of business recorded growth of 1.9% to EUR 4.9 million.

The Combined Ratio for the 2016 financial year was 95.6%, up 8.9 pp on the previous year's figure of 86.7%. The worsening of the ratio is a result of the rise in claims costs due to a marked increase in the frequency of claims.

Fidelidade Assistance's Net Assets were at EUR 69.5 million (+15.0%), and Shareholders' Equity also increased to EUR 28.4 million (+11.0%), due to no dividends being paid out to the shareholders. It is also worth noting that Liabilities increased 17.9% to EUR 36.6 million, essentially owing to an increase in the provision for unearned premiums and an increase in the accounts payable heading.

Following the entry into force on 1 January 2016 of the Solvency II Directive, and based on the activities carried out in this area during 2016, the Company's Solvency level is expected to comply comfortably with these new rules.

In 2016 the Company launched its operation in Mozambique, initially based on the distribution of travel insurance and expanding in the second half of the year to the distribution of roadside assistance and legal protection, both linked to the motor insurance product. Efforts were also undertaken to boost sales in Angola.

2.2. Key Indicators

(Million Euros)

	2016	2015
FINANCIAL INDICATORS		
Net Assets	**69.5**	**60.4**
Investments (including Cash and Bank Deposits)	63.7	57.9
Shareholders' Equity	**28.4**	**25.6**
Liabilities	**41.1**	**34.8**
Net income	**1.9**	**7.9**
Average Yield from Shareholders' Equity	**7.13%**	**35.12%**
Number of persons employed	**166**	**149**
Technical Yield (without Earned Premiums)	**4.29%**	**18.45%**
Technical Liabilities	**34.0**	**33.1**
Technical Indicators		
Loss Ratio	80.77%	73.23%
Expense Ratio	14.83%	13.45%
Combined Ratio	95.60%	86.68%
ACTIVITY INDICATORS		
Earned Premiums	**44.9**	**42.7**
Assistance Line of Business	40.0	37.9
Legal Protection Line of Business	4.9	4.8
Processes Opened	**607,170**	**569,479**
Assistance Line of Business	603,202	565,441
Legal Protection Line of Business	3,968	4,038
Telephone Contacts Received	**984,464**	**890,684**
Assistance Line of Business	971,652	877,242
Efficacy Rate	93.93%	96.65%
Legal Protection Line of Business	12,812	13,520
Efficacy Rate	96.67%	97.28%
Complaints		
Number of Complaints	1,183	963
Complaints Rate (Number of Complaints/Processes Opened)	0.19%	0.17%
Average Response Time (days)	5.5	3.9
Quality		
Global Satisfaction Index	8.7	8.8
Net Promoter Score	63	65

2.3. Company History

The most important dates in the Company's history are:

1991 - CARES - Companhia de Assistência e Representação de Seguros, Lda. is set up with the corporate purpose of representing foreign companies;

1998 – Start of the insurance business. CARES – Companhia de Seguros de Assistência, S.A. is created with permission to exploit the Assistance line of business;

2001 - CARES - Companhia de Seguros de Assistência, S.A. is bought by the CGD Group;

2002 – Start of exploitation of the Legal Protection line of business and a change in the company name to CARES – Companhia de Seguros, S.A.;

2010 - CARES - Companhia de Seguros, S.A. obtains the ISO 9001:2008 Quality Certification;

2014 – The Chinese Group FOSUN acquires 80% of the share capital of CARES – Companhia de Seguros, S.A.;

2015 – Change of the name and image of CARES – Companhia de Seguros, S.A. to Fidelidade Assistência – Companhia de Seguros, S.A., acting under the Fidelidade Assistance brand;

2015 - Fidelidade Assistência – Companhia de Seguros, S.A., obtains certification as a Family-Responsible Company in line with Standard FRC 1000-2, following an audit by APCER (the Portuguese Certification Association);

2016 - Fidelidade Assistência – Companhia de Seguros, S.A. launches a mobile application for Clients, which enables them to request any type of assistance, and to follow up on the development of each process.

2.4. Positioning

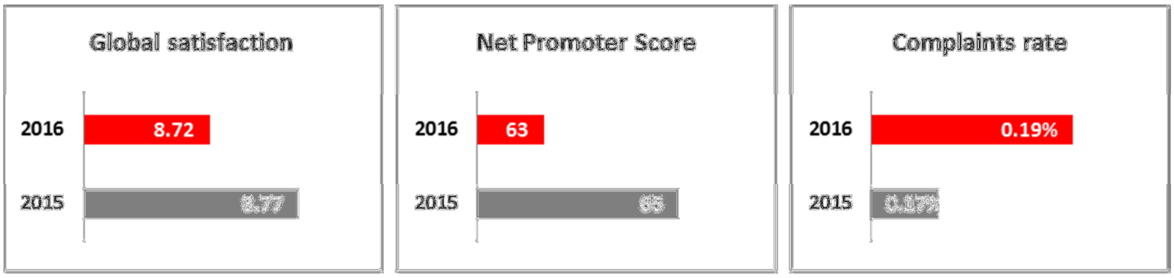
Fidelidade Assistance operates in the Portuguese insurance market, and in Portuguese-speaking countries, essentially as a reinsurer in the Assistance and Legal Protection lines of business, with most of its billing originating in Portugal.

During 2016, within the area of Assistance, a daily average of 1,650 acts of assistance were provided and over 910,000 telephone contacts were received with an efficacy rate of 93.9%. In the area of Legal Protection, 3,968 new claims processes were opened and over 12,800 telephone contacts were answered, with an efficacy rate of 96.7%

The company maintains its focus on developing three key directions, namely:

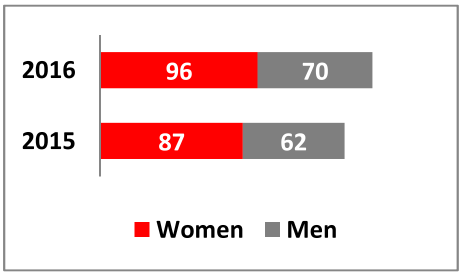
- Design of digitally-based client service solutions, with the launch in 2016 of an app for assistance requests and follow-up;
- Commitment to innovation, providing its clients with new products with wider-ranging covers;
- Clearly focus on internationalisation, progressively expanding its intervention in the African markets, with special emphasis on Angola and Mozambique.

Alongside all the development seen, Fidelidade Assistance, an ISO 9001:2008 certified company, places particular emphasis on its service to Insurers. In 2016 it achieved a Global Satisfaction level of 8.72 (on a scale of 1 to 10) and a Net Promoter Score of 63, and also reduced its complaints rate.



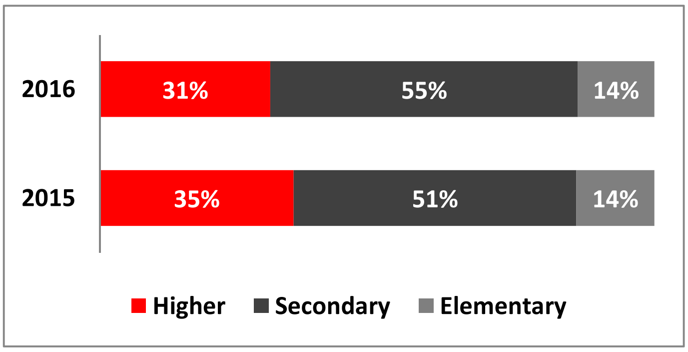
2.5. Human Resources

Since human resources are a differentiating factor for organisations, this is an area which receives Fidelidade Assistance's constant attention. The focus is on enhancing the value and motivation of staff, via the use of appropriate means to achieve these aims. The performance appraisal systems used are an important tool for managing human resources, assessing compliance with strategic objectives and identifying training needs.

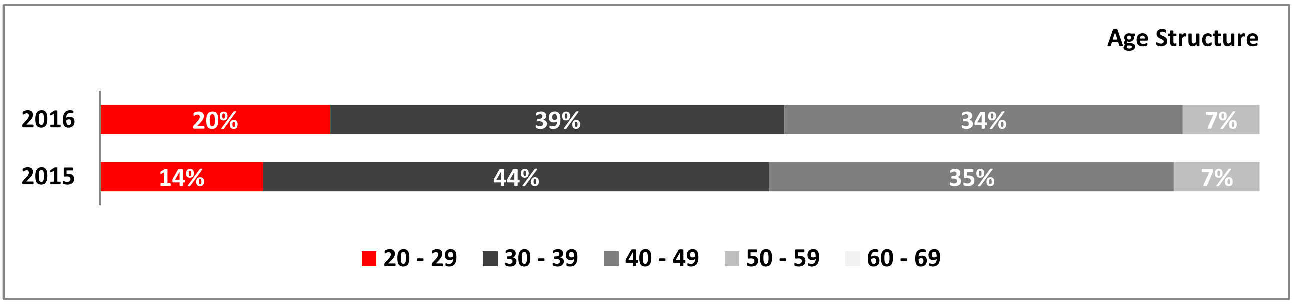


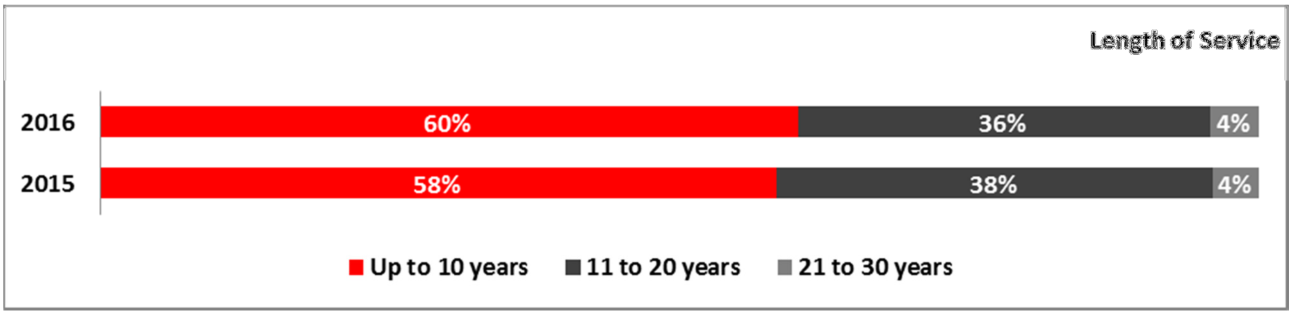
The continued increase in the number of interventions by Fidelidade Assistance (603,202 acts of assistance provided in 2016) has meant adjusting the number of employees to meet the quality requirements defined internally, with the admission of 17 members of staff. FTE increased by 8 members of staff.

In terms of educational background there have been no significant changes in the level of schooling, with the number of employees with only elementary education continuing to represent 14% and with a decrease of 4% in the number of employees with a higher education qualification when compared to 2015.



The average age of the staff is 37.2 (compared to 37.9 in 2015), and it is of note that 59% of employees are under 40 years of age. The average length of service is 8.9 years (compared to 9.0 in 2015).





3. Strategic Vision

Fidelidade Assistência – Companhia de Seguros, S.A. continually assumes the position of an innovative company in its field of operation, clearly oriented by three major objectives which act as principles that constantly guide all its actions: creation of value for the Shareholders; improvement of the product range and service quality to Clients, enhancement and motivation of Employees.

The macro-objectives established for 2016 were:

I. Focus on maintaining a high-level net income, namely by:
   - Assuming prudential standards for risk assumption;
   - Achieving a high-level technical result;
   - Diversifying the product range;
   - Continuing work on improving operating efficiency and cost controls.

II. Adoption of measures to increase the efficiency of the providers' network, raising the quality of the service provided, combined with a continued effort to reduce costs.

III. Continuation of organisational improvement and simplification of processes based on the launch of the Clients mobile app with integration in the Company systems.

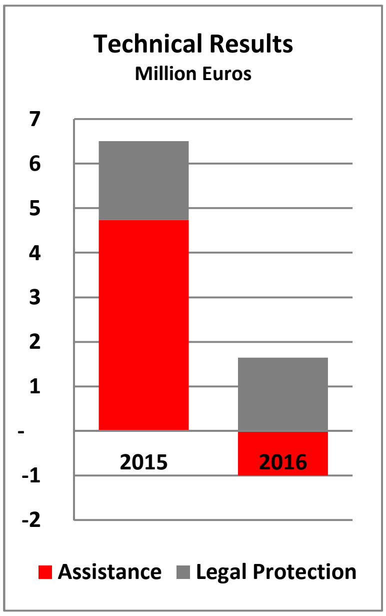
IV. Heavy emphasis on the international activity, aimed at increasing processed income.

4. Financial Analysis

The following aspects can be highlighted from an analysis of the Financial Statements:

4.1. Technical Result

In 2016 the technical result was EUR 0.6 million, a marked decrease in relation to the previous year. This decrease essentially reflects the losses from the financial activity, and also the sharp increase in claims costs, brought about by the greater claims frequency in the Assistance line of business.

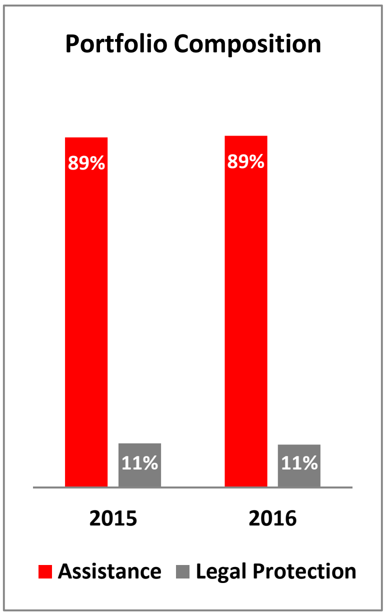


Considering the technical result by line of business, it can be seen that the Assistance line of business fell 121.2%, recording a loss of EUR 1.0 million. The Legal Protection line of business had a profit of EUR 1.6 million, which is a fall of 7.0% compared to the previous year.

The figure for earned premiums (mostly related to reinsurance accepted) was EUR 44.9 million, which constitutes a rise of 5.3%. The Assistance line of business totalled EUR 40.0 million, growing 5.7% and the Legal Protection line of business recorded EUR 4.9 million, growing 1.9%.

Losses relating to investments totalled EUR 1.2 million, and were the main reason for the negative result in the Assistance line of business.

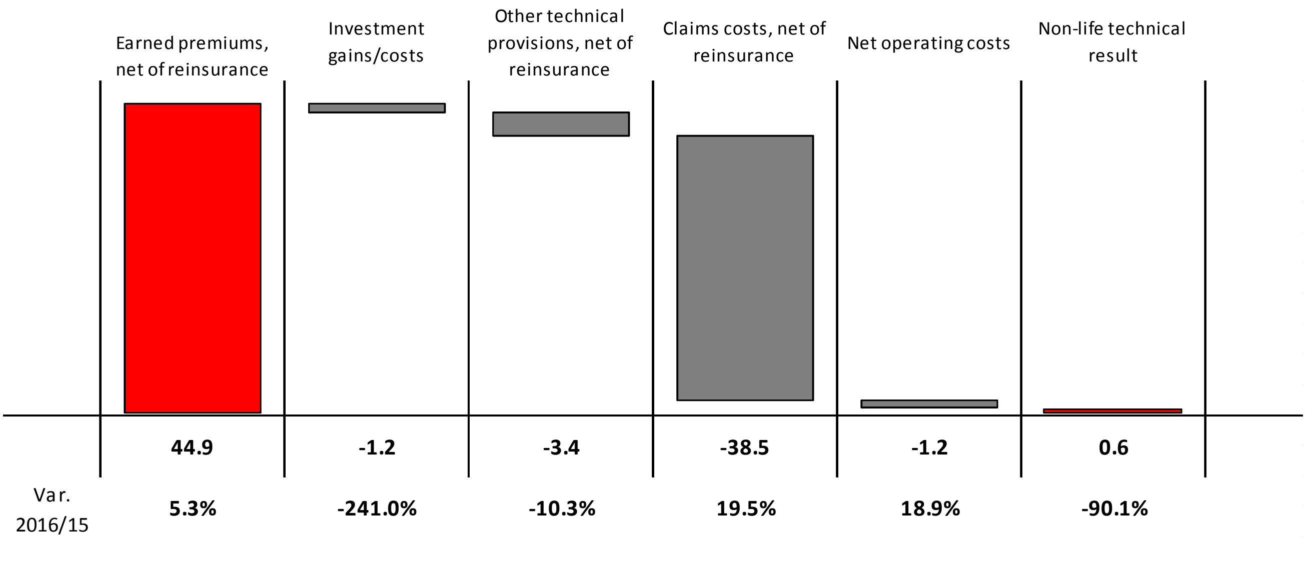
Claims costs (prior to allocation of costs by type) increased 19.7% in relation to the previous year, reaching EUR 32.9 million, which means a claims rate of 73.3%. Meanwhile, profit sharing in the ceding companies fell 13.4% in relation to the previous year, settling at EUR 3.2 million. Therefore, the technical margin was 19.5%.



The technical result of EUR 0.6 million breaks down as follows:

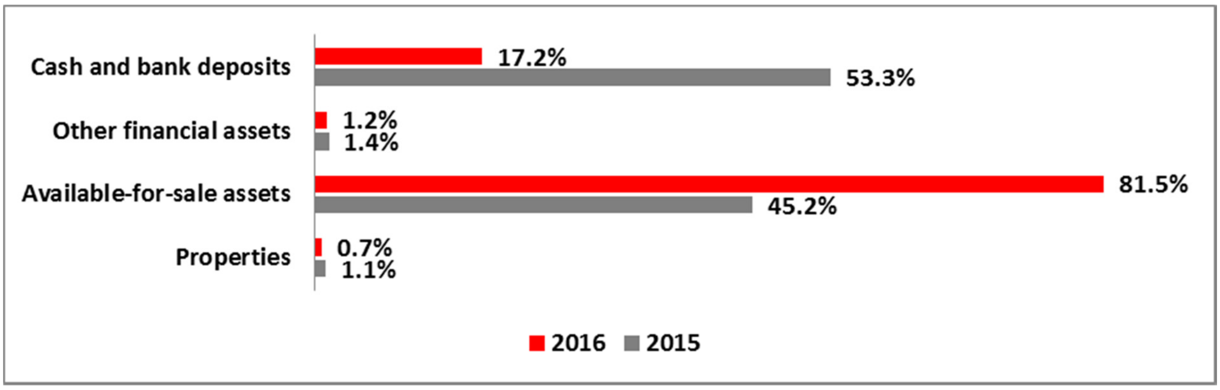
Breakdown of non-life technical result

(Million Euros)



4.2. Income Structure and Yield

Fidelidade Assistance's investment portfolio, including Cash and Bank Deposits, was EUR 63.2 million, up 10.5% on the closing figure for the previous year, and was mostly composed of shares and debt securities classified as Available-for-Sale Assets.



In 2016, the average yield from the portfolio representing technical liabilities for reinsurance accepted and direct insurance was - 2.8%.

4.3. Net Income and Shareholders' Equity

In 2016, the Company recorded a decline in the net income from its operations, which was EUR 1.9 million, a decrease of 75.5% compared to the EUR 7.9 million obtained in the previous year. This decrease in income has three main causes: the increase in claims costs (EUR +5.4 million), the negative result of the financial activity (EUR -1.2 million) and the fall in dividends received from the subsidiary (EUR -1.6 million).

The Shareholders' Equity recorded is EUR 28.4 million, an increase of 11.0% over the previous year, due to no dividends being paid out to the shareholders in relation to 2015.

4.4. Technical Liabilities and Solvency

The figure for technical liabilities with reinsurance accepted and direct insurance is EUR 33.6 million, corresponding to an increase of EUR 0.6 million in relation to the previous year, essentially reflecting slight increases in the provision for unearned premiums and in the provision for unexpired risks.

In 2016 Fidelidade Assistance recorded EUR 57.1 million of assets representing technical liabilities for reinsurance accepted and direct insurance, giving a coverage level of 170.1%, in line with the group guidelines.

Net Technical Liabilities for Reinsurance

(Million Euros)

	2016	2015
Provision for Unearned Premiums	19.3	18.7
Claims Provision		
From Other Lines of Business	14.2	14.2
Provision for Unexpired Risks	0.1	0.0
Technical Liabilities – Reinsurance Accepted and Direct Insurance	33.6	33.0
Investments for representation	57.1	34.7
Coverage Rate	**170.1%**	**105.4%**

The above table clearly demonstrates that Fidelidade Assistance's technical liabilities are fully and soundly covered.

Following the entry into force on 1 January 2016 of the Solvency II Rules, a series of activities were carried out during 2016 to enable the Company's Solvency level to be viewed optimistically.

5. Proposal for the Application of Income

The Net Income for the 2016 financial year totalled EUR 1,925,075.57. In accordance with that stipulated in the Code of Commercial Companies, the Board of Directors proposes the following application:

- Legal Reserve € 193,000.00
- Remaining amount at the disposal of the General Meeting € 1,732,075.57

6. Prospects for Growth

Given its close connection to the Fidelidade Group, in 2017 Fidelidade Assistance will adopt the same strategic guidelines, namely:

I. Consolidation of leadership in the domestic insurance market;
II. International expansion;
III. Optimisation of asset management;
IV. Strengthening of the organisation.

Accordingly, Fidelidade Assistance has defined two key lines of action for 2017: a clear focus on total digitalisation of the company, and special emphasis on developing the international business.

A list of six main objectives has also been drawn up, the pursuit of which involves all the company's human and technical resources:

I. Growth in the processed income of over 3%;
II. Obtaining a technical margin greater than 15%;
III. Obtaining a costs ratio lower than 15%;
IV. Obtaining a combined ratio lower than 95%;
V. Guaranteeing a Net Promoter Score greater than 62;
VI. Reducing the complaints rate by 10%.

7. Final Remarks

In concluding this Report, the Board of Directors would like to express its thanks to all those who have contributed to the company's development and the results achieved, and in particular:

- The supervisory authorities, in particular the Insurance and Pension Funds Supervisory Authority, for their special monitoring of the insurance sector and timely intervention;
- The Portuguese Insurers Association, for its efforts in representing insurers in common fields of interest;
- The members of the Presiding Board of the General Meeting, the Supervisory Board and the Statutory Auditors, for the interest, availability and commitment they have displayed in the monitoring and control of the Company's activity;
- The Shareholders for the support given throughout the year;
- The Clients for the preference afforded to Fidelidade Assistance and for the constant stimulus to improve the quality of our service;
- The Suppliers for the support received constantly;
- The members of staff who, with their professionalism and dedication, have contributed to enhancing and developing the Company's value.

Lisbon, 21 February 2017

The Board of Directors

Chairman	Guangchang Guo	____________________
Vice-Chairman	Jorge Manuel Baptista Magalhães Correia	____________________
Members	Qunbin Wang	____________________
	José Manuel Alvarez Quintero	____________________
	Francisco Xavier da Conceição Cordeiro	____________________
	Luis Filipe Mateus Alves	____________________
	Wai Lam William Mak	____________________
	Lan Kang	____________________
	Lingjiang Xu	____________________

FIDELIDADE ASSISTANCE

Notes to the Report of the Board of Directors

I. Relationship of the shareholders who held at least 1/10 of the Share Capital at 31/12/2016 (Article 448(4) of the Code of Commercial Companies):

- Longrun Portugal, SGPS, S.A. 1,200,000 Shares
- Caixa Seguros e Saúde, SGPS, S.A. 300,000 Shares

II. Shares held by members of the management and supervisory bodies at 31/12/2016 (Article 447(5) of the Code of Commercial Companies):

- None

III. Other duties to report

There is nothing to report regarding the duties of information set out in Article 66(5) b), d), e) and g) of the Code of Commercial Companies.

02
Financial Statements

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

Statements of financial position as at 31 December 2016 and 2015

Tax number: 503411515 (Amounts in Euros)

Notes	Balance Sheet	2016 Gross amount	2016 Impairment, depreciation/ amortisation or adjustments	2016 Net Amount	2015
	ASSETS				
5 and 7	Cash and cash equivalents	10,886,553	-	10,886,553	20,525,390
5 and 6	Investments in subsidiaires, associates and joint ventures	520,250	(83)	520,167	520,250
	Financial assets held for trading	-	-	-	-
5	Financial assets initially recognised at fair value through profit or loss	262,775	-	262,775	303,913
	Hedge derivatives	-	-	-	-
5	Available-for-sale investments	53,520,354	(1,954,956)	51,565,398	25,876,248
	Loans and accounts receivable				
5	Deposits with ceding companies	-	-	-	-
5	Other deposits	-	-	-	10,000,042
	Loans made	-	-	-	-
	Accounts receivable	-	-	-	-
	Others	-	-	-	-
5	Held-to-maturity investments	-		-	-
	Properties				
	Properties for own use	-	-	-	-
8	Investment properties	455,700	-	455,700	653,700
9	Other tangible assets	1,099,628	(1,062,344)	37,284	38,968
	Inventories	-	-	-	-
	Goodwill	-	-	-	-
11	Other intangible assets	377,116	(323,795)	53,321	27,136
	Technical provisions on reinsurance ceded				
	Provision for unearned premiums	-	-	-	-
	Mathematical provision for life insurance	-	-	-	-
	Claims provision	-	-	-	-
	Profit-sharing provision	-	-	-	-
	Provision for portfolio stabilisation	-	-	-	-
	Other technical provisions	-	-	-	-
	Assets for post-employment and other long-term benefits	-	-	-	-
	Other debtors for insurance and other operations				
5	Account receivable for direct insurance operations	283	-	283	-
5	Accounts receivable for other reinsurance operations	3,159,743	-	3,159,743	1,815,247
5	Accounts receivable for other operations	168,223	-	168,223	249,854
	Tax assets				
21	Recoverable tax assets	1,366,654	-	1,366,654	210,152
21	Deferred tax assets	751,019	-	751,019	143,264
26	Accruals and deferrals	252,269	-	252,269	66,104
	TOTAL ASSETS	**72,820,567**	**(3,341,178)**	**69,479,389**	**60,430,268**

The Notes are an integral part of these balance sheets.

Certified Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

Statements of financial position as at 31 December 2016 and 2015

Tax Number: 503411515 (Amounts in Euros)

Notes	Balance Sheet	2016	2015
	LIABILITIES AND SHAREHOLDERS' EQUITY		
	LIABILITIES		
	Technical provisions		
4	Provision for unearned premiums	19,323,601	18,740,358
	Mathematical provision for life insurance	-	-
	Claims provision		
	Life	-	-
	Workers' compensation	-	-
4	Other	14,154,260	14,214,307
4	Profit-sharing provision	-	-
	Provision for interest rate commitments	-	-
	Provision for portfolio stabilisation	-	-
	Equalisation provision	-	-
4	Provision for unexpired risks	116,332	1,153
	Other technical provisions	-	-
	Financial liabilities of the deposit component of insurance contracts and on insurance contracts and operations considered for accounting purposes as investment contracts	-	-
	Other financial liabilities	-	-
	Hedge derivatives	-	-
	Subordinate liabilities	-	-
	Deposits received from reinsurers	-	-
	Others	-	-
20	Liabilities for post-employment and other long-term benefits	362,209	157,997
	Other creditors for insurance and other operations		
5	Accounts payable for direct insurance operations	-	-
5	Accounts payable for other reinsurance operations	-	-
5	Accounts payable for other operations	5,304,960	260,404
	Tax liabilities		
21	Tax payable liabilities	160,555	177,867
21	Deferred tax liabilities	417,491	65,378
26	Accruals and deferrals	940,567	908,805
12	Other provisions	288,049	298,841
	TOTAL LIABILITIES	**41,068,024**	**34,825,110**
	SHAREHOLDERS' EQUITY		
22	Paid-in-Capital	7,500,000	7,500,000
	(Treasury shares)	-	-
	Other capital instruments	-	-
23	Revaluation reserves		
23	Adjustments in fair value of financial assets	1,462,545	264,116
	Revaluation of properties for own use	-	-
	Revaluation of intangible assets	-	-
	Revaluation of other tangible assets	-	-
	Exchange differences	14,204	-
23	Deferred tax reserve	(396,880)	(65,378)
23	Other reserves	17,690,484	9,921,185
23	Retained earnings	215,936	116,329
23	Net income for the year	1,925,076	7,868,906
	TOTAL SHAREHOLDERS' EQUITY	**28,411,365**	**25,605,158**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**69,479,389**	**60,430,268**

The Notes are an integral part of these Balance Sheets.

Certified Accountant

Board of Directors

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED AS AT 31 DECEMBER 2016 AND 2015

Tax Number: 503411515 (Amounts in Euros)

Notes	Income Statement	2016 Technical Non-Life	2016 Non-technical	2016 Total	2015 Total
	Written premiums net of reinsurance				
13	Gross written premiums	45,418,916	-	45,418,916	43,722,540
13	Reinsurance ceded premiums	-	-	-	-
13	Provision for unearned premiums (change)	(517,930)	-	(517,930)	(1,072,029)
	Provision for unearned premiums, reinsurers' share (change)	-	-	-	-
	Fees from insurance contracts and operations considered for accounting purposes as investment contracts or service contracts	-	-	-	-
	Claims costs, net of reinsurance				
	Amounts paid				
4	Gross amounts	(38,651,318)	-	(38,651,318)	(34,557,813)
4	Reinsurers' share	-	-	-	-
	Claims provision (change)				
4	Gross amount	140,060	-	140,060	2,319,475
4	Reinsurers' share	-	-	-	-
	Other technical provisions, net of reinsurance	(115,179)	-	(115,179)	(177)
	Mathematical provison for life insurance, net of reinsurance	-	-	-	-
	Gross amount	-	-	-	-
	Reinsurers' share	-	-	-	-
4	Profit sharing, net of reinsurance	(3,248,750)	-	(3,248,750)	(3,750,552)
	Operating costs and expenses, net				
18	Acquisition expenses	(134,960)	-	(134,960)	(285,165)
18	Deferred acquisition costs (change)	(65,314)	-	(65,314)	44,736
18	Administrative expenses	(990,905)	-	(990,905)	(761,782)
	Commissions and reinsurance profit sharing	-	-	-	-
	Financial income				
	From interest on financial assets not recognised at fair value				
14	through profit or loss	710,460	3,058	713,518	972,702
	From interest on financial liabilities not recognised at fair value through profit or loss	-	-	-	-
14	Others	8,968	1,000,000	1,008,968	2,624,922
	Financial expenses				
	From interest on financial assets not recognised at fair value through profit or loss	-	-	-	-
	From interest on financial liabilities not recognised at fair value through profit or loss	-	-	-	-
18	Others	(25,404)	-	(25,404)	(22,720)
	Net income on financial assets and liabilities not recognised at fair value through profit or loss				
15	Available-for-sale assets	221,734	-	221,734	(229,372)
	Loans and accounts receivable	-	-	-	-
	Held-to-maturity investments	-	-	-	-
	Financial liabilities recognised at amortised cost	-	-	-	-
	Others	-	-	-	-
	Net income on financial assets and liabilities recognised at fair value through profit or loss				
	Net income on financial assets and liabilities held for trading	-	-	-	-
	Net income on financial assets and liabilities				
16	initially recognised at fair value through profit or loss	9,080	-	9,080	(11,208)
17	Exchange differences	34,917	-	34,917	-
	Net income on the sale of financial assets which have not been recognised				
8 and 16	as non-current assets held for sale and discontinued operations	(198,000)	-	(198,000)	133,700
	Impairment losses (net of reversals)				
5 and 16	Available-for-sale assets	(1,951,768)	-	(1,951,768)	1,023
	Loans and accounts receivable at amortised cost	-	-	-	-
5	Held-to-maturity investments	-	-	-	-
	Others	-	(83)	(83)	-
	Other technical income/expenses, net of reinsurance	-	-	-	-
12	Other provisions (change)	-	-	-	-
	Other income/expenses		512,733	512,733	491,739
	Negative goodwill recognised in profit and loss	-	-	-	-
	Gains and losses of associates and joint ventures (equity method)	-	-	-	-
	Gains and losses of non-current assets (or groups for disposal) recognised as held for sale	-	-	-	-
	NET INCOME BEFORE TAX	644,607	1,515,708	2,160,315	9,620,019
21	Income tax for the year - Current taxes	-	(822,383)	(822,383)	(1,740,575)
21	Income tax for the year - Deferred taxes	-	587,144	587,144	(10,538)
	NET INCOME FOR THE YEAR	644,607	1,280,469	1,925,076	7,868,906

The Notes are an integral part of this Income Statement

Certified Accountant

Board of Directors

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

Statement of changes in equity for the 2016 and 2015 Financial Years

(Amounts in Euros)

Notes	Statement of changes in equity	Paid-in-capital	Revaluation reserves: Adjustments in fair value of investments in associates and joint ventures	Revaluation reserves: Adjustments in fair value of financial assets	Revaluation reserves: Exchange differences	Deferred tax reserve	Other reserves: Legal reserve	Other reserves: Other reserves	Retained earnings	Net income for the year	TOTAL
	Balances at 31 December 2014	7,500,000	-	2,230,104	-	(568,677)	3,956,194	-	78,700	6,002,621	19,198,942
23	Net gains through adjustments of fair value for available-for-sale investments financial assets	-	-	(1,965,988)	-	-	-	-	-	-	(1,965,988)
	Net income from exchange differences	-	-	-	-	-	-	-	-	-	-
23	Adjustments from recognition of deferred taxes	-	-	-	-	503,299	-	-	-	-	503,299
23	Increases in reserves from application of income	-	-	-	-	-	601,000	5,363,991	37,629	(6,002,621)	-
	Net income for the year	-	-	-	-	-	-	-	-	7,868,906	7,868,906
	Balances at 2015	7,500,000	-	264,116	-	(65,378)	4,557,194	5,363,991	116,329	7,868,906	25,605,159
23	Net gains through adjustments of fair value for available-for-sale investments financial assets	-	-	1,198,429	-	-	-	-	-	-	1,198,429
	Net gains through exchange differences	-	-	-	14,204	-	-	-	-	-	14,204
23	Adjustments from recognition of deferred taxes	-	-	-	-	(331,502)	-	-	-	-	(331,502)
23	Increases in reserves from application of income	-	-	-	-	-	776,930	6,992,369	99,607	(7,868,906)	-
	Total changes in equity	-	-	1,198,429	14,204	(331,502)	776,930	6,992,369	99,607	(7,868,906)	881,130
	Net income for the year	-	-	-	-	-	-	-	-	1,925,076	1,925,076
	Balances at 31 December 2016	7,500,000	-	1,462,545	14,204	(396,880)	5,334,124	12,356,360	215,936	1,925,076	28,411,365

The Notes are an integral part of these statements.

Certified Accountant

Board of Directors

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2016 AND 2015

Tax Number: 503 411 515 (Amounts in Euros)

	2016	2015
NET INCOME FOR THE YEAR	**1,925,076**	**7,868,906**
Change in potential gains on available-for-sale financial assets:		
Gross amount	1,198,429	(1,965,988)
Deferred tax	(331,502)	503,299
Exchange differences	14,204	-
INCOME DIRECTLY RECOGNISED IN SHAREHOLDER'S EQUITY	**881,131**	**(1,462,689)**
TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR	**2,806,207**	**6,406,217**

The Notes are an integral part of these statements.

Certified Accountant

Board of Directors

FIDELIDADE ASSISTANCE

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AS AT 2016 AND 2015

	2016	2015
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:		
Operating cash flows prior to changes in assets and liabilities:		
Premiums received, net of reinsurance	45,418,916	43,722,540
Claims paid, net of reinsurance	(33,040,987)	(29,801,647)
Commissions on insurance, investment and service contracts, net	(736)	(870)
Profit-sharing payments, net of reinsurance	(3,248,750)	(3,750,552)
Payments to employees and suppliers	(6,592,537)	(5,926,066)
Others	508,199	486,449
	3,044,105	4,729,854
(Increases) / decreases in operating assets:		
Debtors - direct insurance and reinsurance operations	(1,264,766)	(174,908)
Debtors - other operations	81,631	(137,084)
	(1,183,135)	(311,992)
Increases / (decreases) in operating liabilities:		
Creditors - direct insurance and reinsurance operations	-	(61,333)
Creditors - other operations	5,044,556	(704)
Other liabilities	(1,996,197)	(1,885,958)
	3,048,359	(1,947,995)
Net cash from operating activities before tax	4,909,329	2,469,867
Payments of income tax		
Net cash from operating activities	**4,909,329**	**2,469,867**
CASH FLOWS GENERATED BY INVESTING ACTIVITIES:		
Receipts from the sale or redemption of:		
Financial assets recognised at fair value through profit or loss	9,080	-
Available-for-sale investments	26,641,094	14,476,594
Loans and accounts receivable	10,000,000	5,000,000
Tangible and intangible assets	140	-
Net income from financial assets	1,577,958	3,614,008
Other receipts	1,043,885	2,624,922
	39,272,157	25,715,524
Payments for the acquisition or initiation of:		
Financial assets recognised at fair value through profit or loss	-	(11,208)
available-for-sale investments	(53,670,905)	(5,764,413)
Loans and accounts receivable	-	(10,000,000)
Tangible and intangible assets	(124,136)	(19,548)
Others	(25,282)	(22,246)
	(53,820,323)	(15,817,415)
Net cash from investing activities	**(14,548,166)**	**9,898,109**
CASH FLOWS GENERATED BY FINANCING ACTIVITIES:		
Distribution of Dividends	-	-
Net cash from financing activities	**-**	**-**
Increases (decreases) net of cash and equivalents		
Cash and equivalents at the start of the year	20,525,390	8,157,414
Cash and equivalents at the end of the year	10,886,553	20,525,390
	(9,638,837)	**12,367,976**

The Notes are an integral part of these Statements.

Certified Accountant

Board of Directors

03
Notes to the Financial Statements

1. INCORPORATION AND ACTIVITY

Fidelidade Assistência – Companhia de Seguros, S.A. (Company) was set up on 16 March 1995 with the corporate name "Companhia de Seguros Tagus – Seguros de Assistência, S.A.", which was changed to "CARES – Companhia de Seguros de Assistência, S.A." on 31 March 1998. On 23 April 2002, the corporate name was changed to CARES – Companhia de Seguros, S.A., and on 11 May 2015 this was changed to the current name.

The Company, with legal person no. 503 411 515, registered with the Office of Commercial Records under the same number, has its registered office at Avenida José Malhoa no. 13, 7th floor.

The Company's corporate purpose is the exercise of insurance activities in the Assistance and Legal Protection lines of business, for which it has obtained the due authorisations from the Insurance and Pension Funds Supervisory Authority (ASF).

In 2014, the process of privatisation of the share capital of Fidelidade Assistance took place, pursuant to Decree Law No. 80/2013 of 12 June, under which Longrun Portugal , SGPS , S.A. acquired from Caixa Seguros e Saúde , SGPS , S.A., 1,200,000 shares representing 80% of the share capital and voting rights of Fidelidade Assistance, as a result of the direct sale operation to an investor who became the reference shareholder of Fidelidade Assistance, and the company became part of the Fosun Group.

The Company's financial statements at 31 December 2016 were approved by the Board of Directors on 20 February 2017 and are pending approval the General Meeting. However, the Company's Board of Directors expects them to be approved without any significant changes.

2. INFORMATION BY SEGMENTS

In 2016 and 2015, 97.3% and 99% of the gross written premiums are from contracts entered into in Portugal.

In 2016 and 2015, the distribution of results by line of business is as follows:

2016

Headings	Non-Life Lines of Business		
	Miscellaneous		Total
	Legal Protection	Assistance	
Gross written premiums	4,885,339	40,533,577	45,418,916
Earned premiums from reinsurance ceded	-	-	-
Gross premiums earned	4,869,936	40,031,050	44,900,986
Investment income	(312,678)	(877,335)	(1,190,013)
Gross claims costs	(629,016)	(37,882,242)	(38,511,258)
Gross operating costs	(126,938)	(1,064,241)	(1,191,179)
Profit sharing	(2,155,188)	(1,093,562)	(3,248,750)
Change in provision for unexpired risks	-	(115,179)	(115,179)
Technical results	1,646,116	(1,001,509)	644,607
Allocated assets	57,144,544		
Technical provisions	8,019,969	25,574,224	33,594,193

2015

Headings	Non-Life Lines of Business		
	Miscellaneous		Total
	Legal Protection	Assistance	
Gross written premiums	4,846,702	38,875,838	43,722,540
Earned premiums from reinsurance ceded	-	-	-
Gross premiums earned	4,779,089	37,871,422	42,650,511
Investment income	245,008	599,083	844,091
Gross claims costs	(605,367)	(31,632,971)	(32,238,338)
Gross operating costs	(107,797)	(894,414)	(1,002,211)
Profit sharing	(2,541,179)	(1,209,373)	(3,750,552)
Change in provision for unexpired risks	-	(177)	(177)
Technical results	1,769,754	4,733,570	6,503,324
Allocated assets	34,732,560		
Technical provisions	8,768,865	24,186,953	32,955,818

3. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting principles established in the Chart of Accounts for Insurance Companies (PCES), approved by Standard No. 10/2006 – R, of 15 September, of the Insurance and Pension Funds Supervisory Authority ("ASF"), and the remaining regulatory standards issued by ASF.

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

3.1. ACCOUNTING POLICIES

The key accounting policies used in preparing the financial statements are:

a) Accrual basis accounting

Revenues and expenses are recognised in the accounts in accordance with the period in which the transactions underlying them occur, regardless of when collection or payment occurs.

Given that premiums are recognised as revenues when the related policies are issued or renewed and claims are recognised when they are reported by the insured persons, it is necessary to perform accruals of the revenues and expenses. These accruals basically affect the following headings:

i) Provision for unearned premiums

The provision for unearned premiums corresponds to the value of the gross written premiums on insurance contracts which relate to subsequent years, i.e. the part corresponding to the period between the balance sheet date and the end of the period to which the premium refers.

This provision is calculated by applying the *pro rata temporis* method to the gross written premiums of direct insurance and reinsurance accepted.

Expenditures incurred with the acquisition of an insurance contract and other expenses allocated to the acquisition function are deferred over the course of the period to which they relate, and are recognised as a deduction from the amount of the technical provisions on insurance contracts in provisions for unearned premiums.

ii) Provision for unexpired risks

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

iii) Claims provision

This provision reflects the estimate of the Company's claims liabilities for claims which are pending at the balance sheet date, and the global liabilities regarding claims incurred but not reported (IBNR) up to the date of the financial statements. This provision also includes an estimate of the costs to be incurred with the future settlement of claims.

The provision for reported claims is calculated by estimating the claims one by one, considering a margin of error, and subtracting from the resulting figure for liabilities the amount of any costs already paid regarding those claims.

The provision for claims incurred but not reported (IBNR) is established based on statistical information relating to the Company's activity.

Following Circular No. 28/2004, of 17 November, from the ASF, the Company recognises a provision for claims settlement expenses, calculated on the basis of the ratio between the general expenses incurred by the Company and the number of processes managed, applied to the number of claims which are pending at the end of the financial year, plus the estimate for IBNR claims.

The claims provisions recognised by the Company are not discounted.

iv) Profit-sharing provision

Most of the reinsurance contracts entered into with the ceding companies provide for a share in the Company's technical results.

Generally, the profit-sharing provision corresponds to a percentage of the Company's technical result (premiums earned less claims costs and management costs), if positive. Negative technical results are transported to the following year, to the Company's credit.

b) Investments in subsidiaries

Subsidiaries are recognised at their acquisition cost, less any impairment losses.

c) Other tangible assets

Other tangible assets are recognised at acquisition cost, less their accumulated depreciation.

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

	Years of useful life
Administrative equipment	1 - 8
IT equipment	3
Interior installations	10
Transport material	4
Other equipment	8

d) Financial instruments

Financial assets

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

i) Financial assets at fair value through profit or loss

This category includes:

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

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

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

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

ii) Available-for-sale investments

This category includes the following financial instruments here designated on initial recognition:

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

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

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

Dividends on equity instruments classified in this category are recognised in “Income”, when the Company’s right to receive them is established.

iii) Loans and accounts receivable

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

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

iv) Held-to-maturity investments

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

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

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

Fair value

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

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

The fair value of financial assets is determined by a Company body which is separate from the business function, based on:

- The closing price at the balance sheet date, for instruments traded in active markets;
- Regarding debt instruments not traded in active markets (including unquoted securities or securities of limited liquidity), valuation methods and techniques are used, which include:
  - Bid prices published by financial information services, namely Bloomberg and Reuters, including market prices available for recent transactions;
  - Bid prices obtained from financial institutions which operate as market-makers;
  - Internal valuation models, which take into account the market data which would be used to define a price for the financial instrument, reflecting the market interest rates and volatility, and the liquidity and credit risk associated with the instrument.
- Other unquoted equity instruments the fair value of which cannot be reliably measured (for example, due to an absence of recent transactions) continue to be recognised at cost, less any impairment losses.

e) Reclassification of financial assets between categories

The Company may reclassify non-derivative financial assets with fixed or determinable payments and with a defined maturity date from available-for-sale financial assets to held-to-maturity financial assets, provided it intends to hold, and is capable of holding, those financial assets until maturity.

Reclassifications between these categories are at the fair value of the reclassified financial assets at the date of their reclassification. The difference between the fair value and the respective nominal value as well as the fair value reserve at the date of the reclassification are recognised gradually in the profit and loss statement, based on the effective rate method.

f) Impairment of financial assets

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

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

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

Financial assets at amortised cost

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

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

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

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

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

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

Available-for-sale investments

Available-for-sale investments are recognised at fair value, and changes in the fair value are reflected in shareholders' equity, in "Revaluation reserves".

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

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

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

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

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

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

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

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

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

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

g) Investment properties

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

Investment properties are not amortised, and are recognised at fair value, determined on the basis of annual assessments. Changes in the fair value are reflected in the income statement, in “Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations”.

h) Intangible assets

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

Intangible assets are recognised at acquisition cost, less depreciation and accumulated impairment losses. Amortisation is recognised systematically throughout the estimated useful life of the assets, which normally corresponds to a period of 3 years.

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

i) Holiday, holiday subsidy

In line with the legislation in force, employees are entitled to one month of annual leave and one month of holiday subsidy. These rights are acquired in the year prior to that in which they are paid. Accordingly, liabilities with holidays and holiday subsidies and the respective social contributions are recognised in costs for the year to which they relate, regardless of the year in which they are paid.

Costs with holidays and holiday subsidies were recognised in “Employee costs” against “Accruals and deferrals” in liabilities.

j) Seniority bonus

Pursuant to the Collective Employment Agreement in force for the Insurance Sector, an employee who completes one or more multiples of five years’ service in the Company is entitled to a monetary award equivalent to 50% of his salary for the month in which this situation arises, subject to several conditions.

Estimated future costs to be incurred with the seniority bonus relating to the time elapsed up until the balance sheet date are recognised in “Accruals and deferrals” in liabilities.

k) Income tax

In 2016 and 2015, the total income tax recognised in the income statement includes current and deferred taxes.

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

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

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised up to the amount for which it is probable that there will be future taxable income which will allow the use of the corresponding deductible tax differences or tax losses. On the date of each balance sheet the temporary differences underlying the deferred tax assets are reassessed, in order to recognise those not yet registered due to their not having fulfilled the conditions for their registration and/or to reduce the amount of deferred tax assets recognised according to the current expectations as to their future recovery.

In addition, deferred taxes are not recognised when they relate to temporary differences arising in the initial recognition of assets and liabilities in transactions which do not affect the accounting results or taxable income.

Situations leading to temporary differences at the Company level correspond to adjustments which are not deductible for tax purposes and to revaluation of securities and properties (Note 21).

Deferred taxes are calculated at the tax rates expected to be in force on the date of reversal of the temporary differences, which correspond to the rates approved, or substantially approved, at the balance sheet date. The impact of deferred taxes, including the change in the tax rate used to calculate them, is reflected in the income statement, except in cases where the transactions giving rise to them have been recognised in other shareholders' equity headings (for example, in the case of revaluations of securities). In these situations, the corresponding tax is also recognised as a charge to shareholders' equity, and does not affect the income statement for the year.

l) Employee benefits

In 2012 a defined contribution plan "IRP" (Individual retirement plan) was set up, as per Clauses 48 and 49 of the new Collective Employment Agreement for the Insurance Sector.

In 2014 an extraordinary contribution was made to the "IRP", in line with Clause 58-A of the agreement signed by APS, STAS and SISEP on 21/11/2016.

In 2016 and 2015 the liability for two pre-retirement agreements made in December 2016 and 2015 was recognised on the balance sheet. The total amounts of the liabilities were determined on an annual basis, by specialised actuaries using the Project Unit Credit Method and appropriate actuarial assumptions (Note 20).

The discount rate used in the actuarial update of the liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with similar periods to maturity to the average periods for settlement of liabilities. Actuarial gains and losses are recognised in the income statement for the year in which they arise.

m) Short-term benefits

Short-term benefits, including performance-related productivity bonuses paid to employees, are recognised in "Employee Costs" in the period to which they relate, on an accrual basis (Note 3.1 a).

n) Critical accounting estimates and most relevant judgements in the application of the accounting policies

When applying the accounting principles described above, the Company's Board of Directors is required to make estimates. The estimates with the greatest impact on the financial statements include those presented below.

Determination of impairment losses on available-for-sale investments

Impairment losses on financial assets are determined in line with the methodology defined in Note 3.1. d). Accordingly, the determination of impairment on available-for-sale investments takes into account the conclusions of the specific evaluation conducted by the Group to which the Company belongs on the basis of knowledge regarding the situation of the issuers of the financial instruments in question.

The Company considers that impairment determined on the basis of this methodology adequately reflects the risk associated with its portfolio of available-for-sale investments, taking into account the rules defined by IAS 39.

Valuation of financial instruments not traded in active markets

In line with IAS 39, the Company recognises all financial instruments at fair value, with the exception of those recognised at amortised cost. Valuation models and techniques such as those described in Note 3.1. d) are used to value financial instruments not traded in liquid markets. The valuations obtained correspond to the best estimate of the fair value of these instruments at the balance sheet date.

Determination of liabilities on insurance contracts

The Company's liabilities for insurance contracts are determined based on methodologies and assumptions described in Note 3.1. a) above. These liabilities reflect a quantified estimate of the impact of future events on the Company's accounts, calculated based on actuarial assumptions, claims history and other methods accepted in the sector.

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

The Company considers, however, that the liabilities on insurance contracts recognised in the financial statements adequately reflect the best estimate at the balance sheet date of the amounts to be disbursed.

Determination of income tax

The Company determines income tax (both current and deferred) based on the rules defined by the tax framework in force in Portugal. However, in some situations the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recognised result from the best understanding of the Company's Board of Directors with regard to the correct presentation of its operations, which may, however, be questioned by the Tax Authorities.

3.2. ADOPTION OF STANDARDS (NEW OR REVISED) ISSUED BY THE "INTERNATIONAL ACCOUNTING STANDARDS BOARD" (IASB) AND INTERPRETATIONS ISSUED BY THE "INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE" (IFRIC), AS ADOPTED BY THE EUROPEAN UNION

3.2.1. Adopted Standards (New or Revised)

During the course of 2016 the Company adopted, in the preparation of its financial statements, the standards and interpretations issued by IASB and IFRIC, respectively, provided they had been endorsed by the European Union, with application in financial periods beginning on or after 1 January 2015. The relevant changes for the Company were as follows:

Standard/Interpretation	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 5 – Non-current assets held for sale and Discontinued Operations (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IFRS 7 – Financial Instruments: Disclosures (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IAS 1 – Clarification on Disclosure in Financial Reporting(Amendments to the Standards)	2406/2015	01-01-2016
IAS 16 – Property, plant and equipment and IAS 38 - Intangible Assets - Clarification on Acceptable Methods of Depreciation and Amortisation (Amendments to the Standards)	2231/2015	01-01-2016
IAS 19 – Employee Benefits (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016
IAS 34 – Interim Financial Reporting (Annual improvements relating to the 2012-2014 cycle)	2343/2015	01-01-2016

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

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

Standard/Interpretation	E.U. Regulation	Applicable to accounting periods beginning on or after
IFRS 9 – Financial Instruments	2067/2016	01-01-2018
IFRS 15 – Revenue from Contracts with Customers	1905/2016	01-01-2017

These standards were endorsed by the European Union, but the Company did not apply them in the accounting period ended as at 31 December 2016. As they were not applied their impact is not known or reasonable capable of being calculated, since their adoption is not expected to have a significant effect on the financial statements.

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

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

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

FIDELIDADE ASSISTANCE

4. NATURE AND EXTENT OF THE HEADINGS AND RISKS ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

At 31 December 2016 and 2015, the provision for unearned premiums and claims provision headings were composed as follows:

	31-12-2016						
	Assistance			Legal Protection			Total
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total	
Provision for unearned premiums:							
. Unearned premiums	3,430	17,011,947	17,015,377	-	2,365,068	2,365,068	19,380,445
. Deferred acquisition costs (Nota 3.1 a) i))	(45)	(49,889)	(49,934)	-	(6,910)	(6,910)	(56,844)
	3,385	16,962,058	16,965,443	-	2,358,158	2,358,158	19,323,601
Claims provision:							
. Provision for reported claims	61,179	7,161,499	7,222,678	-	3,949,292	3,949,292	11,171,970
. Provision for IBNR	-	15,291	15,291	-	712,319	712,319	727,610
. Provision for claims settlement expenses	35,260	1,219,220	1,254,480	-	1,000,200	1,000,200	2,254,680
	96,439	8,396,010	8,492,449	-	5,661,811	5,661,811	14,154,260
	99,824	25,358,068	25,457,892	-	8,019,969	8,019,969	33,477,861
Provision for unexpired risks	3,418	112,914	116,332	-	-	-	116,332

	31-12-2015						
	Assistance			Legal Protection			Total
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total	
Provision for unearned premiums:							
. Unearned premiums	3,848	16,509,002	16,512,850	-	2,349,666	2,349,666	18,862,516
. Deferred acquisition costs (Nota 3.1 a) i))	(335)	(106,649)	(106,984)	-	(15,174)	(15,174)	(122,158)
	3,513	16,402,353	16,405,866	-	2,334,492	2,334,492	18,740,358
Claims provision:							
. Provision for reported claims	17,813	6,784,152	6,801,965	-	4,610,866	4,610,866	11,412,831
. Provision for IBNR	-	24,949	24,949	-	940,007	940,007	964,956
. Provision for claims settlement expenses	6,640	946,380	953,020	-	883,500	883,500	1,836,520
	24,453	7,755,481	7,779,934	-	6,434,373	6,434,373	14,214,307
	27,966	24,157,834	24,185,800	-	8,768,865	8,768,865	32,954,665
Provision for unexpired risks	1,153	-	1,153	-	-	-	1,153

At 31 December 2016 and 2015, the claims provision was composed as follows:

Technical Lines of Business	31-12-2016 Direct insurance	Reinsurance accepted	Total	31-12-2015 Direct insurance	Reinsurance accepted	Total
Assistance						
Reported claims						
From 2016	59,876	6,100,623	6,160,499			
From 2015	1,303	956,586	957,889	17,813	5,636,169	5,653,982
From 2014	-	102,437	102,437	-	1,041,059	1,041,059
From 2013	-	322	322	-	104,116	104,116
From 2012	-	-	-	-	1,142	1,142
From 2011	-	381	381	-	-	-
From 2008	-	-	-	-	166	166
From 2007	-	1,150	1,150	-	1,500	1,500
	61,179	7,161,499	7,222,678	17,813	6,784,152	6,801,965
Provision for IBNR						
From 2016	-	14,715	14,715			
From 2015	-	368	368	-	24,949	24,949
From 2014	-	208	208	-	-	-
	-	15,291	15,291	-	24,949	24,949
Provision for claims settlement expenses						
From 2016	34,120	1,091,200	1,125,320			
From 2015	1,140	110,900	112,040	6,640	827,560	834,200
From 2014	-	3,400	3,400	-	102,900	102,900
From 2013	-	1,540	1,540	-	3,220	3,220
From 2012	-	1,200	1,200	-	1,480	1,480
From 2011	-	740	740	-	1,160	1,160
From 2010	-	1,020	1,020	-	1,200	1,200
From 2009	-	1,560	1,560	-	1,280	1,280
From 2008	-	1,580	1,580	-	1,520	1,520
From 2007	-	5,780	5,780	-	5,720	5,720
From 2006	-	300	300	-	340	340
	35,260	1,219,220	1,254,480	6,640	946,380	953,020
Total Assistance	96,439	8,396,010	8,492,449	24,453	7,755,481	7,779,934

Technical Lines of Business	31-12-2016 Direct insurance	Reinsurance accepted	Total	31-12-2015 Direct insurance	Reinsurance accepted	Total
Legal Protection						
Reported claims						
From 2016	-	1,712,045	1,712,045			
From 2015	-	1,119,334	1,119,334	-	1,805,731	1,805,731
From 2014	-	468,471	468,471	-	1,171,609	1,171,609
From 2013	-	221,888	221,888	-	640,658	640,658
From 2012	-	142,907	142,907	-	333,617	333,617
From 2011	-	103,325	103,325	-	240,251	240,251
From 2010	-	47,995	47,995	-	99,383	99,383
From 2009	-	36,528	36,528	-	80,053	80,053
From 2008	-	50,877	50,877	-	154,729	154,729
From 2007	-	24,007	24,007	-	49,324	49,324
From 2006	-	21,915	21,915	-	13,732	13,732
From 2005	-	-	-	-	21,779	21,779
	-	3,949,292	3,949,292	-	4,610,866	4,610,866
Provision for IBNR						
From 2016	-	559,945	559,945			
From 2015	-	53,611	53,611	-	940,007	940,007
From 2014	-	22,426	22,426	-	-	-
From 2013	-	7,123	7,123	-	-	-
From 2008	-	69,214	69,214	-	-	-
	-	712,319	712,319	-	940,007	940,007
Provision for claims settlement expenses						
From 2016	-	677,400	677,400			
From 2015	-	168,600	168,600	-	612,000	612,000
From 2014	-	66,600	66,600	-	126,300	126,300
From 2013	-	32,400	32,400	-	63,600	63,600
From 2012	-	19,500	19,500	-	32,700	32,700
From 2011	-	14,700	14,700	-	20,100	20,100
From 2010	-	6,600	6,600	-	9,300	9,300
From 2009	-	3,600	3,600	-	5,400	5,400
From 2008	-	5,700	5,700	-	8,700	8,700
From 2007	-	2,400	2,400	-	3,000	3,000
From 2006	-	2,700	2,700	-	900	900
From 2005	-	-	-	-	1,500	1,500
From 2004	-	-	-	-	-	-
	-	1,000,200	1,000,200	-	883,500	883,500
Total Legal Protection	-	5,661,811	5,661,811	-	6,434,373	6,434,373
Total	96,439	14,057,821	14,154,260	24,453	14,189,854	14,214,307

Claims provisions saw the following movement during 2016 and 2015:

SECTORS / LINES OF BUSINESS	Claims provision at 31/12/2015 (1)	Claims costs paid in the year (*) (2)	Claims provision at 31/12/2016 (*) (3)	Readjustments (3)+(2)-(1)
NON-LIFE				
LEGAL PROTECTION	6,434,373	877,322	2,712,421	(2,844,630)
ASSISTANCE	7,779,934	4,623,790	1,191,915	(1,964,229)
OVERALL TOTAL	14,214,307	5,501,112	3,904,336	(4,808,859)

(*) relating to claims occurred in the year N-1 and previous years.

SECTORS / LINES OF BUSINESS	Claims provision at 31/12/2014 (1)	Claims costs paid in the year (*) (2)	Claims provision at 31/12/2015 (*) (3)	Readjustments (3)+(2)-(1)
NON-LIFE				
LEGAL PROTECTION	7,201,239	914,033	3,076,635	(3,210,571)
ASSISTANCE	9,340,224	4,615,760	1,266,803	(3,457,661)
TOTAL	16,541,463	5,529,793	4,343,438	(6,668,232)

(*) relating to claims occurred in the year N-1 and previous years.

In 2016 and 2015, claims costs were composed as follows:

2016

SECTORS / LINES OF BUSINESS	Amounts Paid (1)	Amounts paid – claims management costs (2)	Change in claims provision (3)	Claims costs (4)=(1)+(2)+(3)
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	242,828	43,165	71,985	357,978
TOTAL	242,828	43,165	71,985	357,978
REINSURANCE ACCEPTED				
LEGAL PROTECTION	475,220	926,358	(772,562)	629,016
ASSISTANCE	32,322,939	4,640,808	560,517	37,524,264
TOTAL	32,798,159	5,567,166	(212,045)	38,153,280
OVERALL TOTAL	33,040,987	5,610,331	(140,060)	38,511,258

2015

SECTORS / LINES OF BUSINESS	Amounts Paid (1)	Amounts paid – claims management costs (2)	Change in claims provision (3)	Claims costs (4)=(1)+(2)+(3)
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	14,448	2,048	22,270	38,766
TOTAL	14,448	2,048	22,270	38,766
REINSURANCE ACCEPTED				
LEGAL PROTECTION	546,633	825,600	(766,866)	605,367
ASSISTANCE	29,240,566	3,928,518	(1,574,879)	31,594,205
TOTAL	29,787,199	4,754,118	(2,341,745)	32,199,572
OVERALL TOTAL	29,801,647	4,756,166	(2,319,475)	32,238,338

In 2016 and 2015, the breakdown of claims cost in the assistance line of business per year is as follows:

	2016			2015		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Assistance						
Amounts paid						
Payments						
From 2016	228,773	28,566,191	28,794,964			
From 2015	14,081	4,137,480	4,151,561	13,202	25,621,056	25,634,258
From 2014	(26)	281,794	281,768	1,246	4,060,904	4,062,150
From 2013	-	132,779	132,779	-	355,618	355,618
From 2012	-	78,007	78,007	-	128,999	128,999
From 2011	-	62,094	62,094	-	94,664	94,664
From 2010	-	64,472	64,472	-	64,564	64,564
From 2009	-	116,371	116,371	-	143,887	143,887
From 2008	-	114,750	114,750	-	107,346	107,346
From 2007	-	485,844	485,844	-	434,490	434,490
From 2006	-	25,098	25,098	-	31,014	31,014
From 2005	-	-	-	-	75	75
	242,828	34,064,880	34,307,708	14,448	31,042,617	31,057,065
Claims reimbursements						
From 2016	-	(283,722)	(283,722)			
From 2015	-	(392,845)	(392,845)	-	(349,816)	(349,816)
From 2014	-	(81,804)	(81,804)	-	(375,815)	(375,815)
From 2013	-	(70,727)	(70,727)	-	(103,075)	(103,075)
From 2012	-	(79,365)	(79,365)	-	(78,076)	(78,076)
From 2011	-	(62,375)	(62,375)	-	(92,706)	(92,706)
From 2010	-	(61,968)	(61,968)	-	(65,605)	(65,605)
From 2009	-	(115,216)	(115,216)	-	(149,491)	(149,491)
From 2008	-	(110,390)	(110,390)	-	(110,038)	(110,038)
From 2007	-	(460,176)	(460,176)	-	(446,854)	(446,854)
From 2006		(23,353)	(23,353)	-	(30,575)	(30,575)
	-	(1,741,941)	(1,741,941)	-	(1,802,051)	(1,802,051)
Claims management costs						
From 2016	40,667	4,074,041	4,114,708			
From 2015	2,502	488,895	491,397	1,872	3,283,506	3,285,378
From 2014	(4)	61,746	61,742	176	566,040	566,216
From 2013	-	3,412	3,412	-	65,879	65,879
From 2012	-	1,582	1,582	-	2,393	2,393
From 2011	-	1,397	1,397	-	1,557	1,557
From 2010	-	1,303	1,303	-	1,138	1,138
From 2009	-	1,749	1,749	-	1,612	1,612
From 2008	-	1,629	1,629	-	1,612	1,612
From 2007	-	4,740	4,740	-	4,486	4,486
From 2006	-	314	314	-	264	264
From 2005	-	-	-	-	31	31
	43,165	4,640,808	4,683,973	2,048	3,928,518	3,930,566
	285,993	36,963,747	37,249,740	16,496	33,169,084	33,185,580

Change in claims provision						
Payments						
From 2016	59,875	6,115,339	6,175,214			
From 2015	(16,510)	(4,704,164)	(4,720,674)	17,813	5,661,118	5,678,931
From 2014	-	(938,414)	(938,414)	(2,123)	(5,706,482)	(5,708,605)
From 2013	-	(103,794)	(103,794)	-	(1,154,687)	(1,154,687)
From 2012	-	(1,142)	(1,142)	-	(123,458)	(123,458)
From 2011	-	381	381	-	(786)	(786)
From 2010	-	-	-	-	(204)	(204)
From 2009	-	-	-	-	(108)	(108)
From 2008	-	(166)	(166)	-	(1,992)	(1,992)
From 2007	-	(350)	(350)	-	(200)	(200)
	43,365	367,690	411,055	15,690	(1,326,799)	(1,311,109)
Claims settlement expenses						
From 2016	34,120	1,091,200	1,125,320			
From 2015	(5,500)	(716,660)	(722,160)	6,640	827,560	834,200
From 2014	-	(99,500)	(99,500)	(60)	(963,100)	(963,160)
From 2013	-	(1,680)	(1,680)	-	(117,660)	(117,660)
From 2012	-	(280)	(280)	-	(1,020)	(1,020)
From 2011	-	(420)	(420)	-	(500)	(500)
From 2010	-	(180)	(180)	-	60	60
From 2009	-	280	280	-	(460)	(460)
From 2008	-	60	60	-	(200)	(200)
From 2007	-	60	60	-	(480)	(480)
From 2006	-	(40)	(40)	-	40	40
	28,620	272,840	301,460	6,580	(255,760)	(249,180)
Reimbursable claims						
From 2016	-	(89,700)	(89,700)			
From 2015	-	36,981	36,981	-	(67,806)	(67,806)
From 2014	-	1,406	1,406	-	52,161	52,161
From 2013	-	(2,057)	(2,057)	-	6,640	6,640
From 2012	-	2,568	2,568	-	(3,408)	(3,408)
From 2011	-	1,453	1,453	-	(1,059)	(1,059)
From 2010	-	1,658	1,658	-	1,023	1,023
From 2009	-	(553)	(553)	-	5,602	5,602
From 2008	-	(4,360)	(4,360)	-	2,692	2,692
From 2007	-	(25,664)	(25,664)	-	12,274	12,274
From 2006	-	(1,745)	(1,745)	-	(439)	(439)
	-	(80,013)	(80,013)	-	7,680	7,680
	71,985	560,517	632,502	22,270	(1,574,879)	(1,552,609)
	357,978	37,524,264	37,882,242	38,766	31,594,205	31,632,971

In 2016 and 2015, the breakdown of claims cost in the legal protection line of business per year is as follows:

	2016			2015		
	Direct Insurance	Reinsurance Accepted	Total	Direct Insurance	Reinsurance Accepted	Total
Legal Protection						
Amounts paid						
Payments						
From 2016	-	35,372	35,372			
From 2015	-	152,487	152,487	-	23,202	23,202
From 2014	-	103,308	103,308	-	116,316	116,316
From 2013	-	86,608	86,608	-	92,484	92,484
From 2012	-	41,122	41,122	-	127,047	127,047
From 2011	-	24,601	24,601	-	50,628	50,628
From 2010	-	9,735	9,735	-	10,127	10,127
From 2009	-	5,003	5,003	-	23,232	23,232
From 2008	-	12,725	12,725	-	90,940	90,940
From 2007	-	2,359	2,359	-	8,444	8,444
From 2006	-	1,900	1,900	-	313	313
From 2005	-	-	-	-	3,900	3,900
	-	475,220	475,220	-	546,633	546,633
Claims management costs						
From 2016	-	488,884	488,884			
From 2015	-	313,282	313,282	-	434,998	434,998
From 2014	-	61,366	61,366	-	283,079	283,079
From 2013	-	33,515	33,515	-	56,504	56,504
From 2012	-	16,520	16,520	-	25,847	25,847
From 2011	-	5,548	5,548	-	15,673	15,673
From 2010	-	2,621	2,621	-	3,460	3,460
From 2009	-	1,387	1,387	-	2,307	2,307
From 2008	-	1,464	1,464	-	2,035	2,035
From 2007	-	847	847	-	950	950
From 2006	-	924	924	-	204	204
From 2005	-	-	-	-	543	543
	-	926,358	926,358	-	825,600	825,600
	-	1,401,578	1,401,578	-	1,372,233	1,372,233
Change in claims provision						
Payments						
From 2016	-	2,271,990	2,271,990			
From 2015	-	(1,572,793)	(1,572,793)	-	2,745,738	2,745,738
From 2014	-	(680,712)	(680,712)	-	(1,998,458)	(1,998,458)
From 2013	-	(411,646)	(411,646)	-	(564,450)	(564,450)
From 2012	-	(190,710)	(190,710)	-	(441,259)	(441,259)
From 2011	-	(136,925)	(136,925)	-	(190,163)	(190,163)
From 2010	-	(51,388)	(51,388)	-	(78,636)	(78,636)
From 2009	-	(43,526)	(43,526)	-	(38,662)	(38,662)
From 2008	-	(34,638)	(34,638)	-	(138,497)	(138,497)
From 2007	-	(25,318)	(25,318)	-	(9,131)	(9,131)
From 2006	-	(13,596)	(13,596)	-	745	745
From 2005	-	-	-	-	(2,493)	(2,493)
	-	(889,262)	(889,262)	-	(715,266)	(715,266)
Claims settlement expenses						
From 2016	-	677,400	677,400			
From 2015	-	(443,400)	(443,400)	-	612,000	612,000
From 2014	-	(59,700)	(59,700)	-	(544,800)	(544,800)
From 2013	-	(31,200)	(31,200)	-	(67,800)	(67,800)
From 2012	-	(13,200)	(13,200)	-	(24,600)	(24,600)
From 2011	-	(5,400)	(5,400)	-	(15,000)	(15,000)
From 2010	-	(2,700)	(2,700)	-	(5,100)	(5,100)
From 2009	-	(1,800)	(1,800)	-	(2,100)	(2,100)
From 2008	-	(3,000)	(3,000)	-	(3,000)	(3,000)
From 2007	-	(600)	(600)	-	(600)	(600)
From 2006	-	300	300	-	-	-
From 2005	-	-	-	-	(600)	(600)
	-	116,700	116,700	-	(51,600)	(51,600)
Change in claims provision	-	(772,562)	(772,562)	-	(766,866)	(766,866)
	-	629,016	629,016	-	605,367	605,367

At 31 December 2016 and 2015, the claims costs on direct insurance and reinsurance accepted – amounts paid include EUR 5,610,331 and EUR 4,756,166, respectively, relating to management costs charged to the lines of business exploited by the Company (Note 18).

In 2016 and 2015, the allocation to the profit-sharing provision was EUR 3,248,750 and EUR 3,750,552, respectively, broken down by ceding company as follows:

	Allocation	
Ceding Company	2016	2015
Fidelidade	2,791,288	2,770,142
Universal	407,956	-
Via Directa	31,783	620,935
Multicare	14,530	349,397
Garantia	3,193	10,078
	3,248,750	3,750,552

The movement in the profit-sharing provision in 2016 and 2015 was as follows:

2016			
Balance at 31-12-2015	Allocation 2016	Distributed income	Balance at 31-12-2016
-	3,248,750	3,248,750	-

2015			
Balance at 31-12-2014	Allocation 2015	Distributed income	Balance at 31-12-2015
-	3,750,552	3,750,552	-

At 31 December 2016 and 2015, most of the reinsurance contracts entered into with the ceding companies provide for a share in the Company’s technical results.

Generally, the profit-sharing provision corresponds to a percentage of the Company’s technical result (premiums earned less claims costs and management costs), if positive. Negative technical results are carried over to the following year, to the Company’s credit.

MANAGEMENT OF INSURANCE CONTRACT RISKS

Below is a summary of the risk acceptance and risk management policies in force:

Risk underwriting

The Company's activity is essentially reinsurance accepted, and hence the underwriting policy is defined by the ceding insurers.

When a ceding insurer intends to launch a new product which includes the covers of Legal Protection or Assistance to be reinsured by the Company, the listing price of the business is defined based on an assessment of several parameters, including frequency, average cost, number and type of units at risk, sales format and channel and the sales objectives estimated by the insurer.

Regarding the risks guaranteed under reinsurance accepted, the Company performs a quality analysis of the ceding insurer, and an analysis of the assistance covers to be granted when the contract is entered into. Although Fidelidade Assistance does not have an active role in the selection of the risk underwritten by the insurers who are its clients, 97.8% of the portfolio is 100% reinsured by Fidelidade Assistance, and the rest is reinsured at 90%, in the case of reinsurance accepted in Africa. This therefore dilutes potential problems associated, for example, with anti-selection or excessive concentration in a given type of risk.

Direct insurance is not actively carried on, and therefore all and any acceptance of risk and the respective conditions will have to be subject to Management approval.

Since the lines of business exploited are characterised by a great dispersal of risk, acceptance of risks is based on standard conditions and clauses, supported by long statistical series, established and respected by the commercial area, which does not accept risks which do not fit within the defined conditions.

Technical management

The technical management of the Assistance and Legal Protection lines of business includes the definition of clauses and prices, definition and control of the underwriting policy, and also control and supervision of the evolution of processed income, risk characteristics, claims and the technical margin, which allows the portfolio's risks to be monitored.

Risk control management instruments

Internal risks of the Organisation

In order to control and minimise the Organisation's internal risk, claims management rules and procedures have been published. These are generally available and known, and the process for applying them is duly monitored by the competent areas.

Portfolio profile studies

Regular studies are produced on the risk profile of the portfolios, by type of market segment, distribution channels, units at risk and covers. Studies are also conducted on claims rate behaviour.

This type of study enables a qualitative and quantitative analysis to be obtained of the portfolio's claims rate, with the aim of correcting any distortions, and also, correlating the main price determination factors and changes in products being commercialised or the creation of new ones.

Periodic analyses of portfolio evolution

The portfolio being managed is subject to periodic monitoring of its evolution.

These studies also include analysis of claims behaviour, and monitor the respective frequency and rate of claims.

Portfolio selection and reorganisation

With the aim of enabling greater control and activity in terms of the underwritten risk, the Company informs the ceding insurers of the policies which have benefited from more than three acts of assistance in the year.

At the time of the contracts' annual renewal, the Company makes adjustments to the premium, in order to adjust the premiums to the existing levels of claims.

Insurance risk concentrations

Fidelidade Assistência is engaged in the sale of insurance in the Assistance and Legal Protection lines of business. Underwriting of the business is essentially performed by means of reinsurance accepted, through which the risk is assumed and the service provided within the scope of the lines of business sold by other insurers.

The insurers in the Group to which Fidelidade Assistência belongs are the main clients, with 99.5% of the written premiums and 98.9% of the claims costs managed by Fidelidade Assistência.

Although Fidelidade Assistance does not have an active role in the selection of the risk underwritten by the insurers who are its clients, 97.8% of the portfolio is 100% reinsured by Fidelidade Assistance, and the rest is reinsured at 90%, in the case of reinsurance accepted in Africa. This therefore dilutes potential problems associated, for example, with anti-selection or excessive concentration in a given type of risk.

Regarding the lines of business exploited, in 2016 the Assistance line of business represented 89.2% of the premiums underwritten and 98.4% of the claims costs.

Portfolio behaviour

	2016			2015		
	PBA	Claims/expenses ratio	Claims/expenses ratio after investments	PBA	Claims/expenses ratio	Claims/expenses ratio after investments
Assistance	40,031,050	97.29%	99.48%	37,871,422	85.89%	84.31%
Legal Protection	4,869,936	15.52%	21.94%	4,779,089	14.92%	9.80%

Reinsurance policies

As stated above, the Company's business is conducted within the scope of reinsurance accepted.

The number of claims of a significant individual value is low.

For this reason, the Company does not retrocede risk in reinsurance.

Provision of qualitative information regarding the adequacy of premiums and of provisions

Assistance

In relation to the Assistance line of business, in 2016 the premiums were not sufficient to meet the costs associated with both direct insurance and reinsurance accepted, and it was therefore necessary to set up a provision for unexpired risks. The provision was calculated in line with that set out in 4.2.2 of the Chart of Accounts for Insurance Companies, published in ASF Standard No. 10/2016 – R, of 15 September. The claims costs recognised in the accounts represented 201.4% of the gross earned premiums for direct insurance and 99.1% for reinsurance accepted. Acquisition and administrative costs jointly consumed 2.7% of the gross earned premiums and the investment income for 2016 was negative. The Company's combined ratios were 206% for direct insurance and 103.9% for reinsurance accepted.

In line with 4.2.1 of the Chart of Accounts for Insurance Companies, the provision for unearned premiums (PPNA) must be calculated on a contract-by-contract basis – *pro rata temporis*. However, due to the nature of the information, Fidelidade Assistência applies different calculation methods:

1. Pro-rata;
2. Percentage of PPNA of direct insurance of the reinsured;
3. Generic calculation formula.

The provision for unearned premiums recognised in the accounts represents 41.9% of the gross written premiums.

Legal Protection

In the Legal Protection line of business, in 2016 in overall terms the premiums were sufficient to meet the costs associated with that line of business. The claims costs recognised in the accounts represented 71.3% of the gross earned premiums, which was lower than the figure for 2015. Operating costs consumed 2.6% of the gross earned premiums. Considering the negative figure for investment income in 2016, Fidelidade Assistência obtained a combined ratio of 80.4%, and it was not necessary to set up a provision for unexpired risks, in line with that set out in 4.2.2 (3) of the Chart of Accounts for Insurance Companies, published in ASF Standard No. 10/2016 – R, of 15 September, which revoked Standard No. 19/1994 of 6 December.

Regarding the provision for unearned premiums, the same method of calculation mentioned for the Assistance line of business is applied in the Legal Protection line of business.

The provision for unearned premiums recognised in the accounts represents 48.3% of the gross written premiums.

Sensitivity analyses

With a view to confirming the level of claims costs that would lead to insufficiency of the earned premiums and the impact of a change in claims costs, 2 alternative scenarios were set up, with the following assumptions:

- In both scenarios it was assumed that the acquisition and administrative costs and the reinsurance and investment income would remain the same as in 2016, totalling a negative result of EUR 1,941,577 for Assistance and a negative results of EUR 439,615 for Legal Protection;
- In scenario 1, the impact of a change in claims to 95% of the current earned premium was confirmed – the total gross earned premiums would become around 99.9% for Assistance and 104.03% for Legal Protection;
- Scenario 2 studied what change in claims costs for the year would be necessary for the level of earned premiums allocated to costs to reach 100% - we obtained a claims rate of 95.2% for the Assistance line of business and 91% for the Legal Protection line of business.

Assistance – GEP consumption scenarios at 31-12-2016

	Real	% of GEP	Scenario 1	% of GEP	Scenario 2	% of GEP
Gross Earned Premiums	40,031,050		40,031,050		40,031,050	
Claims costs for the year	-39,836,783	99.51%	-38,029,498	95.00%	-38,089,473	95.15%
Other costs	-1,941,577	4.85%	-1,941,577	4.85%	-1,941,577	4.85%
Total Costs	-41,778,360	104.36%	-39,971,075	99.85%	-40,031,050	100.00%

Assistance – GEP consumption scenarios at 31-12-2015

	Real	Scenario 1	Scenario 2
Gross Earned Premiums	37,871,422	37,871,422	37,871,422
Claims costs for the year	-35,015,145	-35,977,851	-37,576,091
Other costs	-295,331	-295,331	-295,331
Total Costs	-35,310,476	-36,273,182	-37,871,422

Legal Protection - GEP consumption scenarios at 31-12-2016

	Real	% of GEP	Scenario 1	% of GEP	Scenario 2	% of GEP
Gross Earned Premiums	4,869,936		4,869,936		4,869,936	
Claims costs for the year	-3,473,645	71.33%	-4,626,439	95.00%	-4,430,321	90.97%
Other costs	-439,615	9.03%	-439,615	9.03%	-439,615	9.03%
Total Costs	-3,913,260	80.36%	-5,066,054	104.03%	-4,869,936	100.00%

Legal Protection - GEP consumption scenarios at 31-12-2015

	Real	Scenario 1	Scenario 2
Gross Earned Premiums	4,779,089	4,779,089	4,779,089
Claims costs for the year	-3,815,938	-4,540,135	-4,916,301
Other costs	137,212	137,212	137,212
Total Costs	-3,678,726	-4,402,923	-4,779,089

Ratios

The ratio of the provision for unearned premiums to gross written premiums is 42.7% (2015: 43.1%). These figures continue to be above those of the market.

	2016	2015
Claims ratios	73.3%	64.4%
Expense ratios	15.1%	13.7%
Combined ratio	88.3%	78.1%
Operating ratio	1.6	1.7

The claims ratio rose around nine percentage points compared to the previous year due to a decrease in adjustments and an increase in the number of claims. The operating ratio (net premiums/shareholders' equity) fell due to an increase in share capital.

5. FINANCIAL INSTRUMENTS

The inventory of participations and financial instruments at 31 December 2016 is presented in Annex 1.

Financial assets at fair value through profit or loss

At 31 December 2016 and 2015, the Company has one security recognised at fair value through profit or loss since it contains embedded derivatives not related with the risks and characteristics of the host contract, the nominal value of which is EUR 239,033 and EUR 279,289, respectively, and the balance sheet value of which on the said dates was EUR 262,775 and EUR 303,913, respectively.

Available-for-sale investments

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

	31-12-2016						
	Acquisition cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Fair value Reserve (Nota 23)	Balance sheet amount
Debt instruments							
Public debt							
Foreign issuers	4,496,392	110,154	4,606,546	-	4,606,546	1,599,455	6,206,001
National issuers	36,954,625	715,857	37,670,482	-	37,670,482	(316,710)	37,353,772
Other issuers							
Foreign issuers	7,611,987	189,296	7,801,283	(1,954,956)	5,846,327	265,117	6,111,444
National issuers	1,013,216	33,079	1,046,295	-	1,046,295	2,974	1,049,269
	50,076,220	1,048,386	51,124,606	(1,954,956)	49,169,650	1,550,836	50,720,486
Other instruments							
Shares							
Foreign	507,528	-	507,528	-	507,528	(161,656)	345,872
Resident	211,471	-	211,471	-	211,471	1,183	212,654
Investment units							
Residents	200,000	-	200,000	-	200,000	86,386	286,386
	50,995,219	1,048,386	52,043,605	(1,954,956)	50,088,649	1,476,749	51,565,398

	31-12-2015						
	Acquisition cost	Interest receivable	Amount before impairment	Accumulated impairment	Net amount	Fair value Reserve (Nota 23)	Balance sheet amount
Debt instruments							
Group Companies (Note 25)	572,827	1,588	574,415	-	574,415	46,931	621,346
Public debt							
Foreign issuers	7,072,101	142,592	7,214,693	-	7,214,693	1,639,739	8,854,432
National issuers	2,077,696	12,097	2,089,793	-	2,089,793	(16,296)	2,073,497
Other issuers							
Foreign issuers	13,925,499	298,553	14,224,052	(46,800)	14,177,252	(1,485,207)	12,692,045
National issuers	1,029,679	33,067	1,062,746	-	1,062,746	2,521	1,065,267
	24,677,802	487,897	25,165,699	(46,800)	25,118,899	187,688	25,306,587
Other instruments							
Shares							
Residents	219,204	-	219,204	-	219,204	-	219,204
Investment units							
Residents	274,029	-	274,029	-	274,029	76,428	350,457
	25,171,035	487,897	25,658,932	(46,800)	25,612,132	264,116	25,876,248

During 2016 an impairment reversal was recognised in "Debt Instruments" of EUR 1,954,956 relating to securities of OI BRASIL and a reversal of EUR 3,188 in the sale of LANDSBANKI securities. A reversal of EUR 1,023 in that same security was recognised in 2015.

Fair value of financial instruments

At 31 December 2016 and 2015, the method for assessing the fair value of the financial instruments reflected in the Company's financial statements can be summarised as follows:

	2016				
	Fair value assessment methodology			Not recognised	Total
Assets	Level 1	Level 2	Level 3		
Cash and cash equivalente				10,886,553	10,886,553
Investments in subsidiaries, associates and joint ventures				520,167	520,167
fair value through profit or loss		262,775			262,775
Available-for-sale investments	44,118,298	6,716,905	730,195		51,565,398
Other debtors				3,328,249	3,328,249
	44,118,298	6,979,680	730,195	14,734,969	66,563,142
	44,118,298	6,979,680	730,195	14,734,969	66,563,142

	2015				
	Fair value assessment methodology			Not recognised	Total
Assets	Level 1	Level 2	Level 3		
Cash and cash equivalente				20,525,390	20,525,390
Investments in subsidiaries, associates and joint ventures				520,250	520,250
fair value through profit or loss		303,913			303,913
Available-for-sale investments	11,861,074	13,200,453	814,721		25,876,248
Loans and accounts receivable				10,000,042	10,000,042
Other debtors				2,065,101	2,065,101
	11,861,074	13,504,366	814,721	33,110,783	59,290,944
	11,861,074	13,504,366	814,721	33,110,783	59,290,944

The tables above present the classification in line with the fair value hierarchy, as set out in IFRS 13 – Fair Value, of the financial instruments held by the Company at 31 December 2016 and 2015, which are recognised at fair value, in line withthe following assumptions:

Level 1 - Financial instruments valued on the basis of quoted prices in active markets to which the Company has access. Included in this category are securities valued on the basis of executable prices (with immediate liquidity) published by external sources.

Level 2 – Financial instruments which are valued based on data which is observable, either directly or indirectly, in active markets. Included in this category are securities valued on the basis of bids supplied by external counterparties and internal valuation techniques which only use observable market data

Level 3 – All the financial instruments measured at fair value which do not fit within Levels 1 and 2.

The movement in 2016 and 2015 in financial instruments classified as level 3 in the fair value hierarchy can be broken down as follows:

	Available-for-sale investments
Balance at 31 December 2015	814,722
Revaluations	
- as a charge to the income statement	-571
- as a charge to shareholders' equity	49,095
Increases / reversal of impairment in the year	46,800
Disposals	-179,852
Balance at 31 December 2016	730,194

	Available-for-sale assets
Balance at 31 December 2014	860,258
Revaluations	
- as a charge to the income statement	3,346
- as a charge to shareholders' equity	38,812
Increases / reversal of impairment in the year	1,023
Disposals	-88,717
Balance at 31 December 2015	814,722

Loans and accounts receivable

The heading "Other deposits" at 31 December 2015 corresponds to a term deposit with Caixa Geral de Depósitos of EUR 10,000,000, plus EUR 42 of interest earned (Note 25). The term deposit earned interest at the nominal annual rate of 0.12% and matured in April 2016.

Other debtors

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

	31-12-2016	31-12-2015
Debtors – direct insurance operations		
• Invoices pending collection		
• Assistance	283	-
Total debtors – direct insurance operations	283	-
Debtors – reinsurance operations		
• Reinsureds in the group (Note 25)	3,144,830	1,799,595
• Other reinsureds	14,913	15,652
Total debtors – reinsurance operations	3,159,743	1,815,247
Debtors – other operations		
• Group companies (Note 25)	52,559	200,776
• Others	115,664	49,078
Total debtors – other operations	168,223	249,854

The heading "Debtors – reinsurance operations" corresponds to current accounts in the name of ceding companies, used to pay reinsurance accepted premiums.

The heading "Debtors – other operations" includes a balance with Fidelidade - Serviços de Assistência of EUR 50,201 (EUR 189,141 in 2015), mostly relating to the invoicing of December 2016 and December 2015, respectively.

Other creditors

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

	31-12-2016	31-12-2015
Accounts payable – other operations		
• Operations pending settlement	4,436,068	
• Group companies (Note 25)	708,843	22,751
• Others	160,049	237,653
	5,304,960	260,404
	5,304,960	260,404

Management policies on financial risks inherent to Fidelidade Assistência's activity

The Company's objectives, rules and procedures on market risk management are governed by the Investments Policy defined on the basis of guidelines approved by the Board of Directors. This Policy is regularly updated and undergoes mandatory review every three years.

The Investments Policy defines the guiding principles for managing investments and provides support for the Company's entire investment process, including asset and liability management (ALM), strategic asset allocation (SAA), tactical asset allocation (TAA), dynamic management of the investment portfolio and control and reporting activities regarding investment activity. The Investments Policy aims to ensure alignment with the objectives and respective investment strategy, and to enable an effective process for accompanying and supervising the activity.

The investment process which the Company follows is based on best governance practice in order to enable rational and substantiated decisions when selecting assets and an appropriate risk-return ratio.

The Company's investment activity follows a structured process containing 5 key steps:

- Identification of the opportunity: identification, by the team or body with responsibility for assets management, of investment opportunities which fit within the Investments Policy and the guidelines approved by the Investment Committee and which have an appropriate risk-profitability ratio for the Company;
- Assessment of the opportunity: the assessment is also performed by the team or body with responsibility for assets management, taking into account both qualitative aspects (e.g. expected trend for a given class of asset, industry or geographical location) and quantitative aspects (e.g. expected return, credit risk);
- Investment proposal: the proposal written by the team or body with responsibility for assets management should be submitted for the consideration of the person in charge of taking the respective decision (according to the delegation of competence), in accordance with the following guidelines:

  a) For investments in financial assets, up to the limit of autonomy of the Head of DIV (according to the delegation of competence in force), operations have to be documented and validated by the person responsible for approving the operation, in a simple format (containing the operation, amount, date and the signature of the person responsible for the approval). To the extent possible, and so as not to create additional complexity in the investment process, this process should be computerised;
  b) For investments in financial assets above the limit of autonomy of the Head of DIV, according to the delegation of competence in force, an investment proposal should be written;
  c) For all investments or divestments in real estate assets, an investment proposal should be written.

- Performance of the transaction: if the investment proposal receives a favourable opinion, the body responsible for supervising it should authorise and confirm the completion of the operation, including performance and payment, through the bodies with responsibility for the process;
- Control: effective control of the investment should be ensured by the Risk Management Division, which guarantees compliance with the regulations in force and is coherent with the levels of risk and return defined by the Company.

The following items are also decisive within the scope of the Company's investment activity:

i) Definition of the portfolio objective

The primary objective of the investments portfolio is to generate income for the Company, restricted by the risks and other constraints defined by the Asset and Liability Management Strategic and Tactical Committees.

From an operations point of view, the main objective of the activity is to create value by selecting assets with the best risk and return profile. Specifically, the Company's asset management activity seeks to:

- Support generation of financial income for the Company;
- Guarantee the competitiveness of the Company's insurance offer;
- Ensure mitigation of risk in the insurance activity;
- Comply with the regulations in force in the Company and in the ASF regarding the activity.

ii) Definition of classes of assets and respective investment universe

The classes of assets eligible for investment by the company, and the respective investment universes, are:

- Treasury: instruments essentially geared to short-term liquidity management;
- Fixed income: medium or long-term debt instruments;
- Variable income: instruments which provide variable gains and which must be quoted on the stock market and are subject to regulation and supervision;
- Real estate: category of investments linked to the real estate market;
- Alternative investments:
  - Private Equity: category of investments in private venture capital funds;
  - Infrastructures: investment category exclusively for funds with a focus on investment in infrastructures;
  - Hedge Funds: category of investments in hedge funds;
  - Commodities: investment in assets linked to the evolution of the value of commodities, for example, precious metals or cereals;
  - Funds which cannot be allocated to a single class of assets: this category includes funds of funds and funds which cover several classes of assets and for which there is no monthly "look through" of the fund;
  - Other similar instruments approved by the Board of Directors.

iii) Definition of exposure limits in asset risk management

The investment portfolio of financial assets and real estate should establish a balanced exposure to different classes of assets, always considering the return versus risk ratio. In order to ensure adequate risk management and a balanced portfolio, it is essential to define the maximum limits of portfolio exposure, and the mechanisms which allow for adequate control and management of the levels of risk and potential losses. Here the importance of ensuring compliance with the applicable legal rules of the Insurance and Pension Funds Supervisory Authority (ASF) should be noted.

Consequently, maximum exposure limits have been defined for Fidelidade Assistance's portfolio, at any given point in time, based on 5 specific criteria:

- Class of asset;
- Rating level;
- Sector of activity;
- Geographical location;
- Concentration by position.

iv) Definition of the risk management and control process

Asset risk management

Limits are defined regarding the exposure to different classes of assets, considering the risk versus return ratio, which enable adequate risk management and a balanced portfolio. Mechanisms have also been established to enable management and control of the levels of risk and potential losses.

Risk management and control process

The Risk Management Division monitors the limits of exposure to different classes of assets, in periodic reports for the activity. In this context, situations of real or potential non-compliance are identified. In the first case non-compliance is due to the established limit being broken, while in the second case relevant observation of the assets portfolio is close to the definition maximum limit defined for it. For both real and potential non-compliance, a process of identification, approval and application of corrective measures has been established.

Asset losses control mechanisms

Control mechanisms have been set up for losses in the Company's investment activity resulting from variations in market conditions, in order to set in motion actions to limit the loss. Accordingly, when the loss limit is reached, procedures are triggered similar to those provided for non-compliance with exposure limits. Loss limits which restrict the investment activity's impact on the Solvency ratio, measured as part of Solvency II, have also been determined. The Risk Management Division regularly checks the loss limits, in order to enable a preventive reaction to fluctuations.

Reporting and monitoring of the investment activity

A regular process of reporting has been set up for the various levels of the Company involved in asset management activities, in order to enable adequate supervision of the investment activity, and the activation of risk mitigation management mechanisms. Accordingly, the information which should be produced has been defined, considering the recipient, the type of report, its content, its frequency and the body responsible for producing it.

Risk assessment

A generalised model exists for assessing the expected return/risk according to the composition by classes of assets. The portfolio's expected return is subject to a sensitivity analysis according to several volatilities of the assets that make up the portfolio. This type of assessment provides the grounds for decisions regarding allocation of assets, the aim being to set up portfolios with controlled risk which optimise the return within the existing market environment.

Risk assessment is performed by the Group's Investments Division, and whenever it proves to be convenient, the Group Risk Management Divisions are involved. The various risks involved are monitored, namely:

- Market risk;
- Interest rate risk;
- Credit risk by issuer and by financial group;
- Liquidity risk;
- Exchange rate risk.

Interest rate risk

In a portfolio with an immunisation management model, and considering the aim of maintaining the portfolio securities to maturity, the interest rate risk is managed when the securities are purchased, adjusting the respective periods and incomes to the expected evolution of the interest rates existing at each moment.

Credit risk

At 31 December 2016 and 2015, Fidelidade Assistência's maximum exposure to credit risk was as follows:

	31-12-2016			31-12-2015		
	Gross book value	Accumulated impairment	Net book value	Gross book value	Accumulated impairment	Net book value
Sight deposits	10,886,553	-	10,886,553	20,525,390	-	20,525,390
Financial assets initially recognised at fair value through profit or loss	262,775	-	262,775	303,913	-	303,913
Available-for-sale investments	53,520,354	(1,954,956)	51,565,398	25,923,048	(46,800)	25,876,248
Loans and accounts receivable	-	-	-	10,000,042	-	10,000,042
Other debtors	3,328,249	-	3,328,249	2,065,101	-	2,065,101
	67,997,931	(1,954,956)	66,042,975	58,817,494	(46,800)	58,770,694

Credit quality

The following table provides a breakdown of the balance sheet value of the financial applications at 31 December 2016 and 2015, by Standard & Poor's rating, or equivalent, and by country of origin of the counterparty:

	31-12-2016				
Class of asset/Ratings	Portugal	Rest of the European Union	North America	Others	Total
Deposits in Credit Institutions					
BB- to BB+	-	80,042	-	-	80,042
B- to B+	10,806,511	-	-	-	10,806,511
	10,806,511	**80,042**	**-**	**-**	**10,886,553**
Total	**10,806,511**	**80,042**	**-**	**-**	**10,886,553**

	31-12-2015				
Class of asset/Ratings	Portugal	Rest of the European Union	North America	Others	Total
Deposits in Credit Institutions					
AA- to AA+	-	-	-	-	-
A- to A+	-	-	-	-	-
BBB- to BBB+	-	51,545	-	-	51,545
BB- to BB+	30,473,887	-	-	-	30,473,887
	30,473,887	**51,545**	**-**	**-**	**30,525,432**
Total	**30,473,887**	**51,545**	**-**	**-**	**30,525,432**

At 31 December 2016 and 2015, the balance sheet value of the debt instruments in portfolio, net of impairment, by Standard & Poor's rating, or equivalent, by type of issuer and by country of origin of the counterparty, can be broken down as follows:

	31-12-2016				
Class of asset/Ratings	Portugal	Rest of the European Union	North America	Others	Total
Financial Assets initially recognised at Fair Value through Profit or Loss					
Financial Institutions					
A- to A+	-	262,775	-	-	262,775
	-	**262,775**	**-**	**-**	**262,775**
Total Financial Assets initially recognised at Fair Value through Profit or Loss	**-**	**262,775**	**-**	**-**	**262,775**
Available-for-Sale investments (net of impairment)					
Corporate					
AAA	-	-	57,479	-	57,479
A- to A+	-	741,615	-	-	741,615
BBB- to BBB+	540,033	1,324,406	-	-	1,864,439
B- to B+	-	-	557,341	-	557,341
Lower than B-	-	1,034,307	-	-	1,034,307
	540,033	**3,100,328**	**614,820**	**-**	**4,255,181**
Governments and other local authorities					
AAA	-	3,184,385	-	-	3,184,385
AA- to AA+	-	1,708,258	-	-	1,708,258
BBB- to BBB+	-	1,313,358	-	-	1,313,358
BB- to BB+	37,353,771	-	-	-	37,353,771
	37,353,771	**6,206,001**	**-**	**-**	**43,559,772**
Financial Institutions					
AAA	-	906,722	-	-	906,722
AA- to AA+	-	537,063	-	-	537,063
A- to A+	-	55,425	-	-	55,425
BBB- to BBB+	-	98,449	-	-	98,449
BB- to BB+	-	49,487	-	-	49,487
B- to B+	509,236	-	-	-	509,236
	509,236	**1,647,146**	**-**	**-**	**2,156,382**
Other issuers					
AAA	-	-	-	206,409	206,409
AA- to AA+	-	139,351	-	-	139,351
A- to A+	-	138,091	-	-	138,091
BBB- to BBB+	-	265,300			265,300
	-	**542,742**	**-**	**206,409**	**749,151**
Total Available-for-Sale investments (net of impairment)	**38,403,040**	**11,496,217**	**614,820**	**206,409**	**50,720,486**

Class of asset/Ratings	31-12-2015				
	Portugal	Rest of the European Union	North America	Others	Total
Financial Assets initially recognised at Fair Value through Profit or Loss					
Financial Institutions					
A- to A+	-	303,913	-	-	303,913
	-	**303,913**	**-**	**-**	**303,913**
Total Financial Assets initially recognised at Fair Value through Profit or Loss	**-**	**303,913**	**-**	**-**	**303,913**
Available-for-Sale investments (net of impairment)					
Corporate					
AAA	-	-	58,896	-	58,896
A- to A+	-	-	-	-	-
BBB- to BBB+	552,513	1,431,711	-	-	1,984,225
B- to B+	-	-	-	-	-
Lower than B-	-	-	-	-	-
	552,513	**4,657,309**	**58,896**	**-**	**5,268,718**
Governments and other local authorities					
AAA	-	3,784,774	-	-	3,784,774
AA- to AA+	-	3,726,096	-	-	3,726,096
BBB- to BBB+	-	1,343,562	-	-	1,343,562
BB- to BB+	2,073,497	-	-	-	2,073,497
	2,073,497	**8,854,432**	**-**	**-**	**10,927,929**
Financial Institutions					
AAA	-	1,132,866	-	-	1,132,866
AA- to AA+	-	552,247	-	-	552,247
A- to A+	-	2,108,223	-	-	2,108,223
BBB- to BBB+	621,346	2,824,613	149,354	-	3,595,313
BB- to BB+	-	346,351	-	-	346,351
B- to B+	512,754	-	-	-	512,754
	1,134,100	**6,964,300**	**149,354**	**95,894**	**8,343,648**
Other issuers					
AAA	-	-	-	211,127	211,127
AA- to AA+	-	66,908	-	-	66,908
A- to A+	-	252,275	-	-	252,275
BBB- to BBB+	-				-
	-	**555,168**	**-**	**211,127**	**766,295**
Total Available-for-Sale investments (net of impairment)	**3,760,110**	**21,031,209**	**208,250**	**307,021**	**25,306,590**

Liquidity risk

At 31 December 2016 and 2015, the estimated cash flows (not discounted) of the financial instruments, according to the respective contractual maturity, were as follows:

	31-12-2016									
	Up to 1 month	Up to 3 months	From 3 to 6 months	From 6 months to one year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	Total
Assets										
Cash and cash equivalentes	10,886,553	-	-	-	-	-	-	-	-	10,886,553
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	239,033				239,033
Available-for-sale investments	240,613	5,261,393	1,816,626	329,468	6,673,456	30,579,028	9,687,656	3,801,300	844,911	59,234,451
Loans and accounts receivable	-	-	-	-	-	-	-	-	-	-
Other debtors	3,328,249	-	-	-	-	-	-	-	-	3,328,249
	14,455,415	5,261,393	1,816,626	329,468	6,673,456	30,818,061	9,687,656	3,801,300	1,365,078	74,208,453

	31-12-2015									
	Up to 1 month	Up to 3 months	From 3 to 6 months	From 6 months to one year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Indefinite	Total
Assets										
Cash and cash equivalentes	20,525,390	-	-	-	-	-	-	-	-	20,525,390
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-	520,250	520,250
Financial assets initially recognised at fair value through profit or loss	-	-	-	-	-	279,289	-	-	-	279,289
Available-for-sale investments	290,721	5,867,621	815,911	1,467,895	5,874,546	3,269,398	8,225,155	3,910,477	572,786	30,294,510
Loans and accounts receivable	-	10,003,833	-	-	-	-	-	-	-	10,003,833
Other debtors	2,065,101	-	-	-	-	-	-	-	-	2,065,101
	22,881,212	15,871,454	815,911	1,467,895	5,874,546	3,548,687	8,225,155	3,910,477	1,093,036	63,688,373

The main assumptions used to calculate the cash-flow estimates were:

- Equity instruments were classified as being of "Indefinite" maturity;
- The contractual maturity was considered to be the earlier of the following dates: call, put or maturity.

Market risk

At 31 December 2016 and 2015, the breakdown of financial instruments by type of exposure to interest rate risk was as follows:

	31-12-2016			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in subsidiaries, associates and joint ventures	-	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss	-	262,775	-	262,775
Available-for-sale investments	50,029,808	690,678	844,911	51,565,397
Loans and accounts receivable	-	-	-	-
	50,029,808	953,453	1,365,078	52,348,339

	31-12-2015			
	Exposure to		Not subject to interest rate risk	Total
	Fixed rate	Variable rate		
Assets				
Investments in subsidiaries, associates and joint ventures	-	-	520,250	520,250
Financial assets initially recognised at fair value through profit or loss	-	303,913	-	303,913
Available-for-sale investments	21,348,293	3,955,169	572,786	25,876,248
Loans and accounts receivable	10,000,042	-	-	10,000,042
	31,348,335	4,259,082	1,093,036	36,700,453

At 31 December 2016 and 2015, the nominal value of the financial instruments with exposure to interest rate risk, according to their maturity or reset date, has the following breakdown:

	31-12-2016							
	Between 7 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 12 months and 3 years	More than 3 years	Indefinite	Total
Assets								
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss	-	-	239,033	-	-	-	-	239,033
Available-for-sale investmens	400,000	5,409,535	682,000	-	3,229,000	38,342,000	-	48,062,535
Loans and accounts receivable	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
	400,000	5,409,535	921,033	-	3,229,000	38,342,000	520,167	48,821,735

	31-12-2015							
	Between 7 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 12 months and 3 years	More than 3 years	Indefinite	Total
Assets								
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-	520,250	520,250
Financial assets initially recognised at fair value through profit or loss	-	-	279,289	-	-	-	-	279,289
Available-for-sale investmens	810,000	6,126,166	347,630	975,000	4,580,000	11,669,000	3,125	24,510,921
Loans and accounts receivable	-	10,000,000	-	-	-	-	-	10,000,000
Other deposits		10,000,000						10,000,000
	810,000	16,126,166	626,919	975,000	4,580,000	11,669,000	523,375	35,310,460

Exchange rate risk

At 31 December 2016 and 2015, the financial instruments are mostly in Euros.

6. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

At 31 December 2016 and 2015, the balance of this heading refers to:

i) 5,000 shares representing the entirety of the share capital of Fidelidade - Serviços de Assistência, S.A., with its registered office at Avenida José Malhoa, nº 13 – 7º, in Lisbon.

At 31 December 2016 and 2015, this share is valued at its acquisition cost of EUR 429,386.

The most significant financial data taken from the financial statements of Fidelidade - Serviços de Assistência at 31 December 2016 and 2015 are the following:

	2016	2015
Net assets	2,114,393	2,547,340
Liabilities	209,900	307,756
Capital and reserves	1,231,004	1,363,244
Net income for the year	673,489	876,340
Total gains	1,690,090	1,663,991

At 31 December 2016 and 2015, Fidelidade - Serviços de Assistência, S.A. holds a share corresponding to 51% of the share capital of Cares Multiassistance, S.A..

Pursuant to the legislation in force, the Company is not required to produce consolidated financial statements since Longrun Portugal, SGPS, S.A., with its registered office in Lisbon, holds 80% of its capital and presents consolidated accounts, which include the financial statements of the Company and of its subsidiary. In 2016 and 2015, the Company received dividends of EUR 1,000,000 and EUR 2,624,915, respectively (Note 14).

ii) One share in Universal Seguros, S.A. (Republic of Angola) representing 0.43% of its share capital, which Fidelidade Assistência acquired on 7 April 2011 for 12,304,976 Kwanzas, including acquisition expenses, equivalent to EUR 89,112. At 31 December 2016 and 2015, this share is valued at its acquisition cost.

Universal Seguros, S.A., with its registered office in Luanda, at Rua 1º Congresso MPLA, n.º 11, 1º A, Ingombota, Republic of Angola, was set up on 2 June 2009 and has the corporate purpose of exercising the insurance activity in the life and non-life segments in Angola.

iii) One share in Fidelidade - Assistência e Serviços, Limitada, representing 20% of its share capital, which Fidelidade Assistência acquired when it was set up on 23 July 2016 for 4,000 Meticais, including acquisition expenses, equivalent to EUR 84. This share is valued at its acquisition cost less impairment. In 2016, its value is nil due to the impairment recognised.

Fidelidade - Assistência e Serviços, Limitada, with its registered office in Maputo, at Rua 1393, n.º 47, Bairro da Polana, Mozambique, was set up on 23 July 2016 and has the corporate purpose of providing assistance services and claims management support services.

iv) Ten shares in Fidelidade Macau – Insurance Company Limited, representing 0.01% of its share capital, which Fidelidade Assistência acquired when it was set up on 1 October 2016 for 10,000 Patacas, including acquisition expenses, equivalent to EUR 1,118. At 31 December 2016, this share was valued at its acquisition cost.

Fidelidade Macau – Insurance Company Limited, with its registered office in Macau, at Avenida da Praia Grande, n.º 567, Edifício BNU, 14º andar, was set up on 1 October 2016 and has the corporate purpose of exercising the insurance activity in the life and non-life segments in Macau.

7. CASH AND CASH EQUIVALENTS

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

	31-12-2016	31-12-2015
Sight deposits in national institutions:		
▪ in Euros		
• Caixa Geral de Depósitos, S.A. (Note 25)	10,806,511	20,473,845
• Banco Santander, S.A.	80,042	51,545
	10,886,553	20,525,390

8. PROPERTIES

At 31 December 2016 and 2015, the heading "Investment properties" is composed of a building allocated to the non-life technical provisions, which ceased to be used by the Company's services in 2005, and is now held to earn rentals. Following the adoption of the new Chart of Accounts for Insurance Companies (PCES), the Company adopted the option permitted by IAS 40 of valuing the building using the valuation through profit or loss model.

In December 2016 the building was valued by the independent assessor Luís Miguel de Nogueira Ramos (and in December 2015 by assessors belonging to the entity H3S - Engenharia e Consultoria). The current value was calculated using the cost and market comparison methods in 2016 and the income and market comparison methods in 2015.

As a result of these valuations, a loss of EUR 198,000 was recognised in 2016 (compared to a gain of EUR 133,700 in 2015) under the heading "Net income on the sale of non-financial assets which have not been recognised as non-current assets held for sale and discontinued operations" in the income statement.

9. OTHER FIXED TANGIBLE ASSETS

In 2016 and 2015, these headings saw the following movements:

Headings	31-12-2015		Additions	Transfers	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2016	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER TANGIBLE ASSETS									
Administrative equipment	586,631	(578,188)			(1,663)	1,663	(6,983)	584,968	(583,508)
IT equipment	381,654	(351,129)	44,158		(17,724)	17,724	(38,859)	408,088	(372,264)
Interior installations	95,792	(95,792)	-	-	-	-	-	95,792	(95,792)
Other tangible assets	10,780	(10,780)	-	-	-	-	-	10,780	(10,780)
	1,074,857	(1,035,889)	44,158	-	(19,387)	19,387	(45,842)	1,099,628	(1,062,344)

Headings	31-12-2014		Additions	Transfers	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2015	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER TANGIBLE ASSETS									
Administrative equipment	586,231	(566,754)	400		-	-	(11,434)	586,631	(578,188)
IT equipment	362,506	(325,207)	19,148		-	-	(25,922)	381,654	(351,129)
Interior installations	95,792	(95,792)	-	-	-	-	-	95,792	(95,792)
Other tangible assets	10,780	(10,780)	-	-	-	-	-	10,780	(10,780)
	1,055,309	(998,533)	19,548	-	-	-	(37,356)	1,074,857	(1,035,889)

10. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

At 31 December 2016 and 2015, investments and other assets were allocated as follows:

	31-12-2016		
	Non-life insurance	Not allocated	Total
Cash and cash equivalents (Note 7)	1,644,084	9,242,469	10,886,553
Properties (Note 8)	455,700	-	455,700
Investments in subsidiaries, associates and joint ventures (Note 6)	-	520,167	520,167
Financial assets initially recognised at fair value through profit or loss (Note 5)	262,775	-	262,775
Available-for-sale investments (Note 5)	51,565,398	-	51,565,398
Loans and accounts receivable (Note 5)	-	-	-
Other tangible assets (Note 9)	-	37,284	37,284
Other intangible assets (Note 11)	-	53,321	53,321
Other debtors (Notes 5, 21 and 26)	3,159,743	2,538,448	5,698,191
	57,087,700	12,391,689	69,479,389

	31-12-2015		
	Non-life insurance	Not allocated	Total
Cash and cash equivalents (Note 7)	5,961,293	14,564,097	20,525,390
Properties (Note 8)	653,700	-	653,700
Investments in subsidiaries, associates and joint ventures (Note 6)	-	520,250	520,250
Financial assets initially recognised at fair value through profit or loss (Note 5)	303,913	-	303,913
Available-for-sale investments (Note 5)	25,876,248	-	25,876,248
Loans and accounts receivable (Note 5)	-	10,000,042	10,000,042
Other tangible assets (Note 9)	-	38,968	38,968
Other intangible assets (Note 11)	-	27,136	27,136
Other debtors (Notes 5)	1,815,247	669,374	2,484,621
	34,610,401	25,819,867	60,430,268

11. INTANGIBLE ASSETS

At 31 December 2016 and 2015, the other intangible assets headings saw the following movement:

Headings	31-12-2015		Additions	Transfers and write-offs	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2016	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER INTANGIBLE ASSETS									
Costs with IT applications – acquired from third parties	297,719	(270,583)	79,978	-	(581)	581	(53,793)	377,116	(323,795)
	297,719	(270,583)	79,978	-	(581)	581	(53,793)	377,116	(323,795)

Headings	31-12-2014		Additions	Transfers and write-offs	Disposals and write-offs (net)		Depreciation in the year (Note 18)	31-12-2015	
	Gross Amount	Accumulated Depreciation			Gross Amount	Amortisation and Impairment		Gross Amount	Accumulated Depreciation
OTHER INTANGIBLE ASSETS									
Costs with IT applications – acquired from third parties	297,719	(243,447)		-	-	-	(27,136)	297,719	(270,583)
	297,719	(243,447)	-	-	-	-	(27,136)	297,719	(270,583)

12. OTHER PROVISIONS

In the years ending 31 December 2016 and 2015, the movement in these headings was as follows:

	31-12-2016				
	Balance at 31-12-2015	Increases (Note 18)	Recoveries and cancellations (Note 18)	Usage	Balance at 31-12-2016
Provisions for disputes	180,795	30,101	(40,893)	-	170,003
Provisions for contingencies	101,613	-	-	-	101,613
Others	16,433	-	-	-	16,433
	298,841	30,101	(40,893)	-	288,049

	31-12-2015				
	Balance at 31-12-2014	Increases (Note 18)	Recoveries and cancellations (Nota 18)	Usage	Balance at 31-12-2015
Provisions for disputes	338,935	63,060	(221,200)	-	180,795
Provisions for contingencies	168,785	-	(67,172)	-	101,613
Others	17,962	-	(1,529)	-	16,433
	525,682	63,060	(289,901)	-	298,841

The provisions of EUR 170,003 and EUR 180,795 at 31 December 2016 and 2015, respectively, seek, for the most part, to respond to future costs resulting from legal proceedings in progress related to labour issues.

At 31 December 2016 and 2015, the provision of EUR 101,613 is for potential labour contingencies relating to previous years, following a change in the Company's remunerations policy in 2005.

The heading "Others", at 31 December 2016 and 2015, refers to a provision for tax on dividends to be recovered from agreements.

13. INSURANCE CONTRACT PREMIUMS

In 2016 and 2015, this heading is composed as follows:

	2016			
	Direct insurance	Reinsurance accepted	Direct insurance and reinsurance accepted	Net
Gross written premiums				
Legal Protection	-	4,885,339	4,885,339	4,885,339
Assistance	180,017	40,353,560	40,533,577	40,533,577
	180,017	45,238,899	45,418,916	45,418,916
Change in provision for unearned premiums				
Legal Protection	-	(15,403)	(15,403)	(15,403)
Assistance	418	(502,945)	(502,527)	(502,527)
	418	(518,348)	(517,930)	(517,930)
Earned premiums in the year				
Legal Protection	-	4,869,936	4,869,936	4,869,936
Assistance	180,435	39,850,615	40,031,050	40,031,050
	180,435	44,720,551	44,900,986	44,900,986

	2015			
	Direct insurance	Reinsurance accepted	Direct insurance and reinsurance accepted	Net
Gross written premiums				
Legal Protection	-	4,846,702	4,846,702	4,846,702
Assistance	33,808	38,842,030	38,875,838	38,875,838
	33,808	43,688,732	43,722,540	43,722,540
Change in provision for unearned premiums				
Legal Protection	-	(67,613)	(67,613)	(67,613)
Assistance	(1,148)	(1,003,268)	(1,004,416)	(1,004,416)
	(1,148)	(1,070,881)	(1,072,029)	(1,072,029)
Earned premiums in the year				
Legal Protection	-	4,779,089	4,779,089	4,779,089
Assistance	32,660	37,838,762	37,871,422	37,871,422
	32,660	42,617,851	42,650,511	42,650,511

FIDELIDADE ASSISTANCE

In 2016 and 2015, the figures by line of business were as follows:

2016

SECTORS / LINES OF BUSINESS	Gross written premiums	Gross earned premiums	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	180,017	180,435	357,978	2,636
TOTAL	180,017	180,435	357,978	2,636
REINSURANCE ACCEPTED	45,238,899	44,720,551	38,153,280	1,188,543
OVERALL TOTAL	45,418,916	44,900,986	38,511,258	1,191,179

2015

SECTORS / LINES OF BUSINESS	Gross written premiums	Gross earned premiums	Gross claims costs	Gross operating costs and expenses
DIRECT INSURANCE				
LEGAL PROTECTION	-	-	-	-
ASSISTANCE	33,808	32,660	38,766	3,148
TOTAL	33,808	32,660	38,766	3,148
REINSURANCE ACCEPTED	43,688,732	42,617,851	32,199,572	999,063
OVERALL TOTAL	43,722,540	42,650,511	32,238,338	1,002,211

14. INVESTMENT INCOME/REVENUE

The accounting policies for recognising revenue from investments are described in Note 3. In 2016 and 2015, these income statement headings were composed as follows:

	2016			2015		
	Interest	Dividends	Total	Interest	Dividends	Total
Income						
From interest on financial assets not recognised at fair value through profit or loss						
Available-for-sale investments						
Investments in group companies	48,322	-	48,322	64,461	-	64,461
Equity instruments and investment units						
Shares	-	13,493	13,493	-	13,347	13,347
	-	13,493	13,493	-	13,347	13,347
Debt instruments						
Bonds - public issuers	529,908	-	529,908	280,700	-	280,700
Bonds - other issuers	118,737	-	118,737	591,405	-	591,405
	648,645	-	648,645	872,105	-	872,105
Shares in the capital of subsidiaries (Note 6)	-	1,000,000	1,000,000	-	2,624,914	2,624,914
	-	1,000,000	1,000,000	-	2,624,914	2,624,914
Loans granted and accounts receivable	3,058	-	3,058	22,736	-	22,736
Deposits in credit institutions	-	-	-	53	-	53
	3,058	-	3,058	22,789	-	22,789
	700,025	1,013,493	1,713,518	959,355	2,638,261	3,597,616
Others						
Financial assets initially recognised at fair value through profit or loss	8,968	-	8,968	8	-	8
	8,968	-	8,968	8	-	8
	708,993	1,013,493	1,722,486	959,363	2,638,261	3,597,624

15. GAINS AND LOSSES ON INVESTMENTS

In 2016 and 2015, gains and losses on investments are as follows:

	2016			2015		
	Non-life	Not allocated	Total	Non-life	Not allocated	Total
GAINS ON INVESTMENTS						
From available-for-sale investments						
Investments in group companies						
Debt securities and other loans	513	-	513	-	-	-
Equity instruments and investment units						
Shares	27,538	-	27,538	-	-	-
Investment units	6,832	-	6,832	-	-	-
	34,370	-	34,370	-	-	-
Debt instruments						
Bonds - public issuers	177,110	-	177,110	143	-	143
Bonds - other issuers	10,687	-	10,687	18,170	-	18,170
	187,797	-	187,797	18,313	-	18,313
	222,680	-	222,680	18,313	-	18,313
LOSSES ON INVESTMENTS						
From available-for-sale investments						
Investments in other invested companies						
Debt securities and other loans	-	-	-	(72)	-	(72)
Debt instruments						
Bonds - public issuers	(434)	-	(434)	(9)	-	(9)
Bonds - other issuers	(512)	-	(512)	(247,604)	-	(247,604)
	(946)	-	(946)	(247,613)	-	(247,613)
	(946)	-	(946)	(247,685)	-	(247,685)

16. GAINS AND LOSSES FROM ADJUSTMENTS TO THE FAIR VALUE OF INVESTMENTS

In 2016 and 2015, gains and losses from adjustments to the fair value of investments are composed as follows:

	2016		
	Non-life portfolio		
Unrealised gains and losses	Gains	Losses	Net
Initially recognised at fair value through profit or loss			
Debt securities and other loans	28,680	(19,600)	9,080
Impairment losses (net of reversals) on available-for-sale investments			
Debt securities and other loans	-	(1,951,768)	(1,951,768)
Properties (Note 8)	-	(198,000)	(198,000)
	28,680	(2,169,368)	(2,140,688)

Unrealised gains and losses	2015		
	Non-life portfolio		
	Gains	Losses	Net
Initially recognised at fair value through profit or loss			
Debt securities and other loans	7,774	(18,982)	(11,208)
Impairment losses (net of reversals) on available-for-sale investments			
Debt securities and other loans	1,023	-	1,023
Properties (Note 8)	133,700	-	133,700
	142,497	(18,982)	123,515

17. EXCHANGE DIFFERENCES GAINS AND LOSSES

In 2016 and 2015, gains and losses from exchange differences were as follows:

	2016		2015	
	Technical account	Total	Non-technical account	Total
Exchange rate gains	77,179	77,179	8,882	8,882
Exchange rate losses	(42,262)	(42,262)	(8,882)	(8,882)
	34,917	34,917	-	-

18. MISCELLANEOUS EXPENSES BY FUNCTION AND TYPE

This profit and loss heading is composed as follows:

	2016	2015
Employee costs (Note 19)	4,870,477	4,048,057
External supplies and services:		
• Specialist work	1,005,876	1,011,338
• Rents and leases	307,612	302,772
• Communication	184,605	144,706
• Cleanliness and hygiene	52,519	54,755
• Expenditure with self-employed workers	51,719	52,989
• Conservation and repair	43,934	30,031
• Travel and accommodation	28,784	34,207
• Software licences	18,110	102,745
• Printed material and office supplies	13,918	26,152
• Advertising and publicity	9,276	99,983
• Others	55,516	53,243
	1,771,869	1,912,921

Direct insurance costs	736	870
Taxes and charges	4,393	4,088
Depreciation in the year:		
• Intangible assets (Note 11)	53,793	27,136
• Tangible assets (Note 9)	45,842	37,356
Net allocation of provisions (Note 12)	(10,792)	(226,841)
Bank commissions and interest paid	25,282	22,246
	118,518	(136,015)
	6,761,600	5,825,833

In the year ending 31 December 2016, the figure for communication grew compared to 2015 due to a change in operators, so that in some months two operators were being paid.

In the year ending 31 December 2016, the most relevant figures in the "Others" heading relate to APS contributions, fuel and food products for consumption in the buildings, of EUR 10,000, EUR 11,140 and EUR 21,482, respectively.

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

	2016	2015
Claims costs (Note 4)	(5,610,331)	(4,756,166)
Administrative costs	(990,905)	(761,782)
Acquisition costs	(134,960)	(285,165)
Investment management costs	(25,404)	(22,720)
	(6,761,600)	(5,825,833)

19. EMPLOYEE COSTS

During the years ending 31 December 2016 and 2015 the Company had, on average, 173 and 147 employees in its service, respectively, spread across the following professional categories:

	2016	2015
Senior management	5	6
Line management	7	8
IT technicians	4	4
Other technical staff	8	8
Administrative staff	149	121
Total	173	147

Employee costs during 2016 and 2015 break down as follows:

	2016	2015
Remuneration		
– Corporate Bodies	160,191	113,184
– Employees	3,229,702	2,681,236
Remuneration expenses	737,694	668,816
Post-employment benefits		
– Defined contribution plans	33,434	45,024
– Defined benefits plans	298,220	160,230
Termination of employment benefits	64,600	74,764
Mandatory insurance	44,330	42,700
Social action costs	252,039	208,840
Other employee costs	50,267	53,263
Total employee costs	4,870,477	4,048,057

The increase in employee costs in 2016 compared to 2015 is due to an increase in the number of employees.

Costs incurred with staff on loan within the Fidelidade Group in 2016 were EUR 148,492 for Corporate Bodies (EUR 98,521 in 2015) and EUR 55,134 for employees (EUR 7,832 in 2015). These are distributed across the various employee costs headings according to their type (Note 25).

In 2016 and 2015 costs with post-employment benefits regarding the defined contribution plans relate to liabilities for retirement pensions connected to the "IRP" (Individual Retirement Plan), in the amount of EUR 33,434 and EUR 45,024, respectively (Note 3.1 l). In 2016 the costs of post-employment benefits regarding the defined benefit plans relate to costs with pre-retirement liabilities (Note 20).

<u>Remuneration of Corporate Bodies</u>

The Remunerations Committee is responsible for approving the remuneration of the members of the Corporate Bodies, in line with criteria established by the shareholder.

In 2016 and 2015, the remuneration and benefits paid to members of the Corporate Bodies were as follows:

	REMUNERATION				OTHER BENEFITS		SOCIAL BENEFITS COSTS			
	Fixed Remuneration		Variable Remuneration		Meal Allowance		Health Insurance		Life Insurance	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Executive Committee										
Chairman										
Jorge Manuel Baptista Magalhães Correia	-	-	-	-	-	-	-	-	-	-
Vice Chairman										
Francisco Xavier da Conceição Cordeiro	-	-	-	-	-	-	-	-	-	-
Members										
Jose Manuel Alvarez Quintero	-	-	-	-	-	-	-	-	-	-
Luis Filipe Mateus Alves	104,879	111,825	-	21,418	2,574	2,574	1,244	1,229	181	181

Supervisory Board										
Chairman										
Vasco Jorge Valdez Ferreira Matias	11,200	11,200	-	-	-	-	-	-	-	-
Members										
João Filipe Gonçalves Pinto	8,400	8,400	-	-	-	-	-	-	-	-
Luis Máximo dos Santos	8,400	4,349	-	-	-	-	-	-	-	-

Statutory Auditor

The fees paid to Ernst & Young Audit & Associados, SROC, the Company's Statutory Auditor, relating to the year ending 31 December 2016 were EUR 33,250 for statutory auditor services and EUR 7,500 for other opening information certification services related to Solvency II.

20. OBLIGATIONS WITH EMPLOYEE BENEFITS

In 2016 and 2015, the Company entered into pre-retirement agreements with three employees (two employees in 2015).These entitle the employees to a payment up to the normal retirement age. Future liabilities with these agreements were EUR 360,014 at 31 December 2016, calculated using the following assumptions:

	2016
Actuarial Method	Projected Unit Credit
Demographic Assumptions:	
▪ Mortality Table	
– Men	TV 73/77 (-2)
– Women	TV 88/90 (-2)
Financial Assumptions:	
▪ Discount rate	1.8%
▪ Pensions growth rate	0.75%

The movement in "Liabilities for post-employment benefits and other long-term benefits" during 2016 can be summarised as follows:

Balance at 31 December 2014	12,315
Cost in the year	201,956
Payments in 2015	(56,274)
Balance at 31 December 2015	157,997
Costs in the year	311,280
Payments in 2016	(107,068)
Balance at 31 December 2016	362,209

At 31 December 2016 the balance of "Liabilities for post-employment benefits and other long-term benefits", of EUR 362,209, refers to the sum of the pre-retirements above at 31 December (360,014) and to the IRP for December (EUR 2,195) (Note 3.1 l)).

The costs with these agreements reflected in the profit and loss statement for 2016 are:

	2016
Pre-retirement agreements	
Interest costs	2,648
Actuarial (gains) / losses	277,417
Changes to assumptions	4,117
Difference between assumptions and realised amounts	273,299
	280,065

21. INCOME TAX

At 31 December 2016 and 2015, the income tax assets and liabilities headings break down as follows:

	31-12-2016	31-12-2015
Current tax assets		
Income tax payable	-	(1,740,575)
Corporate Tax – Payments on Account – Special Payments – Withholdings	1,366,654	1,947,354
Income tax recoverable	1,366,654	206,779
Social Security Contributions	(73,836)	(68,038)
Withholdings	(76,752)	(84,580)
Other taxes and charges	(9,967)	(25,249)
	(160,555)	(177,867)
Deferred tax assets		
Impairment losses	498,535	11,934
Devaluation of properties – investment properties	100,662	50,172
Provisions not allowed for fiscal purposes	131,211	81,158
Devaluation of available-for-sale assets	20,611	-
	751,019	143,264
Deferred tax liabilities		
Valuation of available-for-sale assets	(417,491)	(65,378)
	(417,491)	(65,378)
	333,528	77,886

The movement in deferred taxes in 2016 and 2015 was as follows:

	2016			
	Balance at 31-12-2015	Change		Balance at 31-12-2016
		Shareholders' Equity	Income	
Deferred taxes for temporary differences				
Revaluation of available-for-sale assets	(65,378)	(331,502)	-	(396,880)
Impairment on securities	11,934	-	486,601	498,535
Revaluation of investment properties	50,173	-	50,490	100,662
Increase in provisions not deductible for tax purposes	81,159	-	50,053	131,211
	77,888	(331,502)	587,144	333,528

	2015			
	Balance at 31-12-2014	Change		Balance at 31-12-2015
		Shareholders' Equity	Income	
Deferred taxes for temporary differences				
Revaluation of available-for-sale assets	(568,677)	503,299	-	(65,378)
Impairment on securities	12,195	-	(261)	11,934
Revaluation of investment properties	84,266	-	(34,093)	50,173
Increase in provisions not deductible for tax purposes	57,343	-	23,816	81,159
	(414,873)	503,299	(10,538)	77,888

Tax on profit recognised in the profit and loss statement breaks down as follows:

	2016	2015
Current tax		
▪ Tax	701,898	1,457,772
▪ Autonomous taxation	15,079	15,423
▪ Surcharge	50,135	104,127
▪ State surcharge	55,271	163,253
	822,383	1,740,575
Deferred tax:		
▪ Impairment on securities	(486,601)	261
▪ Valuation of investment properties	(50,490)	34,093
▪ Provisions for other risks and charges	(50,053)	(23,816)
	(587,144)	10,538
Total tax in income statement	235,239	1,751,113
Income before tax	2,160,315	9,620,019
Tax burden	10.89%	18.20%

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

	2016		2015	
	Rate	Tax	Rate	Tax
Income before tax		2,160,315		9,620,019
Tax calculated at nominal rate	23.42%	505,880	25.03%	2,408,105
Dividends	-11.96%	(258,441)	-6.96%	(669,353)
Fiscal benefits	-0.92%	(19,854)	-0.01%	(1,433)
Over/Under estimation of tax	-0.28%	(5,997)	-0.01%	(610)
Autonomous taxation	0.70%	15,079	0.16%	15,423
Others	-0.07%	(1,428)	-0.01%	(1,019)
Effective tax rate	10.89%	235,239	18.20%	1,751,113

In 2015 and 2014 the company was taxed individually, since it was not part of any fiscal group, given that the purchase by Longrun Portugal, SGPS, S.A. took place in May 2015.

In 2016, as a controlled entity the Company was covered by the special rules for the taxation of corporate groups, set out in Article 70 of the Corporate Income Tax Code (CIT). Under these rules, the Company's fiscal income is included within the taxable amount of the controlling entity, Longrun Portugal, SGPS, S.A.. The choice of this regime means that the corporate tax cost/income is recognised in the Company's individual sphere, and the corresponding payments or reimbursements are made by/to the controlling entity. The corporate tax payable is reflected in liabilities in the accounts of Longrun Portugal, SGPS, S.A, less additional payments on account.

In line with Article 63 of the Corporate Income Tax Code (CIT), regarding transfer pricing rules, with the wording applicable from 1 January 2002, in commercial operations, including, namely, operations or series of operations on goods, rights or services, and on financial operations carried out between a taxable person and any other entity, whether or not subject to taxation, with whom it is in a special relationship (Note 25), terms and conditions must be contracted, agreed and practised which are substantially similar to those normally contracted, agreed and practised between independent entities in comparable operations. Failure to comply with the transfer pricing rules in question in the operations carried out between the taxable person and any other entity, whether or not subject to taxation, with whom it is in a special relationship, may give rise to corrections for the purposes of determining the profit subject to corporate income tax.

In line with the legislation in force, tax declarations may be subject to review and correction by the tax authorities during a period of four years (five years for Social Security) counting from the financial year they relate to. Accordingly, the tax declarations for 2013 to 2016 may still be reviewed.

The Board of Directors considers that any possible corrections resulting from reviews/inspections by the tax authorities of those tax declarations will not have a significant effect on the financial statements at 31 December 2016.

22. CAPITAL

The Company’s capital management objectives comply with the following general principles:

- To comply with the legal requirements imposed on Fidelidade Assistência by the Supervisory Authorities, namely the ASF;
- To produce sufficient profits for the Company to create value for the shareholder and provide it with a return on capital applied;
- To sustain the development of the operations that Fidelidade Assistência is legally authorised to perform, maintaining a solid capital structure sufficient to respond to growth in the activity and to the risks resulting from it.

In order to achieve these objectives, Fidelidade Assistência draws up a plan of its short and medium-term capital needs, with a view to financing its activity, above all using self-financing.
From 1 January 2016, the new solvency regime (Solvency II), approved by Directive 2009/138/EC of the European Parliament and of the Council of 25 November, is applicable to the insurance sector.

Thus, Law 147/2015 of 9 September was published, which transposes this Directive into national law and which introduces very significant changes to the legal framework on the taking-up and pursuit of the business of insurance (RJASR) as well as making some changes to both the insurance contract rules and the rules for pension funds, among others.

The Solvency II rules are divided into three pillars:

Pillar I (quantitative requirements)
The Solvency II rules define criteria for determining own funds eligible for the purposes of capital requirements by undertaking an economic assessment of the insurance company’s assets and liabilities.
The new rules now define two levels of solvency: the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). The MCR establishes the maximum warning level, corresponding to the amount of own funds that must be kept, so as not to jeopardise the Insurer’s compliance with its liabilities. The SCR is calculated taking into account all the risks that an Insurance Company may be exposed to, namely market risks, credit risks, specific insurance risks and operational risks. The SCR aims to guarantee the existence of eligible funds in an amount which is sufficient to absorb significant losses resulting from risks to which an insurance company may be exposed.

In the terms set out in the RJASR, if the insurance company detects that the SCR or the MCR are no longer being complied with or if there is a risk of non-compliance in the following three months, even circumstantial or temporary non-compliance, it shall immediately inform the ASF. In the event of failure to comply with the SCR, it shall send this Authority a recovery plan within two months and take the measures necessary to ensure that, within six months, a level of own funds eligible to cover the SCR has been restored or the Company's risk profile has been reduced. In the event of failure to comply with the MCR or where a risk of non-compliance is detected, it shall send to the ASF, within one month, a short-term financing plan, with a view to avoiding non-compliance or restoring the eligible own funds, at least to the level of the MCR, or with a view to reducing the company's risk profile.

Pillar II (qualitative requirements and supervision)

The Solvency II rules define qualitative requirements related with the existence and maintenance of effective systems of governance, risk management and internal control, including systems to ensure the suitability and qualification of those persons who run the company, supervise it and are responsible for key functions (risk management, internal audit and compliance and actuarial functions).

One of the main requirements of this pillar is the own risk and solvency assessment (ORSA). Through this exercise, the company must conduct a prospective assessment of the adequacy of the capital available to achieve its business objectives, taking into account its risk profile, and also the adequacy of the regulatory capital, and conduct a solvency analysis considering stress scenarios. As part of the Solvency II rules the ORSA report is drawn up and sent to the supervisor, at least once a year.

Pillar III (prudential reporting and public disclosures)

Pillar III establishes new obligations regarding the disclosure of public information and reporting to the supervisor. Within this scope, the insurance company extraordinarily reported the Solvency II opening (1 January 2016) to the ASF and has subsequently sent quarterly reports and a specific annual report during the year. In addition, the insurance company's "Solvency and Financial Condition Report", which will be certified by the Statutory Auditor and by the Insurance Company's Chief Actuary, will now be published annually, in the second quarter of 2017.

In the context of the current rules, given the time lag between the disclosure of these financial statements and the prudential information contained in the "Solvency and Financial Condition Report" (to be reported in the second quarter of 2017), it is important to state that the Company demonstrates compliance with the solvency capital requirement and the minimal capital requirement considering the preliminary data reported to the ASF relating to the 2016 specific annual report.

Besides these requirements, insurance companies are subject to other prudency rules, which, together with the former, must be regarded as an important complement to prudent management by the institutions, which must essentially be based on internal assessment and control mechanisms set up by the company itself, taking into account the responsibilities to the shareholders, insured persons and other creditors.

In order to analyse and ensure compliance with the legal and prudency requirements to which it is subject, Fidelidade Assistência has several bodies which perform key functions across the Fidelidade Group in the area of Risk Management and Internal Control:

a) Risk Management Division (DGR);
b) Compliance Office (GC);
c) Audit Division (DAU);

Risk Management Division

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

DGR's main functions are:

a) Ensuring and controlling the adequacy of the information provided as support for decision-making;
b) Managing the Internal Control and Risk Management Systems:
    - Assessing and monitoring the current and future solvency situation, and risk mitigation instruments;
    - Monitoring compliance with the level of liquidity and cover for the estimated payments from the estimated receipts, in relation to that which is defined;
    - Identifying, assessing and monitoring the market risks and counterparty credit risks, underwriting risks and credit risks of the respective mitigation instruments;
    - Identifying, assessing and monitoring operating risks incurred, as well as identifying and characterising the existing control tools;
    - Drawing up, proposing and revising the Provisions Policy, the Asset and Liability Management Policy, and the Capital Management Policy, including the medium-term Capital Management Plan and the respective Contingency Plans;
    - Cooperating on the drawing up and revision of the Investment and Liquidity Policies, and on the Underwriting and Reinsurance Policies.
c) Undertaking actuarial assessment of the Life and Non-life portfolios.

Compliance Office

The GC is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its main mission is to contribute to ensuring that the management bodies, the management structure and the employees comply with the legislation, rules, codes and standards in force, both internally and externally, in order to avoid situations which harm the Company's image and its reputation in the market, as well as any potential financial losses.

GC's main functions are:

a) **Prevention of Money-Laundering**

   Ensuring coordination of the prevention and detection of money laundering activities and the funding of terrorism, guaranteeing that internal procedures are carried out regarding this issue.

b) **Compliance**

   Ensuring management of the compliance function, in the order to comply with legislation and other regulations as well as policies and procedures aimed at avoiding legal or regulatory sanctions and financial or reputational losses.

Audit Division

The DAU is a first-line body in the corporate structure, reporting directly to the Company's Executive Committee. Its mission is to guarantee assessment and monitoring of the Company's risk management and internal control systems, and to confirm compliance with the internal rules and the legislation in force. Its general purpose, therefore, is to contribute to creating value and improving circuits and procedures, seeking to increase the efficacy and efficiency of operations, the safeguarding of assets, trust in the financial reporting and compliance with laws and regulations.

Performing a key role in risk management and internal control, DAU carries out the following functions:

a) Drawing up and carrying out an annual audit plan which focuses on assessing the efficacy of the internal control and risk management systems.
b) Assessing compliance with the principles and rules defined as part of the internal control and operational risk management, identifying possible insufficiencies and suggesting action plans to mitigate the inherent risk or optimise the control in terms of efficacy.
c) Confirming compliance with the laws and regulations which govern the activity.
d) Drawing up a report to be presented to the Executive Committee and to the Supervisory Bodies at least once a year on Auditing Issues, with a summary of the main deficiencies detected in the auditing actions and which identifies the recommendations that were followed.

Accordingly, the measures adopted during the preparatory phase for applying the new Solvency II rules, and the activities, which are still ongoing, aimed at its consolidation, place Fidelidade Assistência at a comfortable level of compliance with these new rules.

At 31 December 2016 and 2015, the Company's capital is represented by 1,500,000 shares, with the nominal value of EUR 5 each, and is fully subscribed and paid up.

At 31 December 2016 and 2015, 80% of the Company's capital is held by Longrun Portugal, SGPS, S.A. and 20% by Caixa Seguros e Saúde, SGPS, S.A..

23. OTHER SHAREHOLDERS' EQUITY HEADINGS

At 31 December 2016 and 2015, the other shareholders' equity headings break down as follows:

	31-12-2016	31-12-2015
Revaluation reserves:		
Fair value adjustments		
– Available-for-sale investments (Note 5)	1,462,545	264,116
	1,462,545	264,116
Deferred tax reserve:		
– Available-for-sale investments	(396,880)	(65,378)
Other reserves and retained earnings		
– Legal reserve	5,334,124	4,557,194
– Other reserves	12,356,360	5,363,991
	17,690,484	9,921,185
Retained earnings	215,936	116,329
Income for the year	1,925,076	7,868,906
	20,897,161	18,105,158

In accordance with the legislation in force, a percentage of not less than 10% of the net profits for each year must be transferred to the legal reserve, until it totals the amount of share capital. The legal reserve may not be distributed, but may be used to increase the share capital or to offset accumulated losses.

The Company's General Meeting of 31 March 2016 passed a resolution to apply the company's net profit from 2015 as follows:

Legal Reserve	776,930
Free Reserves	6,992,369
Retained earnings	99,607
	7,868,906

24. INCOME PER SHARE

In 2016 and 2015, the Company's basic income per share was:

	2016	2015
Net income for the year	1,925,076	7,868,906
Total number of shares (Note 22)	1,500,000	1,500,000
Basic income per share (Euros)	1.2834	5.2459

The concept of diluted income per share is not applicable since there are no ordinary shares which are contingently issuable, namely via options, warrants or equivalent financial instruments at the balance sheet date.

25. TRANSACTIONS BETWEEN RELATED PARTIES

Fidelidade Assistência's related parties are deemed to be the subsidiaries and associates of the Group.

In 2016 and 2015, the Company's related parties were:

Name of the Related Party	Registered Office
Companies which, directly or indirectly, control the Company	
Longrun Portugal, SGPS, S.A.	Portugal
Caixa Seguros e Saúde, SGPS, S.A.	Portugal
Caixa Geral de Depósitos, S.A.	Portugal
Companies which, directly or indirectly, are under common control with the Company	
Fidelidade - Companhia de Seguros, S.A.	Portugal
Via Directa - Companhia de Seguros, S.A.	Portugal
Multicare - Seguros de Saúde, S.A.	Portugal
Fidelidade - Serviços de Assistência, S.A.	Portugal
Universal Seguros, S.A.	Angola
Garantia - Companhia de Seguros, S.A.	Cabo Verde
CARES Multiassistance, S.A.	Portugal
Fidelidade - Assistência e Serviços, Limitada	Mozambique
Fidelidade Macau - Companhia de Seguros, S.A.	Macau
Fidelidade - Property Europe, S.A.	Portugal
EAPS – Empresa de Análise, Prevenção e Segurança, S.A.	Portugal
GEP – Gestão de Peritagens, S.A.	Portugal
Members of the Company's Board of Directors	
Guangchang Guo	Chairman
Jorge Manuel Baptista Magalhães Correia	Vice Chairman
Qunbin Wang	Member
Michael Lee	Member
José Manuel Alvarez Quintero	Member
Francisco Xavier da Conceição Cordeiro	Member
Luis Filipe Mateus Alves	Member
Wai Lam William Mak	Member
Lan Kang	Member
Xiaoyong Wu	Member
Lingjiang Xu	Member
Members of the Supervisory Board	
Vasco Jorge Valdez Ferreira Matias	Chairman
João Filipe Gonçalves Pinto	Member

At 31 December 2016 and 2015, Fidelidade Assistência's financial statements include the following balances and transactions with related parties:

	31-12-2016	31-12-2015
Balance sheet amounts		
Available-for-sale assets (Note 5):		
Caixa Geral de Depósitos, S.A.	-	621,346
Investments in subsidiaries and associates (Note 6):		
Fidelidade - Serviços de Assistência, S.A.	429,386	429,386
Universal Seguros, S.A.	89,662	89,662
Fidelidade - Assistência e Serviços, Limitada	-	84
Fidelidade Macau – Insurance Company Limited	1,118	1,118
Sight deposits (Note 7):		
Caixa Geral de Depósitos, S.A.	10,806,511	20,473,845
Term deposits (Note 5):		
Caixa Geral de Depósitos, S.A.	-	10,000,042
Debtors/ Creditors - reinsurance operations (Note 5):		
Fidelidade - Companhia de Seguros, S.A.	787,313	571,412
Via Directa - Companhia de Seguros, S.A.	1,086,681	531,773
Multicare - Seguros de Saúde, S.A.	32,812	34,100
Garantia - Companhia de Seguros, S.A.	35,291	26,778
Universal Seguros, S.A.	1,202,734	635,531
Debtors - other operations (Note 5):		
Fidelidade - Companhia de Seguros, S.A.	-	2,097
Fidelidade - Serviços de Assistência, S.A.	50,201	189,141
Fidelidade - Property Europe, S.A.	2,359	9,539
Creditors - other operations (Note 5):		
Fidelidade - Companhia de Seguros, S.A.	(17,121)	(19,949)
Multicare - Seguros de Saúde, S.A.	-	(1,321)
Fidelidade - Serviços de Assistência, S.A.	(2,258)	(707)
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(821)	(773)
Longrun Portugal	(688,643)	-
Deferred costs (Note 26)		
Fidelidade - Companhia de Seguros, S.A.	235,413	31,406
Via Directa - Companhia de Seguros, S.A.	812	803
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	197	197
Cost accruals (Note 26)		
Fidelidade - Companhia de Seguros, S.A.	(5,887)	(3,554)
Caixa Geral de Depósitos, S.A.	(3,706)	(2,760)
Provision for unearned premiums – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(16,939,446)	(16,338,456)
Via Directa - Companhia de Seguros, S.A.	(2,187,716)	(2,245,780)
Multicare - Seguros de Saúde, S.A.	(169,494)	(202,266)
Garantia - Companhia de Seguros, S.A.	(5,422)	(5,839)
Universal Seguros, S.A.	(74,730)	(66,175)
Claims provision:		
GEP - Gestão de Peritagens, S.A.	(671)	-
CARES Multiassistance, S.A	(6,377)	(7,482)
Universal Seguros, S.A.	(1,097)	-

The balances for Debtors and Creditors – Other Operations relate to invoice amounts pending for assignment of staff, the contract for provision of administrative services and support for insurance receipt management.

	31-12-2016	31-12-2015
Income statement amounts		
Change in provision for unearned premiums – reinsurance accepted:		
Fidelidade - Companhia de Seguros, S.A.	(600,991)	(1,208,200)
Via Directa - Companhia de Seguros, S.A.	58,064	83,262
Multicare - Seguros de Saúde, S.A.	32,771	70,558
Garantia - Companhia de Seguros, S.A.	417	414
Universal Seguros, S.A.	(8,555)	(17,386)
Profit sharing – reinsurance accepted (Note 4):		
Fidelidade - Companhia de Seguros, S.A.	(2,791,288)	(2,770,141)
Universal Seguros, S.A.	(407,956)	-
Via Directa - Companhia de Seguros, S.A.	(31,783)	(620,935)
Multicare - Seguros de Saúde, S.A.	(14,530)	(349,397)
Garantia - Companhia de Seguros, S.A.	(3,193)	(10,078)
Claims costs – amounts paid:		
Fidelidade - Companhia de Seguros, S.A.	(185)	-
GEP - Gestão de Peritagens, S.A.	(2,590)	(1,157)
CARES Multiassistance, S.A	(74,550)	-
Universal Seguros, S.A.	(1,528)	-
Change in claims provision:		
GEP - Gestão de Peritagens, S.A.	(671)	-
CARES Multiassistance, S.A	1,105	(7,482)
Universal Seguros, S.A.	(1,097)	
Impairment losses:		
Fidelidade - Assistência e Serviços, Limitada	(83)	
Accounts relating to the assignment of corporate bodies (Note 19):		
Fidelidade - Companhia de Seguros, S.A.	(148,492)	(98,521)
Accounts relating to the assignment of employees (Note 19):		
Fidelidade - Companhia de Seguros, S.A.	(85,611)	(19,868)
Multicare - Seguros de Saúde, S.A.	-	2,042
Fidelidade - Property Europe, S.A.	30,477	25,658
Other expenses (employees, ESF, commissions and financial expenses):		
Fidelidade - Companhia de Seguros, S.A.	(460,224)	(463,920)
Via Directa - Companhia de Seguros, S.A.	(2,694)	(2,369)
GEP - Gestão de Peritagens, S.A.	-	(220)
CARES Multiassistance, S.A	-	7,907
EAPS - Empresa de Análise, Prevenção e Segurança, S.A.	(14,435)	(10,047)
Caixa Geral de Depósitos, S.A.	(14,174)	(11,971)
Gross written premiums – reinsurance accepted		
Fidelidade - Companhia de Seguros, S.A.	39,130,419	37,755,931
Via Directa - Companhia de Seguros, S.A.	4,455,436	4,564,559
Multicare - Seguros de Saúde, S.A.	449,634	912,461
Garantia - Companhia de Seguros, S.A.	167,486	153,220
Universal Seguros, S.A.	974,748	235,459
Provision of services – other services		
Fidelidade - Serviços de Assistência, S.A.	491,722	489,571
Investment income (interest and dividends):		
Caixa Geral de Depósitos, S.A.	59,929	87,178
Fidelidade - Serviços de Assistência, S.A.	1,000,000	2,624,915

The number of employees assigned / received from the various group companies is:

	31-12-2016	31-12-2015
Employees assigned to group companies:		
Fidelidade - Companhia de Seguros, S.A.	1	1
Fidelidade - Property Europe, S.A.	1	1
Employees received from group companies:		
Fidelidade - Companhia de Seguros, S.A.	4	2

The figure for rents relates to the rental of the building where Fidelidade Assistência - Companhia de Seguros, S.A. has its registered office.

As a rule, transactions with related parties are performed on the basis of the market values on the respective dates.

26. ACCRUALS AND DEFERRALS

At 31 December 2016 and 2015 the assets accruals and deferrals heading is composed as follows:

	31-12-2016	31-12-2015
Deferred expenses		
– Insurance	214,075	10,094
– Rents and leases	22,150	22,115
– Software licences	5,759	8,527
– Others	10,285	25,368
Total deferred expenses	252,269	66,104
Total assets accruals and deferrals	252,269	66,104

At 31 December 2016 the heading “Deferred expenses – Insurance” refers to insurance taken out for employees, for 2016.

At 31 December 2016 and 2015 the liabilities accruals and deferrals heading is composed as follows:

	31-12-2016	31-12-2015
Holidays and holiday subsidies (Note 3. i)	472,609	447,051
Employee bonuses payable	235,600	203,925
Outros	232,358	257,829
	940,567	908,805

27. SUBSEQUENT EVENTS

Up until the authorised date for issuance of the financial statements, no subsequent events were identified which imply adjustments or additional disclosures.

04 Inventory of Shareholdings and Financial Instruments

ANNEX I

FIDELIDADE ASSISTÊNCIA - COMPANHIA DE SEGUROS, S.A.

Inventory of Shareholdings and Financial Instruments as at 31 December 2016

(Amounts in Euros)

Security Name	Quantity	Nominal amount	% Nominal value	Average acquisition cost	Total acquistion cost	Value in the Statement os Financial Position	
						Unitary	Total
1 - Investments in subsidiaries, associates and joint ventures and other participant and participated companies							
1.1 - Domestic Securities							
1.1.1 – Investments in Subsidiaries							
FIDELIDADE - SERVIÇOS DE ASSISTENCIA, S.A.	5,000			85.88	429,386	85.88	429,386
Sub-Total	**5,000**	**0**			**429,386**		**429,386**
1.1.2 - Investments in associates							
sub-total	**0**	**0**			**0**		**0**
1.1.3 Investments in joint ventures							
sub-total	**0**	**0**			**0**		**0**
1.1.4 - Investments in other participated and participant companies							
sub-total	**0**	**0**			**0**		**0**
1.1.5 - Debt securities in subsidiaries							
sub-total	**0**	**0**			**0**		**0**
1.1.6 - Debt securities in associates							
sub-total	**0**	**0**			**0**		**0**
1.1.7 - Debt securities in joint ventures							
sub-total	**0**	**0**			**0**		**0**
1.1.8 - Debt securities in other participated and participant companies							
sub-total	**0**	**0**			**0**		**0**
sub-total	**5,000**	**0**			**429,386**		**429,386**
1.2 - Foreign securities							
1.2.1 - Investments in Subsidiaries							
FIDELIDADE - ASSISTENCIA E SERVIÇOS, MZN	4,000			0.02	54	0.00	0
FIDELIDADE MACAU - COMPANHIA DE SEGUROS, MOP	10			111.82	1,118	111.82	1,118
UNIVERSAL SEGUROS SA, AOA	1			89,661.16	89,662	89,661.16	89,662
sub-total	**4,011**	**0**			**90,834**		**90,780**
1.2.2 - Investments in associates							
sub-total	**0**	**0**			**0**		**0**
1.2.3 Investments in joint ventures							
sub-total	**0**	**0**			**0**		**0**
1.2.4 - Investments in other participated and participant companies							
sub-total	**0**	**0**			**0**		**0**
1.2.5 - Debt securities in subsidiaries							
sub-total	**0**	**0**			**0**		**0**
1.2.6 - Debt securities in associates							
sub-total	**0**	**0**			**0**		**0**
sub-total	**4,011**	**0**			**90,834**		**90,780**
total	**9,011**	**0**			**520,220**		**520,167**

2 - OTHERS							
2.1 - Domestic Securities							
2.1.1 - Equity Instruments and Participation Units							
2.1.1.1 – Equity							
REN, PL	78,907			2.68	211,471	2.70	212,654
sub-total	**78,907**	**0**			**211,471**		**212,654**
2.1.1.2 - Participation Securities							
sub-total	**0**	**0**			**0**		**0**
2.1.1.3 - Participation Units in Investment Funds							
SAUDEINVEST (FII)	200			1,000.00	200,000	1,431.93	286,386
sub-total	**200**	**0**			**200,000**		**286,386**
2.1.1.4 - Others							
sub-total	**0**	**0**			**0**		**0**
sub-total	**79,107**	**0**			**411,471**		**499,040**
2.1.2 - Debt securities							
2.1.2.1 - Sovereign Debt							
PGB, 2.875%, 15/10/2025, GOVT		2,000,000	103.95		2,079,000	95.48	1,909,530
PGB, 2.875%, 21/07/2026, GOVT		5,000,000	99.14		4,956,900	94.25	4,712,445
PGB, 3.85%, 15/04/2021, GOVT		13,300,000	108.38		14,414,770	110.82	14,739,388
PGB, 4.8%, 15/06/2020, GOVT		10,500,000	110.44		11,595,950	114.20	11,991,208
PORTUGUESE T-BILL, CZ, 17/03/2017, GOVT		4,000,000	100.00		3,999,885	100.03	4,001,200
sub-total	**0**	**34,800,000**			**37,046,505**		**37,353,772**
2.1.2.2 - Other public issuers							
sub-total	**0**	**0**			**0**		**0**
2.1.2.3 - Other issuers							
BCP, 3.375%, 27/02/2017, CORP		500,000	103		513,695	101.85	509,236
REN, 4.125%, 31/01/2018, CORP		500,000	108		540,000	108.01	540,033
sub-total	**0**	**1,000,000**			**1,053,695**		**1,049,269**
sub-total	**0**	**35,800,000**			**38,100,200**		**38,403,041**
total	**79,107**	**35,800,000**			**38,511,671**		**38,902,081**
2.2 - Foreign securities							
2.2.1 - Equity Instruments and Participation Units							
2.2.1.1 Equity							
SOHU, US, USD	10,761			47.16	521,731	32.14	345,871
sub-total	**10,761**	**0**			**521,731**		**345,871**
2.2.1.2 - Investment securities							
sub-total	**0**	**0**			**0**		**0**
2.2.1.3 - Participation Units in Investment Funds							
sub-total	**0**	**0**			**0**		**0**
2.2.1.4 - Others							
sub-total	**0**	**0**			**0**		**0**
sub-total	**10,761**	**0**			**521,731**		**345,871**
2.2.2 - Debt securities							
2.2.2.1 - Sovereign Debt							
BGB, 4%, 28/03/2017, GOVT		676,000	97		658,851	104.15	704,031
BTPS, 4.25%, 01/09/2019, GOVT		600,000	112		673,464	112.66	675,933
DBR, 4%, 04/01/2037, GOVT		1,615,000	92		1,492,515	165.38	2,670,811
DBR, 4.75%, 04/07/2034, GOVT		300,000	104		312,114	171.19	513,574
FRTR, 4.25%, 25/10/2023, GOVT		777,000	96		747,426	129.24	1,004,227
SPGB, 4.3%, 31/10/2019, GOVT		564,000	113		639,497	113.02	637,425
sub-total	**0**	**4,532,000**			**4,523,868**		**6,206,002**
2.2.2.2 - Other public issuers							
sub-total	**0**	**0**			**0**		**0**
2.2.2.3 - Other issuers							
AKZO, 4%, 17/12/2018, CORP		500,000	113		563,950	108.02	540,082
BEI, 2.625%, 15/03/2018, CORP		195,000	102		197,925	105.85	206,409
BPU BANCA, FRN, 30/10/2018, CORP, CALL)		100,000	100		100,487	98.45	98,449
CELF 2007-1X B, FRN, 03/05/2023, MTGE		100,000	101		100,517	98.93	98,933
CREDIT AGRICOLE, 3.875%, 12/01/2021, CORP		600,000	98		589,188	119.70	718,224
ENEL, 5.25%, 20/06/2017, CORP		12,000	100		12,027	105.26	12,632
GE CAPITAL FNDNG, 5.375%, 16/01/2018, CORP		50,000	101		50,307	110.85	55,425
HARBM 9X B. FRN, 08/05/2023, MTGE		100,000	101		101,441	97.80	97,803
ING BANK, 5.25%, 06/05/2018, CORP		170,000	114		194,123	110.88	188,498
INTESA SANPAOLO, 3.25%, 28/04/2017, CORP		520,000	105		547,178	103.28	537,063
JOHNSON & JOHSON, 4.75%, 06/11/2019, CORP		50,000	99		49,735	114.96	57,479
LUNDIN, 7.5%, 01/11/2020, CORP, USD, 144A, CALL)		550,000	87		490,466	101.33	557,341
MALIN 2007-1X D, FRN, 07/05/2023, MTGE		100,000	100		100,268	95.41	95,406
OHECP 2007-1X B, FRN, 15/08/2023, MTGE		41,768	100		41,820	96.77	40,418
OHECP 2007-1X C1, FRN, 15/08/2023, MTGE		41,768	99		41,513	96.46	40,288
OI BRASIL HOLDINGS COOP, 5.625%, 22/06/2021, CORP		3,000,000	99		2,981,400	34.48	1,034,307
RHIPO 8 B, FRN, 19/01/2044, MTGE		200,000	101		201,506	84.95	169,894
SANPAOLO IMI, FRN, 20/02/2018, CORP		50,000	100		50,055	98.97	49,487
SHELL INT FIN, 4.625%, 22/05/2017, CORP		50,000	98		49,204	104.67	52,335
TOTAL CAPITAL, 4.875%, 28/01/2019, CORP		600,000	108		649,440	114.88	689,280
UNLEVERAGED EUROPEAN ABS 12 (131), FRN, 24/10/2018, CORP		239,033	90		216,214	109.93	262,775
VOLKSWAGEN FIN, 3.3%, 22/03/2033, CORP		700,000	98		686,000	110.24	771,692
sub-total	**0**	**7,969,568**			**8,014,763**		**6,374,219**
sub-total	**0**	**12,501,568**			**12,538,632**		**12,580,221**
total	**10,761**	**12,501,568**			**13,060,363**		**12,926,092**
2.4 - Hedge derivatives							
sub-total	**0**	**0**			**0**		**0**
3 - GRAND TOTAL	**98,879**	**48,301,568**			**52,092,254**		**52,348,339**

05
Corporate Governance Report

INTRODUCTION

FIDELIDADE ASSISTÊNCIA – Companhia de Seguros, S.A., (hereinafter “Company” or “FIDELIDADE ASSISTÊNCIA”) produces its Corporate Governance Report in a clear and transparent manner, applying the rules in force and observing best practice and recommendations, to make public its principles and regulatory standards within the scope of Corporate Governance.

This Corporate Governance Report relates to 2016 and was drawn up in compliance with that set out in Article 70(2) b) of the Portuguese Code of Commercial Companies.

INFORMATION ON THE SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. CAPITAL STRUCTURE

FIDELIDADE ASSISTÊNCIA’s share capital, of EUR 7,500,000 is represented by 1,500,000 nominative shares, with the nominal value of EUR 5 each, which are fully subscribed and paid up. All the shares grant identical rights and are mutually fungible.

In line with its Articles of Association, besides the ordinary shares, FIDELIDADE ASSISTÊNCIA may issue preferential shares without a vote, in line with Article 341 of the Portuguese Code of Commercial Companies. FIDELIDADE ASSISTÊNCIA has only issued ordinary shares.

In 2014, the process of privatising FIDELIDADE ASSISTÊNCIA’s share capital took place, pursuant to Decree-Law No. 80/2013, of 12 June, within the scope of which Longrun Portugal, SGPS, S.A. (hereinafter “Longrun”) acquired from Caixa Seguros e Saúde, SGPS, S.A. (hereinafter “CSS”), 1,200,000 shares representing 80% of the share capital and voting rights of FIDELIDADE ASSISTÊNCIA, as a result of a direct sale operation to an investor which became FIDELIDADE ASSISTÊNCIA’s reference shareholder (Direct Reference Sale or DRS).

2. RESTRICTIONS ON THE TRANSFER OF SHARES

Pursuant to Article 7(1) of Decree-Law No. 80/2013, of 12 June, which approved the procedure for the sale of FIDELIDADE ASSISTÊNCIA's share capital, and paragraphs 4 and 5 of Council of Ministers' Resolution No. 83/2013, of 9 December, the shares representing the share capital acquired within the scope of the DRS and respective voting rights are subject to the inalienability regime for a period of four years.

Under the Shareholders' Agreement signed on 7 February 2014, CSS and Longrun assumed the obligation, regarding the transferability of the shares, for a period of 4 (four) years counting from the completion date of the DRS, not to dispose of, promise to dispose of, pledge or promise to pledge any shares representing FIDELIDADE ASSISTÊNCIA's share capital and in general not to enter into legal transactions which seek to pledge or transfer the respective ownership, even if subject to future completion, or which enable the exercise of voting rights through an intermediary, including indirectly via the transfer of shares representing Longrun's share capital, without prejudice to specific situations contemplated in the aforementioned Shareholders' Agreement.

3. NUMBER OF OWN SHARES, PERCENTAGE OF CORRESPONDING SHARE CAPITAL AND PERCENTAGE OF VOTING RIGHTS TO WHICH THE OWN SHARES WOULD CORRESPOND

At 31 December 2016, FIDELIDADE ASSISTÊNCIA did not hold any own shares.

4. REGIME WHICH IS SUBJECT TO THE RENEWAL OR WITHDRAWAL OF COUNTER MEASURES, IN PARTICULAR THOSE WHICH PROVIDE FOR LIMITATION OF THE NUMBER OF VOTES WHICH MAY BE HELD OR EXERCISED BY A SINGLE SHAREHOLDER INDIVIDUALLY OR IN A CONCERTED MANNER WITH OTHER SHAREHOLDERS

The Company's Articles of Association do not provide for any limitation to the number of votes which may be held or exercised by a single shareholder individually or in a concerted manner with other shareholders.

5. SHAREHOLDERS AGREEMENTS WHICH THE COMPANY IS AWARE OF AND WHICH MAY LEAD TO RESTRICTIONS REGARDING THE TRANSFER OF SECURITIES OR VOTING RIGHTS

See point 2 above.

II. Shareholdings held

6. IDENTIFICATION OF THE NATURAL OR LEGAL PERSONS WHO ARE HOLDERS OF QUALIFYING SHARES, WITH AN INDICATION OF THE PERCENTAGE OF CAPITAL AND VOTES ATTRIBUTED AND THE SOURCE AND CAUSES OF ATTRIBUTION

The qualifying shares in the company's share capital at 31 December 2016, with an indication of the percentage of capital and votes and of votes attributed and the source and causes of attribution, are set out in the following table:

Shareholder	No. of Shares	% of Share Capital	% of Voting Rights	Method of Attribution
Longrun Portugal, SGPS, S.A.	1,200,000	80%	80%	Acquisition
Caixa Seguros e Saúde SGPS, S.A.	300,000	20%	20%	Acquisition

7. INDICATION OF THE NUMBER OF SHARES AND BONDS HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

At 31 December 2016, the members of the management and supervisory bodies did not hold shares in the Company.

At 31 December 2016, the members of the management and supervisory bodies did not hold bonds in the Company.

B. CORPORATE BODIES AND COMMISSIONS

I. General Meeting

a) Composition of the Presiding Board of the General Meeting

8. IDENTIFICATION AND POSITION OF THE MEMBERS OF THE PRESIDING BOARD OF THE GENERAL MEETING AND RESPECTIVE MANDATE

For the three-year period 2014/2016, as at 31 December 2016, the Presiding Board of the General Meeting is composed as follows:

Position	Name
President	Maria Isabel Toucedo Lage
Secretary	Salomão Jorge Barbosa Ribeiro

b) Exercise of the right to vote

9. POTENTIAL RESTRICTIONS ON THE RIGHT TO VOTE, SUCH AS LIMITATIONS TO THE EXERCISE OF THE VOTE SUBJECT TO OWNERSHIP OF A NUMBER OR PERCENTAGE OF SHARES, TIME LIMITS IMPOSED FOR THE EXERCISE OF THE VOTE OR SYSTEMS WHEREBY THE FINANCIAL RIGHTS ATTACHING TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES

Pursuant to Article 10 of the Company's Articles of Association, one vote corresponds to every 100 (one hundred) shares. Holders of any shares transferred in the 15 days prior to each General Meeting are not entitled to participate in that General Meeting.

Shareholders without voting rights who perform functions in the General Meeting or in the management body may, however, make proposals and intervene in the work of the General Meeting. Shareholders without voting rights who do not perform functions in the General Meeting or in the management body may not attend General Meetings, but they may be represented at them, in the terms set out in the Code of Commercial Companies.

Postal voting is not permitted.

10. INDICATION OF THE MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT MAY BE EXERCISED BY A SINGLE SHAREHOLDER OR BY SHAREHOLDERS THAT ARE IN A RELATIONSHIP WITH HIM AS SET OUT IN ARTICLE 20(1) OF THE SECURITIES CODE

The Articles of Association do not contemplate any maximum percentage of voting rights which may be exercised by a single shareholder or by a shareholder that is in a relationship with him as set out in Article 20(1) of the Securities Code.

11. IDENTIFICATION OF THE SHAREHOLDERS´ RESOLUTIONS WHICH, BY IMPOSITION OF THE ARTICLES OF ASSOCIATION, MAY ONLY BE TAKEN BY A QUALIFIED MAJORITY, BESIDES THOSE PROVIDED FOR IN LAW, AND INDICATION OF THOSE MAJORITIES

Resolutions of the General Meeting are approved by a majority of the votes of the shareholders present or represented at the General Meeting, whenever the law or the Articles of Association do not require a greater number (Article 11(2) of the Articles of Association).

Resolutions concerning any amendments to the Company’s Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company, suppression or reduction of the preference right of the Company shareholders in increases in share capital, cancellation of shares representing the share capital, the suspension or cessation of the exercise of the principal activity included in the Company’s corporate purpose, authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis, and the appointment of the company’s supervisory body and the respective external auditor when this is not one of the four largest international auditing companies, may only be approved if a vote in favour is achieved with a majority of at least 95% of the voting rights representing the entirety of the share capital.

FIDELIDADE ASSISTANCE

II. Management

Board of Directors

a) Composition

12. IDENTIFICATION OF THE CORPORATE GOVERNANCE MODEL ADOPTED

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

13. ARTICLES OF ASSOCIATION RULES ON THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS

The members of the Board of Directors are elected by the General Meeting. The Chairman of the Board of Directors is chosen by the Board of Directors itself, except when he is appointed by the General Meeting of shareholders which elects the Board of Directors.

Vacancies or impediments in the Board of Directors are filled by co-opting until a resolution is submitted to the first subsequent General Meeting.

14. COMPOSITION OF THE BOARD OF DIRECTORS, WITH AN INDICATION OF THE ARTICLES OF ASSOCIATION'S MINIMUM AND MAXIMUM NUMBER OF MEMBERS, DURATION OF THE MANDATE, NUMBER OF EFFECTIVE MEMBERS, DATE WHEN FIRST APPOINTED AND DURATION OF THE MANDATE OF EACH MEMBER

Pursuant to the Company's Articles of Association, the Board of Directors is composed of at least three and at most seventeen members, elected for mandates of three years, which are renewable.

At 31 December 2016, the Board of Directors was composed of eleven members appointed to exercise duties for the three-year period 2014-2016, seven of whom were non-executive members and four of whom were executive members, as reflected in the following table:

Members of the Board of Directors (BD)	Position	Date of Appointment to Mandate	Duration of Mandate	Observations
Guangchang Guo	Chairman	15-05-2014	2014/2016	Non-executive
Jorge Manuel Baptista Magalhães Correia	Vice Chairman	15-05-2014	2014/2016	Executive
Qunbin Wang	Member	15-05-2014	2014/2016	Non-executive
Michael Lee	Member	15-05-2014	2014/2016	Non-executive
José Manuel Alvarez Quintero	Member	15-05-2014	2014/2016	Executive
Francisco Xavier da Conceição Cordeiro	Member	29-05-2014	2014/2016	Executive
Luís Filipe Mateus Alves	Member	29-05-2014	2014/2016	Executive
Wai Lam William Mak	Member	05-06-2014	2014/2016	Non-executive
Lan Kang	Member	31-10-2014	2014/2016	Non-executive
Xiaoyong Wu	Member	13-05-2015	2014/2016	Non-executive
Lingjiang Xu	Member	24-09-2015	2014/2016	Non-executive

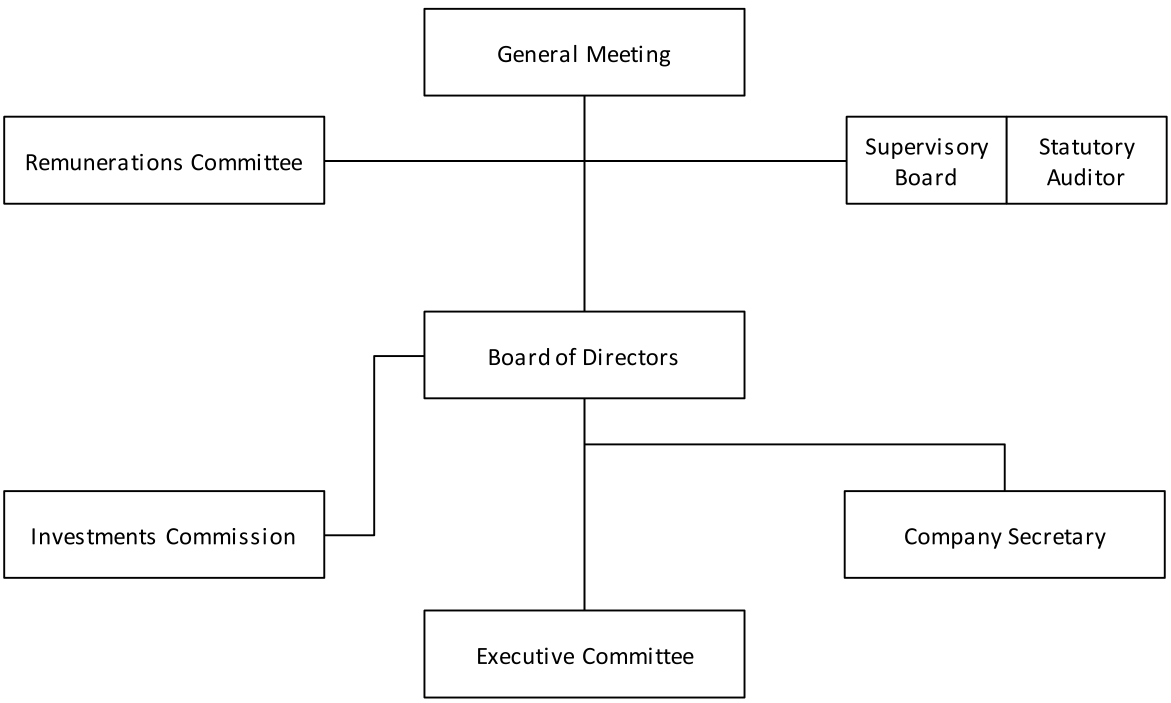
On 30 May 2014, the Board of Directors appointed from among its members an Executive Committee composed of four members, pursuant to Article 407(3) and (4) of the Code of Commercial Companies and Article 15 of the Articles of Association. The Executive Committee performs the day-to-day management of the Company other than that reserved for the Board of Directors.

At 31 December 2016, the Executive Committee was composed as follows:

Members of the Executive Committee (EC)	Position	Date of Appointment to Mandate	Duration of Mandate
Jorge Manuel Baptista Magalhães Correia	Chairman	30-05-2014	2014/2016
Francisco Xavier da Conceição Cordeiro	Vice Chairman	30-05-2014	2014/2016
José Manuel Alvarez Quintero	Member	30-05-2014	2014/2016
Luís Filipe Mateus Alves	Member	30-05-2014	2014/2016

15. ORGANISATION CHART CONCERNING THE SHARING OF COMPETENCES BETWEEN THE VARIOUS CORPORATE BODIES, INCLUDING INFORMATION ON DELEGATION OF COMPETENCES

The following table represents FIDELIDADE ASSISTÊNCIA's Corporate Governance structure during 2016:



Board of Directors

Pursuant to Article 18(1) of the Articles of Association, the Board of Directors (BD), as a corporate body of the Company, has the broadest of powers to manage the company, represent it in and out of court, actively and passively, and perform all the acts related to the corporate purpose, and is responsible, in particular, for:

a) Setting up, maintaining, transferring or closing offices, branches or any other forms of company representation;
b) Acquiring, selling and otherwise encumbering shares, share capital participations, bonds or other securities of an equivalent or similar nature, and also public debt securities;
c) Acquiring and selling any other movable property, and encumbering it in any way;
d) Acquiring immovable property, and selling it and encumbering it by any acts or contracts, even if constituting real guarantees;
e) Admitting, withdrawing from or settling any claims or jurisdictional suits and, also, establishing arbitration agreements;
f) Appointing legal representatives in the terms of the law;
g) Performing any other functions provided for in the Articles of Association or in the law.

Resolutions of the BD which deal with the following issues may only be taken by a majority of 6 of the 7 members making up the BD:

a) Material change in the business, including the disposal of the whole or a substantial part of the company's assets;
b) The entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code;
c) Definition of the voting choices to be adopted by company representatives at general meetings and in the boards of directors of the companies in which the company holds the majority of the voting rights or the right to appoint the majority of the members of the management body, when resolutions on the following matters are at issue:
    i. amendments to the Articles of Association, including amendment of the corporate purpose, an increase or reduction in the share capital, merger, demerger, transformation and dissolution of the company;
    ii. suppression or reduction of the preference right of the shareholders in increases in share capital;

iii. cancellation of shares representing the share capital;

iv. suspension or cessation of the exercise of the principal activity included in the corporate purpose;

v. authorisation for the sale and purchase of own shares when this is not realised on a pro-rata basis;

vi. appointment of the supervisory body and the respective external auditor when this is not one of the four largest international auditing companies;

vii. a material change in the business, including the disposal of the whole or a substantial part of the assets of the company in question;

viii. the entering into, amendment or termination of any contract between the company and any shareholder, and with companies which are in a controlling or group relationship with any shareholder, in the terms set out in Article 21 of the Securities Code.

Executive Committee

Without prejudice to the possibility of rescinding powers delegated to the Executive Committee (EC), the BD has delegated the day-to-day management of the Company to this board, which includes:

a) All insurance and reinsurance operations and operations which are connected or complementary to insurance and reinsurance operations, including those which relate to acts and contracts regarding salvage, the rebuilding and repair of real estate, vehicle repair, and the application of provisions, reserves and capital;
b) Representation of the Company before the supervisory authorities and associations for the sector;
c) Acquisition of services;
d) Employees' admissions, definition of levels, categories, remuneration conditions and other benefits, and appointment to management positions;
e) Exercise of disciplinary powers and the application of any sanctions;
f) Representation of the Company before any bodies which represent the employees;
g) Opening and closing of branches or agencies;
h) Nomination of the person representing the Company at the general meetings of companies in which it holds shares, with determination of how the vote is to be cast;

i) Nomination of the persons who will take up company positions for which the Company is elected, and the persons that the Company will indicate to take up company positions in companies in which it holds a share;
j) Issuing of instructions which are binding on the companies which are in a group relationship with the Company involving full control;
k) Representation of the Company in and out of court, actively and passively, including initiating and defending any judicial or arbitration proceedings, and accepting liability in, withdrawing from or settling any actions, and assuming arbitration commitments;
l) Appointment of legal representatives, with or without power of attorney, to perform certain acts, or categories of acts, with definition of the scope of the respective mandates.

The delegation of powers to the EC does not cover matters which remain the exclusive competence of the BD.

Investment Commission

All of the Company's investment decisions are subject to supervision by the Investment Commission, and the EC reports operations performed to the Investment Commission.

The Investment Commission is responsible for defining the investment guidelines and the decisions which require its prior approval.

The members of the Investment Commission are appointed by the BD, and the respective mandate coincides with the mandate of the BD.

III. Supervision

Supervisory Board and Statutory Auditor

a) Composition

16. IDENTIFICATION OF THE SUPERVISORY BODY AND COMPETENCES

Supervision of the company is the responsibility, pursuant to Article 413(1) a) of the Code of Commercial Companies, of a Supervisory Board and a Statutory Auditor Firm, with the competences set out in law and the current mandate of which corresponds to the period 2014-2016.

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

17. COMPOSITION OF THE SUPERVISORY BOARD, WITH AN INDICATION OF THE POSITION OF EACH MEMBER, DATE OF APPOINTMENT AND DURATION OF THE MANDATE ACCORDING TO THE ARTICLES OF ASSOCIATION

The Supervisory Board is composed of 3 permanent members and one alternate, with mandates of three years, which are renewable, and was composed as follows at 31 December 2016:

Members of the Supervisory Board	Position	Date of Appointment to Mandate	Duration of Mandate
Vasco Jorge Valdez Ferreira Matias	Chairman	15-05-2014	2014/2016
João Filipe Gonçalves Pinto	Member	15-05-2014	2014/2016
Luís Augusto Máximo dos Santos*	Member	15-05-2014	2014/2016
João Manuel Gonçalves Correia das Neves Martins	Alternate	15-05-2014	2014/2016

* Resigned on 31 May 2016

IV. Statutory Auditor

18. IDENTIFICATION OF THE STATUTORY AUDITOR AND THE PARTNER OF THE STATUTORY AUDITOR REPRESENTING IT

The Statutory Auditor is Ernst & Young Audit & Associados – SROC, S.A., represented by its partner Ana Rosa Ribeiro Salcedas Montes Pinto, Statutory Auditor no. 1230.

19. INDICATION OF THE NUMBER OF YEARS THE STATUTORY AUDITOR HAS CONSECUTIVELY PERFORMED FUNCTIONS FOR THE COMPANY AND/OR GROUP

The Statutory Auditor was appointed on 15 May 2014 to perform functions until the end of the three-year period 2014/2016.

20. DESCRIPTION OF OTHER SERVICES PROVIDED BY THE STATUTORY AUDITOR TO THE COMPANY

Besides the work required of the statutory auditor, Ernst & Young Audit & Associados – SROC, S.A. also provides services as the Company's External Auditor.

C. INTERNAL ORGANISATION

I. Articles of Association

21. RULES APPLICABLE TO AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (ARTICLE 245 –A (1) H)).

Any amendment to the Company's Articles of Association requires a resolution of the General Meeting with a vote in favour with a majority of at least 95% of the voting rights representing the entirety of the share capital.

FIDELIDADE ASSISTANCE

II. Reporting of irregularities

22. MEANS AND POLICY FOR REPORTING IRREGULARITIES OCCURRING IN THE COMPANY

FIDELIDADE ASSISTÊNCIA has a culture of responsibility and compliance, and recognises the importance of the process of reporting and analysing irregularities as a corporate best practice tool. The Company implements appropriate means for receiving, investigating and archiving reports of irregularities alleged to have been committed by members of the corporate bodies and by Company employees or employees of companies within the Fidelidade Group.

Irregularities are deemed to be any acts or omissions, whether wilful or negligent, relating to the Company's management, accounting organisation and internal supervision which may seriously:

a) Break the law, regulations and other rules in force;
b) Jeopardise the property of clients, shareholders and FIDELIDADE ASSISTÊNCIA;
c) Cause damage to FIDELIDADE ASSISTÊNCIA's reputation or that of the companies within the Fidelidade Group.

Irregularities can be reported by employees, representatives, agents or any other persons who provide services on a permanent or occasional basis at the Company or at any Group entity, shareholders and any other persons.

III. Internal control and risk management

23. BODIES OR COMMITTEES RESPONSIBLE FOR THE INTERNAL AUDIT AND FOR THE IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

The management of internal control and risk management systems is performed by the following bodies which perform functions for the whole of the Fidelidade Group: the Risk Management Division, the Audit Division, the Compliance Division and the Risk Committee.

Other bodies within the company structure are charged with performing a motivating role in the internal control and risk management procedure, in order to guarantee that the management and control of operations are conducted in a sound and prudent manner. They are also responsible for ensuring the existence and updating of documentation on their business processes, respective risks and control activities.

The Legal Rules on the initiating and engaging in the Business of Insurance and Reinsurance (RJASR), approved by Law No. 147/2015, of 9 September, which transposes the Solvency II Directive into Portuguese law, came into force on 1 January 2016.

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

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

The implementation of this system, besides complying with the rules applicable to the insurance activity, was always regarded as an opportunity to improve the procedures for the assessment and management of risk, thereby contributing to maintaining the solidity and stability of the insurance group of which Fidelidade is a part.

As part of the operations risk management and internal control, initiatives were undertaken based on the best practice defined both by the then Portuguese Insurance Institute, now the Insurance and Pension Funds Supervisory Authority (ASF), and by EIOPA – The European Insurance and Occupational Pensions Authority:

- Documentation and classification of existing control activities, linking them to the risks previously identified in the business processes;
- Implementation of decentralised registration procedures for events and the consequent losses, including near misses, resulting from the risks associated with the business processes, and self-assessment of the risks and the control activities.

Included within the set of prudent recommendations of the supervisory authorities, in order to guarantee operational continuity of the processes, systems and communications, the Fidelidade Group has a Business Continuity Plan (BCP) so as to guarantee the conducting of a structured assessment of damage and agile decision-making regarding the type of recovery to be undertaken.

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

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

Quarterly quantitative reporting under Solvency II also began in 2016.

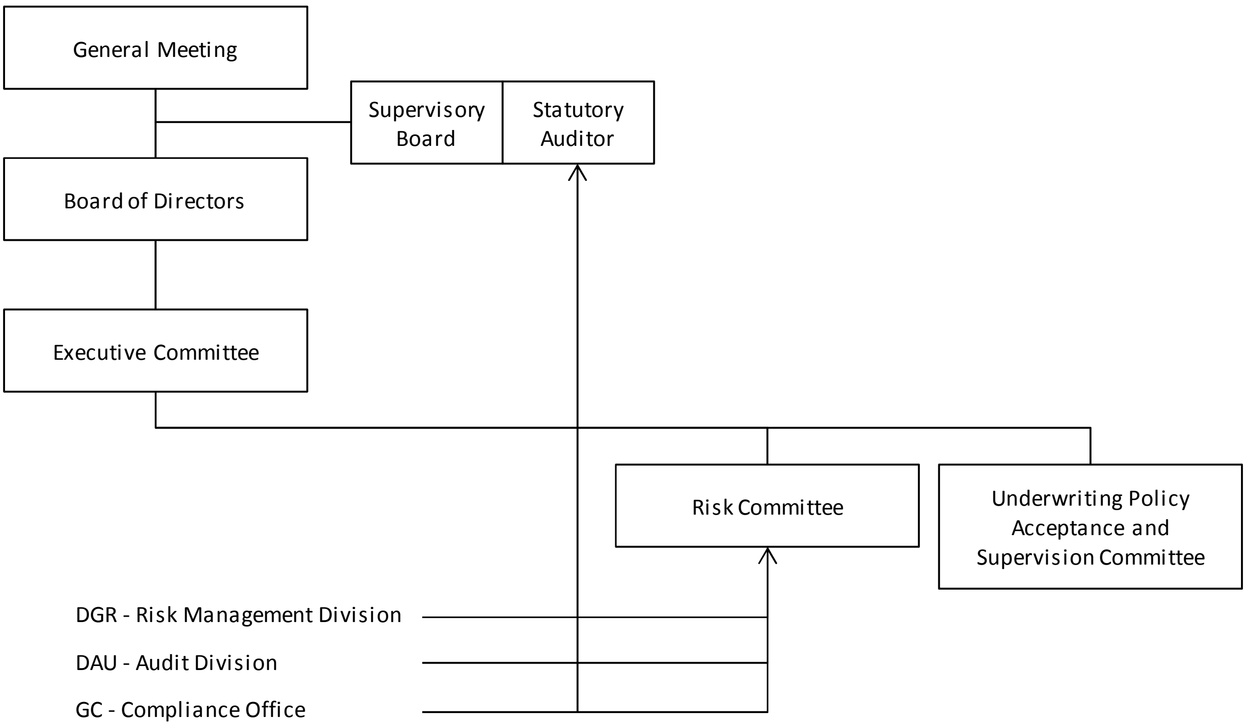
The annual own risk and solvency assessment (ORSA) was conducted and the results reported to the ASF in the respective supervision report.

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

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

24. Explanation of the hierarchical and/or functional relationships of dependence in relation to other bodies or commissions of the company

The hierarchical or functional relationship of dependence of the Risk Management Division, the Audit Division and the Compliance Division, in relation to other bodies or commissions of the Company is presented in the following table:



25. Existence of other functional areas with risk control competences

Alongside the areas with key functions within the scope of the internal control and risk management systems, and the control of legal risks performed by the Legal Affairs Division, there is an information and reporting system which supports decision-making and control processes, both internally and externally. This system falls within the competence of the Accounting and Financial Information Division, which ensures the existence of substantial, current, coherent, timely and reliable information, enabling a comprehensive vision of the financial situation, the development of the activity, compliance with the defined strategy and objectives, identification of the Company's risk profile, market behaviour and growth prospects.

The process of financial and management information is supported by accounting and management support systems which record, classify, connect and archive all the operations performed by the company and its subsidiaries in a systematic, timely, reliable, complete and consistent manner, in line with the decisions and policies issued by the Executive Committee.

Thus, the Risk Management Division, the Audit Division, the Compliance Office and the Accounting and Finance Division ensure the implementation of the procedures and means necessary to obtain all the information relevant for the process of consolidation and reporting at the Company level – with regard to both accounts and support for the management and supervision and control of risks – which include, in particular:

- Definition of the content and format of the information to be reported by the bodies included within the consolidation perimeter, in line with the accounting policies and guidelines defined by the management body, and the dates on which the reports are required;
- Identification and control of intra-Company operations; and
- A guarantee that the management information is coherent between the various entities, so that it is possible to measure and follow the evolution and profitability of each business and confirm that the established objectives have been met, as well as assess and control the risks which each entity runs, in both absolute and relative terms.

As a result of the new Solvency II rules, the Company has new obligations to inform the public and the regulator, in particular, the annual disclosure of a report on solvency and financial condition.

26. IDENTIFICATION AND DESCRIPTION OF THE MAIN TYPES OF RISK (ECONOMIC, FINANCIAL AND LEGAL) TO WHICH THE COMPANY IS EXPOSED IN THE PERFORMANCE OF ITS ACTIVITY

This information is provided in the Report of the Board of Directors of 2016, in particular in the Notes to the Financial Statements.

27. DESCRIPTION OF THE PROCESS OF IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT OF RISKS

To comply with the rules in force, an Annual Report is prepared on FIDELIDADE ASSISTÊNCIA's Organisational Structure and Internal Control and Risk Management Systems, which is subject to certification by a Statutory Auditor.

The Report which relates to 2016 will contain chapters covering the organisational structure, the main activities under a sub-contracting regime, the governance model and the information systems which support the internal control and risk management systems, and also:

- Activities and follow-up performed by the key functions established within the scope of the internal control and risk management systems;

- Risk management, internal control and anti-money laundering procedures;
- A list of the deficiencies identified in the risk management and internal control system;
- Procedures which are part of the anti-fraud policy, as set out in Article 25 of Regulatory Standard No. 10/2009-R, of 25 June.

V. Internet Site

28. ADDRESS(ES)

The address of FIDELIDADE ASSISTÊNCIA's website is: www.fidelidade-assistance.pt

29. PLACE WHERE INFORMATION ON THE COMPANY, CORPORATE BODIES AND DOCUMENTS RELATING TO THE COMPANY ACCOUNTS CAN BE FOUND

Information about the Company and the corporate bodies and documents relating to the accounts are available on the Company's website, at the address indicated above.

30. PLACE WHERE THE ARTICLES OF ASSOCIATION AND THE RULES GOVERNING THE FUNCTIONING OF THE CORPORATE BODIES CAN BE FOUND

The Articles of Association and the rules governing the functioning of the bodies and commissions are available from the Company's Head Office, from the Company Secretary.

31. PLACE WHERE THE NOTICE CONVENING THE GENERAL MEETING AND ALL THE PREPARATORY AND SUBSEQUENT INFORMATION RELATED THERETO IS DISCLOSED

Notices convening general meetings and all the preparatory and subsequent information related to these are available at the Company's Head Office, from the Company Secretary.

32. PLACE WHERE THE HISTORICAL ARCHIVE ON THE RESOLUTIONS PASSED AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND THE RESULTS OF THE VOTES, RELATING TO THE LAST THREE YEARS, IS DISCLOSED

The historical archive with the resolutions passed at the Company's general meetings, the share capital represented and the results of the votes, relating to the last three years, is available from the Company's Head Office, from the Company Secretary.

D. REMUNERATION

I. Competence to determine

33. INDICATION AS TO THE COMPETENCE TO DETERMINE THE REMUNERATION OF THE CORPORATE BODIES, THE MEMBERS OF THE EXECUTIVE COMMITTEE OR CHIEF EXECUTIVE AND THE DIRECTORS OF THE COMPANY

The Remunerations Committee is responsible for fixing the remuneration of the members of the corporate bodies.

FIDELIDADE ASSISTANCE

II. Remunerations Committee

34. COMPOSITION OF THE REMUNERATIONS COMMITTEE

The Remunerations Committee performing functions at 31 December 2016 was appointed on 29 July 2014 and is composed as follows:

Chairman:	Lan Kang
Members:	Michael Lee
	Yao Xu

35. KNOWLEDGE AND EXPERIENCE OF THE MEMBERS OF THE REMUNERATIONS COMMITTEE ON REMUNERATION POLICY ISSUES

The members of the Remunerations Committee are persons who, given their professional experience and curriculum vitae, have the appropriate knowledge and profile with regard to remuneration policy issues.

III. Remunerations structure

36. DESCRIPTION OF THE REMUNERATION POLICY FOR THE MANAGEMENT AND SUPERVISORY BODIES AS SET OUT IN ARTICLE 2 OF LAW NO. 28/2009, OF 19 JUNE

The Remunerations Committee submitted a declaration to the General Meeting of 31 March 2016, in compliance with the provisions of Article 2 of Law No. 28/2009, of 19 June, on the remuneration policy for the members of the respective management and supervisory bodies, which was unanimously approved.

According to the aforementioned declaration, the remuneration policy was based on the following principles:

The remuneration of the members of the Company's management and supervisory bodies is established by the Remunerations Committee in the light of the Remuneration Policy in force, with reference to the applicable laws and regulations, and the guiding principles of the remuneration policy for the members of the corporate bodies of the Group companies.

The Remuneration Policy for the members of the Company's management and supervisory bodies is as follows:

- When the position is remunerated and to ensure alignment with the interests of the company, the remuneration of the executive members of the management body is composed of a fixed component and a variable component;

- The fixed component is defined with reference to the amounts used in companies of a similar dimension, nature and complexity, and is paid in 14 monthly instalments, with the corresponding holiday and Christmas subsidies included within these, pursuant to the legislation in force;
- The variable component is determined according to performance, assessed on the basis of a series of defined objectives, namely, financial, operational, risk and strategic objectives, and is granted on an individual and annual basis, in relation to the year ended. It may not be more than a percentage of the monthly gross fixed remuneration in force at the end of that year, so that these are appropriately balanced;
- The members of the Board of Directors without executive functions do not receive any remuneration, either fixed or variable;
- The members of the Supervisory Board only receive fixed remuneration;
- There are no share allocation or stock option plans for members of the Company's management and supervisory bodies.

The aforementioned remuneration policy was applied in 2016.

Information on the annual amount of remuneration paid to the members of the corporate bodies is set out in this Corporate Governance Report.

The level of compliance with the recommendations contained in Circular No. 6/2010, of 1 April, from the then Portuguese Insurance Institute, now the Insurance and Pension Funds Supervisory Authority, regarding the remuneration policy is summarised below:

Item	Recommendation	Level of Compliance	Observations
I. General Principles	I.1. Institutions should adopt a remuneration policy consistent with effective management and control of risks which avoids excessive exposure to risk and potential conflicts of interest, and which is consistent with the objectives, values and long-term interests of the institution, particularly with the prospects for sustainable growth and profitability and protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers.	Met	
	I.2. The remuneration policy should be appropriate to the size, nature and complexity of the activity carried on or to be carried on by the institution and, in particular, as regards the risks taken or to be taken.	Met	

	I.3. Institutions should adopt a clear, transparent and appropriate structure for defining, implementing and monitoring the remuneration policy, which identifies, in an objective way, the employees involved in each case and their respective responsibilities and competences.	Met	
II. **Approval of the remuneration policy**	II.1 Without prejudice to the provisions of Article 2(1) of Law No. 28/2009, of 19 June, with regard to the remuneration of the members of the management and supervisory bodies, the remuneration policy should be approved by a remunerations committee or, where the existence of such a body is not feasible or appropriate given the size, nature and complexity of the institution concerned, by the General Meeting or by the general and supervisory board, as applicable.	Met	
	II.2. With regard to the remuneration of the remaining employees covered by the Circular, the remuneration policy should be approved by the management body.	Met	
	II.3. When determining the remuneration policy the involvement should be sought of persons with functional independence and adequate technical capacity, including persons who belong to structural units responsible for key functions and, whenever necessary, human resources, in addition to external experts, in order to avoid conflicts of interests and to enable an independent value judgement to be formed as to the adequacy of the remuneration policy, including its effects on the management of the institution's risks and capital.	Met	
	II.4. The remuneration policy should be transparent and accessible to all employees of the institution. The remuneration policy should also be subject to periodic review and be formalised in a separate document, duly updated, showing the date of the introduced changes and the justification for them, and an archive should be kept of earlier versions.	Met	
	II.5. The employees should be informed of the evaluation process, including the criteria used to determine the variable remuneration, prior to the time period covered by the evaluation process.	Met	
III. Remunerations committee	III.1. The remunerations committee, if any, should carry out a review, at least once a year, of the institution's remuneration policy and its implementation, in particular with regard to the remuneration of the executive members of the management body, including their remuneration based on shares or options, to enable an independent and substantiated value judgement to be formed as to the adequacy of the remuneration policy, in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	III.2. The members of the remunerations committee should be independent from the members of the management body and should meet suitability requirements and possess professional qualifications which are appropriate to the performance of their duties, in particular having knowledge and / or professional experience in remuneration policy issues.	Met	

	III.3. If the remunerations committee seeks, in the exercise of its functions, the provision of external services in relation to remuneration, it should not recruit a natural or legal person that provides or has provided, in the previous three years, services to any structure in a relationship of dependence to the management body, to the management body itself or a structure that has a current relationship as a consultant of the institution. This recommendation also applies to any natural or legal person who is connected to any of the above by means of an employment or provision of services contract.	Not applicable	External services are not used in relation to remuneration.
	III.4. The remunerations committee should report annually to the shareholders on the exercise of its functions and should attend any general meetings where the remuneration policy is included on the agenda.	Met	
	III.5. The remunerations committee should meet at least once a year, and should prepare minutes of all meetings held.	Met	
IV. **Remuneration of members of the management body**			
Executive members	IV.1. The remuneration of directors performing executive duties should include a variable component, which is determined by a performance assessment carried out by the competent bodies of the institution, according to predetermined measurable criteria, including non-financial criteria, which considers, in addition to individual performance, the real growth of the institution and the wealth effectively created for shareholders, protection of the interests of policyholders, insured persons, participants, beneficiaries and taxpayers, its long-term sustainability and the risks taken, as well as compliance with the rules applicable to the institution's activity.	Met	
	IV2. The fixed and variable components of the total remuneration should be appropriately balanced. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	
	IV.3. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Not met	No financial instruments were issued by the institution.
	IV.4. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the continued positive performance of the institution over this period.	Not met	No part of the variable remuneration was deferred.

	IV.5. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration.	Not applicable	No part of the variable remuneration was deferred.
	IV.6. The members of the Board of Directors should not enter into contracts with the institution, or with third parties, the purpose of which is to mitigate the risk inherent in the variability of the remuneration established for them by the institution.	Met	
	IV.7. Up until the end of their mandate, the executive members of the management body should maintain the shares in the institution which they have obtained via variable remuneration schemes, up to the limit of twice the value of the total annual remuneration, with the exception of those which need to be sold in order to pay taxes resulting from the gains from those same shares.	Not applicable	No Company shares were awarded.
	IV.8. When the variable remuneration includes options, the beginning of the period for them to be exercised should be deferred for a period of not less than three years.	Not applicable	No options were awarded.
	IV.9. After the period referred to in the previous paragraph, the executive members of the management body should retain a given number of shares, until the end of their mandate, subject to the need to finance any costs related to the acquisition of shares, and the number of shares to be retained should be fixed.	Not applicable	No shares were awarded.
Non-executive members	IV.10. The remuneration of the non-executive members of the management body should not include any component the value of which depends on the performance or the value of the institution.	Not applicable	Non-executive members do not receive remuneration.
Compensation in the event of dismissal	IV.11. Appropriate legal instruments should be established so that the compensation fixed for any form of unfair dismissal of a member of the management body is not paid if the dismissal or termination by agreement is the result of the inadequate performance of the member of the management body.	Not applicable	No compensation has been established.
V. **Remuneration of employees**			
Relationship between fixed remuneration and variable remuneration	V.1. If the remuneration of the institution's employees includes a variable component, this must be properly balanced in relation to the fixed component of the remuneration, taking into account, namely, the performance, the responsibilities and functions of each employee and the activity performed by the institution. The fixed component should represent a sufficiently high proportion of the total remuneration to allow the application of an entirely flexible policy regarding the variable remuneration component, including the possibility of not paying any variable remuneration component. The variable component should be subject to an upper limit.	Met	

	V.2. A substantial part of the variable component of the remuneration should be paid in financial instruments issued by the institution, the value of which depends on the institution's medium and long-term performance. These financial instruments should be subject to an appropriate retention policy designed to align incentives with the long-term interests of the institution and, when not quoted on the stock exchange, should be valued for the purpose at fair value.	Not met	No financial instruments were issued by the institution to be awarded to its employees.
Criteria for awarding variable remuneration	V.3. The performance assessment should take into account not only the individual performance but also the collective performance of the business unit of which the employee is a part and of the institution itself, and it should include relevant non-financial criteria, such as respect for the rules and procedures applicable to the activity being carried on, namely the internal control rules and those concerning the relationship with policyholders, insured persons, participants, beneficiaries and taxpayers, in order to promote the sustainability of the institution and the creation of value in the long term.	Met	
	V.4. The criteria for awarding variable remuneration according to performance should be predetermined and measurable, and should be related to a multi-annual framework of three to five years, to ensure that the assessment process is based on long-term performance.	Partially met	The remuneration policy for employees is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.
	V.5. The variable remuneration, including the deferred portion of that remuneration, should only be paid or constitute an acquired right if it is sustainable in the light of the financial situation of the institution as a whole and if it is justified in the light of the performance of the employee in question and of the business unit to which he or she belongs. The total variable remuneration should, in general terms, be severely reduced in the event of a regression in the performance or a negative performance for the institution.	Met	There is no deferred portion of the variable remuneration.
Deferral of the variable remuneration	V.6. A significant part of the variable remuneration should be deferred for a period of not less than three years and its payment should be dependent on the future performance criteria, measured on the basis of criteria adjusted to the risk, which consider the risks associated with the activity from which its allocation results.	Not met	The remuneration policy for employees is related to an annual framework, and it is not considered opportune to apply rules to those employees subject to Regulatory Standard No. 5/2010 that are different to those applied to the remaining employees.

	V.7. The part of the variable component subject to deferral should be on a sliding scale according to its weight in relation to the fixed component of the remuneration, and the deferred percentage should increase significantly in line with the employee's level in the hierarchy or responsibility.	Not applicable	No portion of the variable remuneration is subject to deferral.
Remuneration of employees who perform key functions	V.8. Employees involved in performing tasks associated with key functions should be remunerated based on the pursuit of the objectives linked to their functions, regardless of the performance of the areas under their control, and the remuneration should provide a reward which is appropriate to the importance of the exercise of their duties .	Met	
	V.9. In particular, the actuarial function and the responsible actuary should be remunerated in a manner consistent with their role in the institution and not in relation to the company's performance.	Not applicable	The actuarial function and the responsible actuary are not remunerated by Fidelidade Assistência.
VI. **Assessment of the remuneration policy**	VI.1. The remuneration policy should be subject to an independent internal assessment, at least once a year, to be carried out by employees with key functions in the institution, working in conjunction with each other.	Met	
	VI.2. The assessment provided for in the previous paragraph should include, namely, an analysis of the remuneration policy and its implementation in the light of the recommendations of this Circular, and in particular its effect on the management of the institution's risks and capital.	Met	
	VI.3. The employees with key functions should provide the management body and the General Meeting or the remunerations committee, if any, with a report containing the results of the analysis referred to in VI.1., which, namely, identifies the measures needed to correct any possible insufficiencies in the light of these recommendations.	Met	

IV. Disclosure of Remunerations

37. INDICATION OF THE ANNUAL AMOUNT OF REMUNERATION PAID BY THE COMPANY AS A WHOLE AND INDIVIDUALLY TO MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS, INCLUDING FIXED AND VARIABLE REMUNERATION AND, IN RELATION TO THE LATTER, REFERENCE TO THE DIFFERENT COMPONENTS THAT HAVE GIVEN RISE TO IT

The annual amount of remuneration paid by the Company, as a whole and individually, to the executive members of the Company's Board of Directors, is set out in the following table:

Executive Members of the Board of Directors (BD)	Fixed Remuneration	Variable Remuneration*
Jorge Manuel Baptista Magalhães Correia	0	0
Francisco Xavier da Conceição Cordeiro	0	0
José Manuel Alvarez Quintero	0	0
Luís Filipe Mateus Alves	111,825	21,418
TOTAL	111,825	21,418

*Paid in 2016 and related to 2015

Non-executive members of the Board of Directors do not receive any remuneration.

38. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS CONCERNING CONTRACT TERMINATION DURING THE YEAR

No executive director terminated their functions during 2016.

39. INDICATION OF THE ANNUAL AMOUNT OF REMUNERATION PAID BY THE COMPANY AS A WHOLE AND INDIVIDUALLY TO MEMBERS OF THE COMPANY'S SUPERVISORY BODIES, FOR THE PURPOSES OF LAW NO. 28/2009, OF 19 JUNE

The annual amount of gross remuneration paid, as a whole and individually, to the members of the Company's supervisory body is set out in the following table:

Members of the Supervisory Board	Amount (€)	Observations
Vasco Jorge Valdez Ferreira Matias	11,200	
João Filipe Gonçalves Pinto	8,400	
Luís Augusto Máximo dos Santos	4,349	Resigned on 31.05.2016
João Manuel Gonçalves Correia das Neves Martins	0	(Alternate)
TOTAL	23,949	

40. INDICATION OF THE REMUNERATION IN THE YEAR IN QUESTION OF THE PRESIDENT OF THE PRESIDING BOARD OF THE GENERAL MEETING

The President of the Presiding Board of the General Meeting does not receive any remuneration.

V. Agreements with remuneration implications

41. REFERENCE TO THE EXISTENCE AND DESCRIPTION, WITH AN INDICATION OF THE SUMS INVOLVED, OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGEMENT BODY, IN THE SENSE OF ARTICLE 248-B(3) OF THE SECURITIES CODE, WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION OR UNFAIR DISMISSAL OR TERMINATION OF THE EMPLOYMENT FOLLOWING A CHANGE IN THE CONTROL OF THE COMPANY (ARTICLE 245-A, (1) L))

There are no agreements between the Company and the members of the management body which provide for compensation in the event of resignation, unfair dismissal or termination of the work relationship following a change in the control of the company.

VI. Share allocation or stock option plans

42. IDENTIFICATION OF THE PLAN AND RESPECTIVE RECIPIENTS

There are no plans with these characteristics.

43. STOCK OPTIONS FOR EMPLOYEES AND COMPANY STAFF

There are no stock options for employees and staff.

E. RELATED PARTY TRANSACTIONS

I. Control mechanisms and procedures

44. MECHANISMS IMPLEMENTED BY THE COMPANY FOR THE PURPOSE OF CONTROLLING TRANSACTIONS WITH RELATED PARTIES

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

FIDELIDADE ASSISTANCE

45. INDICATION OF THE TRANSACTIONS WHICH WERE SUBJECT TO CONTROL IN THE YEAR IN QUESTION

All transactions with related parties were subject to control.

46. DESCRIPTION OF THE PROCEDURES AND CRITERIA APPLICABLE TO THE INTERVENTION OF THE SUPERVISORY BODY FOR THE PURPOSES OF PRIOR ASSESSMENT OF THE BUSINESS TO BE CONDUCTED BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHARES OR ENTITIES WHICH ARE IN ANY KIND OF RELATIONSHIP WITH THEM, PURSUANT TO ARTICLE 20 OF THE SECURITIES CODE

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

II. Information on the transactions

47. INDICATION OF THE LOCATION OF ACCOUNTING INFORMATION INCLUDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Information on transactions with related parties is included in Note 25 to the Financial Statements.

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Statutory Auditor's Report

Building a better
working world

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(Translation of a report originally issued in Portuguese)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

We have audited the accompanying financial statements of Fidelidade Assistência - Companhia de Seguros, S.A. Multicare – Seguros de Saúde, S.A. (the "Company"), which comprise the Statement of Financial Position as at December 31, 2016 (which establishes a total of 69,479,389 euros and total equity of 28,411,365 euros, including a net profit for the year of 1,925,076 euros), the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the financial position of Multicare – Seguros de Saúde, S.A. as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Portugal for the insurance sector as issued by the Supervisory Authority for insurance and pension funds in Portugal ("Autoridade de Supervisão de Seguros e Fundos de Pensões").

Basis for qualified opinion

The actuarial analysis with reference to December 31, 2016 indicates the existence of an excess of 3,785 thousand euros in claims provisions, of which 1,073 thousand euros were from the Assistance line of business and 2,712 thousand euros from the Legal Protection line of business (An excess of 3,662 thousand euros with reference to December 31, 2015, 453 thousand euros from the Assistance line of business and 3,209 thousand euros from the Legal Protection line of business). As a result, the liabilities are overvalued by 3,757 thousand euros, the Net Profit for the year is understated by 95 thousand euros and the Retained Earnings undervalued by 3,662 thousand euros. These amounts do not reflect the effect that the correction of this situation would have on the profit sharing under the reinsurance accepted and the respective tax effect.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and with other standards and technical directives of the Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the law and we comply with the ethical requirements of the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion with a reserve.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the material described in the section "Basis for qualified opinion", we consider that there were no other key audit matters of the current period.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for:

- preparation of the financial statements which present a true and fair view of financial position, financial performance and cash flows in accordance with the accounting principles generally accepted in Portugal for the insurance sector as issued by "Autoridade de Supervisão de Seguros e Fundos de Pensões";
- preparation of the Management Report, in accordance with the laws and regulations;
- creation and maintenance of an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement due to fraud or error;
- adoption of appropriate accounting policies and principles for the circumstances;
- assessment of the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the process of financial information preparation and disclosure.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the of the Society Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter; and
- provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Report of the Board of Directors with financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451º, nº 3, al. e) of the Commercial Companies Code, it is our opinion that the Management Report was prepared in accordance with laws and regulations in force, the information contained therein is in agreement with the audited financial statements and, taking into consideration our assessment and understanding of the Company, we have not identified any material misstatement.

About additional items set out in article 10º of Regulation (EU) nº 537/2014

Pursuant of article 10º of Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we report the following:

- We were appointed as auditors of the Company for the first time in the shareholders' general meeting held on May 15, 2014 for the period between 2014 and 2016.
- Management has confirmed that they are not aware of any fraud or fraud suspicion with a material impact on the financial statements. In planning and executing our audit in accordance with ISA we maintained our professional scepticism and we designed audit procedures to address the possibility of a material misstatement in the financial statements due to fraud.
- We confirm that our audit opinion is consistent with the additional report to the audit committee that we have prepared and delivered to those currently charged with governance.
- We declare that we have not provided any prohibited non-audit services referred to in article 77º nº 8 of the Statute of the Institute of Statutory Auditors and we remained independent of the Company in conducting the audit.
- We confirm that, in addition to the statutory audit, we have provided to the Company the procedures under the appendix I of the Regulation no 5/2016 R dated May 12 of the ASF to issue an agreed upon procedures report in accordance with the no 1 of the article 4.º of the same regulation.

Lisbon, March 13, 2017

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(signed)
Ana Rosa Ribeiro Salcedas Montes Pinto - ROC nº 1.230
Registered under CMVM with nº 20160841

07
Report
and Opinion
of the Supervisory Board

FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.

REPORT AND OPINION OF THE SUPERVISORY BOARD

2016

In compliance with the applicable legal provisions, articles of association and our instructions we hereby submit the report on our inspection and opinion on the accounting documents produced by the Board of Directors for which the Board is responsible.

We have monitored the company's activity during this accounting period, taking all the necessary steps to comply with the duties by which we are bound, and noted the regularity of the accounting records and compliance with the applicable legal and statutory regulations, having made the checks considered appropriate.

We were provided with regular information and clarifications on the operations of the company and its corporate business by the Board of Directors and other corporate bodies.

We have examined the Report of the Board of Directors and the other separate accounting documents for the year, in addition to the Statutory Auditor's Report, with which we are in agreement.

In consideration of the above, the Supervisory Board issues the following

OPINION

- That the Report of the Board of Directors and other separate accounting documents for the year, as submitted by the Board of Directors, should be approved;
- That the proposal for the application of income set out in the Report of the Board of Directors should be approved;

The Supervisory Board wishes to express its gratitude to the Board of Directors and other corporate bodies for their excellent collaboration during the course of the year.

Lisbon, 14 May 2017

SUPERVISORY BOARD

Vasco Jorge Valdez Ferreira Matias – Chairman

João Filipe Gonçalves Pinto – Member

DECLARATION OF COMPLEMENTARY LIABLITY
TO THE REPORT AND OPINION OF THE SUPERVISORY BOARD
OF FIDELIDADE ASSISTÊNCIA – COMPANHIA DE SEGUROS, S.A.
FOR 2016

In compliance with the provisions of Article 420(6) of the Commercial Companies Code, the members of the Supervisory Board hereby declare that, to the best of their knowledge, the separate accounts and other accounting documents for the year have been produced in conformity with the applicable accounting standards and are a true and fair reflection of the company's assets and liabilities, its financial situation and its results.

They also declare that, to the best of their knowledge, the Report of the Board of Directors provides a faithful account of the evolution of the company's business, performance and position, and that this report refers to the risks and uncertainties attached to the activity.

Lisbon, 14 May 2017.

SUPERVISORY BOARD
Vasco Jorge Valdez Ferreira Matias – Chairman
João Filipe Gonçalves Pinto – Member